

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

July 10, 2008

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities
Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501

Re: Purchased Gas Cost Adjustment
(PGA) Docket No. _____

Dear Ms. Van Gerpen:

In accordance with South Dakota Codified Laws, Chapter 49-34A, Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith electronically files its Purchased Gas Cost Adjustment (PGA) change pursuant to the terms of Rates 88 and 89. In this filing, Montana-Dakota also requests a waiver of provisions of its Rate 88 and 89 tariffs. The waivers apply to the surcharge adjustment and rate implementation as more fully described below. In order to effectuate the proposed changes on August 1, 2008, Montana-Dakota herewith requests waiver of the 30 days notice to the Commission required by ARSD 20:10:13:15 and 30 days notice to the public required by ASRD 20:10:13:17.

Attachment A is the Rate Summary Sheet (45th Revised Sheet No. 1) showing the proposed natural gas rates to be effective August 1, 2008.

Montana-Dakota purchases gas supplies under a number of contracts. The commodity cost of gas has increased approximately \$0.52 per dk since the last PGA filing due to an increase in the overall market price of gas. In addition, as described in Attachment B, Montana-Dakota has increased its firm transportation capacity from NorthWestern Energy (NorthWestern), effective June 1, 2008, resulting in a decrease of \$0.001 per dk for the Black Hills System and a decrease of \$0.002 per dk for the East River System. Montana-Dakota is also proposing to implement an out-of-cycle surcharge adjustment to reflect a zero adjustment to be effective August 1, 2008. The change in the surcharge adjustment is an increase of \$0.254 per dk for the Black Hills system residential and firm general service customers and \$0.077 per dk for the East River system residential and firm general service customers.

The Black Hills system PGA tariff sheet (Exhibit A, page 1) summarizes the gas cost adjustment, calculated pursuant to the terms of Rate 88 that will apply during the month of August 2008.

The net effect of this filing for the Black Hills system, calculated pursuant to the terms of Rate 88, is an increase of \$0.784 per dk for residential and general service customers, an increase of \$0.517 per dk for large interruptible customers and an increase of \$0.501 per dk for the Air Force from the currently effective rates.

Exhibit B shows the calculation of the current gas cost adjustment that will be applicable to Montana-Dakota's Black Hills system customers for the month of August 2008. The average cost of gas for firm customers, adjusted for losses, is \$11.477.

Exhibit C shows the calculation of the return on storage inventory balances and prepaid demand and commodity balances using the calculation procedure set forth in Rate 88 for the Black Hills system. The overall rate of return of 8.917% was authorized by the Commission in Docket No. NG04-004.

The East River system PGA tariff sheet (Exhibit A, page 2) summarizes the gas cost level, calculated pursuant to the terms of Rate 89, that will apply during the month of August 2008. The total PGA level is \$11.438 per dk for general service customers served under the currently effective Residential Rate 66 and Firm General Service Rate 76 and \$10.411 per dk for customers on the 100% load factor rate.

The net effect of this filing for the East River system, calculated pursuant to the terms of Rate 89, is an increase of \$0.606 per dk for general service customers and an increase of \$0.718 per dk for customers on the 100% load factor rate from the currently effective rates.

Exhibit D shows the calculation of the current gas cost level that will be applicable to Montana-Dakota's East River system customers for the month of August 2008. The average cost of gas for firm customers, adjusted for losses, is \$11.438.

Exhibit D, page 3 shows the calculation of the return on storage inventory balances and prepaid demand and commodity balances using the calculation procedure set forth in Rate 89 for the East River system. The overall rate of return of 8.90% was authorized by the Commission in Docket No. NG05-002.

Montana-Dakota requests a waiver from Section 4 of the Purchased Gas Cost Tracking Adjustment Procedure Rate 88 and 89 tariffs, which specifies that the surcharge adjustment is effective October 1 of each year. Montana-Dakota is proposing to implement an out of cycle surcharge adjustment effective August 1, 2008 for all classes except the large interruptible class and recalculate the adjustment in October 2008, pursuant to the terms of the tariff. The current surcharge adjustments were established in October 2007 and reflected an over recovery of gas costs for the firm customers. Montana-Dakota is now in the position of having an under recovery of gas costs for all

classes except the Air Force and East River 100% load factor classes, as shown in Exhibits E and F. In order to avoid adding to the under recovery, Montana-Dakota proposes to eliminate the current negative surcharge for the firm classes and implement a zero surcharge. The Air Force and East River 100% load factor rate classes currently reflect an over recovery of gas costs. Montana-Dakota proposes to eliminate the currently effective surcharges and implement a zero surcharge for these two classes also. The large interruptible class surcharge is currently a positive adjustment and it is proposed to continue that amortization.

These proposed adjustments, calculated in accordance with Rates 88 and 89, will amount to an increase of approximately \$139,800 for Black Hills system gas customers and an increase of approximately \$7,800 for East River system gas customers during the month of August 2008. All of Montana-Dakota's retail gas customers in South Dakota may be affected by this proposal. There were 45,621 customers on the Black Hills system and 6,295 customers on the East River system as of June 30, 2008.

Montana-Dakota also requests a waiver from Section 2(a) of its Rate 88 and Rate 89 tariffs with less than 30 days notice, which specifies that the purchased gas cost adjustment be implemented on a bills rendered basis. Montana-Dakota is currently integrating its Automated Meter Reading (AMR) system and may be rerouting some meter read cycles to most efficiently use the AMR system. As a result, during the implementation period, affected customers may receive bills that are longer or shorter than the normal cycle of approximately 30 days. Montana-Dakota proposes to implement the purchased gas cost adjustment on a service rendered basis for bills submitted to customers in August and September in order to avoid potential effects on customers due to the longer or shorter billing cycles. As a result, customers' usage prior to August 1, 2008 will be billed at the rate established in June (also effective in July) and usage on and after August 1, 2008 will be billed at the cost of gas established in this filing.

Please refer all inquiries regarding this filing to:

Ms. Rita A. Mulkern
Regulatory Analysis Manager
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence and pleadings to:

Mr. Daniel S. Kuntz
Associate General Counsel
MDU Resources Group, Inc.
P. O. Box 5650
Bismarck, ND 58506-5650

Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed stamped envelope.

Sincerely,



Tamie A. Aberle
Pricing & Tariff Manager

Attachments

Cc: D. Gerdes
D. Ball

STATE OF NORTH DAKOTA)
COUNTY OF BURLEIGH)

: ss.

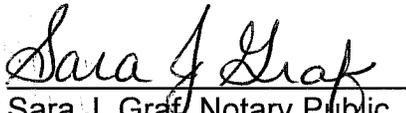
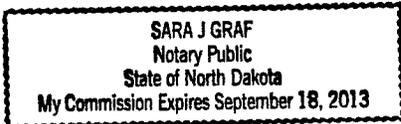
Tamie A. Aberle, being first duly sworn, deposes and says; that she is the Pricing & Tariff Manager of Montana-Dakota Utilities Co., the Applicant herein; that she has read the foregoing Application, knows the contents thereof, and that the same is true and correct to the best of her knowledge, information and belief.

Dated this 10th day of July 2008.



Tamie A. Aberle

Subscribed and sworn to before me this 10th day of July 2008.



Sara J. Graf, Notary Public
Burleigh County, North Dakota
My Commission Expires: 09/18/2013

OF COUNSEL:

Daniel S. Kuntz
Associate General Counsel
MDU Resources Group, Inc.
P. O. Box 5650
Bismarck, ND 58506-5650

**Rate Summary Sheet
(Proposed)**



Montana-Dakota Utilities Co.
 A Division of MDU Resources Group, Inc.
 400 N 4th Street
 Bismarck, ND 58501

**State of South Dakota
 Gas Rate Schedule - SDPUC Volume No. 2**

RATE SUMMARY SHEET

Section No. 3
 45th Revised Sheet No. 1
 Canceling 44th Revised Sheet No. 1

Page 1 of 1

Rate Schedule	Sheet No.	Basic Service Charge	Distribution Delivery Charge	CTA	PGA Items	Total Rate/ Dk
Residential Rate 60	2	\$0.25 per day	\$1.571	\$0.004	\$11.477	\$13.052
Ellsworth Air Force Base Rate 64	5	\$95.00 per month	\$0.062		\$10.307	\$10.369
East River Residential Rate 66	7	\$0.15 per day	\$2.915	\$0.002	\$11.438	\$14.355
Firm General Service Rate 70 Meters rated < 500 cubic feet Meters rated > 500 cubic feet	11	\$0.35 per day \$0.70 per day	\$1.175	\$0.004	\$11.477	\$12.656
Small Interruptible Gas Rate 71	12	\$50.00 per month	(\$0.453) \$0.453		\$11.477	(\$11.930) \$11.930
Optional Seasonal Gas Service Rate 72 Meters rated < 500 cubic feet Meters rated > 500 cubic feet Winter Gas Usage Summer Gas Usage	13	\$0.35 per day \$0.70 per day	\$1.175 \$1.175	\$0.004 \$0.004	\$11.578 \$10.546	\$12.757 \$11.725
East River Firm General Service Rate 76 Meters rated < 500 cubic feet Meters rated > 500 cubic feet	17	\$0.25 per day \$0.50 per day	\$2.598	\$0.002	\$11.438	\$14.038
Transportation Service Small Interruptible Rate 81 Maximum Minimum Fuel Charge Large Interruptible Rate 82 Maximum Minimum Fuel Charge	22	\$125.00 per month	\$0.453 \$0.131		\$0.129	
Large Interruptible Gas Rate 85	26	\$175.00 per month	(\$0.187) \$0.187		\$10.575	(\$10.762) \$10.762

Date Filed: July 10, 2008

Effective Date: Service Rendered on and after August 1, 2008

Issued By: Donald R. Ball
 Vice President - Regulatory Affairs

Docket No.:

**Montana-Dakota Utilities Co.
Pipeline Rate Changes Since Last PGA
South Dakota**

NorthWestern Energy

Montana-Dakota has increased its firm transportation capacity from NorthWestern Energy from 3,500 dk/day to 6,700 dk/day, effective June 1, 2008 to meet the increasing capacity requirements and to add additional supply diversity to Montana-Dakota's gas supply portfolio for tis customers.

Approximate impact on Montana-Dakota's cost of gas – Black Hills – (0.1) cent per dk
– East River – (0.2) cent per dk

MONTANA-DAKOTA UTILITIES CO.
PGA TARIFF SHEET
BLACK HILLS
EFFECTIVE AUGUST 2008

	Residential & General Service	Optional Seasonal	Large Interruptible	Air Force
<u>Gas Cost Adjustment:</u>				
Gas Cost Level (Exhibit B)	\$11,477	\$10,546	\$10,424	\$10,307
Prior Gas Cost	<u>10,947</u>	<u>10,027</u>	<u>9,907</u>	<u>9,795</u>
Current Gas Cost Adjustment	\$0.530	\$0.519	\$0.517	\$0.512
<u>Surcharge Adjustment:</u>				
Current Adjustment (Exhibit E)	0.000	0.000	0.151	0.000
Prior Adjustment	<u>(0.254)</u>	<u>(0.254)</u>	<u>0.151</u>	<u>0.011</u>
Change in Surcharge Adjustment	<u>\$0.254</u>	<u>\$0.254</u>	<u>\$0.000</u>	<u>(\$0.011)</u>
Net Increase (Decrease) in Gas Costs	<u>\$0.784</u>	<u>\$0.773</u>	<u>\$0.517</u>	<u>\$0.501</u>
Gas Cost Level	\$11,477	\$10,546	\$10,424	\$10,307
Plus: Surcharge	<u>0.000</u>	<u>0.000</u>	<u>0.151</u>	<u>0.000</u>
Total Gas Cost Level in Tariff Rates	<u>\$11,477</u>	<u>\$10,546</u>	<u>\$10,575</u>	<u>\$10,307</u>

MONTANA-DAKOTA UTILITIES CO.
PGA TARIFF SHEET
EAST RIVER
EFFECTIVE AUGUST 2008

	Residential & General Service	100% Load Factor
<u>Gas Cost Adjustment:</u>		
Prior Cumulative Gas Cost Adjustment	\$10.909	\$9.895
Current Gas Cost Adjustment	<u>0.529</u>	<u>0.516</u>
Cumulative Gas Cost Adjustment	\$11.438	\$10.411
<u>Surcharge Adjustment:</u>		
Current Adjustment (Exhibit F)	<u>0.000</u>	<u>0.000</u>
TOTAL PGA	<u>\$11.438</u>	<u>\$10.411</u>
TOTAL PGA - June 2008	<u>10.832</u>	<u>9.693</u>
Net Increase (Decrease)	<u>\$0.606</u>	<u>\$0.718</u>
Gas Cost Level in Base Rates	\$0.000	\$0.000
Plus: Total PGA	<u>11.438</u>	<u>10.411</u>
Total Gas Cost Level in Rates	<u>\$11.438</u>	<u>\$10.411</u>

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF CURRENT GAS COST ADJUSTMENT
BLACK HILLS SYSTEM - RESIDENTIAL AND GENERAL SERVICE
EFFECTIVE AUGUST 2008**

	Amount
Total Gas Costs 1/	\$61,221,472
Residential and General Service dk Requirements 2/	5,394,988
Average Cost of Gas per dk	\$11.348
Average Cost of Gas as Adjusted for Losses @ 98.88%	11.477
Less: Gas Cost Level in Base Tariff Rates 3/	10.947
Current Gas Cost Adjustment	\$0.530

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 - 7 for Williston Basin Interstate Pipeline Company currently effective rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit C.

2/ Normalized dk sales for the twelve months ended May 31, 2008, adjusted for losses at 1.12%.

3/ Gas Cost Level in Rates effective June 1, 2008:

Cost of Purchased Gas	\$10.824
Adjustment for Distribution Losses	0.9888
Gas Cost Level in Base Tariff Rates	\$10.947

**MONTANA-DAKOTA UTILITIES CO.
COST OF GAS TARIFF SHEET
CURRENT GAS COST ADJUSTMENT - BLACK HILLS
OPTIONAL SEASONAL - RATE 72
EFFECTIVE AUGUST 2008**

<u>Summer - June - September</u>	
Total Gas Costs 1/	\$61,221,472
Less: Annual MDDQ Costs 1/	<u>4,964,424</u>
Total Gas Costs excluding MDDQ	\$56,257,048
Firm Service Requirements 1/	5,394,988
Other Gas Costs per Dk (excluding MDDQ)	\$10.428
Summer Seasonal Rate, adjusted for losses 2/	10.546
Less: Gas Cost Level in Rates 3/	<u>10.027</u>
Current Gas Cost Adjustment	<u><u>\$0.519</u></u>
 <u>Winter - October - May</u>	
Annual MDDQ Costs 1/	\$4,964,424
Winter Firm Service Requirements	4,865,081
MDDQ Costs per Winter Dk	\$1.020
Add: Other Gas Costs per Dk	<u>10.428</u>
Winter Seasonal Rate	\$11.448
Winter Seasonal Rate, adjusted for losses 2/	\$11.578

1/ Exhibit B, page 1.

2/ Loss factor of 1.12%

3/ Gas Cost Level in Rates effective June 1, 2008:

	<u>Summer</u>	<u>Winter</u>
Cost of Purchased Gas	\$9.915	\$10.924
Adjustment for Distribution Losses	0.9888	0.9888
Gas Cost Level in Base Tariff Rates	\$10.027	\$11.048

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF CURRENT GAS COST ADJUSTMENT
BLACK HILLS SYSTEM - LARGE INTERRUPTIBLE
EFFECTIVE AUGUST 2008**

	Amount
Total Gas Costs 1/	\$6,397,341
Large Interruptible Service dk Requirements	620,692
Average Cost of Gas per dk	\$10.307
Average Cost of Gas as Adjusted for Losses @ 98.88%	10.424
Less: Gas Cost Level in Base Tariff Rates 2/	9.907
Current Gas Cost Adjustment	\$0.517

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 - 7 for Williston Basin Interstate Pipeline Company currently effective rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit C, allocated to interruptible on MDDQ.

2/ Gas Cost Level in Rates effective June 1, 2008:

Cost of Purchased Gas	\$9.796
Adjustment for Distribution Losses	0.9888
Gas Cost Level in Base Tariff Rates	\$9.907

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF CURRENT GAS COST ADJUSTMENT
BLACK HILLS SYSTEM - AIR FORCE
EFFECTIVE AUGUST 2008**

	<u>Amount</u>
Total Gas Costs 1/	\$7,729,964
Air Force Interruptible Service dk Requirements	750,000
Average Cost of Gas per dk	\$10.307
Less: Gas Cost Level in Base Tariff Rates 2/	<u>9.795</u>
Current Gas Cost Adjustment	<u><u>\$0.512</u></u>

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 - 7 for Williston Basin Interstate Pipeline Company currently effective rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit C, allocated to the Air Force on MDDQ.

2/ Gas Cost Level in Rates effective June 1, 2008:
Cost of Purchased Gas \$9.795

NOTICE OF CURRENTLY EFFECTIVE RATES

(ALL RATES ARE STATED IN CENTS PER DEKATHERM OR EQUIVALENT DEKATHERM AS INDICATED)

RATE SCHEDULE	UNIT	BASE TARIFF RATE	ACA SURCHARGE	TOP THROUGHPUT SURCHARGE	GAS SUPPLY REALIGNMENT SURCHARGE	BASE TARIFF RATE PLUS SURCHARGES
RATE SCHEDULE FT-1						
RESERVATION CHARGE						
MAXIMUM DAILY DELIVERY QUANTITY (MDDQ)						
MAXIMUM	RATE PER EQV. DKT PER MO.	737.928	N.A.	N.A.	N.A.	737.928
MINIMUM	RATE PER EQV. DKT PER MO.	0.000	N.A.	N.A.	N.A.	0.000
COMMODITY CHARGE						
MAXIMUM A/B/	RATE PER DKT	3.120	0.190	N.A.	N.A.	3.310
MINIMUM A/B/	RATE PER DKT	3.120	0.190	N.A.	N.A.	3.310
SCHEDULED OVERRUN CHARGE						
MAXIMUM A/B/	RATE PER DKT	30.884	0.190	N.A.	N.A.	31.074
MINIMUM A/B/	RATE PER DKT	3.120	0.190	N.A.	N.A.	3.310

- A/ SHIPPER MUST REIMBURSE TRANSPORTER IN-KIND FOR TRANSPORTATION FUEL USE, LOST AND UNACCOUNTED FOR GAS. THE APPLICABLE PERCENTAGE IS 2.594%, CONSISTING OF 2.467 % FOR THE CURRENT PERCENTAGE AND 0.127% FOR THE DEFERRAL PERCENTAGE. THIS PERCENTAGE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS TENDERED TO TRANSPORTER FOR SHIPPER'S ACCOUNT AT THE RECEIPT POINT(S) INTO TRANSPORTER'S TRANSMISSION FACILITIES.
- B/ SHIPPER MUST REIMBURSE TRANSPORTER FOR ELECTRIC POWER USED FOR TRANSPORTATION. THE APPLICABLE RATE IS 0.224 CENTS, CONSISTING OF 0.299 CENTS FOR THE CURRENT RATE AND (0.075) CENTS FOR THE DEFERRAL RATE. THIS RATE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS TENDERED TO TRANSPORTER FOR SHIPPER'S ACCOUNT AT THE RECEIPT POINT(S) INTO TRANSPORTER'S TRANSMISSION FACILITIES.

NOTICE OF CURRENTLY EFFECTIVE RATES

(ALL RATES ARE STATED IN CENTS PER DEKATHERM OR EQUIVALENT DEKATHERM AS INDICATED)

RATE SCHEDULE	UNIT	BASE TARIFF RATE	ACA SURCHARGE	TOP THROUGHPUT SURCHARGE	GAS SUPPLY REALIGNMENT SURCHARGE	BASE TARIFF RATE PLUS SURCHARGES

RATE SCHEDULE FTN-1						

RESERVATION CHARGE						
MAXIMUM DAILY DELIVERY QUANTITY (MDDQ)						
MAXIMUM	RATE PER EQV. DKT PER MO.	47.491	N.A.	N.A.	N.A.	47.491
MINIMUM	RATE PER EQV. DKT PER MO.	1.589	N.A.	N.A.	N.A.	1.589

Issued by: Keith A. Tiggelaar - Director of Regulatory Affairs

Issued on: May 19, 2005

Effective on: April 19, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. RP00-107, et al., issued April 19, 2005

NOTICE OF CURRENTLY EFFECTIVE RATES

(ALL RATES ARE STATED IN CENTS PER DEKATHERM OR EQUIVALENT DEKATHERM AS INDICATED)

RATE SCHEDULE	UNIT	BASE TARIFF RATE	ACA SURCHARGE	TOP THROUGHPUT SURCHARGE	GAS SUPPLY REALIGNMENT SURCHARGE	BASE TARIFF RATE PLUS SURCHARGES
RATE SCHEDULE FS-1						
CAPACITY RESERVATION						
MAXIMUM	RATE PER EQV. DKT PER MO.	2.102	N.A.	N.A.	N.A.	2.102
MINIMUM	RATE PER EQV. DKT PER MO.	0.000	N.A.	N.A.	N.A.	0.000
CAPACITY DELIVERABILITY						
MAXIMUM	RATE PER EQV. DKT PER MO.	190.602	N.A.	N.A.	N.A.	190.602
MINIMUM	RATE PER EQV. DKT PER MO.	0.000	N.A.	N.A.	N.A.	0.000
INJECTION						
MAXIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
WITHDRAWAL						
MAXIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
SCHEDULED OVERRUN CHARGE						
INJECTION						
MAXIMUM A/B/	RATE PER DKT	23.920	N.A.	N.A.	N.A.	23.920
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
WITHDRAWAL						
MAXIMUM A/B/	RATE PER DKT	23.920	N.A.	N.A.	N.A.	23.920
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888

- A/ SHIPPER MUST REIMBURSE TRANSPORTER IN-KIND FOR STORAGE FUEL USE, LOST AND UNACCOUNTED FOR GAS. THE APPLICABLE PERCENTAGE IS 0.372%, CONSISTING OF 0.507% FOR THE CURRENT PERCENTAGE AND (0.135%) FOR THE DEFERRAL PERCENTAGE. THIS PERCENTAGE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS INJECTED AND/OR WITHDRAWN BY TRANSPORTER FOR SHIPPER'S ACCOUNT AT TRANSPORTER'S STORAGE FACILITIES.
- B/ SHIPPER MUST REIMBURSE TRANSPORTER FOR ELECTRIC POWER USED FOR STORAGE. THE APPLICABLE RATE IS 0.079 CENTS, CONSISTING OF 0.031 CENTS FOR THE CURRENT RATE AND 0.048 CENTS FOR THE DEFERRAL RATE. THIS RATE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS INJECTED AND/OR WITHDRAWN BY TRANSPORTER FOR SHIPPER'S ACCOUNT AT TRANSPORTER'S STORAGE FACILITIES.

**MONTANA-DAKOTA UTILITIES CO.
RETURN ON CYCLE STORAGE BALANCES
AND PREPAID DEMAND AND COMMODITY BALANCES
BLACK HILLS
EFFECTIVE AUGUST 2008**

	General Service		
	Storage Balance 1/	Commodity Balance 2/	Prepaid Demand
October 2007	\$6,783,863	\$291,806	\$1,268,923
November	6,237,191	241,002	1,016,752
December	3,568,341	161,932	502,103
January 2008	407,900	54,155	(79,614)
February	(2,091,160)	(26,961)	(460,884)
March	(3,204,456)	(74,446)	(706,490)
April	(3,458,643)	(90,191)	(674,874)
May	(2,798,451)	(55,717)	(416,394)
June	(777,215)	33,298	(21,461)
July	1,299,226	140,525	364,476
August	3,380,612	241,707	747,261
September	6,249,760	473,262	1,055,860
October	8,015,790	522,292	1,140,732
13 month average	<u>\$1,816,366</u>	<u>\$147,128</u>	<u>\$287,415</u>
Rate of Return	8.917%	8.917%	8.917%
Return	\$161,965	\$13,119	\$25,629
Return Requirement - Revenue	<u>\$249,551</u>	<u>\$20,213</u>	<u>\$39,488</u>

1/ Monthly balance from SENDOUT Model, allocated to the Black Hills system on the ratio of storage capacity MDDQ.

2/ Monthly balance allocated to the Black Hills system based on sales volumes.

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF CURRENT GAS COST ADJUSTMENT
EAST RIVER- GENERAL SERVICE
EFFECTIVE AUGUST 2008**

	Amount
Total Gas Costs 1/	\$8,689,075
Residential and General Service dk Requirements 2/	767,327
Average Cost of Gas per dk	\$11.324
Average Cost of Gas as Adjusted for Losses @ 99%	11.438
Less: Gas Cost Level in Base Tariff Rates 3/	0.000
Cumulative Gas Cost Adjustment	\$11.438
Less: Prior Cumulative Adjustment (PGA effective June 1, 2008)	10.909
Current Gas Cost Adjustment	\$0.529

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 - 7 for Williston Basin Interstate Pipeline Company currently effective rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit D, page 3.

2/ Normalized dk sales for the twelve months ended May 31, 2008, adjusted for losses at 1%.

3/ Docket No. NG05-002.

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF CURRENT GAS COST ADJUSTMENT
EAST RIVER - 100% LOAD FACTOR
EFFECTIVE AUGUST 2008**

	Amount
Total Gas Costs 1/	\$5,153,630
Dk Requirements	500,000
Average Cost of Gas per dk	\$10.307
Average Cost of Gas as Adjusted for Losses @ 99%	10.411
Less: Gas Cost Level in Base Tariff Rates	0.000
Cumulative Gas Cost Adjustment	\$10.411
Less: Prior Cumulative Adjustment (PGA effective June 1, 2008)	9.895
Current Gas Cost Adjustment	\$0.516

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 - 7 for Williston Basin Interstate Pipeline Company currently effective rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit D, page 3, allocated on MDDQ.

**MONTANA-DAKOTA UTILITIES CO.
RETURN ON CYCLE STORAGE BALANCES
AND PREPAID DEMAND AND COMMODITY BALANCES
EAST RIVER
EFFECTIVE AUGUST 2008**

	General Service		
	Storage Balance 1/	Commodity Balance 2/	Prepaid Demand
October 2007	\$946,929	\$31,167	\$207,022
November	870,622	24,765	169,464
December	498,089	15,199	84,982
January 2008	56,936	3,613	(19,548)
February	(291,890)	(6,568)	(89,604)
March	(447,287)	(12,495)	(127,939)
April	(482,767)	(14,342)	(114,272)
May	(390,616)	(10,225)	(66,345)
June	(108,485)	4,736	(3,309)
July	181,348	19,986	63,984
August	471,872	34,377	129,047
September	872,354	67,312	188,052
October	1,118,860	74,286	212,052
13 month average	\$253,536	\$17,832	\$48,737
Rate of Return	8.900%	8.900%	8.900%
Return	\$22,565	\$1,587	\$4,338
Return Requirement - Revenue	<u>\$34,768</u>	<u>\$2,445</u>	<u>\$6,684</u>

1/ Monthly balance from SENDOUT Model, allocated to East River on ratio of storage capacity MDDQ.

2/ Monthly balance allocated to East River based on sales volumes.

**MONTANA-DAKOTA UTILITIES CO.
(OVER)/UNDER RECOVERED GAS COST ACCOUNT
BLACK HILLS GAS
EFFECTIVE AUGUST 2008**

	Balances		
	Firm	Interruptible	Air Force
July 2007	(\$1,593,861)	(\$63,590)	\$4,749
August	(2,367,846)	(86,655)	(36,765)
September	(2,820,731)	(92,382)	(68,074)
October	(2,816,812)	(95,594)	(69,943)
November	(2,357,218)	(87,103)	(87,318)
December	(1,057,835)	(13,351)	(212,030)
January 2008	232,144	(4,781)	(118,912)
February	595,846	(834)	(123,455)
March	880,426	4,323	(130,950)
April	1,001,701	5,390	(139,273)
May	1,289,645	16,949	(147,567)
	<u>Firm</u>	<u>Interruptible</u>	<u>Air Force</u>
Current Surcharge Adjustment	(\$0.254)	\$0.151	0.011
Proposed Surcharge Adjustment	0.000	0.151	0.000
Change in Surcharge Adjustment	<u>\$0.254</u>	<u>\$0.000</u>	<u>(0.011)</u>

**MONTANA-DAKOTA UTILITIES CO.
(OVER)/UNDER RECOVERED GAS COST ADJUSTMENT
EAST RIVER GAS
EFFECTIVE AUGUST 2008**

	Balances	
	Firm	100% Load Factor
'July 2007	(\$52,939)	(\$44,398)
August	(132,953)	(57,160)
September	(185,094)	(60,486)
October	(195,344)	(62,308)
November	(132,769)	(59,591)
December	(59,276)	(2,836)
'January 2008	115,335	(2,842)
February	155,604	(2,845)
March	190,759	(2,847)
April	205,912	(2,849)
May	252,754	(1,403)
	Firm	100% Load Factor
Current Surcharge Adjustment	(\$0.077)	(\$0.202)
Proposed Adjustment	0.000	0.000
Change in Surcharge Adjustment	<u>\$0.077</u>	<u>\$0.202</u>