

August 26, 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 –
Rate 88 and Rate 89
Docket No. NG08-_____

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith requests approval to revise its Purchased Gas Cost Adjustment Rate 88 and East River Natural Gas System Purchased Gas Cost Adjustment Rate 89 (PGA) tariffs. Montana-Dakota submits this Letter of Transmittal along with Exhibit A in support of this request.

Section 2(a) of the PGA tariffs Rate 88 and Rate 89 states that the effective date of the monthly PGA is to be bills rendered on and after the first date of each month. Montana-Dakota herewith requests Commission approval to change the effective date of the PGA tariff(s) from bills rendered to a service rendered basis.

Montana-Dakota is in the process of integrating its Automated Meter Reading (AMR) system. During the integration process, Montana-Dakota is rerouting some meter read cycles to take advantage of the efficiencies and flexibility that AMR offers. The Company also expects to reroute meter read cycles in the future, using knowledge gained through experience with the AMR system, to gain further efficiencies. To avoid potential effects on customers, both now and in the future, Montana-Dakota proposes to implement its PGA on a service rendered basis. An additional advantage of a service rendered PGA is that it will provide for an equitable sharing of costs among all customers, regardless of their meter read cycle.

The Company requests approval of 3rd Revised Sheet No. 29 of its Purchased Gas Cost Adjustment –Rate 88 schedule and 3rd Revised Sheet No. 30 East River Natural Gas System Purchased Gas Cost Adjustment – Rate 89 schedule, as provided in

Exhibit A. Also included is a second affected tariffs on which Montana-Dakota has indicated the revision requested by lining through the existing language, which the Company proposes to delete, and underlining the new proposed language.

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.

Sincerely,



Donald R. Ball
Vice President – Regulatory Affairs

Attachments

cc: D. Gerdes
D. Kuntz

Exhibit A



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**

Section No. 3
3rd Revised Sheet No. 29
Canceling 2nd Revised Sheet No. 29

PURCHASED GAS COST ADJUSTMENT Rate 88

Page 1 of 6

1. Applicability:

This rate schedule constitutes a purchased gas cost adjustment (PGA) provision and specifies the procedure to be utilized to adjust the rates for gas sold under Montana-Dakota's rate schedules, with the exception of Rate 66 and Rate 76, in order to reflect: (a) changes in Montana-Dakota's average cost of gas supply and (b) amortization of the Unrecovered Purchased Gas Cost Account.

2. Effective Date and Limitation on Adjustments:

(a) The effective dates of the PGA shall be service rendered on and after the first day of each month, unless the Commission shall otherwise order. C

(b) Montana-Dakota shall file a PGA to reflect changes in its average cost of gas supply only when the amount of change in such PGA is at least 10 (ten) cents per dk compared to the currently effective adjustment. The adjustment to be effective October 1 shall be filed each year, regardless of the amount of the change.

3. Purchased Gas Cost Adjustment:

(a) The monthly PGA shall reflect changes in Montana-Dakota's cost of gas supply as compared to the cost of gas supply approved in its most recent PGA. The cost of gas supply shall be the sum of all costs incurred in obtaining gas for general system supply. General system supply is defined as gas available for use by all customers served under retail sales rate schedules excluding Rate 66 and Rate 76. The cost of gas supply shall include, but not be limited to, all demand, commodity, storage, gathering, and transportation charges incurred by Montana-Dakota for such gas supply, the overall rate of return on prepaid demand and commodity charges and gas storage balances required to maintain the system gas supply and hedging program gains, losses and transaction costs related to system gas supply.

(b) The PGA shall be computed as follows:

(1) Demand costs shall include all annual gathering, transportation and storage demand charges at current rates.

Date Filed: August 26, 2008

Effective Date:

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

Docket No.:



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

Section No. 3
3rd Revised Sheet No. 30
Canceling 2nd Revised Sheet No. 30

**EAST RIVER NATURAL GAS SYSTEM
PURCHASED GAS COST ADJUSTMENT Rate 89**

Page 1 of 6

1. Applicability:

This rate schedule constitutes a purchased gas cost adjustment (PGA) provision and specifies the procedure to be utilized to adjust the rates for gas sold under Residential Natural Gas Service Rate 66 (Rate 66) and Firm General Natural Gas Service Rate 76 (Rate 76) in order to reflect: (a) changes in Montana-Dakota's average cost of gas supply and (b) amortization of the Unrecovered Purchased Gas Cost Account.

2. Effective Date and Limitation on Adjustments:

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- (b) Montana-Dakota shall file a PGA to reflect changes in its average cost of gas supply only when the amount of such change in PGA is at least 10 (ten) cents per dk compared to the currently effective adjustment. The adjustment to be effective October 1 shall be filed each year, regardless of the amount of the change.

3. Purchased Gas Cost Adjustment:

- (a) The monthly PGA shall reflect changes in Montana-Dakota's cost of gas supply for the East River System as compared to the cost of gas supply approved in its most recent PGA. The cost of gas supply shall be the sum of all costs incurred in obtaining gas for delivery at interconnections with South Dakota Intrastate Pipeline (SDIP). The East River System supply is defined as gas available for use by all customers served under Rate 66 and Rate 76. The cost of gas supply shall include, but not be limited to, all demand, commodity, storage, gathering, and transportation charges incurred by Montana-Dakota for such gas supply, the overall rate of return on prepaid demand and commodity charges and gas storage balances required to maintain the East River System gas supply and hedging program gains, losses and transaction costs related to the East River System gas supply.

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Gas Rate Schedule – SDPUC Volume No. 2**

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**EAST RIVER NATURAL GAS SYSTEM
PURCHASED GAS COST ADJUSTMENT Rate 89**

Page 1 of 6

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