



Montana-Dakota Utilities Co.

A Subsidiary of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of Wyoming Gas Rate Schedule

W.P.S.C. Tariff No. 2
Original Sheet No. 70

PURCHASED GAS COST ADJUSTMENT Rate 88

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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 in order to reflect: (a) changes in Montana-Dakota's average cost of gas supply and (b) amortization of the Unrecovered Purchase 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.
- (b) Montana-Dakota shall file an adjustment to reflect changes in its average cost of gas supply only when the amount of such adjustment is at least 25 (twenty-five) cents per dk. 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 prudent 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. 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 revenue requirement at the authorized Wyoming 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.

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- (2) Commodity costs shall include all annual gathering, transportation and storage charges at current rates.
- (3) The gas commodity cost shall reflect all commodity related gas costs estimated to be in effect for the month the PGA will be in effect and annual dk requirements.
- (4) The return on prepaid demand and commodity balances and storage balances shall reflect the revenue requirement on the average of the thirteen monthly balances. The revenue requirement shall be calculated by multiplying the average balance by the authorized rate of return, as adjusted for Federal income taxes on the equity component of the capital structure.

The cost per dk for the month is the sum of the above divided by annual, weather normalized dk deliveries for the most recent twelve month period adjusted to reflect losses.

- (c) Monthly gas costs shall be calculated as follows:
 - (1) Demand costs shall be apportioned to all state jurisdictions served by Montana-Dakota on the basis of the overall ratio of each state's Maximum Daily Delivery Quantity (MDDQ).
 - (2) All commodity costs and other costs associated with the acquisition of gas for general system supply shall be apportioned to each state on the basis of total dks sold in each state, regardless of the actual points of delivery of such gas.
 - (3) The revenue requirement related to prepaid demand and commodity charges and gas storage balances shall be included on a per dk basis. The prepaid demand and storage balances shall be apportioned to all states on the basis of each state's MDDQ. The prepaid commodity charges shall be apportioned to

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all states on the basis of annual dks sold in each state. The unit cost shall be calculated using a thirteen month average balance by multiplying the average balance by the authorized rate of return as adjusted for Federal income taxes on the equity component of the capital structure. The resulting revenue requirement shall be divided by the weather normalized dk deliveries for the most recent twelve month period adjusted to reflect losses.

- (4) All costs related to specific end-use transactions shall not be included in the cost of gas supply determination but shall be directly billed to the customer(s) contracting for such service.
- (d) The PGA shall be uniformly applied to all of Montana-Dakota's rate schedules pursuant to the Commission's Order in Docket No. 9458 Sub 91.

4. Surcharge Adjustment:

All sales rate schedules shall be subject to a Surcharge Adjustment to be effective on October 1 of each year. The Surcharge Adjustment per dk sold shall reflect amortization of the applicable balance in the Unrecovered Purchased Gas Cost Account calculated by dividing the applicable balance by the estimated dk sales for the twelve months following the effective date of the adjustment.

5. Unrecovered Purchased Gas Cost Account:

- (a) Items to be included in the Unrecovered Purchased Gas Cost Account, as calculated in accordance with Subsection 5(b) are:
 - (1) Charges for gas supply which Montana-Dakota is unable to reflect in a Purchased Gas Cost Adjustment by reason of the twenty-five cent minimum limitation set forth in Subsection 2(b).

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- (2) Amounts of increased/decreased charges for gas supplies which were paid during any period after the effective date of the most recent PGA, but not yet included in sales rates.
- (3) Refunds received from supplier(s) with respect to gas supply. Such refunds received shall be credited to the Unrecovered Purchased Gas Cost Account.
- (4) Capacity release revenue allocated to Wyoming.
- (5) Carrying charges or credits as specified by Subsection 5(b)(2).
- (b) (1) The amount to be included in the Unrecovered Purchased Gas Cost Account in order to reflect the items specified in Subsections 5(a)(1), (2), and (3) shall be calculated as follows:
 - (i) Montana-Dakota shall first determine each month the unit cost for that month's natural gas supply as adjusted to levelize demand charges.

Such adjustment to levelize supplier(s) demand charges shall be calculated as follows:

The suppliers' annual (calendar or fiscal) demand charges, which are payable in equal monthly payments, shall be accumulated in a prepaid account (FERC Account 165). Each month a portion of such accumulated prepaid amount shall be amortized to cost of natural gas purchased (FERC Account 804). Such monthly amortization shall be based on a rate calculated by dividing the annual supplier(s) demand charges by projected annual natural gas sales units (calendar or fiscal, as appropriate). The resulting per unit rate shall then be multiplied by the projected natural gas unit sales for the current month. Such amount shall constitute the monthly

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- amortization of prepaid supplier(s) demand charges to cost of natural gas supply.
- (ii) Montana-Dakota shall then subtract from each month's unit cost the unit cost for gas supply which is reflected in the currently effective PGA.
 - (iii) The resulting difference (which may be positive representing an undercollection; which is defined as current gas costs exceeding gas costs recovered in rates; or negative representing an overcollection; which is defined as gas costs recovered in rates exceeding current gas costs) shall be multiplied by the dks sold during that month under each rate schedule. The resulting amounts shall be reflected in an Unrecovered Purchased Gas Cost Account.
 - (iv) In making such calculations, no distinction shall be made in the Unrecovered Purchased Gas Cost Account between the various sales rate schedules.
- (2) Interest will be calculated and credited to Account 191 each month as follows:
- (i) The balance in Account 191, to which interest will apply, will be the balance at the end of the immediately preceding month. Interest will be paid on net overcollections. The Company shall offset any cumulative undercollections against cumulative overcollections in the computation of interest to be paid. Interest shall be credited monthly to Account 191 at one-twelfth of the Commission Authorized Interest Rate described in Chapter 1, Section 2 (a)(xv) of the Wyoming Public Service Commission's Rules.
 - (ii) In no case shall the Company receive interest for net undercollections.

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- (c) Reduction of Amounts in the Unrecovered Purchased Gas Cost Account:
 - (1) The amounts in the Unrecovered Purchased Gas Cost Account shall be decreased each month by an amount determined by multiplying the currently effective surcharge adjustment included in rates for that month (as calculated in Section 4) by the dks sold during that month under each rate schedule. The account shall be increased in the event the adjustment is a negative amount.
 - (2) The amount amortized each month shall be applied pro rata between the amounts in the Unrecovered Purchased Gas Cost Account specified in Subsections 5(a)(1), (2), (3), (4) and the amounts in the Unrecovered Purchased Gas Cost Account specified in Subsection 5(a)(5).

6. Time and Manner of Filing:

- (a) Each filing by Montana-Dakota shall be made by means of revised PGA and rate schedule tariff sheets identifying the amounts of the adjustments and the resulting currently effective PGA rates. Montana-Dakota shall file to change the PGA at least 20 days prior to the proposed effective date.
- (b) Each filing shall be accompanied by detailed computations which clearly show the derivation of the relevant amounts. Each filing shall contain an accompanying statement that supports the Company's gas acquisition practices as required by the Wyoming Public Service Commission.
- (c) Each filing shall also contain the information necessary to comply with Chapter 3, Section 26 of the Wyoming Public Service Commission's Rules.

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