MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.

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

October 2, 2007

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

Re: Contract with Deviation
Merillat Corporation
Docket No. NG07-___

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith electronically submits for Commission approval Section No. 4, 6th Revised Sheet No. 1 (Exhibit A) and the underlying Amendment No. 4 dated September 6th, 2007 to the current Agreement between Montana-Dakota and Merillat Corporation (Merillat). The existing agreement with Merillat was effective on November 1, 2003 pursuant to the South Dakota Public Utilities Commission's Order issued on October 28, 2003 (Docket No. NG03-005) as subsequently amended to extend the term of the agreement in Docket Nos. NG04-006, NG05-013 and NG06-005. The attached Amendment No. 4 provides for service to continue to Merillat for a one-year period ending October 31, 2008 under the terms of the original contract with the exceptions of the following terms as stated below:

- Term: Deliveries and charges shall commence on November 1, 2007 and expire on October 31, 2008, unless amended by the parties in writing.

- Pipeline Charges: Merillat agrees to pay Montana-Dakota the Commission authorized pipeline related charges as set forth in the Company's Purchased Gas Cost Adjustment Rate 88 as restated to reflect an allocation of demand charges at a 75% load factor equivalent basis.

This allocation of pipeline demand charges represents an increase of approximately 11 cents from the current pipeline charges based on a 100% load factor allocation. The

increase is necessary to reflect Merillat's current natural gas requirements, and the tightening of pipeline capacity in this region. With a 75% load factor allocation, the pipeline charge will increase to $.773 per dk based on currently effective pipeline charges. The distribution delivery charge remains the same.

Merillat continues to be a large volume, high load factor customer, and it is in the best interest of the other customers for Montana-Dakota to continue the agreement which will satisfy Merillat's request for firm sales gas service at a competitive price that allows Montana-Dakota to continue to provide natural gas service to this facility.

The existing firm customers will continue to benefit under this agreement through Merillat's contribution toward transmission pipeline demand costs and distribution cost recovery, which would not exist if Merillat were to utilize an alternate fuel.

Attached as Exhibit C is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26.

Included herein is a second set of the affected tariffs on which Montana-Dakota has indicated the revisions requested by lining through the existing language which the Company proposes to delete and highlighting the new language proposed.

The Company will comply with ARSD 20:10:13:18 by posting the Notice shown in Exhibit D in a conspicuous place in each business office in its affected electric service territory in South Dakota for at least 30 days before the change becomes effective.

Please refer all inquires regarding this filing to:

> Mr. Donald R. Ball
> Vice President – Regulatory Affairs
> Montana-Dakota Utilities Co.
> 400 North Fourth Street
> Bismarck, ND 58501

Also, please send copies of all written inquires, 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 approval of this Agreement by November 1, 2007.

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,

Donald R. Ball

Donald R. Ball
Vice President-Regulatory Affairs

Attachments
cc: D. Gerdes