

October 3, 2008

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. NG08-____

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, 7th Revised Sheet No. 1 (Exhibit A) and the underlying Amendment No. 5 dated October 3rd, 2008 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, NG06-005 and NG07-019. The attached Amendment No. 5 provides for service to continue to Merillat for a one-year period ending October 31, 2009 under the terms of the current contract/agreement with the exceptions of the following terms as stated below:

- **Delivery Quantities:** Merillat requests and Montana-Dakota agree to provide Merillat firm natural gas service with a maximum daily delivery quantity (MDDQ) of 2,200 decatherms (dk) of firm gas on any day. If Merillat requires volumes in excess of this maximum, and provided Montana-Dakota determines volumes will be available, all volumes purchased by Merillat in excess of 2,200 dk per day will be provided on an interruptible basis pursuant to the "Maximum Rate per dk" under Montana-Dakota's authorized Large Interruptible General Gas Service (Rate 85).
- **Term:** Deliveries and charges shall commence on November 1, 2008 and expire on October 31, 2009, unless amended by the parties in writing.

- Pipeline Charges: This provision of the amendment continues the change to a 75% load factor calculation of pipeline charges approved in Docket No. NG07-019.

The change in the delivery quantities from 2,800 dk per day (MDDQ) to 2,200 dk per day is reflective of Merillat's reduction in volumes of gas use in recent years and Merillat's load profile.

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.

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.

Montana-Dakota requests this waiver in order for the Commission to take action on this request prior to November 1, 2008 in order to continue to provide service to the customer under the terms of the agreement, as amended in this filing.

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.

Please refer all inquires regarding this filing to:

Ms. Tamie Aberle
Pricing and Tariff Manager
Montana-Dakota Utilities Co.
400 N. 4th St.
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, 2008.

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 / SG

Donald R. Ball
Vice President-Regulatory Affairs

Attachments

cc: D. Gerdes



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. 4
 7th Revised Sheet No. 1
 Canceling 6th Revised Sheet No. 1

LIST OF GAS CONTRACTS WITH DEVIATIONS

Page 1 of 1

| <u>Name and Location of Customer</u> | <u>Type or Class of Service</u> | <u>Execution and Expiration Dates</u> | <u>Most Comparable Regular Tariff Schedule No.</u> | <u>Contract Differences</u> | |
|--------------------------------------|---------------------------------|---------------------------------------|--|-----------------------------|---|
| Morris, Inc. | Firm Commercial | 05-10-01 To 11-16-11 | Rate 76 | Rate | |
| Merillat Corporation | Firm Commercial | 11-01-08 To 10-31-09 | Rate 70 | Rate | C |
| | | | | | C |

Date Filed: October 3, 2008

Effective Date:

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

Docket No.:



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. 4
 6th Revised Sheet No. 1
 Canceling 5th Revised Sheet No. 1

LIST OF GAS CONTRACTS WITH DEVIATIONS

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|--|-------------------------------------|---|---|---------------------------------|---|
| | | | <u>Schedule No.</u> | <u>Contract Differences</u> | |
| Morris, Inc. | Firm Commercial | 05-10-01 To 11-16-11 | Rate 76 | Rate | |
| Merillat Corporation | Firm | 11-01-07 <u>08</u> | Rate 70 | Rate | C |
| | Commercial | To 10-31-08 <u>09</u> | | | C |

Date Filed:

Effective Date:

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

Docket No.:

ATTACHMENT
AMENDMENT NO. 5
FIRM GAS SERVICE AGREEMENT

THIS AMENDMENT to FIRM GAS SERVICE AGREEMENT, made in duplicate this 3rd day of October 2008, by and between MERRILLAT L.P. located in Rapid City, SD, hereinafter referred to as "Customer", and MONTANA-DAKOTA UTILITIES CO., a division of MDU Resources Group, Inc., 400 North Fourth Street, Bismarck, North Dakota, hereinafter referred to as "Company",

WITNESSETH:

WHEREAS, as of October 2, 2003 Customer and Company entered into a Firm Gas Service Agreement whereby Company undertook to provide firm natural gas service to Customer's facility in Rapid City, SD and;

WHEREAS, said Agreement was amended by Amendment No. 4 to Firm Gas Service Agreement dated September 6, 2007 ("Amendment No. 4"); and

WHEREAS, Customer and Company now mutually desire to further modify said Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained in said Agreement and its Exhibit and herein, the parties agree as follows:

1. To delete Amendment No. 4 and Section 1 of Firm Gas Service Agreement in their entirety and insert in lieu thereof a new section 1 to read as follows:

"1. DELIVERY QUANTITIES: Customer requests and Company agrees to provide Customer firm natural gas service with a maximum daily delivery quantity (MDDQ) of 2,200 decatherm (dk). In no event is Company obligated to provide more than 2,200 dk of firm gas on any day. Should, however, Customer require volumes in excess of this maximum, and provided Company determines such volumes to be available, all volumes purchased by Customer in excess of 2,200 dk per day will be provided on an interruptible basis and pursuant to the "Maximum Rate per dk" under Montana-Dakota's authorized Large Interruptible General Gas Service (Rate 85). The terms and conditions of Rate 85 will be in effect for all volumes sold to Customer in excess of 2,200 dk per day.

2. To delete Section 2 of Firm Gas Service Agreement in their entirety and insert in lieu thereof a new section 2 to read as follows:

"2. TERM: Deliveries and charges shall commence on November 1, 2008 and expire on October 31, 2009, unless amended by the parties in writing.

3. To delete Section 3 of Firm Gas Service Agreement in their entirety and insert in lieu thereof a new section 3 to read as follows:

"3. PIPELINE CHARGES: Customer agrees to pay Company 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.

4. All remaining terms and conditions of Firm Gas Service Agreement, except as specifically amended herein, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed as of the day and year first above written.

MERILLAT L.P.

By: Wayne Bunge

Title: Plant Manager

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

By: Dennis L. Haider

Title: Dennis L. Haider
Exec. V.P. - Bus. Dev. & Gas Supply

Report of Tariff Schedule Change

NAME OF UTILITY: Montana-Dakota Utilities Co.
 ADDRESS: 400 North Fourth Street
 Bismarck, ND 58501

| Section No. | Class of Service | New Sheet No. |
|-------------|---------------------------|-------------------------|
| 4 | Contracts with Deviations | 7th Revised Sheet No. 1 |

Change: Service Agreement-Term Amendment
 (State part of tariff schedule affected by change, such as: Applicability, availability, rates, etc.)

Reason for Change To provide for an equitable application of the seasonal reconnection charge.

Present Rates N/A
 Proposed Rates N/A
 Approximate annual reduction in revenue N/A
 Approximate annual increase in revenue N/A

| Points Affected | Estimated Number of Customers Whose Cost of Service will be: | | | | | |
|-----------------|--|--------------|----------------|--------------|----------------|--------------|
| | Reduced | | Increased | | Unchanged | |
| | # of Customers | Amount in \$ | # of Customers | Amount in \$ | # of Customers | Amount in \$ |
| 1 | N/A | N/A | N/A | N/A | N/A | N/A |

Include Statement of Facts, expert opinions, documents and exhibits supporting the change requested.

Received: _____

Montana-Dakota Utilities Co.
 (Reporting Utility)

By: _____
 Executive Director
 South Dakota
 Public Utilities Commission

By: Donald R. Ball
 Vice President- Regulatory Affairs
 (Name and Title)

**On October 3, 2008 Montana-Dakota Utilities Co.,
a Division of MDU Resources Group, Inc., filed
with the South Dakota Public Utilities Commission
a revised List of Gas Contracts with Deviations
which affects one of Montana-Dakota Utilities
Co.'s customers in South Dakota. The revised
rate schedule and South Dakota rules and
regulations are available in this office for
inspection. Please inquire at cashier's desk.**