

Montana-Dakota Utilities – Natural Gas

Cost of gas:

Cost of gas 9.1 Dk x \$4.827 = **\$43.93**

This is the cost of gas itself as well as transportation and storage related costs MDU incurs from its pipeline suppliers in providing natural gas service. The cost is strictly a pass-through to customers and does not provide MDU with a profit. The cost of gas is also subject to change on a monthly basis through gas cost-tracking adjustment filings submitted to the PSC.

This charge is the amount gas consumed at the residence. A monthly bill is based on dekatherms used, in total, at the end of each month. A therm is equal to about 100 cubic feet of natural gas. Your use or consumption is the basis of this charge. On the MDU bill, the customer used 9.1 dekatherms under the rate of about \$4.83.

But how does MDU decide to charge those rates per dekatherm for natural gas? And why do they change?

MDU procures and manages a natural gas portfolio of natural gas contracts and MDU-owned production from various sources to meet the needs of its customers. The majority of its supply contracts is firm and priced by reference to a market index. The PSC does not regulate the wholesale market price of gas. Those prices are set in the national wholesale market, which was deregulated by the federal government in 1978.

While it doesn't appear on the example bill, MDU also files an annual Conservation Program Tracking Mechanism Rate 90 tariff, or Conservation Tracking Adjustment (CTA) with the PSC, to recover gas conservation program expenditures and lost distribution revenues.