



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

March 26, 2009

Chairman Johnson
Commissioners Kolbeck and Hanson
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501

Re: Emission Allowance Inquiry

Commissioners:

On March 13, 2009 the Commission sent a letter requesting information on potential federal greenhouse gas legislation and the possible impact to Montana-Dakota's South Dakota electric customers.

Montana-Dakota shares the Commission's concerns with respect to the effects of the potential legislation on its customers and thanks the Commission for the opportunity to have a timely and meaningful discussion on this important topic. The auction of all emission credits, as proposed by President Obama, would have a significant, detrimental effect on the State of South Dakota and Montana-Dakota's South Dakota customers.

Montana-Dakota maintains a diverse energy portfolio that includes coal, as well as some natural gas and wind generation. Assuming that there would be an auction of all emission credits, it is estimated that compliance costs, based on the 2008 level of emissions, would cause an increase in electric prices for customers ranging from 28 percent to 93 percent, using a range of applicable taxes of \$20 per ton of carbon dioxide (CO₂) to \$50 per ton of CO₂. Attachment A shows the potential impacts on Montana-Dakota's residential, small general service and large general service customers at the different tax levels. Attachment B illustrates the effect of a \$30/ton and \$50/ton tax on the customer bill for each class of customer. Bill mock-ups showing the affect on various' customer types assuming a \$50/ton tax are provided in Attachment C. While the Commission's letter requested an estimate of the impact for the years 2010 through 2050, Montana-Dakota confined its analysis to the 2008 level of emissions and rates in order to provide an effective comparison of prices today versus with the proposal. A forecast based on today's data, with a before-and-after analysis gives a better picture of the effects on customers than the necessary amount of conjecture and speculation involved in forecasting potential effects over the next 40 years

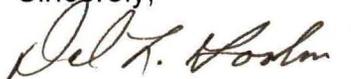
Montana-Dakota believes that any climate initiative should be part of a global agreement, as the United States is not the largest emitter of carbon dioxide. In addition, any cap-and-trade plan or other carbon tax enacted must be applied economy-wide and industry-wide, and not solely the responsibility of the electric generators. Other concerns are that if legislation is enacted, CO₂ allowances should be allocated to existing sources, with a gradual phase-in of auctioned allowances to mitigate customer impacts.

In response to concerns outlined by the Office of Management and Budget (OMB), the National Association of Regulatory Utility Commissioners (NARUC) sent a letter to Budget Director Peter Orszag on March 17, 2009, recommending that the White House consider allocating no-cost allowances to regulated local distribution companies, which would be passed on to consumers, thereby mitigating the higher resulting electricity prices. Montana-Dakota supports this concept.

Montana-Dakota also believes that if legislation is enacted, there should be a gradual phase-in of the auction process and that a significant portion of the proceeds from the auction should be earmarked for research to develop carbon mitigation and reduction technologies. The implementation timeframe also needs to be practical and should be synchronous with commercially-deployable emission reduction technology.

Thank you for the opportunity to comment on this important issue. Montana-Dakota looks forward to the ongoing discussions.

Sincerely,



David L. Goodin
President and Chief Executive Officer

**MONTANA-DAKOTA UTILITIES CO.
SOUTH DAKOTA CARBON TAX IMPACTS
ASSUMING NO ALLOWANCES**

	Current Rate	Increase \$/Ton	% Increase
		\$20	
Residential	\$0.09606	0.02666	27.8%
Small General Service	0.09125	0.02666	29.2%
Large General Service	0.07167	0.02666	37.2%
		\$30	
Residential	\$0.09606	0.03999	41.6%
Small General Service	0.09125	0.03999	43.8%
Large General Service	0.07167	0.03999	55.8%
		\$40	
Residential	\$0.09606	0.05333	55.5%
Small General Service	0.09125	0.05333	58.4%
Large General Service	0.07167	0.05333	74.4%
		\$50	
Residential	\$0.09606	0.06666	69.4%
Small General Service	0.09125	0.06666	73.1%
Large General Service	0.07167	0.06666	93.0%

**MONTANA-DAKOTA UTILITIES CO.
SOUTH DAKOTA CARBON TAX IMPACTS
ASSUMING NO ALLOWANCES**

Assumed Cost per Ton \$30	<u>Monthly Kwh Use</u>	<u>Increase Per Kwh</u>	<u>Monthly Bill Increase</u>	<u>% Increase</u>
Residential - Single Family Dwelling	1,057	\$0.03999	\$42.27	41.7%
Residential - Electric Space Heating	3,121	0.03999	124.81	50.0%
Small General Service- Body Shop	4,480	0.03999	179.16	43.7%
Small General Service- Hospital	12,560	0.03999	502.27	51.8%
Large General Service- Processing Plant	209,880	0.03999	8,393.10	59.4%
Assumed Cost per Ton \$50				
Residential - Single Family Dwelling	1,057	\$0.06666	\$70.46	69.5%
Residential - Electric Space Heating	3,121	0.06666	208.05	83.4%
Small General Service- Body Shop	4,480	0.06666	298.64	72.9%
Small General Service- Hospital	12,560	0.06666	837.25	86.3%
Large General Service- Processing Plant	209,880	0.06666	13,990.60	99.1%



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RATE SCHEDULES AND CUSTOMER INFORMATION ARE AVAILABLE UPON REQUEST AND CAN BE OBTAINED AT THE MONTANA-DAKOTA UTILITIES CO. OFFICE LOCATED IN:

MOBRIDGE SD 57601

DIRECT PAYMENTS TO

MONTANA-DAKOTA UTILITIES CO.

PO BOX 5600 BISMARCK ND 58506-5600

CHECK HERE FOR MAILING ADDRESS CHANGE (SHOW CHANGES BELOW)

Small General Service - Body Shop EUREKA SD 57437-0278

UTE 441.04 3 19

AMOUNT PAID IF DIFFERENT THAN BELOW \$ PLEASE PAY THIS AMOUNT \$739.68

176504

173760 23

PLEASE RETURN THIS STUB WITH YOUR PAYMENT. IF PAYING IN PERSON, BRING THE ENTIRE BILL.

Table with account name 'Small General Service - Body Shop', address 'EUREKA SD 57437-9999', and billing dates '03-23-09' and '04-14-09'.

Table with columns: TYPE OF SERVICE, READING DATE, NO. DAYS, METER READING (PRESENT, PREVIOUS), DIFFERENCE KWH-MCF, BILLING FACTOR, USAGE KWH-KW-DK, AMOUNT. Includes rows for SG, PL, and another PL.

APPLICABLE STATE AND LOCAL TAXES 24.97 TOTAL UTILITY BILLING 441.04

Table of charges: BASE RATE, 10.5 KW AT \$5.00, 2000 KWH AT \$0.081730, 2480 KWH AT \$0.060060, 4480 KWH AT \$0.007335, 41 KWH AT \$0.073170, 41 KWH AT \$0.007335, RENTAL = 3.00.

Federal CO2 Compliance Cost @ \$50.00 per ton

THANK YOU FOR YOUR RECENT PAYMENT(S) OF \$ 419.63

BILLS PAID AFTER THE DUE DATE SHOWN ABOVE ARE SUBJECT TO A 1% PER MONTH LATE PAYMENT CHARGE.

Table with utility type 'ELE', adjustments '\$.007335/KWH', average daily cost '\$.21', and amount due '\$ 441.04'.

DIRECT ALL INQUIRIES OR COMMENTS TO MDU, PO BOX 280 TELEPHONE 1-800-638-3278 MOBRIDGE SD 57601 IF NOT SATISFIED, CONTACT THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION, PIERRE, SOUTH DAKOTA 57501 OR CALL 1-605-773-3201.

Table with columns: PAST DUE, PREVIOUS BALANCE, PYMT/CR, FINANCE CHG, PURCHASES, NEW BALANCE, INSTALLMENT DUE.

