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July 1, 2009

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

Re: Annual DSM and Renewable Programs
Report Pursuant to the Order in
Docket EL05-022

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., hereby electronically submits its report on the Company's ongoing Demand Side Management (DSM) and Renewable Programs in compliance with the South Dakota Public Utilities Commission Order in Docket No. EL05-22, dated July 21, 2006 in the Big Stone II Energy Conversion Facility Permitting case. The 2009 Integrated Resource Plan referenced in the report is included as a separate electronic file.

Sincerely,

A handwritten signature in cursive script that reads 'Donald R. Ball'.

Donald R. Ball
Vice President – Regulatory Affairs

Montana-Dakota Utilities Co.
Demand Side Management (DSM) & Renewable Programs
Annual Report to the South Dakota Public Utilities Commission
Docket No. EL05-022
July 1, 2009 Update

On July 21, 2005, Otter Tail Power Company (Otter Tail) filed with the South Dakota Public Utilities Commission an application for an Energy Conversion Facility Permit for the Construction of the Big Stone II Project on behalf of the Big Stone II Co-owners. On July 26, 2006, in Docket No. EL05-022, the Commission issued its Final Decision and Order granting the permit and also requiring Montana-Dakota Utilities Co. (Montana-Dakota) and Otter Tail to file annually, beginning July 1, 2007, a report on the ongoing DSM and renewable programs and a forecast of its near- and long-term initiatives to optimize the benefits related to demand-side management and renewable energy programs.

Montana-Dakota respectfully submits this report in compliance with the Commission's order.

Demand Side Management (DSM) Overview

Montana-Dakota, as part of the Company's Integrated Resource Planning (IRP) process, evaluates potential DSM and conservation programs that correlate with the Company's load shape along with existing and potential supply side resources in order to consider all resource options reasonably available to meet customers demand for reliable and cost effective electricity. A copy of Montana-Dakota's 2009 Integrated Resource Plan as filed with the North Dakota Public Service Commission on July 1, 2009 is included as a separate electronic file identified as "Montana-Dakota 2009 IRP ND".

Montana-Dakota's electric DSM and conservation portfolio, as identified in the Company's 2009 IRP, includes ten programs. Programs were selected based on the results of the benefit/cost analyses performed on each program as well as the practicality of implementation. If the resulting benefit/cost ratio for the Ratepayer Test was greater than one, the program(s) were considered feasible and evaluated further for possible implementation.

Six of the programs offer rebates for the purchase and installation of a qualifying measure (residential air conditioning, commercial lighting, ENERGY STAR[®] appliances, commercial air conditioning, high efficiency motors and a new construction bundle). Two of the programs are identified as demand response programs whereby Montana-Dakota may interrupt service during peak operating hours: (1) the Interruptible Demand Response rates available to qualifying customers, and (2) the Residential Air Conditioning Cycling program where customers would receive a free programmable thermostat that could be remotely cycled by the Company during peak periods. The final two programs are: (1) The

Refrigerator Round-Up program offers residential customers \$35 in exchange for the removal of an older less efficient refrigerator from the customer's home and (2) The residential lighting program where customers will be offered free compact fluorescent light bulbs. The following table lists the ten programs and their current implementation status:

Programs	Implementation Status
ENERGY STAR [®] residential A/C	Implemented 2006
Commercial lighting	Implemented 2006
ENERGY STAR [®] Appliances	Implemented 2008
Commercial High Efficiency A/C	Plan to implement in 2010
High Efficiency Motors	Plan to implement in 2010
IT Rate - Demand Response	Approved tariffs in Montana and North Dakota
Refrigerator Round-Up	Pilot implemented in Montana in 2008
Residential A/C Cycling	Scheduled for 2010
New Construction Bundle	Plan to implement in 2010
Residential Lighting	Plan to implement in 2010

In evaluating Montana-Dakota's portfolio for the 2009 IRP, the Company reviewed participation rates for existing programs and made adjustments where necessary. Montana-Dakota will continue to promote these programs through local advertising, the Company's web site, home shows, bill inserts and community meetings.

2008 DSM Program Activity

Montana-Dakota's DSM plan is based on implementing programs applicable to the integrated electric system which includes the states of South Dakota, North Dakota and Montana. The following table contains the results of the direct impact (quantifiable) programs by state for calendar year 2008:

Programs	2008			
	Participants	Direct Expense	Annual Savings	
			kW	kWH
Montana Refrigerator Round-Up	28	\$6,471	40	32,648
Montana Commercial Lighting	6	4,138	20	76,676
North Dakota Commercial Lighting	42	119,720	590	1,531,090
South Dakota Commercial Lighting	-	-	-	-
Montana ENERGY STAR [®] Appliances	-	-	-	-
North Dakota ENERGY STAR [®] Appliances	11	110	1	792
South Dakota ENERGY STAR [®] Appliances	2	20	0	144
Montana Residential A/C	2	788	2	1,080
North Dakota Residential A/C	62	27,483	48	38,400
South Dakota Residential A/C	1	180	1	240
Totals	154	\$158,910	702	1,681,070

Renewable Programs Overview

Wind Resources

Montana-Dakota completed the construction of a 19.5 MW wind farm near Baker, Montana (Diamond Willow) in February 2008 producing 56,045 MWH of renewable energy in calendar year 2008. The Company is planning to install an additional 10 MW at Diamond Willow in 2010.

Plans are also underway to complete construction of the Cedar Hills wind farm in 2010. Cedar Hills is a 19.5 MW wind farm located near Rhame, North Dakota.

Other Renewable Resource Technologies

Montana-Dakota is currently constructing a waste heat recovery unit on the Northern Border Pipeline near Glen Ullin, North Dakota with a nameplate capacity of 7.5 MW and an expected completion date of July 2009. The facility will produce electricity without combustion of any additional fuel.

Montana-Dakota also received an allocation of 412 renewable energy credits based on its ownership interest in the Big Stone generating station for energy produced by biomass fuel in calendar year 2008.

Montana-Dakota continues to evaluate wind and other renewable resources available on the system in support of the North Dakota and South Dakota state renewable objectives and will incorporate such resources as part of the resource mix when reasonable and economic to do so.