

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

October 30, 2009

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

Re: Docket No. NG09-06  
In the Matter of the Consideration of the  
Energy Independence and Security Act  
of 2007

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group Inc., herewith submits its Petition to Intervene and its comments in response to the Commission's Order Setting Intervention Deadline; Order For and Notice of Procedural Schedule and Hearing issued on September 25, 2009.

Montana-Dakota looks forward to working with the Commission and its Staff as the PURPA standards for natural gas service under the Energy Independence and Security Act are considered for implementation by the Commission.

If you have any questions regarding the attached comments, please contact Tamie Aberle at (701) 222-7856 or Don Ball at (701) 222-7630.

Sincerely,



Tamie A. Aberle  
Pricing & Tariff Manager

Cc: Dave Gerdes

**State of South Dakota  
Before the  
South Dakota Public Utilities Commission**

In the Matter of the Consideration of the  
Energy Independence and Security Act of  
2007

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Docket No. NG09-006

**Montana-Dakota Utilities Co.  
Petition to Intervene**

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. hereby petitions the South Dakota Public Utilities Commission (Commission) to permit Montana-Dakota to intervene in this proceeding. In support of its Petition, Montana-Dakota states as follows:

1. The Energy Independence and Security Act of 2007 (EISA) was signed into law on December 19, 2007. Provisions of EISA amended the Public Utilities Regulatory Policies Act of 1978 (PURPA) requiring state commissions to consider energy efficiency and rate design natural gas standards.
2. The Commission has opened the above referenced docket to consider the new PURPA standards.
3. Montana-Dakota is an investor-owned, rate regulated public utility serving natural gas to customers in South Dakota and is an affected utility subject to the standards under consideration. Montana-Dakota requests intervention in order to participate fully as a party in this matter.
4. The interests of Montana-Dakota are unique and cannot be fully and adequately represented by the existing parties, and Montana-Dakota and its stakeholders and customers may be directly affected by the issues raised in this proceeding and its outcome.

WHEREFORE, Montana-Dakota respectfully requests that the Commission grants its Petition to Intervene and participate as a party in this proceeding.

Dated this 30<sup>th</sup> day of October, 2009

Montana-Dakota Utilities Co.  
a Division of MDU Resources Group, Inc.

By: 

Daniel S. Kuntz  
Associate General Counsel  
MDU Resources Group, Inc.  
P.O. Box 5650  
Bismarck, ND 58506-5650

**State of South Dakota  
Before the  
South Dakota Public Utilities Commission**

In the Matter of the Consideration of the	)	Docket No. NG09-006
Energy Independence and Security Act of	)	
2007	)	
	)	

**Montana-Dakota Utilities Co.  
Comments**

Pursuant to the South Dakota Public Utilities Commission (Commission) Order Setting Intervention Deadline; Order for and Notice of Procedural Schedule and Hearing in this matter issued on October 23, 2009 and Staff's recommendations submitted to the Commission on September 25, 2009, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. offers the following comments in this proceeding.

The following natural gas standards are to be considered for adoption by the Commission based on the amended Section 303 of the Public Utility Regulatory Policies Act of 1978.

***Energy Efficiency – Each natural gas utility shall—***

- (A) Integrate energy efficiency resources into the plans and planning processes of the natural gas utility; and
- (B) Adopt policies that establish energy efficiency as a priority resource in the plans and planning processes of the natural gas utility

***Rate Design Modifications to Promote Energy Efficiency Investments-***

- (A) In General – the rates allowed to be charged by a natural gas utility shall align utility incentives with the deployment of cost-effective energy efficiency.
- (B) Policy Options – In complying with subparagraph (A) each State regulatory authority and each nonregulated utility shall consider:
  - (i) Separating fixed-cost revenue recovery from the volume of transportation or sales service provided to the customer

- (ii) Providing to utilities incentives for the successful management of energy efficiency programs, such as allowing utilities to retain a portion of the cost-reducing benefits accruing from the programs;
- (iii) Promoting the impact on adoption of energy efficiency as one of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives; and
- (iv) Adopting rate designs that encourage energy efficiency for each customer class.

Montana-Dakota supports the standards in general terms but does not see the need for the Commission to adopt the natural gas standards for the reasons provided below.

Montana-Dakota has integrated energy efficiency options into its natural gas utility plans and planning processes and the Company does not see the need for the Commission to adopt a formal planning process as contemplated by the new Energy Efficiency standard. Montana-Dakota has offered a portfolio of gas conservation programs including furnace and programmable thermostat rebates and customer education programs under its Conservation Tracking Adjustment approved by the South Commission since 2006. More recently, the Company expanded its portfolio of natural gas programs to be offered starting in 2010 as approved by the Commission in Docket No. NG09-001. The programs are supported by cost/benefit tests to ensure cost effectiveness.

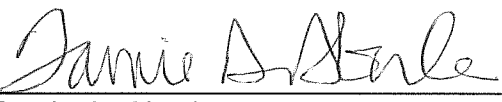
Montana-Dakota suggests that the policy options added to Section 303 of PURPA be considered by the Commission on a case by case basis with each natural gas utility. The Commission is currently addressing many of those options in individual cases where it is appropriate to do so, based on the operating characteristics and demographics of the individual utility and the customers served. For example, the Commission also approved a financial incentive mechanism, along with the expanded conservation portfolio, in Docket No. NG09-001 that best fit the needs of Montana-Dakota and its customers.

With regard to the policy options related to gas rate design that promotes energy efficiency, Montana-Dakota supports mechanisms such as decoupling that provide for recovery of lost revenues. However, a rate design form where all fixed costs are recovered through a fixed charge and only the variable costs are recovered through the energy or commodity component of a rate (straight-fixed variable rate design) will also provide the opportunity for fixed cost recovery and remove any disincentive to promote energy efficiency.

In conclusion, Montana-Dakota appreciates this opportunity to provide its comments regarding the Energy Independence and Security Act of 2007. As discussed above, Montana-Dakota believes that it is neither necessary nor beneficial for the Commission to adopt any of the Standards set forth in the EISA at this time.

Dated this 30<sup>th</sup> day of October, 2009

Montana-Dakota Utilities Co.  
a Division of MDU Resources Group, Inc.

By:   
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Tamie A. Aberle  
Pricing & Tariff Manager  
Montana-Dakota Utilities Co., a Division of  
MDU Resources Group, Inc.