

- (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.

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