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January 9, 2013

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
State Capitol Building  
500 East Capitol  
Pierre, SD 57501-5070

Re: Conservation Program Tracking Mechanism Rate 90  
Docket No. NG12-007

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. herewith electronically submits revised exhibits to support its Conservation Tracking Adjustment (CTA) filed on December 7, 2012 in the above referenced docket, pursuant to the terms of the Company's Conservation Program Tracking Mechanism Rate 90 tariff to be effective February 1, 2013.

On December 7, 2012, Montana-Dakota submitted the CTA with actual expenditures for the period January 1, 2012 through October 31, 2012 and estimated expenditures through December 31, 2012 to determine the CTA rate to be effective January 1, 2013. The Revised Exhibits attached hereto reflect actual participation and costs through November 30, 2012 assuming an effective date of February 1, 2013 and are provided to replace the Exhibits from the filing dated December 7, 2012 in this docket pursuant to discussions with Commission Staff.

Montana-Dakota is requesting approval of the following tariff changes, attached hereto as Revised Exhibit 1, to Montana-Dakota's natural gas tariff to be effective February 1, 2013:

- 8<sup>th</sup> Revised Sheet No. 31

The Rate Summary sheet (Sheet No. 1) will be submitted as part of the compliance filing in this docket to reflect the Purchased Gas Cost Adjustment (PGA) effective at the time of approval.

Revised Exhibit 2, page 1 reflects the CTA rate to be effective February 1, 2013 with updated actual expenditures through November 30, 2012 and a minor modification to projected expenditures to reflect the removal of the .62 EF Water Heating Program as

explained further below. Revised Exhibit 2 pages 1 through 5 are provided to replace Exhibit 2, pages 1 through 5 from the filing dated December 7, 2012 in this docket.

The updated costs for program true-up, DSM Incentive and the proposed portfolio budget total \$49,666 for the Black Hills rate area and \$20,319 for the East River rate area. The proposed CTA rates are based on projected dk for February through December 2013 equating to a CTA rate applicable to service under Rates 60, 70 and 72 of \$0.011 per dk, or a decrease of \$0.007 per dk from the currently authorized CTA for Black Hills customers, and a CTA applicable to service under Rates 66 and 76 of \$0.028 per dk, or a decrease of \$0.021 from the currently authorized CTA for East River customers. The estimated decrease is \$0.70 for a Black Hills residential customer and \$2.10 for an East River residential customer using 100 dk annually or \$0.058 and \$0.175 per month respectively.

Revised Exhibit 3 reflects the Demand-Side Management (DSM) financial incentive achieved by Montana-Dakota for the period January 1, 2012 through November 30, 2012 of \$5,774 in the Black Hills area and \$1,701 in the East River area.

As shown below, the portfolio effective April 1, 2012 provided dk savings of 27,365 dk over the lifetime of the equipment.

Total South Dakota Conservation Program Dk Savings:	April - November 2012			Project Life
	Participants	Dk Savings	Project Life	Dk Savings
Residential				
High Efficiency Furnace - 92-94%	4	47.2	18	850
High Efficiency Furnace - 95%+ (new)	26	184.6	18	3,323
High Efficiency Furnace - 95%+	80	1,048.0	18	18,864
High Efficiency Water Heater (.62 EF)	3	4.2	10	42
High Efficiency Water Heater (.67+ EF)	9	32.4	10	324
Programmable Thermostats	53	153.7	15	2,306
Energy Audits	0	1/		1/
Total Residential	175	1,470.1		25,709
Commercial & Industrial				
High Efficiency Furnace - 92-94%	0	0.0	18	0
High Efficiency Furnace - 95%+ (new)	0	0.0	18	0
High Efficiency Furnace - 95%+ (replaceme	4	92.0	18	1,656
Custom	0	0.0	15	0
Total Commercial and Industrial	4	92.0		1,656
Total South Dakota	179	1,562.1		27,365

1/ The Energy Audit program is an indirect program and does not provide dk savings.

Revised Exhibit 4 reflects the actual participation and costs through November 30, 2012 as compared to the budgeted amounts for both the Black Hills and East River areas.

Revised Exhibit 5 reflects the proposed participation and budget levels for 2013. The High Efficiency Water Heating programs failed the Total Resource Cost Test (TRC) during the 2012 program year due primarily to low gas costs. The Company reviewed the cost-effectiveness of the water heating programs and determined the 0.67 EF Water Heating program passes the TRC with a slight increase in gas costs, however the 0.62 EF Water Heating program continues to fail the TRC. Therefore, the Company proposes to retain the 0.67 EF Water Heating program in 2013 but remove the 0.62 EF Water Heating program from its 2013 budget resulting in a reduction of \$600 in the projected 2013 portfolio expenditures as shown on Revised Exhibit 5.

Montana-Dakota respectfully requests Commission approval of the proposed CTA rates effective February 1, 2013.

Sincerely,



Tamie A. Aberle  
Director of Regulatory Affairs

Attachments

cc: D. Kuntz