

January 3, 2013

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

Re: Docket No. EL08-28
In the Matter of the Consideration of
Smart Grid Investment – Annual Report

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group Inc., herewith electronically submits its annual report regarding consideration of smart grid investment in compliance with the South Dakota Public Utilities Commission's (Commission) Order issued on December 18, 2009 in the above referenced Docket.

The Commission's December 18, 2009 Order required each electric utility file an annual report that sets forth smart grid deployment opportunities, why or why not deployment was made, the extent of the deployment, possible deployments that could be made in the forthcoming year, and what considerations will determine whether or not smart grid applications will be deployed, including costs and potential cost savings of deployment.

Montana-Dakota continues to evaluate smart grid investment opportunities that may provide cost effective uses of new technologies. Montana-Dakota's focus remains on leveraging the Automated Meter Reading (AMR) System and the associated network system utilized to gather electric meter reads throughout the service territory. Montana-Dakota's goal for 2013 is to complete AMR for all electric meter reading in South Dakota and continue to expand the network system where cost effective to do so. The network system provides interval data that provides efficiencies in obtaining off-cycle reads, opportunities for improving outage detection and restoration and customer data necessary to develop more accurate load profiles. Montana-Dakota continues to investigate options and the timing for a meter data management (MDM) system that will enable the Company to provide customers with more granular usage information with the availability of interval data collected through the AMR system and potentially provide

additional pricing options. The implementation of an MDM system will be considered upon deployment of a new customer information system scheduled to occur in February 2013.

In addition, as part of a Commercial Demand Response Program launched in South Dakota, North Dakota and Montana in 2012 through Constellation Energy, participating customers will have the option to leverage Constellation Energy's VirtuWatt™ energy management technology to track real-time electricity use and to automate load curtailment.

The Company will continue to review new technologies and pursue those that fit well with Montana-Dakota's customer demographics and service area and provide a net benefit to the Company and customers.

Please contact me if you have questions or require additional information.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs