

Jacobson, David

From: Aberle, Tamie [Tamie.Aberle@MDU.com]

Sent: Monday, January 23, 2006 2:25 PM

To: Jacobson, David

Subject: Docket No. NG05-016

Dave – per our conversation last week, attached is a summary of the DSM Model results assuming participation rates @ 50% of the estimate and assuming double the participation as estimated.

As shown, while positive results are produced assuming double the anticipation rate, the cost per dk is considerably higher than what we have proposed for both rate areas. It is unlikely we would see that degree of participation in a one year time period. However, a solution would be to cap the program investments at the levels indicated in the Company's filing in order to avoid this situation.

Please call if you have additional questions or need more information.

Thanks.
Tamie Aberle

Montana-Dakota Utilities Co.
Gas Utility - South Dakota (Black Hills)
Gas Conservation Tracking Adjustment

	Participation Levels	
	1/2	2X
Estimated Conservation Program Costs:		
High Efficiency Furnace Replacement	\$60,650	\$222,800
Programmable Thermostats	27,020	88,540
Conservation Starter Kits	8,074	8,074
	<u>\$95,744</u>	<u>\$319,414</u>
Estimated Dk Savings	5,466	21,846
Currently Effective Distribution Delivery Charge	<u>\$1.571</u>	<u>\$1.571</u>
Annual Distribution Margin Loss	\$8,587	\$34,320
Total Conservation Tracking Adjustment Balance	\$104,331	\$353,734
Projected Firm Sales (Dk)	5,112,187	5,112,187
Estimated Tracking Adjustment Per Dk	<u><u>\$0.020</u></u>	<u><u>\$0.069</u></u>

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota (East River)
Gas Conservation Tracking Adjustment**

	Participation Levels	
	1/2	2X
Estimated Conservation Program Costs:		
High Efficiency Furnace Replacement	\$8,000	\$29,450
Programmable Thermostats	3,520	11,680
Conservation Starter Kits	1,104	1,104
	<u>\$12,624</u>	<u>\$42,234</u>
Estimated Dk Savings	800	3,193
Currently Effective Distribution Delivery Charge	<u>\$2.915</u>	<u>\$2.915</u>
Annual Distribution Margin Loss	\$2,332	\$9,308
Total Conservation Tracking Adjustment Balance	\$14,956	\$51,542
Projected Firm Sales (Dk)	645,188	645,188
Estimated Tracking Adjustment Per Dk	<u>\$0.023</u>	<u>\$0.080</u>