

 **MONTANA-DAKOTA**
UTILITIES CO.
A Division of MDU Resources Group, Inc.

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

March 28, 2008

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

Re: Experimental Conservation Program Tracking Mechanism Rate 90
Docket No. NG08-____

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith electronically submits for Commission approval a Conservation Tracking Adjustment (CTA), pursuant to the terms of the Company's Conservation Program Tracking Mechanism Rate 90 tariff, for recovery of gas conservation program expenditures for the twelve month period ending February 29, 2008.

Montana-Dakota is requesting approval of the following tariff changes, attached hereto, under Section 3 of Montana-Dakota's natural gas tariff to effectuate this change:

- 43rd Revised Sheet No. 1-The proposed tariff sheet reflects the Purchased Gas Cost Adjustments effective April 1, 2008
- 2nd Revised Sheet Nos. 31

The Conservation Tracking Adjustment implemented under the Company's portfolio of natural gas conservation programs, approved by the Commission in Docket No. NG05-16 on February 1, 2006 and Docket No. NG07-012 has been updated pursuant to the terms of Rate 90. The purpose of the programs is to continue to raise customer awareness regarding available energy saving measures and to provide assistance in employing cost effective measures that will reduce heating bills. The Conservation Tracking Adjustments (CTAs) reflect the recovery of expenditures incurred between March 1, 2007 and February 29, 2008. The currently effective CTA's of \$.003 (Black Hills) and \$.007 (East River) were authorized by the Commission in Docket No. NG07-012 and were effective on June 1, 2007. The authorized programs consisted of the following:

1. High Efficiency Natural Gas Furnaces: Qualifying customers receive an incentive of \$150 for replacing their current natural gas furnace rated 80% or less annual fuel utilization efficiency (AFUE) with an ENERGY STAR[®] rated (90% or

greater AFUE) natural gas furnace. 56 customers in South Dakota participated in this program during the period March 1, 2007 through February 29, 2008.

2. Programmable Thermostats: Qualifying customers receive an incentive of \$20 for the purchase and installation of an ENERGY STAR[®] rated programmable thermostat. 83 customers in South Dakota participated in this program during the period March 1, 2007 through February 29, 2008.

Montana-Dakota also makes an Energy Savers booklet, which is published by the US Department of Energy, available to its customers. This booklet provides useful information to the consumer on ways they can save energy in their home. Along with the booklet, Montana-Dakota provides customers with a packet of switch plate and outlet gaskets in order to promote the concept that there are small steps that can be taken to conserve energy in customers' homes.

Montana-Dakota participated in the Energy Efficiency Awareness Day and has provided information regarding conservation measures and programs available with bill inserts. Montana-Dakota also plans to promote conservation measures through television ads which are scheduled to begin airing in the next few months.

Total program expenses, including the lost distribution revenue component, to be recovered under the CTA over the next twelve month period equate to \$22,065 for the Black Hills System and \$1,422 for the East River System resulting in a CTA applicable to service under Rates 60, 70 and 72 of \$.004 per dk and a CTA applicable to service under Rates 66 and 76 of \$.002 per dk. Pursuant to Rate 90, Montana-Dakota has included \$5,947 for the Black Hills System and \$563 for the East River system in under recovery of revenues from the preceding twelve month recovery period. This adjustment represents an increase of \$.001 per dk for Black Hills customers and a decrease of \$.005 for East River customers from the currently authorized CTA.

The supporting workpapers for the proposed Black Hills and East River CTAs are provided in Exhibit A. The proposed CTAs are shown as a separate line item on customers' bills whereby the applicable CTA will be applied to a customer's billed energy use each month effective upon approval by the Commission.

Montana-Dakota requests Commission approval of the CTA to be effective May 1, 2008.

The results of the questionnaire Montana-Dakota was requested by the Commission to administer in order to gain further information regarding the effectiveness of the programs are included as Exhibit B. The results of the survey do not cause the Company to revise the program offerings at this time.

Included herein is a second set of the affected tariff on which Montana-Dakota has

indicated the revisions requested by lining through the existing language which the Company proposes to delete and clearly highlighting the new language proposed.

Attached as Exhibit C is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26.

The Company will comply with ARSD 20:10:13:18 by posting the Notice shown in Exhibit D in a conspicuous place in each business office in its affected gas service territory in South Dakota for at least 30 days before the change becomes effective.

Please refer all inquiries regarding this filing to:


Ms. Tamie A. Aberle
Pricing & Tariff Manager
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence and pleadings to:

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

This filing has been electronically submitted to the Commission in accordance with ARSD 20:10:01:02:05. Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Sincerely,



Donald R. Ball
Vice President – Regulatory Affairs

Attachments

cc: D. A. Gerdes



Montana-Dakota Utilities Co.
 A Division of MDU Resources Group, Inc.
 400 N 4th Street
 Bismarck, ND 58501

**State of South Dakota
 Gas Rate Schedule - SDPUC Volume No. 2**

Section No. 3
 43rd Revised Sheet No. 1
 Canceling 42nd Revised Sheet No. 1
 Page 1 of 1

RATE SUMMARY SHEET

Rate Schedule	Sheet No.	Basic Service Charge	Distribution Delivery Charge	CTA	PGA Items	Total Rate/ Dk
Residential Rate 60	2	\$0.25 per day	\$1.571	\$0.004	\$9.024	\$10.599
Ellsworth Air Force Base Rate 64	5	\$95.00 per month	\$0.062		\$8.153	\$8.215
East River Residential Rate 66	7	\$0.15 per day	\$2.915	\$0.002	\$9.160	\$12.077
Firm General Service Rate 70 Meters rated < 500 cubic feet Meters rated > 500 cubic feet	11	\$0.35 per day \$0.70 per day	\$1.175	\$0.004	\$9.024	\$10.203
Small Interruptible Gas Rate 71	12	\$50.00 per month	(Maximum) \$0.453		\$9.024	(Maximum) \$9.477
Optional Seasonal Gas Service Rate 72 Meters rated < 500 cubic feet Meters rated > 500 cubic feet Winter Gas Usage Summer Gas Usage	13	\$0.35 per day \$0.70 per day	\$1.175 \$1.175	\$0.004 \$0.004	\$9.124 \$8.100	\$10.303 \$9.279
East River Firm General Service Rate 76 Meters rated < 500 cubic feet Meters rated > 500 cubic feet	17	\$0.25 per day \$0.50 per day	\$2.598	\$0.002	\$9.160	\$11.760
Transportation Service Small Interruptible Rate 81 Maximum Minimum Fuel Charge Large Interruptible Rate 82 Maximum Minimum Fuel Charge	22	\$125.00 per month	\$0.453 \$0.131		\$0.104	
		\$225.00 per month	\$0.187 \$0.090		\$0.092	
Large Interruptible Gas Rate 85	26	\$175.00 per month	(Maximum) \$0.187		\$8.385	(Maximum) \$8.572

Date Filed: March 28, 2008

Effective Date:

Issued By: Donald R. Ball
 Vice President - Regulatory Affairs

Docket No.:



Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
 400 N 4th Street
 Bismarck, ND 58501

**State of South Dakota
 Gas Rate Schedule – SDPUC Volume No. 2**

Section No. 3
 2nd Revised Sheet No. 31
 Canceling 1st Revised Sheet No. 31

**EXPERIMENTAL CONSERVATION PROGRAM
 TRACKING MECHANISM Rate 90**

Page 1 of 1

Applicability:

This rate schedule represents an Experimental Conservation Program Tracking Mechanism and specifies the procedure to be utilized to recover the costs of a portfolio of conservation programs consisting of a Customer Conservation Starter Kit Program, a High-Efficiency Furnace Program and a Programmable Thermostat Program, as authorized by the Commission, including the recovery of distribution delivery charge revenues reduced as a result of the conservation programs. Service provided under the Company's Residential Service Rates 60 and 66 and Firm General Service Rates 70, 72 and 76 shall be subject to this tracking mechanism. This experimental program shall expire on April 30, 2009.

Conservation Program Tracker:

An adjustment per dk will be determined for each rate schedule subject to the Conservation Program Tracking Mechanism. Monthly bills beginning with the first billing cycle following May 1, 2006 and each May 1 thereafter, will be adjusted by the application of the Conservation Tracking Adjustment rate indicated below. The rate will reflect the amortization of the conservation program costs including the dk savings associated with each measure implemented in the prior 12 month period. The currently authorized Distribution Delivery Charge will be applied to the dk savings to compute the reduction in Distribution Delivery revenues associated with the conservation programs. The total program costs including the lost distribution revenues will be amortized over projected volumes to be sold over the next 12 month period. Following the initial one-year term, and annually thereafter, the Conservation Program Tracker rate calculation shall include any over or under collection of revenue from the preceding twelve month recovery period.

Conservation Tracking Adjustment:

Black Hills	\$.004 per dk	C
East River	\$.002 per dk	C

Date Filed: March 28, 2008

Effective Date:

Issued By: Donald R. Ball
 Vice President-Regulatory Affairs

Docket No.:

Tariffs Reflecting Proposed Changes



Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
 400 N 4th Street
 Bismarck, ND 58501

**State of South Dakota
 Gas Rate Schedule – SDPUC Volume No. 2**

Section No. 3
 1st Revised Sheet No. 31
 Canceling Original Sheet No. 31

**EXPERIMENTAL CONSERVATION PROGRAM
 TRACKING MECHANISM Rate 90**

Page 1 of 1

Applicability:

This rate schedule represents an Experimental Conservation Program Tracking Mechanism and specifies the procedure to be utilized to recover the costs of a portfolio of conservation programs consisting of a Customer Conservation Starter Kit Program, a High-Efficiency Furnace Program and a Programmable Thermostat Program, as authorized by the Commission, including the recovery of distribution delivery charge revenues reduced as a result of the conservation programs. Service provided under the Company's Residential Service Rates 60 and 66 and Firm General Service Rates 70, 72 and 76 shall be subject to this tracking mechanism. This experimental program shall expire on April 30, 2009.

Conservation Program Tracker:

An adjustment per dk will be determined for each rate schedule subject to the Conservation Program Tracking Mechanism. Monthly bills beginning with the first billing cycle following May 1, 2006 and each May 1 thereafter, will be adjusted by the application of the Conservation Tracking Adjustment rate indicated below. The rate will reflect the amortization of the conservation program costs including the dk savings associated with each measure implemented in the prior 12 month period. The currently authorized Distribution Delivery Charge will be applied to the dk savings to compute the reduction in Distribution Delivery revenues associated with the conservation programs. The total program costs including the lost distribution revenues will be amortized over projected volumes to be sold over the next 12 month period. Following the initial one-year term, and annually thereafter, the Conservation Program Tracker rate calculation shall include any over or under collection of revenue from the preceding twelve month recovery period.

Conservation Tracking Adjustment:

Black Hills	\$ <u>.0034</u> per dk	C
East River	\$ <u>.0072</u> per dk	C

Date Filed:

Effective Date:

Issued By: Donald R. Ball
 Vice President-Regulatory Affairs

Docket No.:

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
Gas Conservation Tracking Adjustment
Effective May 2008**

Black Hills System - Rates 60, 70 & 72

	<u>Units 1/</u>	<u>Cost</u>	<u>Dk Savings 2/</u>	<u>Distribution Margin 3/</u>	<u>Total Cost</u>
Conservation Program Costs:					
High Efficiency Furnace Rebate @ \$150.00 per Replacement	53	\$7,950	727	\$1,142	\$9,092
Programmable Thermostats Rebates @ \$20.00 per Unit	78	1,560	322	\$506	2,066
Energy Efficiency Awareness Day & Customer Education		4,960			4,960
		<u>\$14,470</u>	<u>1,049</u>	<u>\$1,648</u>	<u>\$16,118</u>
Prior Period/(Over) Under Recovery 4/					5,947
Total Costs To Be Recovered					<u>\$22,065</u>
Projected Firm Sales 5/					5,717,657
Conservation Tracking Adjustment per dk effective 5/1/08					<u>\$0.004</u>

East River System - Rates 66 & 76

	<u>Units 1/</u>	<u>Cost</u>	<u>Dk Savings 2/</u>	<u>Distribution Margin 3/</u>	<u>Total Cost</u>
Conservation Program Costs:					
High Efficiency Furnace Rebate @ \$150.00 per Replacement	3	\$450	61	\$178	\$628
Programmable Thermostats Rebates @ \$20.00 per Unit	5	100	45	131	231
		<u>\$550</u>	<u>106</u>	<u>\$309</u>	<u>\$859</u>
Prior Period/(Over) Under Recovery 4/					563
Total Costs To Be Recovered					<u>\$1,422</u>
Projected Firm Sales 5/					725,445
Conservation Tracking Adjustment per dk effective 5/1/08					<u>\$0.002</u>

1/ Exhibit A, Page 3.

2/ Exhibit A, Page 2.

3/ Authorized Distribution Delivery Charge Rate 60:

Black Hills System \$1.571

East River System \$2.915

4/ Exhibit A, Page 5

5/ Exhibit A, Page 4. South Dakota projected firm sales for May 2008 through April 2009.

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
Gas Conservation Tracking Adjustment
Cumulative**

Black Hills System - Rates 60, 70 & 72

	2007 Dk <u>Savings 1/</u>	2008 Dk <u>Savings 2/</u>	Accumulative Dk <u>Savings</u>	Total Distribution Margin 3/
Conservation Program DK Savings:				
High Efficiency Furnace Replacements	283	444	727	\$1,142
Programmable Thermostats Installations	96	226	322	506
	<u>379</u>	<u>670</u>	<u>1049</u>	<u>\$1,648</u>

East River System - Rates 66 & 76

	2007 Dk <u>Savings 1/</u>	2008 Dk <u>Savings 2/</u>	Accumulative Dk <u>Savings</u>	Total Distribution Margin 3/
Conservation Program DK Savings:				
High Efficiency Furnace Replacements	35	26	61	\$178
Programmable Thermostats Installations	29	16	45	131
	<u>64</u>	<u>42</u>	<u>106</u>	<u>\$309</u>

1/ Docket No. NG07-012, Exhibit A, page 1

2/ Exhibit A, Page 3.

3/ Authorized Distribution Delivery Charge Rate 60:

Black Hills System	\$1.571
East River System	\$2.915

Montana-Dakota Utilities Co.
Gas Utility - South Dakota
Gas Conservation Tracking Adjustment
Calculated Dk Savings
Rebates Issued March 1, 2007 through February 29, 2008

Black Hills System

High Efficiency Furnace	Furnace Rating						Total
	90%	91%	92%	93%	94%	95%	
Efficiency Rating of New Furnace	90%	91%	92%	93%	94%	95%	
Less Base Efficiency	78%	78%	78%	78%	78%	78%	
% Savings	12%	13%	14%	15%	16%	17%	
Base Average Use (in Dk)	57.3	57.3	57.3	57.3	57.3	57.3	
DK Savings	6.9	7.4	8.0	8.6	9.2	9.7	
Customer Rebates	3	3	27	3	11	6	53
Total Dk Saved	20.7	22.2	216.0	25.8	101.2	58.2	444

Programmable Thermostats

Customer Rebates	78
Dk savings per customer	2.9
Total Dk Saved	226.2

East River System

High Efficiency Furnace	Furnace Rating						Total
	90%	91%	92%	93%	94%	95%	
Efficiency Rating of New Furnace	90%	91%	92%	93%	94%	95%	
Less Base Efficiency	78%	78%	78%	78%	78%	78%	
% Savings	12%	13%	14%	15%	16%	17%	
Base Average Use (in Dk)	63.1	63.1	63.1	63.1	63.1	63.1	
DK Savings	7.6	8.2	8.8	9.5	10.1	10.7	
Customer Rebates	0	0	3	0	0	0	3
Total Dk Saved	0.0	0.0	26.4	0.0	0.0	0.0	26

Programmable Thermostats

Customer Rebates	5
Dk savings per customer	3.2
Total Dk Saved	16.0

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
Projected Firm Sales
May 2008 through April 2009**

	<u>Black Hills System</u>			<u>East River System</u>		
	<u>Residential</u>	<u>Firm General</u>	<u>Total</u>	<u>Residential</u>	<u>Firm General</u>	<u>Total</u>
May 2008	147,650	164,110	311,760	9,180	15,290	24,470
June	76,560	110,770	187,330	3,030	10,270	13,300
July	65,620	99,230	164,850	2,630	9,410	12,040
August	66,440	101,440	167,880	2,890	9,650	12,540
September	108,790	129,210	238,000	5,900	12,150	18,050
October	229,590	217,880	447,470	19,500	24,500	44,000
November	413,020	330,790	743,810	44,960	47,200	92,160
December	547,820	419,900	967,720	65,580	65,330	130,910
January 2009	580,160	445,120	1,025,280	72,050	71,430	143,480
February	463,430	375,600	839,030	53,780	54,510	108,290
March	408,030	343,530	751,560	44,720	47,220	91,940
April	266,640	240,430	507,070	23,680	28,180	51,860
Total	<u>3,373,750</u>	<u>2,978,010</u>	<u>6,351,760</u>	<u>347,900</u>	<u>395,140</u>	<u>743,040</u>
Less: Firm Contract		634,103	634,103		17,595 1/	17,595 1/
Total SD	<u><u>3,373,750</u></u>	<u><u>2,343,907</u></u>	<u><u>5,717,657</u></u>	<u><u>347,900</u></u>	<u><u>377,545</u></u>	<u><u>725,445</u></u>

1/ Per books volumes for large firm contract sales for the twelve months ended 2/29/08.

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
(Over) Under Recovery of CTA
June 2007 - April 2008**

Black Hills System

CTA Balance To Be Recovered at 2/28/2007	\$19,875	
Actual Recovery June 1, 2007-February 29, 2008	\$10,622	
Estimated Recovery March - April 2008	3,306	1/
Total Recovered Expenses	<u>\$13,928</u>	
(Over) Under Recovery	<u><u>\$5,947</u></u>	

East River System

CTA Balance To Be Recovered at 2/28/2007	\$5,209	
Actual Recovery June 1, 2007-February 29, 2008	\$3,628	
Estimated Recovery March - April 2008	1,018	1/
Total Recovered Expenses	<u>\$4,646</u>	
(Over) Under Recovery	<u><u>\$563</u></u>	

1/ Estimated CTA Recovery based on projected volumes.

	<u>Black Hills System</u>			<u>East River System</u>		
	<u>Residential</u>	<u>FirmGeneral</u>	<u>Total</u>	<u>Residential</u>	<u>FirmGeneral</u>	<u>Total</u>
March 2008	406,920	335,700	742,620	45,360	47,660	93,020
April 2008	265,740	233,930	499,670	24,030	28,380	52,410
	<u>672,660</u>	<u>569,630</u>	<u>1,242,290</u>	<u>69,390</u>	<u>76,040</u>	<u>145,430</u>
Less: Firm		140,381	140,381			
Total SD	672,660	429,249	<u><u>1,101,909</u></u>	69,390	76,040	<u><u>145,430</u></u>
CTA Charge Eff. June 1, 2007		\$0.003	\$3,306		\$0.007	\$1,018

South Dakota - Natural Gas Demand-Side Management Survey March 2008

- 1) If you purchased an ENERGY STAR rated furnace, what is the age of the furnace that was replaced?

1 - 5 yrs old	1.47%
6 - 10 yrs old	7.35%
11 - 15 yrs old	2.94%
16 - 20 yrs old	7.35%
21 - 30 yrs old	32.35%
31 - 40 yrs old	25.00%
More than 40 yrs old	20.59%
Don't know	2.94%

- 2) Did the incentive offer influence your decision to purchase an ENERGY STAR rated programmable thermostat and/or furnace?

Yes	48.72%
No	47.86%
No Answer	3.42%

- 3) Did the current price of natural gas influence your decision to purchase an ENERGY STAR rated programmable thermostat and/or furnace?

Yes	76.07%
No	22.22%
No Answer	1.71%

- 4) On average over the winter heating season, how many hours per week do you intend to set back your programmable thermostat?

0 - 5 hours	7.50%
6 - 10 hours	17.50%
11 - 15 hours	7.50%
16 - 20 hours	7.50%
21 - 25 hours	3.75%
26 - 30 hours	8.75%
More than 30 hours	47.50%

South Dakota - Natural Gas Demand-Side Management Survey March 2008

- 5) At what temperature change (the difference from the high and low setting) do you intend to program your thermostat?

0 Degrees	2.41%
1 - 3 Degrees	7.23%
4 - 5 Degrees	31.34%
6 - 8 Degrees	28.92%
9 - 10 Degrees	22.89%
More than 10 Degrees	7.23%

- 6) What is your total household income level?

Less than \$25,000/year	17.09%
\$25,001 - \$50,000/year	26.50%
\$50,001 - \$75,000/year	27.35%
\$75,001 - \$100,000/year	15.38%
More than \$100,000/year	7.69%
No Answer	5.98%

Report of Tariff Schedule Change

NAME OF UTILITY: Montana-Dakota Utilities Co.
 ADDRESS: 400 North Fourth Street
 Bismarck, ND 58501

Section No.	Class of Service	New Sheet No.
3	Rate Summary Sheet	43rd Revised Sheet No. 1
3	Experimental Conservation Program Tracking Mechanism Rate 90	2nd Revised Sheet No. 31

Change: Conservation Tracking Adjustment
 (State part of tariff schedule affected by change, such as: Applicability, availability, rates, etc.)

Reason for Change: Reflect updated Conservation Program Costs

Present Rates
 Proposed Rates
 Approximate annual reduction in revenue N/A
 Approximate annual increase in revenue N/A

Points Affected	Estimated Number of Customers Whose Cost of Service will be:					
	Reduced		Increased		Unchanged	
	# of Customers	Amount in \$	# of Customers	Amount in \$	# of Customers	Amount in \$
All	6,327	ER 3,627	45,905	5,718	N/A	N/A

Include Statement of Facts, expert opinions, documents and exhibits supporting the change requested.

Received: _____

Montana-Dakota Utilities Co.
 (Reporting Utility)

By: _____
 Executive Director
 South Dakota
 Public Utilities Commission

By: Donald R. Ball
 Vice President- Regulatory Affairs
 (Name and Title)

**On March 28, 2008 Montana-Dakota Utilities Co., a
Division of MDU Resources Group, Inc.,
filed with the South Dakota Public Utilities
Commission revised Rate 90 which affects
Montana-Dakota Utilities Co.'s residential and
firm general gas customers in South Dakota.
The revised rate and South Dakota rules and
regulations are available in this office for
inspection. Please inquire at cashier's desk.**