

Montana-Dakota Utilites Co.
Gas Utility - South Dakota

Gas Conservation Tracking Adjustment Rate 90
Effective January 1, 2013

	<u>Black Hills</u>	<u>East River</u>
DSM Balance as of December 31, 2012 1/	(\$26,266)	\$2,026
2012 DSM Incentive 2/	4,475	1,581
2013 Budget 3/	<u>72,732</u>	<u>17,818</u>
Gas DSM Costs to be Recovered	\$50,941	\$21,425
Projected Volumes 4/	<u>5,592,000</u>	<u>898,000</u>
CTA Rate Effective January 1, 2013	<u>\$0.009</u>	<u>\$0.024</u>

1/ Exhibit 2, Page 2.

2/ Exhibit 3.

3/ Exhibit 5.

4/ Projected volumes for 2013.

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
Conservation Program Activity
2012**

<u>Program Activity</u>	<u>Black Hills</u>	<u>East River</u>
Beginning Balance as of January 1, 2012 1/	(\$17,708)	\$6,125
Current Activity		
Actual Expenditures 2/	47,469	15,544
CTA Recovered 2/	<u>37,469</u>	<u>10,231</u>
Estimated Activity November 1, 2012 - December 31, 2012		
Expenditures 3/	9,306	4,161
Recovery 4/	27,864	13,573
Estimated DSM Balance as of December 31, 2012	<u><u>(\$26,266)</u></u>	<u><u>\$2,026</u></u>

1/ Total Costs to be Recovered, Revised Exhibit 2, Page 2 of 5, Docket No. NG11-006, effective April 1, 2012.

2/ Exhibit 2, Pages 3 and 4. Including the carrying charge.

3/ Estimated expenditures based on November 1, 2011 - December 31, 2011 program and administrative expenditures.

4/ Estimated CTA recovery based on projected volumes and CTA rate effective April 1, 2012 in Docket No. NG11-006.

Montana-Dakota Utilities Co.
Gas Utility - South Dakota

Black Hills
Conservation Monthly Account Balances
January 2012 through October 2012

Month	Beginning Balance	Carrying Charge 1/	Current Month Charges	CTA Recovery	(Over)/Under Recovery
Previous Balance 2/					(\$17,708)
January 2012	(\$17,708)	(\$5)	\$2,733	\$5,426	(20,406)
February	(20,406)	(18)	3,303	5,253	(22,374)
March	(22,374)	(18)	4,480	5,617	(23,529)
April	(23,529)	(19)	12,424 3/	2,967	(14,091)
May	(14,091)	(13)	3,016	4,928	(16,016)
June	(16,016)	(14)	5,128	3,305	(14,207)
July	(14,207)	(14)	3,831	2,184	(12,574)
August	(12,574)	(13)	4,621	2,160	(10,126)
September	(10,126)	(11)	2,538	2,003	(9,602)
October	(9,602)	(10)	5,530	3,626	(7,708)
November - est. 4/	(7,708)	(8)	4,181	12,024	(15,559)
December - est. 4/	(15,559)	(16)	5,149	15,840	(26,266)
Total		<u>(\$159)</u>	<u>\$56,934</u>	<u>\$65,333</u>	

1/ Reflects 90-day Treasury Bill rate.

2/ Total program costs to be recovered in Docket No. NG11-006, Revised Exhibit 2, page 2 of 5.

3/ Reflects DSM incentive amount of \$9,484 authorized in Docket No. NG11-006.

4/ Estimated expenditures based on November 1, 2011 - December 31, 2011 program and administrative expense. Estimated CTA recovery based on projected volumes and CTA rate effective April 1, 2012 in Docket No. NG11-006.

Montana-Dakota Utilities Co.
Gas Utility - South Dakota

East River
Conservation Monthly Account Balances
January 2012 through December 2012

Month	Beginning Balance	Carrying Charge 1/	Current Month Charges	CTA Recovery	(Over)/Under Recovery
Previous Balance 2/					\$6,125
January 2012	\$6,125	\$2	\$4,887	\$966	10,048
February	10,048	9	540	993	9,604
March	9,604	8	826	938	9,500
April	9,500	8	2,210 3/	872	10,846
May	10,846	10	400	1,708	9,548
June	9,548	9	2,164	1,017	10,704
July	10,704	11	39	614	10,140
August	10,140	10	1,352	692	10,810
September	10,810	12	391	623	10,590
October	10,590	11	2,645	1,808	11,438
November - est. 4/	11,438	11	1,165	5,635	6,979
December - est. 4/	6,979	7	2,978	7,938	2,026
Total		<u>\$108</u>	<u>\$19,597</u>	<u>\$23,804</u>	

1/ Reflects 90-day Treasury Bill rate.

2/ Total program costs to be recovered in Docket No. NG11-006, Revised Exhibit 2, page 2 of 5.

3/ Reflects DSM Incentive amount of \$2,020 authorized in Docket No. NG11-006.

4/ Estimated expenditures based on November 1, 2011 - December 31, 2011 program and administrative expense. Estimated CTA recovery based on projected volumes and CTA rate effective April 1, 2012 in Docket No. NG11-006.

Montana-Dakota Utilities Co.
Gas Utility - South Dakota

Summary of Actual DSM Expenditures
January 2012 through October 31, 2012

Black Hills DSM Programs	Incentive	No. of Participants	Cost
Residential			
High Efficiency Furnace - 92-94%	\$150	7	\$1,050
High Efficiency Furnace - 95%+ (new)	300	1	300
High Efficiency Furnace - 95%+	300	80	24,000
High Efficiency Water Heater (.62 EF)	50	9	450
High Efficiency Water Heater (.67+ EF)	100	5	500
Programmable Thermostats	20	50	1,000
Energy Audits	4/	0	
Attic Insulation	1/	4	\$1,878
New Construction Bundle	2/	2	\$700
Commercial & Industrial			
High Efficiency Furnace - 92-94%	300	0	0
High Efficiency Furnace - 95%+ (new)	300	0	0
High Efficiency Furnace - 95%+ (replacement)	300	4	1,200
Custom	3/	0	0
Administrative Costs			3,342
DSM Incentive			9,484
Advertising			3,700
Total		162	\$47,604

East River DSM Programs	Incentive	No. of Participants	Cost
Residential			
High Efficiency Furnace - 92-94%	\$150	4	\$600
High Efficiency Furnace - 95%+ (new)	300	0	0
High Efficiency Furnace - 95%+	300	28	8,400
High Efficiency Water Heater (.62 EF)	50	2	100
High Efficiency Water Heater (.67+ EF)	100	0	0
Programmable Thermostats	20	21	420
Energy Audits	4/	0	500
Attic Insulation	1/	3	\$1,005
New Construction Bundle	2/	0	
Commercial & Industrial			
High Efficiency Furnace - 92-94%	300	0	0
High Efficiency Furnace - 95%+ (new)	300	0	0
High Efficiency Furnace - 95%+ (replacement)	300	0	0
Custom	3/	0	0
Administrative Costs			728
DSM Incentive			2,020
Advertising			1,681
Total		58	\$15,454

1/ Rebate dependent on the beginning and ending R-value of the insulation installed, square footage of installed insulation, and whether self installed or by a contractor. Program discontinued as of April 1, 2012.

2/ The heating and water heating equipment bundle rebate is \$300. The insulation bundle is an additional \$100. The program was discontinued as of April 1, 2012.

3/ Incentive is project specific.

4/ Indirect program. The charge reflects a retainer fee for the third party energy auditor.

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
DSM Performance Financial Incentive
for 2012 Program Year**

<u>Black Hills</u>		
Total costs incurred 1/	\$38,120	
Authorized Return 2/	11.739%	
Calculated Incentive	\$4,475	
Incentive Achieved 3/		\$4,475

<u>East River</u>		
Total costs incurred 1/	\$13,434	
Authorized Return 2/	11.770%	
Calculated Incentive	\$1,581	
Incentive Achieved 3/		\$1,581

- 1/ Exhibit 2 Page 5. Excludes the DSM incentive authorized in Docket No. NG11-006.
- 2/ Authorized return, adjusted for taxes as established in Docket No. NG09-001.
- 3/ Incentive range authorized in Docket No. NG09-001. Incentive minimum and cap authorized in Docket No. NG11-006, Exhibit 5.

	<u>Black Hills</u>	<u>East River</u>
Minimum Incentive	\$3,381	\$799
Incentive Cap	9,922	2,351

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
Comparison of Budget to Actual
2012**

Black Hills	Participants			Costs			% of Budget Achieved	
	Actual	Budget	Difference	Actual 1/	Budget	Difference	Participants	Costs
April - October								
Residential								
Furnaces Tier 1 - 92-94% AFUE	4	5	(1)	\$600	\$750	(\$150)	80.0%	80.0%
Furnaces Tier 2 - 95+% AFUE - New	1	10	(9)	300	3,000	(2,700)	10.0%	10.0%
Furnaces Tier 2 - 95+% AFUE - Replacement	54	140	(86)	16,200	42,000	(25,800)	38.6%	38.6%
Water Heating (.62 EF)	3	15	(12)	150	750	(600)	20.0%	20.0%
Water Heating (.67 EF)	5	2	3	500	200	300	250.0%	250.0%
Programmable Thermostats	34	70	(36)	680	1,400	(720)	48.6%	48.6%
Energy Audits	0	30	(30)	0	6,020	(6,020)	0.0%	0.0%
Commercial								
Furnaces Tier 1 - 92-94% AFUE	0	2	(2)	0	300	(300)	0.0%	0.0%
Furnaces Tier 2 - 95+% AFUE - New	0	4	(4)	0	1,200	(1,200)	0.0%	0.0%
Furnaces Tier 2 - 95+% AFUE - Replacement	4	5	(1)	1,200	1,500	(300)	80.0%	80.0%
Custom Efficiency	0	2	(2)	0	1,200	(1,200)	0.0%	0.0%
Advertising				3,100	7,702	(4,602)		40.2%
Administration				2,897	6,715	(3,818)		43.1%
Total Black Hills	105	285	(180)	\$25,627	\$72,737	(\$47,110)	36.8%	35.2%
January - March	57			\$12,493				
Total Black Hills	162	285	(123)	\$38,120	\$72,737	(\$34,617)	56.8%	52.4%

1/ Excludes the DSM incentive amount of \$9,484 for Black Hills authorized in Docket No. NG11-006.

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
Comparison of Budget to Actual
2012**

East River	Participants			Costs			% of Budget Achieved	
	Actual	Budget	Difference	Actual 1/	Budget	Difference	Participants	Costs
April - October								
Residential								
Furnaces Tier 1 - 92-94% AFUE	0	2	(2)	\$0	\$300	(\$300)	0.0%	0.0%
Furnaces Tier 2 - 95+% AFUE - New	0	2	(2)	0	600	(600)	0.0%	0.0%
Furnaces Tier 2 - 95+% AFUE - Replacement	14	30	(16)	4,200	9,000	(4,800)	46.7%	46.7%
Water Heating (.62 EF)	0	2	(2)	0	100	(100)	0.0%	0.0%
Water Heating (.67 EF)	0	1	(1)	0	100	(100)	0.0%	0.0%
Programmable Thermostats	11	30	(19)	220	600	(380)	36.7%	36.7%
Energy Audits	0	5	(5)	500	980	(480)	0.0%	51.0%
Commercial								
Furnaces Tier 1 - 92-94% AFUE	0	1	(1)	0	150	(150)	0.0%	0.0%
Furnaces Tier 2 - 95+% AFUE - New	0	1	(1)	0	300	(300)	0.0%	0.0%
Furnaces Tier 2 - 95+% AFUE - Replacement	0	2	(2)	0	600	(600)	0.0%	0.0%
Custom Efficiency	0	1	(1)	0	600	(600)	0.0%	0.0%
Advertising				1,681	2,048	(367)		82.1%
Administration				580	1,785	(1,205)		32.5%
Total East River	<u>25</u>	<u>77</u>	<u>(52)</u>	<u>\$7,181</u>	<u>\$17,163</u>	<u>(\$9,982)</u>	32.5%	41.8%
January - March	33			\$6,253				
Total East River	<u>58</u>	<u>77</u>	<u>(19)</u>	<u>\$13,434</u>	<u>\$17,163</u>	<u>(\$3,729)</u>	75.3%	78.3%
Total South Dakota	<u>220</u>	<u>362</u>	<u>(142)</u>	<u>\$51,554</u>	<u>\$89,900</u>	<u>(\$38,346)</u>	60.8%	57.3%

1/ Excludes the DSM incentive amounts of \$2,020 for East River authorized in Docket No. NG11-006.

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
DSM Performance Target Financial Incentive
Summary of Programs and Incentive Threshold
2013 Program Year**

Program	Black Hills			East River		
	Participants	Dk Saving	Budget	Participants	Dk Saving	Budget
Residential						
Furnaces Tier 1 - 92-94% AFUE						
Furnaces Tier 2 - 95+% AFUE - New						
Furnaces Tier 2 - 95+% AFUE - Replacement	140	1,834	\$42,000	30	393	\$9,000
Water Heating (.62 EF)	10	14	500	2	3	100
Water Heating (.67 EF)	10	36	1,000	2	7	200
Programmable Thermostats	73	212	1,460	27	78	540
Commercial						
Furnaces Tier 1 - 92-94% AFUE						
Furnaces Tier 2 - 95+% AFUE - New						
Furnaces Tier 2 - 95+% AFUE - Replacement	5	115	1,500	4	92	1,200
Custom Efficiency	2	200	1,200	1	100	600
Administration & Promotion			15,472 ^{2/}			3,778 ^{2/}
Total	240	2,411	\$63,132	66	673	\$15,418
Energy Audits 1/	40		\$9,600	10		\$2,400
Total	280	2,411	\$72,732	76	673	\$17,818
Incentive Range						
Minimum Incentive 3/			\$3,637			\$891
Incentive Cap 4/			10,673			2,621

1/ The Energy Audit program does not provide dk savings.

2/ Reflects administration costs of \$8,500 and promotional costs of \$10,750 for 2013.

3/ 5% of budget as established in Docket No. NG09-001.

4/ Authorized return adjusted for taxes at 125% of budget as established in Docket No. NG09-001.

South Dakota - Natural Gas Natural Gas Conservation Program Survey January 2010 - October 2012

1) Responses by rebate category:

	# of Responses
Furnace Replacement	231
Furnace Fuel Conversion	25
Programmable Thermostat	111
Water Heater Replacement	41
Water Heater Fuel Conversion	7
Attic Insulation	24
New Const - Heating/Water Heating	6
New Const - Insulation	3

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

1 - 5 yrs old	1.59%
6 - 10 yrs old	2.79%
11 - 15 yrs old	8.76%
16 - 20 yrs old	17.13%
21 - 30 yrs old	28.29%
31 - 40 yrs old	23.51%
More than 40 yrs old	12.75%
Don't know	5.18%

If you purchased an ENERGY STAR rated water heater, what is the age of the furnace that was replaced?

1 - 5 yrs old	6.25%
6 - 10 yrs old	16.67%
11 - 15 yrs old	25.00%
16 - 20 yrs old	25.00%
21 - 30 yrs old	14.58%
31 - 40 yrs old	10.42%
More than 40 yrs old	0.00%
Don't know	2.08%

3) On a scale from 1 to 5 did the rebate offer influence your decision to invest in this energy saving equipment?

1 - No Influence	26.92%
2	13.02%
3	25.44%
4	23.37%
5 - Primary Influence	11.24%

South Dakota - Natural Gas Natural Gas Conservation Program Survey January 2010 - October 2012

- 4) On a scale from 1 to 5 did the current price of natural gas influence your decision to invest in this energy saving equipment?

1 - No Influence	21.66%
2	12.17%
3	23.15%
4	22.55%
5 - Primary Influence	20.47%

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

0 - 5 hours	10.38%
6 - 10 hours	15.09%
11 - 15 hours	5.66%
16 - 20 hours	6.60%
21 - 25 hours	2.83%
26 - 30 hours	5.66%
More than 30 hours	53.77%

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

0 Degrees	0.93%
1 - 3 Degrees	10.28%
4 - 5 Degrees	39.25%
6 - 8 Degrees	33.64%
9 - 10 Degrees	11.21%
More than 10 Degrees	4.67%

- 7) How did you hear about Montana-Dakota's conservation rebate programs?

Company Web Site	9.17%
Dealer/Builder	48.82%
Bill Insert	25.44%
Advertisement	7.40%
Other	9.17%

South Dakota - Natural Gas Natural Gas Conservation Program Survey January 2010 - October 2012

8) Are there any other conservation programs that would interest you?

Yes	25.22%
No	74.78%

6) What is your total household income level?

Less than \$25,000/year	8.21%
\$25,001 - \$50,000/year	27.86%
\$50,001 - \$75,000/year	22.58%
\$75,001 - \$100,000/year	16.13%
More than \$100,000/year	12.61%
No Answer	12.61%

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	Conservation Program Tracking Mechanism	8th 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 \$72,778
 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	55,450	\$72,778		N/A	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: Tamie A. Aberle
 Director of Regulatory Affairs
 (Name and Title)

On December 7, 2012 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 customers in South Dakota. The revised rates and South Dakota rules and regulations are available in this office for inspection.