

January 22, 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. On January 9, 2013, Montana-Dakota re-submitted its Rate 90 tariff sheet and supporting exhibits to reflect expenditures through November 2012. The Revised Exhibits attached hereto reflect actual participation and costs through December 31, 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. This filing extending the actual expense review period to December 31, 2012 provides a better match to the annual budgeted expenditures. Montana-Dakota requests that the January 9, 2013 filing be withdrawn.

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:

- 8th Revised Sheet No. 31

Montana-Dakota proposes to change the annual adjustment period to be effective

March 1 each year based on the previous calendar year actual expenditures as identified on the proposed tariff sheet. Moving the adjustment change to March 1 will allow the match between annual budget numbers to annual actual expenditures. 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 December 31, 2012 and modifications to projected expenditures to reflect the changes to the proposed 2013 budget 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 \$70,204 for the Black Hills rate area and \$24,204 for the East River rate area. The proposed CTA rates are based on projected dk for February 1, 2013 through February 28, 2014 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 \$0.023 per dk, or a decrease of \$0.026 from the currently authorized CTA for East River customers. The estimated decrease is \$0.70 for a Black Hills residential customer and \$2.60 for an East River residential customer using 100 dk annually or \$0.058 and \$0.217 per month respectively.

Revised Exhibit 3 reflects the Demand-Side Management (DSM) financial incentive achieved by Montana-Dakota for the 2012 program year of \$7,807 in the Black Hills area and \$2,302 in the East River area.

As shown below, the portfolio effective April 1, 2012 provided dk savings of 39,251 dk over the lifetime of the equipment.

Total South Dakota Conservation Program Dk Savings:	April - December 2012			Project Life
	Participants	Dk Savings	Project Life	Dk Savings
Residential				
High Efficiency Furnace - 92-94%	5	59.0	18	1,062
High Efficiency Furnace - 95%+ (new)	62	440.2	18	7,924
High Efficiency Furnace - 95%+ (replacement)	106	1,388.6	18	24,995
High Efficiency Water Heater (.62 EF)	3	4.2	10	42
High Efficiency Water Heater (.67+ EF)	11	39.6	10	396
Programmable Thermostats	73	211.7	15	3,176
Energy Audits	0	1/		1/
Total Residential	260	2,143.3		37,595
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%+ (replacement)	4	92.0	18	1,656
Custom	0	0.0	15	0
Total Commercial and Industrial	4	92.0		1,656
Total South Dakota	264	2,235.3		39,251

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 December 31, 2012 as compared to the budgeted amounts for both the Black Hills and East River areas.

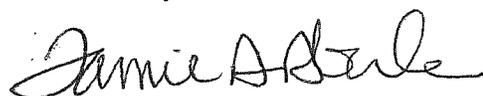
Revised Exhibit 5 reflects the proposed participation and budget levels for 2013. The High Efficiency Water Heating programs failed the Total Resource Cost Test (TRC) during the 2012 program year due primarily to low gas costs. The Company reviewed the cost-effectiveness of the water heating programs 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.

In addition, the Company received notice the Department of Energy (DOE) agreed to rescind its impending minimum efficiency standard for residential furnaces under the Energy Independence and Security Act (EISA) where the baseline efficiency would have changed to 90 percent AFUE effective May 1, 2013. Therefore, the Company adjusted its proposed participation for the Residential High Efficiency Furnace programs and proposes to continue to offer a cash incentive for new construction High Efficiency

95 percent AFUE furnaces in 2013. The proposed changes result in an increase of \$6,600 in the projected 2013 portfolio expenditures over the budget provided in the December 7, 2012 filing 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