

October 3, 2014

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

Re: Natural Gas Conservation Portfolio 2015 - 2017
 Docket No. NG14-___

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits for Commission approval a proposed portfolio of Natural Gas Conservation Programs to be effective for the calendar years of 2015 - 2017 pursuant to Montana-Dakota's Conservation Program Tracking Mechanism Rate 90 tariff. Montana-Dakota is requesting approval of a three year gas conservation portfolio with budget dollars provided for each year. The Company proposes that the current programs authorized in Docket No. NG11-006 continue through the remainder of 2014 with the new portfolio starting January 1, 2015.

The 2015-2017 proposed conservation portfolio is summarized in the table below with additional details for each program provided in the Gas Conservation Portfolio Plan (Plan) provided as Exhibit A. Montana-Dakota is proposing to continue with its current offerings with the exception of the Residential Water Heating program that is no longer cost effective based on the benefit/cost tests.

Residential Programs			
Program	Current Program	New Program	Change
Residential Space Heating – High-Efficiency Furnace (95+%) - Replacement	\$300 cash incentive for the purchase of a replacement furnace with an AFUE rating of 95% or greater		No change
Residential Space Heating – High-Efficiency Furnace	\$300 cash incentive for the purchase of a furnace with an		No change

(95+%) - New	AFUE rating of 95% or greater on new installations	
High-Efficiency Water Heater Incentive (.67 EF)	\$100 cash incentive for the purchase of a .67 EF water heater	Discontinued program
Programmable Thermostats	\$20 cash incentive for purchase of an Energy Star rated programmable thermostat	No change

Commercial Programs			
Program	Current Program	New Program	Change
Commercial Space Heating – High-Efficiency Furnace – New (95+%)	\$300 cash incentive for the purchase of a furnace with an AFUE rating of 95+%		No change
Commercial Space Heating – High-Efficiency Furnace – Replacement (95+%)	\$300 cash incentive for the purchase of a furnace with an AFUE rating of 95+%		No change
Commercial Custom	Cash incentive levels are project specific and do not fall within the prescribed measures		No change

Gas Conservation Portfolio

The total cost of the Company's conservation portfolio for the program years 2015 through 2017 is estimated to be \$542,100, providing savings of 288,739 dk over the life of the installed equipment. The budget is comprised of incentive costs, promotion and educational costs, and administration costs.

A breakdown of projected cost, participants and lifetime of dk saved is as follows:

	2015	2016	2017
Incentive	\$120,000	\$134,800	\$149,300
Promotion/Education	35,000	37,500	40,000
Administration	8,000	8,500	9,000
Total Project Costs	\$163,000	\$180,800	\$198,300
Participants	567	635	702
Program Life dk Saved	86,220	96,260	106,259

The program promotion plan is outlined in the Plan provided in Exhibit A and includes advertising, customer meetings and energy awareness events.

Montana-Dakota is proposing to continue to offer an Energy Audit program, however, an energy auditor is not currently available to serve Rapid City and the surrounding area. Montana-Dakota is continuing discussions with Black Hills Power Company regarding the possibility of partnering with Black Hills for energy audits performed for customers that take service from Montana-Dakota and Black Hills. The program is an indirect program which does not provide specific energy savings, however an effective energy audit program can be a useful tool for customer education and awareness and serve as an informational program that leads to additional participation in other direct impact programs offered by the Company. Montana-Dakota included a budget of \$25,000 annually for three years for the Energy Audit program in the portfolio as part of the promotion and education costs.

Five tests were performed on each of the programs to measure the cost effectiveness of the programs based on the benefit/cost ratios produced under the Ratepayer Impact Measure (RIM), Utility, Societal, Participant, and Total Resource Cost (TRC) tests. The results of the five tests are summarized, by program, in Attachment B to the Plan. The inputs required for the tests include a projection of participants, cost of the program, cost to the customer implementing the measure and estimated cost savings associated with the measure. A list of the assumptions utilized in the benefit/cost tests is shown on pages 46 – 47 of Attachment B of the Plan. While Montana-Dakota typically views programs as favorable when the benefit/cost ratio resulting from the TRC test is greater or equal to 1.00, the Company also takes into consideration other factors before selecting a program to include in its portfolio. Other factors may include applicability to customer base, market transformation, composition of the portfolio, and potential for behavior change. All programs included in the Company’s portfolio result in benefit/cost ratios of 1.00 or greater for the TRC tests as shown in Attachment B of the Plan. As noted above, the programs and promotional plan is described in detail in the Plan.

The table below summarizes the list of proposed programs along with the TRC test results.

Program	Class	TRC Result
Total Portfolio		1.92
Furnace (95+%) - New	Residential	1.77
Furnace (95+%) - Replacement	Residential	1.99
Programmable Thermostats	Residential	1.64
Furnace (95+%) - New	Commercial	1.76
Furnace (95+%) - Replacement	Commercial	1.99
Custom	Commercial	2.16

The Company continues its focus on offering programs that provide the opportunity to be implemented in the near term time frame and provide cash incentives to lower the upfront costs of purchasing energy efficiency equipment and make energy efficiency measures more cost effective to customers.

Montana-Dakota continues to use a deemed database approach to calculate energy savings, adjusting for regional differences related to commodity costs and incremental equipment costs.

Montana-Dakota respectfully requests approval of the new portfolio by January 1, 2015.

In summary, Montana-Dakota provides as Exhibit A the Gas Conservation Portfolio Plan with the following attachments in support of this request:

Attachment A: Deemed Database Examples
Attachment B: Benefit/Cost Models

Please refer all inquiries regarding this filing to:

Ms. Tamie A. Aberle
Director of Regulatory Affairs
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 58503-5650

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.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: D. Kuntz