

October 1, 2010

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. NG10-_____

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. herewith electronically submits for Commission approval a revised 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 August 31, 2010.

Montana-Dakota is requesting approval of the following tariff changes, attached hereto as Exhibit 1, to Montana-Dakota's natural gas tariff to be effective November 1, 2010:

- 68th Revised Sheet No. 1 – The proposed tariff sheet reflects the Purchased Gas Cost Adjustments (PGAs) effective October 1, 2010. This Rate Summary Sheet may require modification prior to implementation if the PGAs require change on November 1, 2010.
- 6th Revised Sheet No. 31

On March 2, 2009 Montana-Dakota requested Commission approval to remove the experimental qualifier associated with the Company's Gas Conservation Program in Docket No. NG09-001. The Company also proposed a new 2010-2011 natural gas conservation portfolio consisting of six conservation programs and an education and outreach plan. On October 8, 2009 and pursuant to discussions with Commission Staff, Montana-Dakota filed a revised portfolio of programs and proposed a demand-side management (DSM) financial incentive in lieu of collecting lost distribution revenues. Other proposed changes included (1) changing the cost recovery time period to start on November 1 to coincide with Commission approval of the new programs; (2) removal of the 90% and 91% High Efficiency Furnaces as qualifying purchases for an incentive under the Furnace Rebate Program; and (3) inclusion of a carrying charge provision

applicable to the over or under recovery of the collected amount each month. The Commission approved the six programs along with the other proposed changes at the October 20, 2009 Commission meeting. The authorized programs consist of:

1. High-Efficiency Furnace (92-93%) Incentive. Qualifying customers receive an incentive of \$150 for replacing their current natural gas furnace with a 92%-93% AFUE ENERGY STAR rated furnace. 15 customers participated in South Dakota in this program during the period September 1, 2010 through August 31, 2010.
2. High-Efficiency Furnace (94+%) Incentive. Qualifying customers receive an incentive of \$300 for the replacement of their current natural gas furnace with a 94+% AFUE ENERGY STAR rated furnace. 70 customers participated in South Dakota in this program during the period September 1, 2010 through August 31, 2010.
3. High-Efficiency Water Heater Incentive. Qualifying customers receive an incentive of \$50 for replacing their current natural gas water heater with a high efficiency water heater (defined as a unit with an energy factor (EF) of at least .62). 9 customers participated in South Dakota in this program during the period September 1, 2010 through August 31, 2010.
4. Programmable Thermostats. Montana-Dakota offers a \$20 incentive for the purchase of a programmable thermostat that meets the ENERGY STAR guidelines. 60 customers participated in South Dakota in this program during the period September 1, 2010 through August 31, 2010.
5. Attic Insulation. Qualifying customers receive an incentive for the purchase and installation of a home's attic insulation with higher R-values due to remodeling or replacement of a home's current insulation. R-Value is a measure of thermal resistance. The higher the R-Value the better the building insulation effectiveness. Customer rebates are dependent on the R value of the insulation installed. One customer participated in South Dakota in this program during the period September 1, 2010 through August 31, 2010.

6. **New Construction Bundle.** Qualifying customers receive an incentive for the purchase and installation of ENERGY STAR rated appliances in new homes. Two levels of incentives are available: (1) a \$300 rebate for the installation of a ENERGY STAR rated furnace of at least 94% or greater AFUE and a natural gas water heater with a minimum energy factor of .62 and (2) a \$400 rebate for the installation of a 94% or greater AFUE furnace, a natural gas water heater with a energy factor of .62 and a qualifying insulation package. One customer participated in South Dakota in this program during the period September 1, 2010 through August 31, 2010.

7. **Education.** Conservation Starter Kits including a number of items that customers can install as a starting point for conservation, such as caulk and caulking gun, V-type weather stripping, outlet and switch gaskets, and a filter whistle were distributed to customers throughout the year. The kits also include Energy Savings tips with ways customers can save energy in their homes. The HomeEnergySuite web based tool that was part of Montana-Dakota's approved portfolio has not yet been implemented but is expected to be launched in 2011. This product provides customers the opportunity to evaluate changes to their energy consumption based on various conservation measures.

Montana-Dakota experienced reasonable success overall this past year with the Company's natural gas DSM programs given this new portfolio was only available for approximately ten months. As shown on Exhibit 4, the High Efficiency Furnace programs, in particular the incentives for furnaces with AFUE of 94% or greater, was by far the Company's most successful program in South Dakota, surpassing Montana-Dakota's anticipated participation rates for both the Black Hills and East River areas. The Programmable Thermostat program did experience a decline in participation this past program year which the Company attributes somewhat to the maturity of the program and the saturation rates due to relatively high participation rates in past years. The remaining programs were new programs in 2010 and, while participation did not meet anticipated levels, the Company was encouraged to see participation in all new programs in 2010.

The Company estimates annual savings of 1,127 dk based on the programs where rebates were issued, during this past year, and savings may be reasonably estimated. This equates to savings of 19,742 dk over the life of the programs.

The Company actively participated in home shows and an Energy Awareness Event to promote the programs, in addition to the use of bill inserts, newspaper inserts, and billboards. Montana-Dakota personnel also provided area dealers/builders with information regarding the Company's program and the various rebates available to customers. These efforts will continue with an increased emphasis on efforts to

engage the dealers/builders, including a dialogue with this group to assist in determining ways to increase customer participation.

Total program expenses to be recovered through the respective CTAs over the next twelve months amount to \$41,285 for the Black Hills system and \$6,970 for the East River System, as shown on Exhibit 2, page 1. Pursuant to Rate 90, Montana-Dakota has included DSM financial performance incentives in the amounts of \$4,049 and \$791 for the Black Hills and East River rate areas, respectively, as part of the total costs to be recovered through the CTA. The DSM incentive for the Black Hills rate area reflects the minimum financial incentive level as established in Docket No. NG09-001. Montana-Dakota incurred \$23,462 in program costs this past year for the Black Hills rate area, which equates to a calculated incentive of \$2,754 as shown on Exhibit 3. As the calculated incentive is below the minimum incentive to be earned, the minimum financial incentive of \$4,049 is included as a project cost. The DSM incentive for the East River rate area reflects the incentive calculated based on actual program costs incurred this past year, or \$6,718. As the calculated incentive exceeds the minimum level authorized of \$599, the actual incentive achieved is included in the total program expenses to be recovered through the CTA.

Montana-Dakota is also including the costs for the Company's 2011 Conservation Budget, as authorized in Docket No. NG09-001 and attached hereto as Exhibit 5, in the total program expenses to be recovered through the CTAs over the period November 1, 2010 through October 31, 2011. Montana-Dakota is proposing no changes to the 2011 budget authorized by the Commission in Docket No. NG09-001.

The aforementioned costs equate to a CTA applicable to service under Rates 60, 70 and 72 of \$0.007 per dk, or a decrease of \$0.012 per dk from the currently authorized CTA for Black Hills customers, and a CTA applicable to service under Rates 66 and 76 of \$0.008 per dk, or a decrease of \$0.011 from the currently authorized CTA for East River customers. The typical residential customer using 107 dk a year will see an annual decrease of approximately \$1.30 for the Black Hills system and \$1.20 for the East River system. Montana-Dakota requests Commission approval of the CTA to be effective with service rendered on and after November 1, 2010.

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 6 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 7 in a conspicuous place in each business office in its affected gas service territory in South Dakota for at least thirty 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 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.

Sincerely,



Tamie A. Aberle
Pricing & Tariff Manager

Attachments

cc: B. Koenecke

Exhibit 1



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
 68th Revised Sheet No. 1
 Canceling 67th 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 | \$0.007 | \$4.345 | \$5.923 |
| Ellsworth Air Force Base Rate 64 | 5 | \$95.00 per month | \$0.062 | | \$3.383 | \$3.445 |
| East River Residential Rate 66 | 7 | \$0.15 per day | \$2.915 | \$0.008 | \$4.390 | \$7.313 |
| 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 | \$0.007 | \$4.345 | \$5.527 |
| Small Interruptible Gas Rate 71 | 12 | \$50.00 per month | (Maximum) \$0.453 | | \$4.345 | (Maximum) \$4.798 |
| 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 | \$0.007 \$0.007 | \$4.467 \$3.421 | \$5.649 \$4.603 |
| 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 | \$0.008 | \$4.390 | \$6.996 |
| Transportation Service Small Interruptible Rate 81 Maximum Minimum Fuel Charge Large Interruptible Rate 82 Maximum Minimum Fuel Charge | 22 | \$125.00 per month \$225.00 per month | \$0.453 \$0.131 \$0.187 \$0.090 | | \$0.050 \$0.038 | |
| Large Interruptible Gas Rate 85 | 26 | \$175.00 per month | (Maximum) \$0.187 | | \$3.197 | (Maximum) \$3.384 |

Date Filed: October 1, 2010

Effective Date:

Issued By: Tamie A. Aberle
 Pricing & Tariff Manager

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
 6th Revised Sheet No. 31
 Canceling 5th Revised Sheet No. 31

**CONSERVATION PROGRAM
 TRACKING MECHANISM Rate 90**

Page 1 of 1

Applicability:

This rate schedule represents a Conservation Program Tracking Mechanism and specifies the procedure to be utilized to recover the costs of a portfolio of conservation programs, as authorized by the Commission, including a DSM financial performance incentive. 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.

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 each November 1 will be adjusted by the application of the Conservation Tracking Adjustment rate indicated below. The total program costs including the DSM financial incentive 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 plus carrying costs on the monthly over or under collected amount. Montana-Dakota will apply carrying charges at the rate of interest for a three-month Treasury Bill as published monthly by the Federal Reserve for the preceding month.

Conservation Tracking Adjustment:

| | | |
|-------------|----------------|---|
| Black Hills | \$0.007 per dk | R |
| East River | \$0.008 per dk | R |

Date Filed: October 1, 2010

Effective Date:

Issued By: Tamie A. Aberle
 Pricing & Tariff Manager

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
 5th Revised Sheet No. 31
 Canceling 4th Revised Sheet No. 31

**CONSERVATION PROGRAM
 TRACKING MECHANISM Rate 90**

Page 1 of 1

Applicability:

This rate schedule represents a Conservation Program Tracking Mechanism and specifies the procedure to be utilized to recover the costs of a portfolio of conservation programs, as authorized by the Commission, including a DSM financial performance incentive. 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.

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 each November 1 will be adjusted by the application of the Conservation Tracking Adjustment rate indicated below. The total program costs including the DSM financial incentive 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 plus carrying costs on the monthly over or under collected amount. Montana-Dakota will apply carrying charges at the rate of interest for a three-month Treasury Bill as published monthly by the Federal Reserve for the preceding month.

Conservation Tracking Adjustment:

| | |
|-------------|--|
| Black Hills | \$ 0.0190 <u>0.007</u> per dk |
| East River | \$ 0.0190 <u>0.008</u> per dk |

RIR

Date Filed:

Effective Date:

Issued By: Tamie A. Aberle
 Pricing & Tariff Manager

Docket No.:

**Montana-Dakota Utilites Co.
Gas Utility - South Dakota**

**Gas Conservation Tracking Adjustment Rate 90
Effective November 1, 2010**

| | <u>Black Hills</u> | <u>East River</u> |
|---------------------------------------|------------------------|-----------------------|
| DSM Balance as of October 31, 2010 1/ | (\$57,265) | (\$7,550) |
| 2010 DSM Incentive 2/ | 4,049 | 791 |
| 2011 Budget 3/ | <u>94,501</u> | <u>13,729</u> |
| Gas DSM Costs to be Recovered | \$41,285 | \$6,970 |
| Projected Volumes 4/ | <u>5,541,000</u> | <u>898,800</u> |
| CTA Rate Effective November 1, 2010 | <u><u>\$0.007</u></u> | <u><u>\$0.008</u></u> |

1/ Exhibit 2, Page 2.

2/ Exhibit 3.

3/ Exhibit 5.

4/ Exhibit 2, Page 6.

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
Conservation Program Activity
September 2009 through August 31, 2010**

| <u>Program Activity</u> | <u>Black Hills</u> | <u>East River</u> |
|---|--------------------|-------------------|
| Beginning Balance 1/ | \$28,612 | \$3,033 |
| Current Activity | | |
| Actual Expenditures 2/ | 23,229 | 6,648 |
| CTA Recovered 2/ | <u>98,314</u> | <u>15,736</u> |
| Total Costs to be Recovered | (\$46,473) | (\$6,055) |
| Estimated Recovery | | |
| September and October 2010 3/ | 10,792 | 1,495 |
| Estimated DSM Balance as of October 31, 2010 | <u>(\$57,265)</u> | <u>(\$7,550)</u> |

- 1/ Total Costs to be Recovered, Exhibit 3, Page 2 of 4, Docket No. NG09-001, filed October 8, 2009.
- 2/ Exhibit 2, Pages 3 and 4. Including the carrying charge.
- 3/ Estimated CTA recovery based on projected volumes and CTA rate effective November 1, 2009 in Docket No. NG09-001.

| | <u>CTA</u> | <u>Projected Volumes</u> | <u>Estimated Recovery</u> |
|-------------|------------|--------------------------|---------------------------|
| Black Hills | \$0.019 | 568,000 | \$10,792 |
| East River | 0.019 | 78,683 | 1,495 |

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota**

**Black Hills
Conservation Monthly Account Balances
September 2009 through August 2010**

| <u>Month</u> | <u>Beginning Balance</u> | <u>Carrying Charge 1/</u> | <u>Current Month Charges</u> | <u>CTA Recovery</u> | <u>(Over)/Under Recovery</u> |
|---------------------|------------------------------|-------------------------------|--------------------------------------|-------------------------|----------------------------------|
| Previous Balance 2/ | | | | | \$28,612 |
| September 2009 | \$28,612 | \$34 | \$4,215 | \$625 | 32,236 |
| October | 32,236 | 23 | 371 | 1,416 | 31,214 |
| November | 31,214 | 16 | 1,066 | 4,033 | 28,263 |
| December | 28,263 | 14 | 3,228 | 13,597 | 17,908 |
| January 2010 | 17,908 | 11 | 620 | 19,864 | (1,325) |
| February | (1,325) | (1) | 1,130 | 15,317 | (15,513) |
| March | (15,513) | (23) | 2,050 | 16,668 | (30,154) |
| April | (30,154) | (48) | 1,583 | 10,051 | (38,670) |
| May | (38,670) | (62) | 0 | 6,662 | (45,394) |
| June | (45,394) | (54) | 5,126 | 4,650 | (44,972) |
| July | (44,972) | (72) | 3,853 | 3,017 | (44,208) |
| August | (44,208) | (71) | 220 | 2,414 | (46,473) |
| Total | | <u>(\$233)</u> | <u>\$23,462</u> | <u>\$98,314</u> | |

1/ Reflects 3-month Treasury Bill rate.

2/ Total program costs to be recovered in Docket No. NG09-001, Exhibit 3, page 2 of 4.

Montana-Dakota Utilities Co.
Gas Utility - South Dakota

East River
Conservation Monthly Account Balances
September 2009 through August 2010

| Month | Beginning Balance | Carrying Charge | Current Month Charges | CTA Recovery | (Over)/Under Recovery |
|---------------------|-------------------|-----------------|-----------------------|-----------------|-----------------------|
| Previous Balance 2/ | | | | | \$3,033 |
| September 2009 | \$3,033 | \$4 | \$438 | \$47 | 3,428 |
| October | 3,428 | 2 | 300 | 152 | 3,578 |
| November | 3,578 | 2 | 0 | 566 | 3,014 |
| December | 3,014 | 2 | 17 | 2,446 | 587 |
| January 2010 | 587 | 0 | 0 | 3,653 | (3,066) |
| February | (3,066) | (3) | 0 | 2,821 | (5,890) |
| March | (5,890) | (9) | 400 | 2,910 | (8,409) |
| April | (8,409) | (13) | 333 | 1,462 | (9,551) |
| May | (9,551) | (15) | 0 | 713 | (10,279) |
| June | (10,279) | (12) | 1,590 | 466 | (9,167) |
| July | (9,167) | (15) | 1,370 | 259 | (8,071) |
| August | (8,071) | (13) | 2,270 | 241 | (6,055) |
| Total | | <u>(\$70)</u> | <u>\$6,718</u> | <u>\$15,736</u> | |

1/ Reflects 3-month Treasury Bill rate.

2/ Total program costs to be recovered in Docket No. NG09-001, Exhibit 3, page 2 of 4.

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota**

**Summary of Actual DSM Expenditures
September 2009 through August 2010**

| Black Hills DSM Programs | Incentive | # of Participants | Cost |
|----------------------------------|-----------|----------------------|-----------------|
| High Efficiency Furnace - 92% | \$150 | 13 | \$1,950 |
| High Efficiency Furnace - 94% | 150 | 26 | 3,900 |
| High Efficiency Furnace - 94% 1/ | 300 | 31 | 9,300 |
| High Efficiency Water Heater | 50 | 7 | 350 |
| Programmable Thermostats | 20 | 52 | 1,040 |
| Attic Insulation | 2/ | 1 | 306 |
| New Construction Bundle | 3/ | 0 | 0 |
| Administrative Costs | | | 1,432 |
| Customer Education | | | 3,146 |
| Marketing Costs | | | 2,038 |
| Total | | 130 | \$23,462 |

| East River DSM Programs | Incentive | # of Participants | Cost |
|----------------------------------|-----------|----------------------|----------------|
| High Efficiency Furnace - 92% | \$150 | 2 | \$300 |
| High Efficiency Furnace - 94% | 150 | 2 | 300 |
| High Efficiency Furnace - 94% 1/ | 300 | 11 | 3,300 |
| High Efficiency Water Heater | 50 | 2 | 100 |
| Programmable Thermostats | 20 | 8 | 160 |
| Attic Insulation | 2/ | 0 | 0 |
| New Construction Bundle | 3/ | 1 | 400 |
| Administrative Costs | | | 350 |
| Customer Education | | | 438 |
| Marketing Costs | | | 1,370 |
| Total | | 26 | \$6,718 |

1/ Effective January 1, 2010, qualifying rebates for 94% furnaces were increased to \$300.

2/ Rebate dependent on the R-value of the insulation installed.

3/ Rebate dependent on bundle option selected.

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota**

**Projected Firm Sales
November 2010 through October 2011**

| Projected Dk | Black Hills System | | | East River System | | | Total South Dakota |
|-----------------------|---------------------------|------------------|------------------|--------------------------|----------------------|----------------|-------------------------------|
| | Residential | Firm General | Total | Residential | Firm General | Total | |
| November 2010 | 391,000 | 284,000 | 675,000 | 50,000 | 65,000 | 115,000 | 790,000 |
| December | 520,000 | 374,000 | 894,000 | 72,000 | 91,000 | 163,000 | 1,057,000 |
| January 2011 | 548,000 | 391,000 | 939,000 | 77,000 | 93,000 | 170,000 | 1,109,000 |
| February | 436,000 | 313,000 | 749,000 | 57,000 | 71,000 | 128,000 | 877,000 |
| March | 384,000 | 278,000 | 662,000 | 48,000 | 62,000 | 110,000 | 772,000 |
| April | 250,000 | 185,000 | 435,000 | 25,000 | 37,000 | 62,000 | 497,000 |
| May | 139,000 | 110,000 | 249,000 | 10,000 | 21,000 | 31,000 | 280,000 |
| June | 72,000 | 63,000 | 135,000 | 3,000 | 13,000 | 16,000 | 151,000 |
| July | 61,000 | 56,000 | 117,000 | 3,000 | 14,000 | 17,000 | 134,000 |
| August | 61,000 | 57,000 | 118,000 | 3,000 | 15,000 | 18,000 | 136,000 |
| September | 102,000 | 84,000 | 186,000 | 7,000 | 18,000 | 25,000 | 211,000 |
| October | 217,000 | 165,000 | 382,000 | 22,000 | 35,000 | 57,000 | 439,000 |
| Total | 3,181,000 | 2,360,000 | 5,541,000 | 377,000 | 535,000 | 912,000 | 6,453,000 |
| Less: Firm Contract | | | | | 13,200 ^{1/} | 13,200 | 13,200 |
| Total SD Projected Dk | <u>3,181,000</u> | <u>2,360,000</u> | <u>5,541,000</u> | <u>377,000</u> | <u>521,800</u> | <u>898,800</u> | <u>6,439,800</u> |

1/ Per books volumes for large firm contract sales for the twelve months ended September 30, 2010.

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
DSM Performance Financial Incentive
for 2010 Program Year**

| | | |
|------------------------------|----------|----------------|
| <u>Black Hills</u> | | |
| Total costs incurred 1/ | \$23,462 | |
| Authorized Return 2/ | 11.739% | |
| Calculated Incentive | \$2,754 | |
| Incentive Achieved 3/ | | \$4,049 |

| | | |
|------------------------------|---------|--------------|
| <u>East River</u> | | |
| Total costs incurred 1/ | \$6,718 | |
| Authorized Return 2/ | 11.770% | |
| Calculated Incentive | \$791 | |
| Incentive Achieved 3/ | | \$791 |

1/ Exhibit 2 Page 5.

2/ Authorized return, adjusted for taxes.

3/ Incentive range established in Docket No. NG09-001,
Exhibit 4, Page 1 of 2, October 8, 2009 filing.

| | | |
|-------------------|----------------|---------------|
| | Black Hills | East River |
| Minimum Incentive | \$4,049 | \$599 |
| Incentive Cap | 11,883 | 1,763 |

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
Comparison of Budget to Actual
2010 Program Year**

| Black Hills | Participants | | | Costs | | |
|--------------------------------|--------------|------------|--------------|-----------------|-----------------|-------------------|
| | Actual | Budget | Difference | Actual | Budget | Difference |
| Space Heating - 92% Furnace | 13 | 50 | (37) | \$1,950 | \$9,679 | (\$7,729) |
| Space Heating - 94% Furnace | 26 | | | 3,900 | | |
| Space Heating - 94% Furnace 1/ | 31 | 25 | 32 | 9,300 | 8,821 | 4,379 |
| Water Heaters | 7 | 50 | (43) | 350 | 4,112 | (3,762) |
| Programmable Thermostat | 52 | 100 | (48) | 1,040 | 5,349 | (4,309) |
| Attic Insulation | 1 | 50 | (49) | 306 | 15,898 | (15,592) |
| New Construction Bundle | 0 | 63 | (63) | 0 | 26,233 | (26,233) |
| Admin and Education Costs | | | | 6,616 | 10,889 | (4,273) |
| Total Black Hills | 130 | 338 | (208) | \$23,462 | \$80,981 | (\$57,519) |

| East River | Participants | | | Costs | | |
|--------------------------------|--------------|-----------|-------------|----------------|-----------------|------------------|
| | Actual | Budget | Difference | Actual | Budget | Difference |
| Space Heating - 92% Furnace | 2 | 10 | (8) | \$300 | \$1,432 | (\$1,132) |
| Space Heating - 94% Furnace | 2 | | | 300 | | |
| Space Heating - 94% Furnace 1/ | 11 | 5 | 8 | 3,300 | 1,305 | 2,295 |
| Water Heaters | 2 | 5 | (3) | 100 | 608 | (508) |
| Programmable Thermostat | 8 | 10 | (2) | 160 | 791 | (631) |
| Attic Insulation | 0 | 5 | (5) | 0 | 2,352 | (2,352) |
| New Construction Bundle | 1 | 15 | (14) | 400 | 3,881 | (3,481) |
| Admin and Education Costs | | | | 2,158 | 1,611 | 547 |
| Total East River | 26 | 50 | (24) | \$6,718 | \$11,980 | (\$5,262) |

1/ Rebate = \$300 effective January 1, 2010.

**Montana-Dakota Utilities Co.
Gas Utility - South Dakota
DSM Performance Target Financial Incentive
Summary of Programs and Incentive Threshold
2011 Program Year**

| Program | Black Hills 1/ | | | East River 2/ | | |
|-----------------------------|----------------|--------------|-----------------|---------------|--------------|-----------------|
| | Participants | Dk Saving | Budget | Participants | Dk Saving | Budget |
| Space Heating - 92% Furnace | 50 | 365 | \$9,456 | 10 | 73 | \$1,373 |
| Space Heating - 94% Furnace | 25 | 215 | 8,595 | 5 | 43 | 1,249 |
| Water Heater | 75 | 278 | 9,633 | 10 | 37 | 1,400 |
| Programmable Thermostats | 125 | 363 | 5,920 | 10 | 29 | 860 |
| Attic Insulation | 75 | 683 | 24,180 | 10 | 91 | 3,513 |
| New Construction Bundle | 63 | 592 | 25,803 | 15 | 141 | 3,748 |
| Administration & Education | | | 10,914 | | | 1,586 |
| Total | 413 | 2,496 | \$94,501 | 60 | \$414 | \$13,729 |

Incentive Range

| | | |
|----------------------|---------|-------|
| Minimum incentive 3/ | \$4,725 | \$686 |
| Incentive cap 4/ | 13,867 | 2,020 |

1/ As authorized in Docket No. NG09-001, Exhibit 4, Page 1, filed October 8, 2009.

2/ As authorized in Docket No. NG09-001, Exhibit 4, Page 2, filed October 8, 2009.

3/ 5% of budget.

4/ Returned earned at 125% of budget, adjusted for taxes.

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 | 68th Revised Sheet No. 1 |
| 3 | Conservation Program Tracking Mechanism | 6th 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 \$76,379
 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 | 53,401 | (76,379) | N/A | 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
 Pricing & Tariff Manager
 (Name and Title)

**On October 1, 2010 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.**