



A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
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February 28, 2012

Mr. Russ Trasky
Montana Department of Revenue
Sam W. Mitchell Building
125 N. Roberts, 3rd Floor
Helena, MT 59604-5805

RE: Montana-Dakota Utilities Co.
2011 Electric USB Report

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. herewith submits its Annual Report regarding Universal System Benefit Programs (USBP) pursuant to MCA § 69.8.402 (8) as part of the Electric Utility Industry Restructuring Law.

In accordance with 69-8-402 (MCA) Montana-Dakota, hereby submits the funds collected in 2011 that exceeded the credits for internal programs and large customer credits of \$350,104.83 described in the attached report.

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

Sincerely,

A handwritten signature in cursive script that reads 'Tamie A. Aberle'.

Tamie A. Aberle
Regulatory Affairs Manager

Cc: Montana Public Service Commission
John Alke

**Montana-Dakota Utilities Co.
Universal System Benefits Program
2011 Annual Report**

The total dollars collected under the Universal System Benefit Charges (USBC) approved by the Montana Public Service Commission (Commission) during the period January 1, 2011 through December 31, 2011 was \$977,632.62. The large customer group, defined as customers with monthly electric billing demands of 1,000 kW or higher, accounted for \$260,077.70 of the total amount collected.

The following USBP expenditures were made in calendar year 2011 in accordance with programs approved by the Commission:

Low-Income Discount	\$295,009.26
Low-Income Weatherization	152,000.00
Low-Income Energy Audits	10,000.00
Energy Share Endowment & Admin	35,000.00
Energy Share Bill Assistance	45,000.00
Energy Share & HRDC Furnace Safety	50,000.00
Low-Income Program Promotion	3,178.05
Conservation Programs	3,575.50
Total Montana-Dakota Programs	<u>\$593,762.81</u>

Following is a description of each program:

Montana-Dakota offers a low-income discount to all customers that have qualified for Low-Income Energy Assistance (LIEAP). The discount remains in place on a calendar basis and qualifying customer's accounts are updated annually upon the start of the LIEAP qualification process the following heating season. Beginning with the 2008-2009 LIEAP season (first LIEAP payments were received November 18, 2008) customers qualifying for LIEAP also qualified for a discount on their electric bill based on a new discount structure filed as part of the Stipulation in Docket No. D2006.1.2 and approved by the Commission on

August 20, 2008. Three levels of discount are available under this discount rate structure; 30% discount for customers at 0-60% of the federal poverty level, 25% discount for customers at 61-90% of the federal poverty level and a 20% discount for customers at 91% to the ceiling of the federal poverty percentage of income as established by the Department of Health and Human Services in determining LIEAP benefits.

The income data used to administer the discount is received from the State Department of Health and Human Services at the time a customer qualifies for LIEAP. When combined with a LIEAP benefit, the bill discount serves to mitigate the higher percentage of disposable income necessary to pay utility bills that this group of customers pays in comparison to other customers. Following are statistics regarding the distribution of the electric discounts among the various discount levels based the percentage of poverty for calendar year 2011. On average, 1,612 customers received benefit of the discounts with the months or number of bills discounted for each customer dependent upon the time LIEAP benefits were first received on their behalf. The discount was applied to 19,341 bills.

Low Income Discounts January 1, 2011- December 31, 2011

% of Federal Poverty/Age	Discount	Customers	Average Discount/Bill
0-60%	30%	475	\$(18.73)
61-90%	25%	429	(15.37)
91%-ceiling %	20%	708	(12.89)

The other low-income related programs include weatherization, energy audits, bill assistance and a furnace/water heater repair program. These programs provide assistance to low income customers located in Montana-Dakota's service territory. The bill assistance and furnace/water heater programs are administered by Energy Share of Montana in accordance with their established guidelines to provide assistance to qualifying low-income customers. In 2011,

192 households received bill assistance at an average of \$321 per household. The furnace safety program recognizes the problem that arises when a low-income customer is faced with a costly repair bill or in some cases the cost of replacing space or water heating equipment. Twenty-three households were assisted through this program in 2011. The Weatherization and Energy Audit Programs are administered by Action for Eastern Montana in accordance with guidelines established by the State Department of Health & Human Services and the Department of Energy and assist low-income customers with conservation measures that result in energy savings. Action for Eastern Montana was able to assist thirty-eight households utilizing USB funds in 2011 at an average cost of \$1,750 per household. Twelve of the households served included thirteen disabled individuals, thirteen of the households included twenty-two children under the age of 18 and nineteen of the households contained twenty-three individuals 55 years and older.

The Energy Share endowment will provide for the long-term needs of the low-income customers of Montana by providing a stable funding source for energy assistance dollars and is a cost effective program that will benefit Montana-Dakota's customers. Customer education consists of outreach required to better inform customers of the available assistance programs noted above and the Federal LIEAP program. Bill inserts, web site promotion and advertising done in conjunction with Energy Share of Montana were tools utilized in 2011. Montana-Dakota has developed a package of bill inserts, posters and direct mail pieces to assist with educating customers regarding assistance available under the programs.

In addition to the low-income related conservation programs, funds were also made available for all residential and commercial customers. The cost effectiveness of the conservation program offerings was determined based on the cost/benefit analyses provided in the Company's Integrated Resource Plan filed in Docket No. N2011.8.70. In addition to appliance and high efficiency air

conditioner rebates, a rebate was provided under the Commercial Lighting program to customers installing qualifying lighting system retrofits for fluorescent T8 or T5 lamps, electronic ballast compact lamps or exit signs. Expenditures totaled \$3,575.50 for the conservation programs providing annual energy savings of approximately 42,375 Kwh or approximately 760,000 Kwh over the lifetime of the projects. Montana-Dakota is currently in the process of selecting a consultant to perform an Energy Efficiency Potential Study for its Montana service territory in 2012 to be funded through the 2012 USB conservation fund.

As noted above, a total of \$260,077.70 was collected from the Large Customer Group. In accordance with 69-8-402 (MCA) the Large Customer Group has the right to self-direct funds collected through the USBC. Funds totaling \$33,764.98 were refunded to the Large Customer group.

In accordance with 69-8-402 (MCA) Montana-Dakota, hereby submits the unexpended balance of \$350,104.83 to the Department of Revenue. The determination of this amount is summarized below:

Total USB Funds Collected	\$977,632.62
Less: Program Expenditures	
Low-Income Discount	295,009.26
Low-Income Weatherization	152,000.00
Low-Income Energy Audits	10,000.00
Energy Share Endowment & Admin	35,000.00
Energy Share Bill Assistance	45,000.00
Energy Share & HRDC Furnace Safety	50,000.00
Low-Income Program Promotion	3,178.05
Commercial Lighting Rebates	1,889.80
Conservation Programs	1,685.70
Total Montana-Dakota Programs	\$593,762.81
Less Large Customer Self-Directed Funds	33,764.98
Amount to Remit to Department of Revenue	<u>\$350,104.83</u>