



UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

February 25, 2011

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.
2010 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 2010 that exceeded the credits for internal programs of \$307,773.43 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 black ink that reads 'Jamie A. Aberle'.

Tamie A. Aberle
Regulatory Affairs Manager

Cc: Montana Public Service Commission
John Alke

**Montana-Dakota Utilities Co.
Universal System Benefits Program
2010 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, 2010 through December 31, 2010 was \$928,811.10. The large customer group, defined as customers with monthly electric billing demands of 1,000 kW or higher, accounted for \$250,981.83 of the total amount collected.

The following USBP expenditures were made in calendar year 2010 in accordance with programs approved by the Commission:

Low-Income Discount	\$259,246.70
Low-Income Weatherization	127,000.00
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	75,000.00
Low-Income Program Promotion	4,194.40
Conservation Programs	18,821.51
Total Montana-Dakota Programs	<u>\$574,262.61</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 on age and percentage of poverty for calendar year 2010. On average, 1,373 customers received benefit of the discounts with the months or number of bills discounted for each customer dependent upon the time LIEAP benefits were received on their behalf. The discount was applied to 16,471 bills. As shown, customers were fairly evenly distributed among the income levels during 2010.

Low Income Discounts January 1, 2010- December 31, 2010

% of Federal Poverty/Age	Discount	Customers	Average Discount/Bill
0-60%	30%	471	\$(17.53)
61-90%	25%	391	(13.62)
91-150%	20%	511	(12.20)

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 2010, 184 households received bill assistance at an average of approximately \$300 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. Ten households were assisted through this program in 2010. 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 45 households utilizing USB funds in 2010 at an average cost of \$775 per household.

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, heightened web site promotion and advertising done in conjunction with Energy Share of Montana were tools utilized in 2010. 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. This campaign was launched in 2009.

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. N2009.9.122. In addition to appliance and high efficiency air conditioner rebates, rebates were 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. Rebates totaling \$14,669.70 were issued in 2010 equating to annual energy savings of approximately 92,779 Kwh.

As noted above, a total of \$250,981.83 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 \$46,775.06 were refunded to the Large Customer group.

In accordance with 69-8-402 (MCA) Montana-Dakota, hereby submits the unexpended balance of \$307,773.43 to the Department of Revenue.

The determination of this amount is summarized below:

Total USB Funds Collected	\$928,811.10
Less: Program Expenditures	
Low-Income Discount	\$259,246.70
Low-Income Weatherization	127,000.00
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	75,000.00
Low-Income Program Promotion	4,194.40
Conservation Programs	18,821.51
Total Montana-Dakota Programs	<u>\$574,262.61</u>
Less Large Customer Self-Directed Funds	46,775.06
Amount to Remit to Department of Revenue	<u><u>\$307,773.43</u></u>