BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

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IN THE MATTER OF the Public Service Commission Federal 2005 Energy Policy Act Standards Investigation	**DOCKET NO. PU-06-290**

COMMENTS OF MONTANA-DAKOTA UTILITIES CO.

INTRODUCTION

The Energy Policy Act of 2005 ("EPACT") was signed into law on August 5, 2005. Sections 1251, 1252, and 1254 of EPACT establish additional federal standards for consideration by the Commission under the Public Utility Regulatory Policy Act of 1978 ("PURPA"). Section 1251 of EPACT establishes federal standards for Net Metering, Generation Fuel Diversity, and Fossil Fuel Generation Efficiency. Section 1252 establishes a federal standard for Smart Metering. Section 1254 establishes a federal standard for Interconnection.

PURPA does not require the Commission to actually adopt the new federal standards, but simply to consider their adoption after holding a public hearing in which interested parties may introduce evidence in support of or opposition to the adoption of the new standards. PURPA Sections 111(a) and 111(b)(1). Importantly, the federal requirement for Commission consideration of the proposed new standards does not apply in a state where its legislature has already considered legislation adopting a comparable standard. EPACT Sections 1251(d)(3), 1252(i)(1), and 1254(b)(3).

On July 26, 2006, the Commission issued an Order Opening Investigation and Notice of Workshop ("Order"). The Order invites comment upon the Commission's possible adoption of the new PURPA standards under the EPACT. Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. ("Montana-Dakota") submits these comments in response to the Order. It also requests a hearing before the Commission adopts any of the new PURPA standards.

Montana-Dakota sets forth each of the new PURPA standards, describes whether the standard applies to the North Dakota Commission, and explains its position regarding possible adoption of the standard.

I. NET METERING

Section 1251(a)(11) of EPACT reads as follows:

> Each electric utility shall make available upon request net metering service to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "net metering service" means service to an electric consumer under which electric energy generated by that electric consumer from an eligible on-site generating facility and delivered to the local distribution facilities may be used to offset electric energy provided by the electric utility to the electric consumer during the applicable billing period.

16 USC § 2621(d)(11).

A. The EPACT Net Metering Standard Does Not Apply to the North Dakota Commission.

The Net Metering standard does not apply to the North Dakota Commission under Section 1251(d)(3) of EPACT. 16 USC §2622(d). The North Dakota Commission has already considered and adopted a net metering requirement under its Administrative Rules Chapter 69-09-07-09 (3). Accordingly, the federal EPACT standard does not apply to the North Dakota Commission. 16 USC § 2622(d).

B. The Commission Should Not Adopt the Net Metering Standard.

Even if the North Dakota Commission had not adopted a net metering standard for North Dakota, Montana-Dakota would urge the Commission not to adopt such a standard. Clearly net metering provides substantial financial incentives to customers interested in self generation. However, it does so at the expense of all the other customers on the Montana-Dakota system. Not only does net metering allow generating customers to generate electric energy for their own requirements, it also provides what can be a lucrative market for their electric energy produced during periods when it is not needed for their own use. Unless a utility's retail rate structure accurately reflects separate cost based components for energy, capacity, and customer related services, the offset mechanism in the EPACT net metering standard will result in significant subsidies to generating customers at the expense of the utility's other customers. This is aptly described in Reference Manual and Procedures for Implementation of the "PURPA Standards" in the Energy Policy Act of 2005 at page 8 ("*Reference Manual*")[1]:

> Rate equity concerns are probably the primary area for analysis in deciding whether or not to adopt net metering standards and if so, how to design them. Under certain circumstances, net metering can undermine the equity of retail rates. Because net metering policies provide for customer-generated kWhs to be netted on a one-for-one basis with utility-delivered kWhs, net metering policies require utilities to pay consumers the retail price for wholesale power. That means the utility is paying for services typically included in retail rates that the consumer is not providing the utility, including distribution, transmission, utility operating and maintenance expenses ("O&M"), utility administrative and general expenses ("A&G"), and sometimes taxes and public benefits charges as well. These costs will generally be recovered from other consumers on

[1] Prepared by Kenneth Rose and Karl Meeusen for the American Power Association, Edison Electric Institute; the National Association of Regulatory Utility Commissioners, and the National Rural Electric Cooperative Association (March 22, 2006).

the utility's system, leading to a cost shift from customer-generators to all other customers on the system.

The concerns expressed in the *Reference Manual* are real and substantial. Technology improvements and increased energy prices will provide customers, particularly large commercial customers, with the opportunity and financial incentive to purchase larger generators than have been historically available. As noted in the *Reference Manual* at pages 39-40:

> As discussed below, many states and utilities that have adopted net metering plans have addressed rate equity issues by adopting limitations on one or more of: the customers entitled to net metering service, the capacity of generators or the type of generating techniques entitled to net metering service. In some cases, states and unregulated utilities have determined that adopting the very simple net metering approach for some limited consumers and some generators could prove more cost effective for the implementing utility than the cost of the metering equipment and accounting resources required to adopt other mechanisms for the measuring and valuing of customer-owned generation. Some others have concluded that, with appropriate limits, net metering would have too small an impact on other consumers' rates to merit concern. Others have adopted net metering because they have placed greater weight on other state policies than on rate issues.

The *Reference Manual* at page 39 also identifies operational considerations specific to generation that would have to be addressed prior to the adoption of any broad net metering requirement:

> Net metering may have a minimal effect on efficiency goals addressed in PURPA. However, to answer that question would require a resource intensive analysis of the type of generation that the utility uses, the type of generation that would be promoted by the net metering program, and the interaction between the two. Additionally, though a net metering standard may not have a direct impact on utility operations or resource allocation, by promoting the installation of customer-owned generation to replace some utility generation, the net metering standard could have a marginal impact on the utilization of the utility's generation resources. If highly efficient customer-owned generation operates at times that permit the utility to reduce usage of less efficient generation, it could have a positive impact. If, on the other hand, inefficient customer-owned generation

replaces utility-owned generation with a much lower heat rate, the effect could be negative.

For the reasons described in the *Reference Manual*, Montana-Dakota would urge the Commission not to adopt the EPACT net metering standard.

C. The Commission's Rules Should be Amended.

Montana-Dakota believes that net metering or net billing should be limited to small generation customers that cannot sell their excess electric energy into the market; that all customer generated energy delivered to the utility should be compensated based on the wholesale market prices at the time of delivery; and that the customer should be responsible for the costs of any metering to enable such pricing. In essence, customer generators are independent power producers and should be considered as such when fashioning or revising net metering rules or tariffs.

Montana-Dakota has had in place its Rate 95 entitled "Occasional Power Purchase Non-time Differentiated" that applies to qualifying facilities ("QFs") as defined in PURPA and includes a net billing provision in accordance with the Commission's Rules.

Section 1253 of EPACT now allows the Federal Energy Regulatory Commission to provide exemption from a utility's obligation under PURPA to purchase from QFs that have access to competitive energy markets. 16 USC § 824a-3(m). QFs should not be allowed to use net metering as a method to avoid an exemption granted under Section 1253 of EPACT. Montana-Dakota suggests that the Commission's Rules (Chapter 69-09-07-09 (3)) and correspondingly Montana-Dakota's Rate 95 be amended to provide a net metering option only for a customer owned qualifying facility with a design capacity of 50 kilowatts or less at a single location.

II. GENERATION FUEL DIVERSITY

Section 1251(a)(12) of EPACT reads as follows:

> Each electric utility shall develop a plan to minimize dependence on 1 fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.

16 USC § 2621(d)(12).

A. The Commission Should Not Adopt the Generation Fuel Diversity Standard.

Montana-Dakota urges the Commission not to adopt the EPACT Generation Fuel Diversity standard. Such a standard would not be meaningful, particularly for Montana-Dakota. Montana-Dakota's existing generation effectively defines its generation fuel mix. It has no nuclear or hydroelectric facilities. Its current fuel choices are coal, natural gas, fuel oil and renewables. Even within the range of those choices, its existing generating resources define the actual mix of fuel types. Of the 490 megawatts of Company owned generation, 124 megawatts, or 25%, is fueled by either natural gas or fuel oil, and the remaining 366 megawatts, or 75% is fueled by coal. Other than the substitution of fuel oil for natural gas at its combustion turbines, fuel type is set by the nature of its generating units.[2]

Montana-Dakota also has an interest in renewable energy. The Company has contracted for 30.5 megawatts of wind power; however, construction of that resource has not yet begun.

[2] Montana-Dakota's combustion turbines at Miles City and Glendive are dual fuel turbines, with the capability of burning either natural gas or fuel oil.

Previous Company efforts related to renewable power development include a project in 1982 to demonstrate the interconnection of a small wind unit on distribution systems, participation in 1993 with seven utilities in a program to characterize North Dakota wind resources, a 2001 customer survey and attempts to bring to fruition a North Dakota Green Power Program, and execution of a power purchase agreement in 2002 for 19.5 MW of wind from the first wind farm slated to be built in North Dakota.

Diversity also exists in the methods of transporting the coal from the mine to the generating facility, and has become increasingly important in the current climate of shortages of railroad resources, railroad congestion, and "Captive Shipper" related pressure on the cost of transportation. Of the 366 megawatts fueled by coal, 28% of the coal is delivered by unit train, 28% is delivered by short haul train, 15% is delivered by over the road trucking, and 29% is mine mouth and delivered by conveyor.

Montana-Dakota employs the use of an Integrated Resource Plan (IRP) for determining an optimal long range resource plan in accordance with the Commission's Order issued on January 27, 1987 in Case No. 10,799. Under the IRP process, generation fuel type is objectively determined through the application of supply side resource planning principles to determine the "best-cost" resource[3]. Rather than subjectively and arbitrarily specifying a generation fuel mix, the IRP process provides for the appropriate selection of generation resources and fuel types under a cost effectiveness test. The IRP process allows resource selection, and generation fuel mix,

[3] Montana-Dakota's IRP approach not only examines cost, but also considers factors such as, avoiding heavy reliance on gas-fired generation and the associated price and reliability risk, the availability of energy for serving retail load to avoid reliance on the MISO market, as well as the ability to sell low-cost energy surplus to Montana-Dakota's needs into the MISO market, the availability of resources to meet economic development efforts, and the employment of renewable resources, which are a higher cost resource on a strict cost comparison basis, as part of the resource mix.

to be made on a utility specific basis, effectively capturing the unique operating characteristics of, and generation fuel choices available to, each jurisdictional utility.

The Commission's adoption of a Generation Fuel Diversity standard could only affect Montana-Dakota's acquisition of incremental new resources. Unless cost effectiveness is abandoned as the controlling consideration in the acquisition of new resources, the fact that Montana-Dakota's service territory is located in the middle of large coal reserves, in the middle of a large area of natural gas reserves, and in an area with significant potential for wind development, is determinative. Within that universe of likely fuel choices, least cost planning principles will drive resource optimization and fuel choice. There is no good reason to depart from the existing standard for determining generation resource choice and corresponding generation fuel mix.

III. Fossil Fuel Generation Efficiency

Section 1251(a)(13) of EPACT reads as follows:

> Each electric utility shall develop a 10-year plan to increase the efficiency of its fossil fuel generation.

16 USC § 2621(d)(13).

A. The Commission Should Not Adopt the Fossil Fuel Generation Efficiency Standard.

The Commission should not adopt the EPACT Fossil Fuel Generation Efficiency Standard. Currently, all of Montana-Dakota's generation is fossil fueled. Montana-Dakota's need to meet its customers' load requirements as efficiently as possible, and participation in the Midwest Independent System Operator (MISO) market, already drives the Company to wring out any available efficiencies in its existing generation.

The Company has a long history of making incremental efficiency improvements to existing thermal generation equipment. These projects include the conversion of the R.M. Heskett Station to a fluidized bed boiler, replacement of process control systems, steam turbine component modifications and retrofits, the application of variable frequency motor drives, replacement of generator excitation systems, and coal blending.

The energy efficiency of generation is usually measured by heat rate, the amount of energy needed to produce a kwh of electricity. In the case of the Company's combustion turbines, the heat rate is largely fixed by the design of the installed generation. In the case of the Company's coal fired units, the heat rate is largely determined by boiler design and choice of coals. The boilers and ash handling equipment on Montana-Dakota's existing coal fired generation facilities are designed and sized specifically for the use of lignite coal available in Montana-Dakota's service territory. Although the operation of the newer boilers, such as the 1975 boiler at the Big Stone Generating Station, have been successfully modified to use sub-bituminous coal, utilizing more than a partial blend of sub-bituminous coal in older power plants would require overcoming significant operational hurdles.

Practically speaking, the search for more generating efficiencies in existing coal fired generation resources may be constrained by the regulation of air emissions under the laws of the states in which the power plants are located. Additionally, modification of an existing coal fired generation resource to increase generation will often trigger the Environmental Protection Agency's New Source Performance Standards under the Clear Air Act. These standards may require uneconomically large capital expenditures

for state of the art pollution control equipment, even if the amount of new generation added is small. If the Commission adopted the EPACT Fossil Fuel Generation Efficiency standard in North Dakota, it would be committing both itself and Montana-Dakota to a significant compliance task (studying possible efficiencies), and possible significant capital expenditures that will impact our integrated system, including customers outside the State of North Dakota.

IV. SMART METERING

Section 1254(a)(15) of EPACT reads as follows:

> [E]ach electric utility shall offer each of its customer classes, and provide individual customers upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility's costs of generating and purchasing electricity at the wholesale level. The time-based rate schedule shall enable the electric consumer to manage energy use and cost through advanced metering and communications technology.

A. The Commission Should Not Adopt the Smart Metering Standard.

Montana-Dakota urges the Commission not to adopt the EPACT Smart Metering standard. Such a standard would require electric utilities, like Montana-Dakota, to offer to all of its electric customers time-based pricing structures such as Time of Use Pricing ("TOU"), Critical Peak Pricing ("CPP") and Real-Time Pricing ("RTP") rate schedules. Such dynamic pricing structures require advanced technologies that can capture, relay and bill customer data based on the time of consumption.

The foundation of time-based pricing structures is the metering technology present at the customer's premise. Time-based pricing structures would require Montana-Dakota to first equip all of its North Dakota electric customers, or at least be

prepared to equip its North Dakota customers, with advanced metering technology, as well as the applicable communication and billing technology. Advanced metering was defined in the Federal Energy Regulatory Commission's Staff Report, *Assessment of Demand Response and Advanced Metering, Docket No. AD-06-2-000*, page 17, as "a metering system that records customer consumption [and possibly other parameters] hourly or more frequently and that provides for daily or more frequent transmittal of measurements over a communication network to a central collection point." The report goes on to state, "The key concept reflected in this definition is that advanced metering involves more than a meter than can measure consumption in frequent intervals. Advanced metering refers to the full measurement and collection system, and includes customer meters, communication networks, and data management systems. This full measurement and collection system is commonly referred to as advanced metering infrastructure (AMI)."

It is fair to state that the cost to the Montana-Dakota customer of implementing the standard could be very large, which raises an immediate and large policy question. Would the required rate structures be optional or mandatory? If they were optional, adverse selection would largely destroy the underlying economic rationale for the rates. Under an optional rate structure, only the customers who weren't the cost causers would sign up for the optional rates, while the cost causers would stay on the existing uniform rate structures to avoid paying their true costs . If the rate structures were mandatory, Montana-Dakota's customers will be exposed to very substantial price risk. Not all Montana-Dakota customers have the ability to properly respond to price signals, thus negating the benefits implied in mandatory time-based rate schedules. Moreover,

the capital costs for the required advanced metering infrastructure associated with a mandatory dynamic rate structure could be a significant burden to customers. Since the Commission regulates Montana-Dakota's electric rates and conditions of service, a Commission decision to adopt the EPACT standard would require a significant and immediate commitment of the Commission's scarce resources. Montana-Dakota and the Commission would have to devote resources to preparing and analyzing a detailed cost of service study that would measure and allocate the costs of providing such services, as well as establishing billing determinants necessary to design the required rate structures.

The Smart Metering Standard has been described as "the most complex and encompassing" of the five EPACT standards. *Reference Manual* at page 72. The standard raises issues and questions regarding the costs, benefits and equities of time-based services amongst a utility's customer base. Each level of time-based services contains a level of costs and benefits that may or may not be the same for each customer class or electric utility. "Different time-based rates may be appropriate for different utilities and different customer sectors within a utility". *Reference Manual* at page 73. Certainly, there should be consideration given to the kinds of services encompassed with the EPACT Smart Meter Standard. However, a mandatory flash cut to such services seems ill advised and highly risky for Montana-Dakota and its customers. A measured and cautious approach to the rate structures proposed in the EPACT standard, such as selective consideration in a future rate case, seems appropriate. Such an approach is only possible if the Commission first rejects the adoption of the EPACT standard.

Meters purchased for commercial customers in recent years are complex, programmable, flexible, multi-purpose devices. They can be used for normal power measurement but in addition, the same meter can be enabled for reactive measurement, time-of-day, load profiling and power quality. Also there are many options to remotely communicate with the meters.

Utilizing metering technologies available today, Montana-Dakota offers various rates and services to customers throughout its service territory. Examples include time-of-use rates, dual fuel rates, radio controlled load management programs and providing consumption data to larger customers to assist in managing their load. Montana-Dakota submits that its incremental approach is much superior to the kind of flash cut approach specified in the EPACT standard.

Montana-Dakota is currently embarking on a project to implement automated meter reading (AMR). This project will certainly provide a basis from which to start exploring some of the innovative pricing and information mechanisms; however as noted above, this technology alone will not provide for the advanced metering infrastructure required to fully implement pricing structures contemplated under this Standard. Those pricing structures should be implemented where cost effective and should not be driven by adoption of the EPACT standard.

V. INTERCONNECTION

> Section 1254(a)(15) of EPACT reads as follows:
> Each electric utility shall make available, upon request, interconnection service to any electric consumer that the electric utility serves. For purposes of this paragraph the term 'interconnection service' means service to an electric consumer under which an on-site generating facility on the consumer's premises shall be connected to the local distribution facilities. Interconnection services shall be offered based upon the standards developed by the Institute of Electrical and Electronics

> Engineers: IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems, as they may be amended from time to time. In addition, agreements and procedures shall be established whereby the services are offered shall promote current best practices of interconnection for distributed generation, including but not limited to practices stipulated in model codes adopted by associations of state regulatory agencies. All such agreements and procedures shall be just and reasonable, and not unduly discriminatory or preferential.

16 USC §2621(d)(15).

A. The Commission Should Not Adopt The Interconnection Standard.

Montana-Dakota urges the Commission not to adopt the EPACT Interconnection standard. It neither addresses nor fixes any problem areas for Montana-Dakota, its customers, or independent power producers.

Montana-Dakota feels the EPACT Interconnection standard is unnecessary because Montana-Dakota has had an interconnection procedure and policy in place since 1989. Montana-Dakota is unaware that the interconnection requirements presently in place have caused potential distributed generation customers to choose not to interconnect. The process Montana-Dakota follows is more streamlined, but similar to the NRECA process shown as Figure 7.1 on page 97 of the NARUC PURPA Manual. Montana-Dakota's process is described in Montana-Dakota's document titled "Guidelines for Interconnection Requirements and Parallel Operation of Customer Owned Generation". This document is available upon request to any Montana-Dakota customer, or to anyone desiring to interconnect generation to Montana-Dakota's electric system. Customers desiring to interconnect generation that may require transmission service over the interconnected transmission system, are required to make application through MISO (Midwest Independent System Operator). MISO procedures are then followed according to FERC small generator interconnection rules if the aggregate

capacity is 20MW or less, or FERC large generator interconnection rules if the aggregate capacity is greater than 20MW.

The EPACT Interconnection standard primarily endorses IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems ("IEEE 1547"). The interconnection guidelines set forth in IEEE 1547 reflect a collaborative effort between engineers, regulators, utilities, and others to implement general guidelines for interconnection. IEEE 1547 is intended for installations with an aggregate capacity of 10MW or less. The guidelines provide minimum operational requirements that are universally needed to help ensure a technically sound interconnection. However, they are not yet complete, and will likely not attempt to address every local condition that may arise in providing an interconnection. IEEE 1547 was originally written and affirmed in 2003. One additional supporting document, IEEE 1547.1, was written and affirmed in 2005. It is presently planned that there will be a series of additional supporting documents,1547.2 through 1547.6 which are not yet written or affirmed, but may be in various stages of draft form. It is unknown what these documents may ultimately contain.

At least presently, and with the exception of isolation devices, IEEE 1547 provides no specification of the hardware or other equipment required for a safe and reliable interconnection. Nor does it attempt to specify exactly how an interconnection is to be made. Such details have been left up to the interconnecting parties, which is already industry practice and Montana-Dakota standard protocol.

IEEE 1547 is not the IEEE's first attempt to create a standard for interconnection of distributed resources. In 1988, the IEEE created ANSI/IEEE Standard 1001-1988

titled, "IEEE Guide for Interfacing Dispersed Storage and Generation Facilities with Electric Utility Systems". The documents associated with this standard were withdrawn by the IEEE in 1997, once it was decided to develop a new standard. Standard 1001-1988 went into much more detail about hardware and equipment requirements for the interconnection than IEEE 1547 does, or likely will. The 1001-1988 standards were essentially designed to fit a specific type of electric grid, and did not work well as a uniform interconnection design for all electric grids. When Montana-Dakota received two requests for interconnection in 1989, it developed the previously mentioned document titled, "Guidelines for Interconnection Requirements and Parallel Operation of Customer Owned Generation". This document relied heavily on the information contained in Standard 1001-1988, but made necessary adjustments in the various recommended interconnection designs so that interconnections could be safely made at the locations and conditions likely to be encountered on Montana-Dakota's system. As a result, there are presently 19 different interconnection designs shown in Montana-Dakota's guideline, with many more slight variations possible to satisfy both the needs of the generator and the requirement to maintain the integrity of the grid. Montana-Dakota's interconnection guideline is intended as a technical aid to the parties designing the interconnection. Unlike IEEE 1547, it specifically targets the technical requirements for operation, the hardware and equipment requirements for the interconnection, and the testing of the equipment and control systems to insure proper operation of the equipment. The targeted items are intended to help insure safety, power quality, and reliability of the grid. The interconnection guideline is a document specific to Montana-Dakota's grid system.

It is Montana-Dakota's intention to revise its interconnection guidelines as necessary to keep in tune with the new IEEE 1547 standards as they develop. However, until those standards are actually developed, it would be inappropriate to blindly declare adherence to them. If Montana-Dakota had declared blind adherence to the 1001-1988 standards before they were adopted, it would have been impossible to design safe and effective interconnections on the Montana-Dakota system.

There have been several customer generator interconnections to Montana-Dakota's system over the past several years. Those interconnections may be categorized into three types 1) customers that are considering an interruptible rate and will be generating in parallel with Montana-Dakota for only a short time to allow regular testing of their generation equipment without an interruption of their electric service 2) customers that desire to generate in parallel all the time with Montana-Dakota's system, but only to supply a portion of their own loads when their generators are operating and 3) customers that desire to sell energy to Montana-Dakota or require transmission service over Montana-Dakota's interconnected transmission system to sell energy on the market.

Montana-Dakota studies each interconnection request based on information provided in the application process through application forms similar to those included in the NARUC "Model Interconnection Procedures and Agreement for Small Distributed Generation Resources". A facility study will determine exactly how the interconnection can be completed taking into consideration safety for Montana-Dakota personnel, protection of the power system integrity, protection of other customers' equipment and property, and protection of the interconnecting customer's equipment and property.

Customers with generators under 100kW are considered small and can usually interconnect with very little additional expense beyond their own equipment with only documentation of the installation and testing generally required.

Customers with generators larger than 100kW may be presented with some additional expenses if modifications to Montana-Dakota's system are required to accommodate the generator interconnection. The interconnection requirements are outlined in the "Guidelines for Interconnection Requirements and Parallel Operation of Customer Owned Generation". The expected cost information for facility modifications to Montana-Dakota's system is provided to the customer after the facility study is completed. All interconnection requests have facility studies performed in the same manner, by applying the same guidelines, even for Montana-Dakota's own generator installations.

Customers needing transmission service for their desired interconnection are required to make those requests through MISO. Then MISO procedures are followed, under FERC guidelines. Montana-Dakota uses these same guidelines for interconnection when performing facility studies for small generator installations (FERC defines small as those under 20 MW capacity).

CONCLUSION

There is not a compelling case for the adoption of the five EPACT standards. In a very real sense, energy policy as applied to electric utilities in North Dakota is ahead of what is being considered at the federal level in EPACT. Montana-Dakota sees little practical benefit for its customers in the work it would take to comply with the EPACT

standards, if adopted by the Commission. Montana-Dakota urges the Commission not to adopt any of the five EPACT standards.

DATED this 19th day of October 2006.

Respectfully Submitted,

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