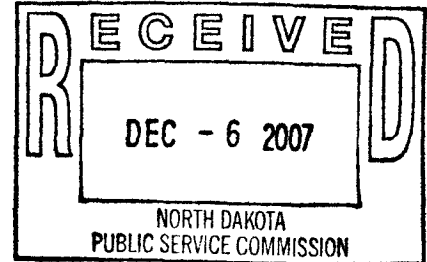


400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

December 6, 2007

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505



Re: EPACT Section 1252
Smart Metering Standard
Rulemaking
Case No. PU-07-641

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits an original and seven (7) copies of its comments regarding the Commission's proposed rulemaking regarding Time-of-Use Rates (Rule 69-09-02-40) as a follow up to comments provided at the Commission hearing held on November 26, 2007. This filing has also been electronically submitted to the Commission.

Montana-Dakota appreciates the opportunity to provide comments regarding the proposed rule and looks forward to further discussion.

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,



Donald R. Ball
Vice President – Regulatory Affairs

Attachment
cc: D. S. Kuntz

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

* * * * *

IN THE MATTER OF the Public Service
Commission EPACT Section 1252
Smart Metering Standard
Rulemaking

DOCKET NO. PU-07-641

COMMENTS OF MONTANA-DAKOTA UTILITIES CO.

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., (Montana-Dakota) offers the following comments regarding the Commission's proposed new rule designated as 69-09-02-40 Time-of-Use Rates. The comments are herewith submitted as a follow up to those provided by Ms. Tamie Aberle at the Commission's public hearing held on November 26, 2007.

Montana-Dakota currently offers time based rate schedules to all electric service customers and therefore is currently in compliance with Subsection 2 of the proposed new rule.

With regard to Subsection 1 of the proposed new rule, Montana-Dakota urges the Commission not to adopt the rule as proposed. The proposed rule raises issues and questions regarding the costs, benefits and equities of time-based services that would "*reflect **any** variance in the utility's wholesale cost of electricity*" (emphasis added) as required by the proposed Rule. 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. However, a mandatory offering of such services seems premature at

this time and highly risky for Montana-Dakota and its customers. A measured and cautious approach to the rate structures discussed in the EPACT standard and proposed in this rule require consideration in a future rate case.

Montana-Dakota urges the Commission to include a provision “if deemed cost effective” to Subsection 1 in order to ensure that customers and the Company benefit from implementation of the pricing structure contemplated under Subsection 1. In addition, the requirement to reflect any variance in the utility’s wholesale cost of electricity should be removed and the term “advanced metering and communications” should be defined in order to stand the test of time.

Montana-Dakota is currently in the first stage of obtaining access to individual customers’ interval load data through the implementation of its Automated Meter Reading (AMR) system. Montana-Dakota’s system is more than just a meter reading system because of the communication network and use of a meter data management system (MDM). This is a critical first step in the process of moving toward programs that provide customers with more real time information, allowing the development of pricing proposals that will provide customers with the information necessary to make choices in energy use, if this is deemed appropriate given customer impacts. However, the following items require consideration and would be necessary to comply with the TOD rule as proposed:

- The best way to provide consumption data back to customer must be identified and analyzed. A number of alternatives exist i.e., access through the internet (Montana-Dakota would provide information off the

MDM system) or an in-home display module that may provide use and price information to the customer.

- Significant Customer Information System (CIS) changes will be required to implement rate structures comprised of more than a two-period differentiation. Montana-Dakota is currently in the process of moving to a new CIS that will better provide the opportunity to implement more granular pricing strategies and information to customers. The new CIS is scheduled for implementation in 2010 for Montana-Dakota and it would not be cost effective to expend money on the current system for billing and information changes required to implement new pricing strategies.
- Significant customer education efforts would be required in order to advise customers of the pricing structures that appear to be envisioned under the proposed rule.
- Pricing structures would likely need to be considered in a rate case in order to properly allocate costs.
- The benefits of load cycling and demand reduction programs should be considered as part of the portfolio of options offered to customers.

Further research and analysis is necessary to move forward with a comprehensive and cohesive portfolio of pricing options, customer education and communication technologies that will utilize the Company's automated meter reading system. AMR will be operational for metering reading purposes by year end with full functional use of the communication network system, including the meter data management system, expected in the first quarter of 2008.

Montana-Dakota suggests that the Integrated Resource Planning process be utilized to further explore available options and to determine the cost effectiveness of implementing those options and asks the Commission to consider changes to the Rule that would provide the time necessary to provide a cost effective means of providing customers with time based pricing options.

DATED this 6th day of December 2007.

Respectfully Submitted,

BY: 

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