

PURPA Standards – Energy Independence and Security Act of 2007
Montana-Dakota Utilities Co.’s Comments to the
North Dakota Public Service Commission
May 11, 2009

The Energy Independence and Security Act of 2007 (EISA) amended the Public Utility Regulatory Policy Act (PURPA) and added federal standards relating to integrated resource planning, encouragement of energy efficiency investments through rate design, and the consideration of “Smart-Grid” related investments. EISA also requires consideration of incentives relating to the recovery and use of industrial waste energy.

Pursuant to the Commission’s Notice of Workshop issued on January 14, 2009 Montana-Dakota offers the following comments regarding each of the seven energy policy standards.

Integrated Resource Planning and Energy Efficiency- Electric Utilities

Section 532 of the EISA amends PURPA Section 111(d) to require that states conduct an investigation and issue a decision whether to adopt two new electric policy standards regarding

- (1) integrated resource planning and
- (2) rate design modifications to promote energy efficiency investments.

Montana-Dakota believes that adoption of this Standard is not necessary for the following reasons:

Montana-Dakota files an Integrated Resource Plan (IRP) with the Commission on a biennial basis pursuant to the North Dakota Public Service Commission’s (Commission) Order issued on January 27, 1987 in Case No. 10,799. In that Order, the Commission required the Company to file a Least Cost Plan incorporating

- ◆ a future demand forecast,
- ◆ assessment of supply-side options,
- ◆ assessment of demand-side options,
- ◆ a comparison of the cost-effectiveness of all demand and supply-side

options and finally

- ◆ the resource mix of those investments that will provide service at the least possible cost. Demand-side options were defined to include both conservation and load management investments.

Montana-Dakota performs benefit/cost tests as part of its evaluation process in its Integrated Resource Plan that consider the:

- ◆ economic impact of demand-side options on the participating customers,
- ◆ the economic impact on the utility,
- ◆ the economic impact on both the participants and the non-participants including the cost of quantifiable environmental and non-energy benefits, and
- ◆ the economic impact of a program on all customers.

This process ensures cost effective resources are being considered for implementation and as those options are implemented the appropriate cost recovery and incentive mechanisms must also be addressed.

Montana-Dakota's most recent Plan was filed with the Commission on July 1, 2007 where a portfolio of resource options including supply-side and demand-side resources was presented. The next Plan will be filed on July 1, 2009.

With regard to rate design modifications to promote energy efficiency investments, Montana-Dakota suggests that the policy options set forth in Section 532 be considered by the Commission on a case by case basis with each investor owned electric utility.

Montana-Dakota supports consideration of the rate design policy options on a case by case basis as the Commission is currently addressing many of those options in individual cases where it is appropriate to do so based on the operating characteristics and demographics of the individual utility and the customers served.

In addition, Montana-Dakota is participating in the Commission's rulemaking process established in Case No. PU-08-884, regarding energy efficiency and load management. The policy options set forth in Section 532 (a) (17) (B) are being considered in the rulemaking docket.

Montana-Dakota will also be filing proposals with the Commission on July 1, 2009 to implement the demand-side management and conservation programs as required in Ordering Paragraph 2 of the Order issued by the Commission on August 27, 2008 in Case No. PU-06-482.

Integrated Resource Planning and Energy Efficiency- Gas Utilities

Section 532 also amends PURPA Section 303(b) to require consideration of two natural gas policy standards regarding (1) energy efficiency and (2) rate design modifications to promote energy efficiency investments.

Montana-Dakota supports gas conservation programs but believes they should be done on a case by case basis. Currently, the Stimulus bill may provide for some funding for conservation measures.

Montana-Dakota supports consideration of the rate design policy options on a case by case basis as the Commission is currently addressing many of those options in individual cases where it is appropriate to do so based on the operating characteristics and demographics of the individual utility and the customers served.

Smart Grid Investment

Section 1307 requires consideration of two new PURPA electric policy standards regarding (1) consideration of smart grid investments and (2) smart grid information.

Montana-Dakota supports the standard in general terms but urges the Commission to consider the deployment of smart grid technologies on a case by case basis. For example, the Automated Meter Reading (AMR) system Montana-Dakota recently deployed is more than just a meter reading system because of the communication network and use of a meter data management system (MDM system). This is a critical first step in the process of moving toward programs that provide customers with more real time information and allow pricing proposals that will provide customers with the information necessary to make choices in energy use, if this is deemed appropriate given customer impacts. The MDM system provides the opportunity to employ time of use rates or critical peak pricing rates on a broader scale without significant incremental investment in meters. The MDM system will also provide

the means of feeding data to the billing system and ultimately a customer access system that will provide more timely usage information to customers. While work is underway in development of such enhancements, the new customer information system scheduled for implementation in 2010 is necessary before many of the options are fully functional.

Waste Energy Recovery

Sections 371-374 of EISA relating to the sale of excess power from a waste energy recovery project is not required at this time. In addition, Montana-Dakota has addressed the purchase of excess energy from qualifying facilities in its Occasional Power Purchase Rate 95 and Parallel Generation Peaking Facility Purchase Rate 96 schedules approved by this Commission.