



**MONTANA-DAKOTA**

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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400 North Fourth Street

Bismarck, ND 58501

(701) 222-7900

February 28, 2017

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.  
2016 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 2016 that exceeded the credits for internal programs and large customer credits of \$162,242.77 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,

Tamie A. Aberle  
Directory of Regulatory Affairs

Cc: Montana Public Service Commission  
Montana Consumer Counsel  
Mike Green

**Montana-Dakota Utilities Co.  
Universal System Benefits Program  
2016 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, 2016 through December 31, 2016 was \$1,029,025.21. The large customer group, defined as customers with monthly electric billing demands of 1,000 kW or higher, accounted for \$309,922.27 of the total amount collected.

The following USBP expenditures were made in calendar year 2016 in accordance with programs approved by the Commission:

Low-Income Discount	\$234,519.50
Low-Income Weatherization	152,000.00
Low-Income Energy Audits	10,000.00
Energy Share Endowment & Admin	35,000.00
Low-Income Furnace Safety	50,000.00
Low-Income Bill Assistance	90,000.00
Program Promotion	5,471.15
Conservation Programs	20,655.38
Total Montana-Dakota Programs	<u>\$597,646.03</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 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 2016. On average, 1,180 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.

*Low Income Discounts January 1, 2016- December 31, 2016*

<b>% of Federal Poverty</b>	<b>Discount</b>	<b>Customers</b>	<b>Average Discount/Bill</b>
0-60%	30%	466	\$(20.37)
61-90%	25%	268	(15.77)
91%-ceiling %	20%	446	(13.08)

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 2016, 166 households received bill assistance at an average of \$380 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. Thirty-nine households were assisted through this program in 2016. The Weatherization and Energy Audit Programs are administered by Action for Eastern Montana and the HRDC District VII 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. Weatherization services were provided to fifty-two households utilizing USB funds in 2016 at an average cost of \$2,469 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, web site promotion and advertising done in conjunction with Energy Share of Montana were tools utilized in 2016. 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 for conservation measures. 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. N2015.7.54.

As noted above, a total of \$309,922.27 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 \$269,136.41

will be refunded to the Large Customer group. Montana-Dakota currently has seven customers on its system that qualify as Large Customers. Two of the seven customers will receive the total USBC dollars they each remitted in 2016 through utility service bills. One of the customer's collection and credit was in the amount of \$15,114.09. A second customer will receive a credit of \$254,022.32 representing all funds collected from that customer in 2016. The payment consists of the payment of the carry forward from previous years of \$240,616.25 and \$13,406.07 toward the a new claim submitted in the amount of \$40,051.01 resulting in a total carry forward to 2017 in the amount of \$26,644.94. No other large customers submitted claims resulting in \$40,785.86 of large customer funds submitted as part of the total amount submitted to the Department of Revenue.

In accordance with 69-8-402 (MCA) Montana-Dakota, hereby submits the unexpended balance of \$162,242.77 to the Department of Revenue. The determination of this amount is summarized below:

Total USB Funds Collected	\$1,029,025.21
Less: Program Expenditures	
Low-Income Discount	234,519.50
Low-Income Weatherization	152,000.00
Low-Income Energy Audits	10,000.00
Energy Share Endowment & Admin	35,000.00
Energy Share Bill Assistance	90,000.00
Energy Share & HRDC Furnace Safety	50,000.00
Low-Income Program Promotion	5,471.15
Commercial Lighting Rebates	19,455.38
Conservation Programs	1,200.00
Total Montana-Dakota Programs	<u>\$597,646.03</u>
Less Large Customer Self-Directed Funds	<u>269,136.41</u>
Amount to Remit to Department of Revenue	<u><u>\$162,242.77</u></u>