



MONTANA-DAKOTA
UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

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October 25, 2023

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501-5070

Re: Natural Gas Conservation Portfolio 2024 - 2026
Docket No. NG23-___

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota) herewith electronically submits for Commission approval a proposed portfolio of Natural Gas Conservation Programs to be effective for the calendar years of 2024-2026 pursuant to Montana-Dakota’s Conservation Program Tracking Mechanism Rate 90 tariff. Montana-Dakota is requesting approval of the three-year gas conservation portfolio with budget dollars provided for each year. The Company proposes that the new portfolio begin January 1, 2024.

The 2024-2026 proposed conservation portfolio is summarized in the table below with additional details for each program provided in the Gas Conservation Portfolio Plan (Plan) provided as Exhibit A. Montana-Dakota is proposing to continue with its current offerings within the portfolio as outlined below:

Residential Programs			
Program	Current Program	New Program	Change
Residential Space Heating – High-Efficiency Furnace (95+%) - New	\$150 cash incentive for the purchase of a furnace with an AFUE rating of 95% or greater on new installations	No	No change
Residential Space Heating – High-Efficiency Furnace (95+%) – Replacement	\$300 cash incentive for the purchase of a replacement furnace with an AFUE rating of 95% or greater	No	No change

Residential Programs			
Program	Current Program	New Program	Change
Programmable Thermostats – Tier 1	\$15 cash incentive for the purchase of a programable thermostat with 5-2 day or greater and four time periods per day	No	Modification to remove reference to Energy Star, but qualification remains the same
Programmable Thermostats – Tier 2	\$60 cash incentive for the purchase of a Wi-Fi enabled thermostat	No	No change

Commercial Programs			
Program	Current Program	New Program	Change
Commercial Space Heating – High-Efficiency Furnace – New (95+%)	\$150 cash incentive for the purchase of a furnace with an AFUE rating of 95+%	No	No change
Commercial Space Heating – High-Efficiency Furnace (95+) – Replacement	\$300 cash incentive for the purchase of a replacement furnace with an AFUE rating of 95+%	No	No change
Commercial Custom	Cash incentive levels are project specific and do not fall within the prescribed measures	No	No change

Gas Conservation Portfolio

The total cost of the Company’s conservation portfolio for the program years 2024 through 2026 is estimated to be \$432,225, providing savings of 469,261 dk over the life of the installed equipment. The budget is comprised of incentive costs, promotion and educational costs, and administration costs. The annual 2024 budget is proposed to decrease by 4.4 percent from the current approved budget for 2023. The proposed 2025 and 2026 budgets reflect a year over year increase of 1.8 percent and a 1.7 percent, respectively.

A breakdown of projected cost, participants and lifetime of dk saved by year is as follows:

	<u>2024</u>	<u>2025</u>	<u>2026</u>
Incentive	\$121,575	\$123,600	\$125,550
Promotion/Education	6,500	6,500	6,500
Administration	13,500	14,000	14,500
Total Project Costs	\$141,575	\$144,100	\$146,550
Participants	665	677	693
Program Life dk Saved	155,070	156,380	157,811

The program promotion plan is outlined in the Plan provided in Exhibit A.

Five tests were performed on each of the programs to measure the cost effectiveness of the programs based on the benefit/cost ratios produced under the Ratepayer Impact Measure (RIM), Utility, Societal, Participant, and Total Resource Cost (TRC) tests. The results of the five tests are summarized, by program, in Attachment B to the Plan. The inputs required for the tests include a projection of participants, cost of the program, cost to the customer implementing the measure and estimated cost savings associated with the measure. A list of the assumptions utilized in the benefit/cost tests is shown on pages 52 - 53 of Attachment B of the Plan. While Montana-Dakota typically views programs as favorable when the benefit/cost ratio resulting from the TRC test is greater or equal to 1.00, the Company also takes into consideration other factors before selecting a program to include in its portfolio. Other factors may include applicability to customer base, market transformation, composition of the portfolio, and potential for behavioral change. All programs included in the Company's portfolio result in benefit/cost ratios of 1.00 or greater for the TRC tests as shown in Attachment B of the Plan. As noted above, the programs and promotional plan is described in detail in the Plan.

The table below summarizes the list of proposed programs along with the TRC test results.

Program	Class	TRC Result
Total Portfolio		1.88
Furnace (95+%) – New	Residential	1.91
Furnace (95+%) – Replacement	Residential	2.02
Programmable Thermostats – Tier 1	Residential	2.77
Programmable Thermostats – Tier 2	Residential	1.44
Furnace (95+%) – New	Commercial	1.52
Furnace (95+%) – Replacement	Commercial	1.49
Custom	Commercial	1.70

The Company continues its focus on offering programs that provide the opportunity to be implemented in the near-term time frame and provide cash incentives to lower the upfront costs of purchasing energy efficient equipment and make energy efficiency measures more cost effective to customers.

Montana-Dakota continues to use a deemed database approach to calculate energy savings, adjusting for regional differences related to commodity costs and incremental equipment costs.

Montana-Dakota respectfully requests approval of the new portfolio by January 1, 2024. In summary, Montana-Dakota provides as Exhibit A the Gas Conservation Portfolio Plan with the following attachments in support of this request:

Attachment A: Deemed Database Examples
Attachment B: Benefit/Cost Models

Please refer all inquiries regarding this filing to:

Mr. Travis R. Jacobson
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence, and pleadings to:

Mr. Brett Koenecke
May, Adam, Gerdes & Thompson
503 South Pierre Street
P.O. Box 160
Pierre, South Dakota 57501-0160

This filing has been electronically submitted to the Commission in accordance with ARSD 20:10:01:02:05. Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Sincerely,

/s/ Travis R. Jacobson

Travis R. Jacobson
Director of Regulatory Affairs

Attachments
cc: B. Koenecke