

1.2 Participation has been lower than anticipated in both 2024 and 2025. Spending in 2024 came in at 72.3% of budget and spending in 2025 came in at 56.1% of budget. Please explain why the projected participation levels and currently approved budget shouldn't be reduced for 2026.

**Response:**

Montana-Dakota acknowledges that participation and spending levels experienced in 2024 and 2025 are indicative of a downward trend, and the actual 2026 participation and budget levels may be lower than the approved amounts reflected in this filing. Accordingly, the Company is willing to revise the approved 2026 budget to better align with recent participation and spending trends. Using the updated budget in the table below, the CTA would decrease by \$0.005 from the amount originally filed, resulting in a revised rate of \$0.007 per dk. If the Commission supports this adjustment, the Company will file updated tariffs reflecting the revised rate in compliance.

	<b>2026 Participation Goal</b>	<b>2026 Participation Adjustment</b>	<b>2026 Budget Adjustment</b>
<b><i>Residential Programs:</i></b>			
95% or greater AFUE> Furnace New Const	140	70	(\$10,500.00)
95% or greater AFUE> Furnace Replacement	250	200	(\$15,000.00)
Programmable Thermostats - Tier 1	70	60	(\$150.00)
Programmable Thermostats - Tier 2	200	150	(\$3,000.00)
<b>Total Residential</b>	<b>660</b>	<b>480</b>	<b>(\$28,650.00)</b>
<b><i>Commercial Programs:</i></b>			
95% or greater AFUE> Furnace New Const	10	5	(\$750.00)
95% or greater AFUE> Furnace Replacement	20	15	(\$1,500.00)
Custom Efficiency	3	1	(\$6,000.00)
<b>Total Commercial</b>	<b>33</b>	<b>21</b>	<b>(\$8,250.00)</b>
<b>Total Budget Reduction</b>			<b>(\$36,900.00)</b>