MONTANA-DAKOTA
UTILITIES CO.
A Subsidiary of MDU Resources Group, Inc.

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October 30, 2026

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

Re: Natural Gas Conservation Portfolio 2027 - 2029
Docket No. NG26-____

Dear Ms. Mohr:

Montana-Dakota Utilities Co. (Montana-Dakota or Company) herewith electronically submits for Commission approval a proposed portfolio of Natural Gas Conservation Programs to be effective for the calendar years of 2027 through 2029 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, 2027.

The 2027 through 2029 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 1. Montana-Dakota is proposing to continue with its current offerings within the portfolio, with the addition of a second tier of furnace rebates for higher efficiency natural gas furnaces for both residential and commercial customers. Program details are outlined below:

Residential Programs			
Program	**Current Program**	**New Program**	**Change**
Residential Space Heating – High-Efficiency Furnace (95%-96.9%) - New	$150 cash incentive for the purchase of a furnace with an AFUE rating of 95+% on new construction installations	Yes	Tier 1 qualification range change to AFUE rating of 95%- 96.9%
Residential Space Heating – High-Efficiency Furnace (95%-96.9%) – Replacement	$300 cash incentive for the purchase of a replacement furnace with an AFUE rating of 95+%	Yes	Tier 1 qualification range change to AFUE rating of 95%-96.9%

Residential Programs (Cont.)			
Program	**Current Program**	**New Program**	**Change**
Residential Space Heating – High-Efficiency Furnace (97+%) - New		Yes	$250 cash incentive for the purchase of a furnace with an AFUE rating of ≥ 97% on new installations
Residential Space Heating – High-Efficiency Furnace (97+%) – Replacement		Yes	$500 cash incentive for the purchase of a replacement furnace with an AFUE rating of ≥ 97%
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	No change
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 (95%-96.9%) - New	$150 cash incentive for the purchase of a furnace with an AFUE rating of 95+% on new installation	Yes	Tier 1 qualification range change to AFUE rating of 95%- 96.9%
Commercial Space Heating – High-Efficiency Furnace (95%-96.9%) - Replacement	$300 cash incentive for the purchase of a replacement furnace with an AFUE rating of 95+%	Yes	Tier 1 qualification range change to AFUE rating of 95%- 96.9%
Commercial Space Heating – High-Efficiency Furnace (97+%) - New		Yes	$250 cash incentive for the purchase of a furnace with an AFUE rating of ≥ 97% on new installations
Commercial Space Heating – High-Efficiency Furnace (97+%) – Replacement		Yes	$500 cash incentive for the purchase of a replacement furnace with an AFUE rating of ≥ 97%

Commercial Programs (Cont.)			
Program	**Current Program**	**New Program**	**Change**
Commercial Custom	Cash incentive levels are project specific and do not fall within the prescribed measures	No	No change

Gas Conservation Portfolio

Portfolio Costs and Savings. The estimated total cost of the Company's conservation portfolio for program years 2027 through 2029 is $462,750. The portfolio is projected to achieve 459,700 dk in savings over the useful life of the installed equipment. The budget includes incentive, promotion and education, and administrative costs.

Budget Comparison and Participation Assumptions. The proposed 2027 budget is 3.9 percent higher than the original 2026 budget approved in the 2024–2026 Triennial Plan and 39 percent higher than the adjusted 2026 budget established pursuant to the applicable Commission Order in Docket No. NG26-001. The 2027 budget reflects the increased rebate for furnaces with an AFUE rating of 97 percent or greater. Projected participation assumes that the proposed portfolio modifications, including revised program offerings and incentive levels, will increase customer awareness and participation relative to adjusted 2026 levels. The proposed budgets for 2028 and 2029 each reflect a 1.3 percent year-over-year increase.

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

	2027	2028	2029
Incentive	$131,250	$132,750	$134,250
Promotion/Education	7,000	7,000	7,000
Administration	14,000	14,500	15,000
Total Project Costs	$152,250	$154,250	$156,250
Participants	578	578	578
Program Life dk Saved	152,726	153,246	153,728

Montana-Dakota has been tracking each individual program to ensure each program does not exceed 10% over budget. Due to adding a second tier of furnace rebates, and the uncertainty around how participation will be distributed between the two tiers, Montana-Dakota proposes to maintain the 10% over budget threshold for residential furnace rebates as a whole (95%-96.9% & 97+% AFUE), residential thermostat rebates as a whole (standard programmable & Wi-Fi-enabled), and commercial furnace rebates as a whole (95%-96.9% & 97+%).

The program promotion plan is outlined in the Plan provided in Exhibit 1.

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 88 - 89 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		1.94
Furnace (95%-96.9%) – New	Residential	2.23
Furnace (95%-96.9%) – Replacement	Residential	2.26
Furnace (97+%) – New	Residential	1.16
Furnace (97+%) – Replacement	Residential	1.74
Programmable Thermostats – Tier 1	Residential	3.21
Programmable Thermostats – Tier 2	Residential	1.79
Furnace (95%-96.9%) – New	Commercial	2.38
Furnace (95%-96.9%) – Replacement	Commercial	2.23
Furnace (97+%) – New	Commercial	1.32
Furnace (97+%) – Replacement	Commercial	1.77
Custom	Commercial	1.99

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, 2027. In summary, Montana-Dakota provides as Exhibit 1 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:

Tyler J Culbertson
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:

Brett Koenecke
May, Adam, Gerdes & Thompson
503 S. Pierre Street
P.O. Box 160
Pierre, SD 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/ Tyler J Culbertson

Tyler J Culbertson
Director of Regulatory Affairs

Attachments

cc: B. Koenecke