GREAT PLAINS
NATURAL GAS CO.
A Division of Montana-Dakota Utilities Co.

705 West Fir Ave.
Mailing Address:
P.O. Box 176
Fergus Falls, MN 56538-0176
1-877-267-4764

May 1, 2020

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 East Seventh Place, Suite 350
St. Paul, MN 55101-2147

RE: ***Revenue Decoupling Mechanism Rates and Decoupling Evaluation Report for Year 3 of Pilot Program, Docket No. G004/M-20-335***
CIP Supplement

Dear Mr. Seuffert:

Great Plains Natural Gas Co. (Great Plains), a Division of Montana-Dakota Utilities Co., herewith electronically files this CIP Supplement to the Company's Revenue Decoupling Mechanism (RDM) Rates and Decoupling Evaluation Report for Year 3 of Pilot Program in the above referenced docket.

In the Commission's August 23, 2019 Order approving the Company's Year 2 RDM Evaluation Report, the Commission directed, that in future RDM annual reports, the Company file the annual revenue decoupling calculations by March 1 of each year with the full evaluation report filed by May 1.

On February 28, 2020, Great Plains filed the Company's Year 3 RDM Rates and Decoupling Evaluation Report excluding the section of the report that compares the Company's conservation efforts in the pre- and post-decoupling periods. This CIP supplement to the Company's RDM Evaluation Report completes the full evaluation report and includes the Company's CIP results through 2019.

If you have any questions regarding this filing, please contact me at (701) 222-7855, or Brian Meloy at (612) 335-1451.

Sincerely,

/s/ *Travis R. Jacobson*

Travis R. Jacobson
Director of Regulatory Affairs

Decoupling Evaluation Report - CIP Supplement

Docket No. G004/M-20-335

Evaluation Period: 1/1/19 – 12/31/19

5/1/2020

EVALUATION OF GREAT PLAINS NATURAL GAS CO.'S COMMITMENT TO INCREASED ENERGY SAVINGS

This supplementary report to Great Plains Natural Gas Co.'s (Great Plains) Revenue Decoupling Evaluation Report for Year 3 of Pilot Program filed with the Minnesota Public Utilities Commission (Commission) on February 28, 2020 in Docket No. G004/M-20-335 compares the Company's energy conservation efforts in the pre-decoupling baseline period (defined as 2013 to 2016) and the post-decoupling evaluation period and includes CIP expenditures and energy savings for the years 2017 through 2019.

In the Commission's August 23, 2019 Order approving the Company's Year 2 Revenue Decoupling Mechanism (RDM) Evaluation Report, the Commission directed that future RDM annual reports be filed by March 1 of each year and a full evaluation report be submitted by May 1, including the most recent results of the Company's Conservation Improvement Program (CIP). This supplementary report to the Company's RDM Evaluation Report is being submitted in compliance with the Commission's August 23rd Order that a full evaluation report be filed with the Commission by May 1 and includes the CIP results through 2019, the most recent calendar results available.

CIP-1) A comparison of the Company's annual CIP expenditures and resulting energy savings in the pre-decoupling baseline period to the expenditures and savings in the post-decoupling evaluation period, updated to include CIP expenditures and energy savings since the Company's most recent decoupling evaluation report, for the overall CIP portfolio and by customer and program segment.

This supplementary report reflects a full three years of CIP expenditures and energy savings post-decoupling. The 2013-2015 CIP Triennial period plus the 2016 extension has been defined as the pre-decoupling baseline period for which the post-decoupling results will be measured against.

With the exception of the low-income customer segment which saw a 49% increase in conservation savings in 2019, the Company's CIP energy savings for 2019 did not exceed the pre-decoupling averages as shown in the CIP-1a graph and table below. The Company attributes this reduction to low gas prices decreasing the incentive for customers to partake in CIP projects. In addition, Great Plains did not have any Commercial and Industrial Custom Project rebates in 2019. As shown on Table CIP-1a, this program typically provides the bulk of the energy savings for Great Plains' CIP portfolio.

The graphs and tables below provide more detailed information regarding the expenditures and energy savings by program and customer segment. The pre-decoupling averages, the pre-decoupling averages excluding the commercial custom program results, and 2017-2019 results are shown.

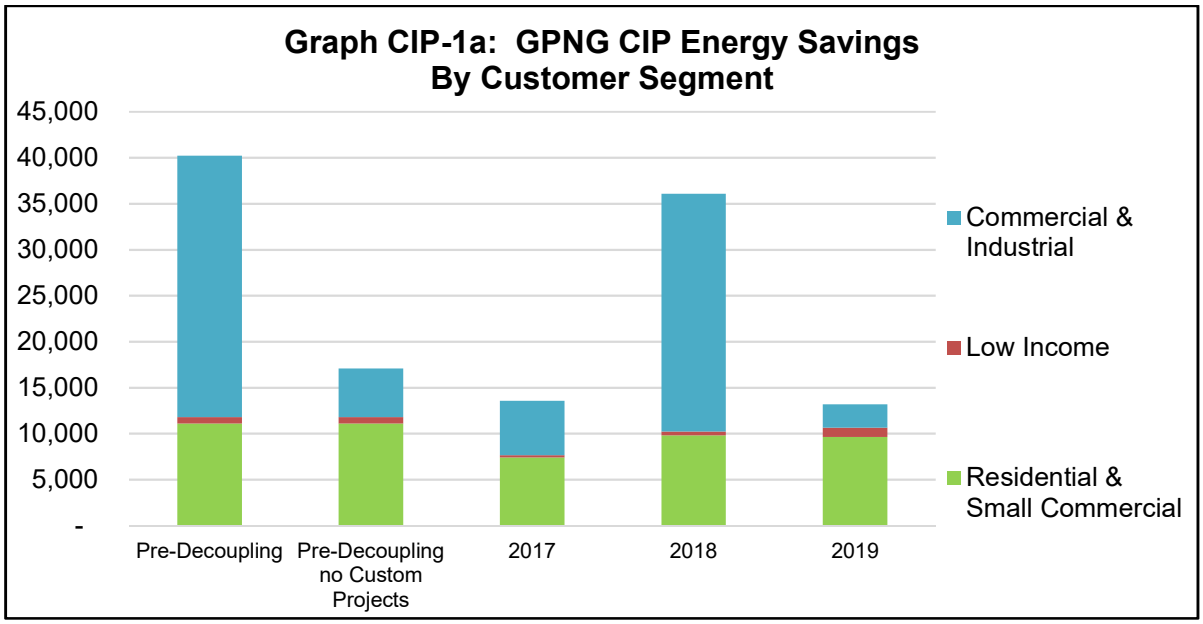


Table CIP-1a: Great Plains CIP Energy Savings (Dk) by Customer Segment

Year/Period	Residential & Small Commercial	Low Income	Commercial & Industrial	Custom Project	Overall Program
2013	10,010	1,073	3,705	181	**14,969**
2014	11,751	561	7,476	-	**19,788**
2015	11,610	649	6,066	51,068	**69,393**
2016	10,991	467	4,024	41,187	**56,669**
Pre-Decoupling	11,091	688	5,318	23,109	**40,205**
Pre-Decoupling no Custom Projects	11,091	688	5,318	-	**17,096**
2017	7,387	250	5,940	-	**13,577**
2018	9,817	422	1,198	24,646	**36,083**
2019	9,621	1,027	2,527	-	**13,175**
2019 Percent Change From 2013-16 Average	-13%	49%	-52%	-100%	-67%

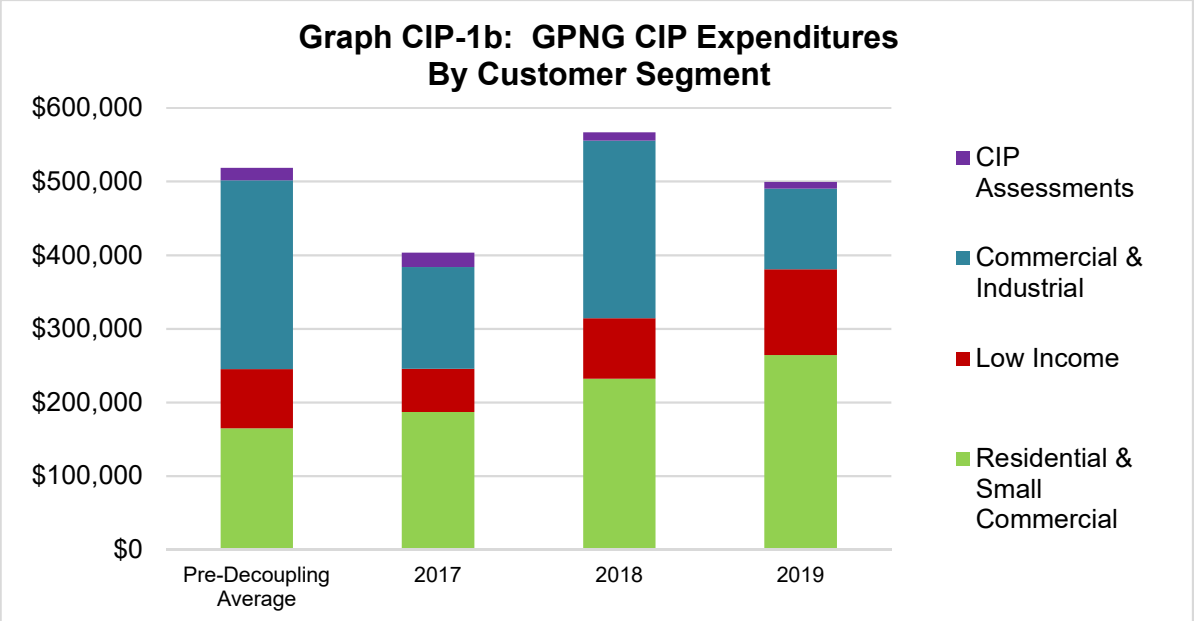


Table CIP-1b: Great Plains CIP Expenditures by Customer Segment

Year/Period	Residential & Small Commercial	Low Income	Commercial & Industrial	CIP Assessments	Overall Program
2013	$ 163,900	$ 99,443	$ 92,875	$ 22,575	**$ 378,793**
2014	$ 159,646	$ 69,905	$ 93,951	$ 3,878	**$ 327,380**
2015	$ 159,636	$ 70,389	$ 475,518	$ 19,101	**$ 724,644**
2016	$ 176,012	$ 80,810	$ 363,630	$ 21,691	**$ 642,143**
Pre-Decoupling Average	$ 164,799	$ 80,137	$ 256,494	$ 16,811	**$ 518,240**
2017	$ 187,072	$ 58,553	$ 138,061	$ 19,432	**$ 403,118**
2018	$ 232,027	$ 82,136	$ 241,294	$ 11,164	**$ 566,621**
2019	$ 264,165	$ 116,602	$ 109,349	$ 9,194	**$ 499,310**
2019 Percent Change From 2013-16	60%	46%	-57%	-45%	**-4%**

CIP-2) For each year under consideration, energy savings from Company-sponsored CIP programs will be compared to the applicable three-year weather-normalized sales average at the portfolio level only, since the statutory savings goal is set at the portfolio level.

The graph and table below show the Company's annual energy savings achievement as a percent of sales from 2013 to 2019[1].

[1] In accordance with the Commission's February 7, 2019 Order in Docket No. G-004/GR-15-879, the normalized sales are based on 30-year normals.

Graph CIP-2: Great Plains CIP Energy Savings as a Percent of Weather-Normalized Sales (based on the applicable 3-year average)

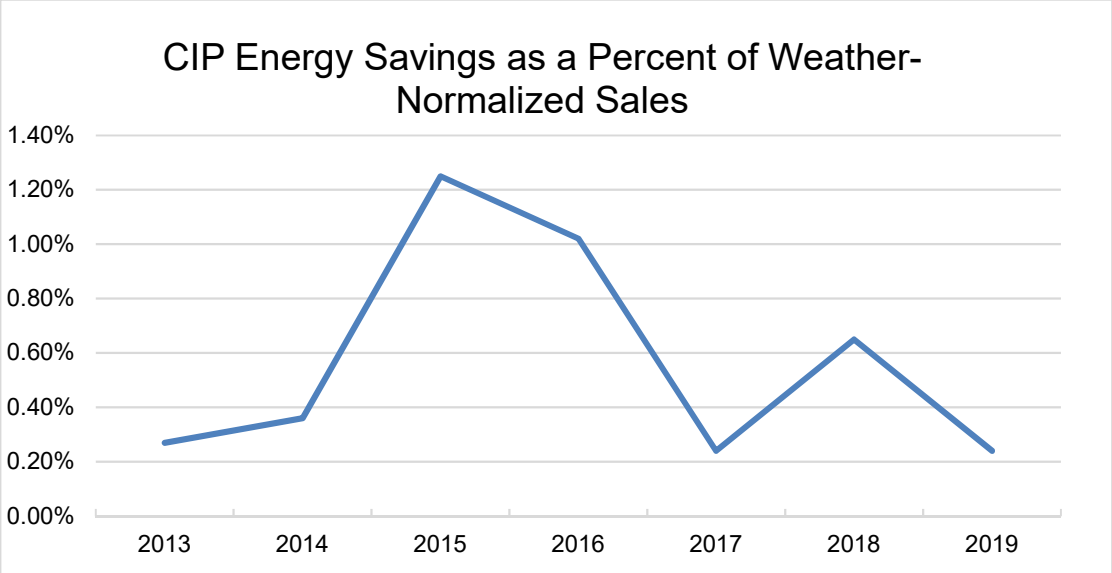


Table CIP-2: Great Plains CIP Energy Savings as a Percent of Weather-Normalized Sales (based on the applicable 3-year average)

CIP Plan Period	Year	Applicable 3-year Average Weather Normalized Sales (Dk) 1/	Annual Energy Savings (Dk)	Energy Savings as a % of Sales
2013-2015 Triennial Period	2013	5,570,068	14,969	0.27%
	2014	5,570,068	19,788	0.36%
	2015	5,570,068	69,393	1.25%
Extension of 2013-2015 Triennial	2016	5,570,068	56,669	1.02%
2017-2019 Triennial Period	2017	5,580,608	13,577	0.24%
	2018	5,580,608	36,083	0.65%
	2019	5,580,608	13,175	0.24%

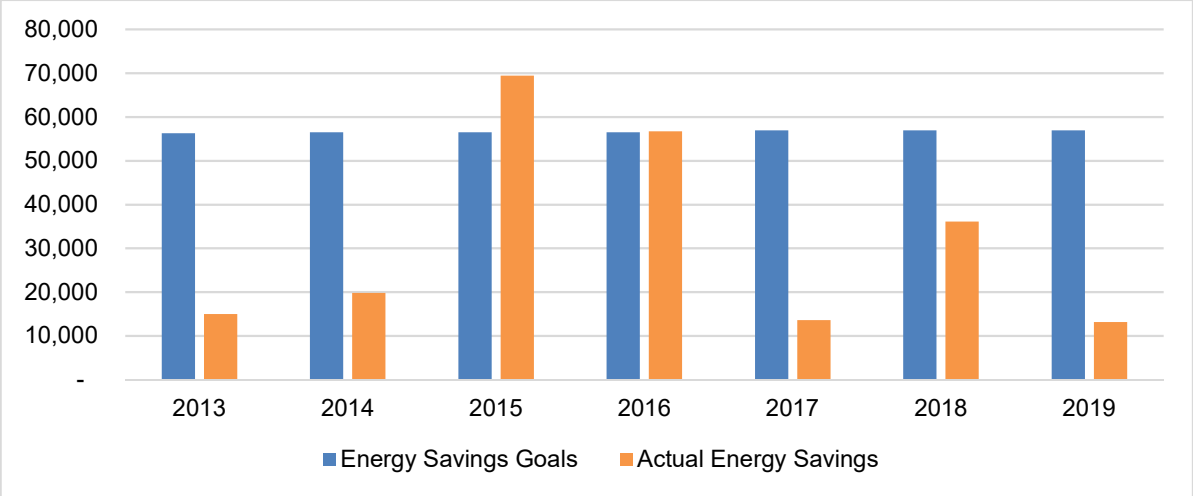
1/ Reflects average normalized sales for the years 2013-2015, excluding CIP exempt customer dk throughout. Refer to Docket No. G004/CIP-16-121, Exhibit C, Page 1.

CIP-3) How did the Company's CIP energy savings achievements and expenditures compare to its Commissioner-approved energy savings goals and budgets for the years under consideration?

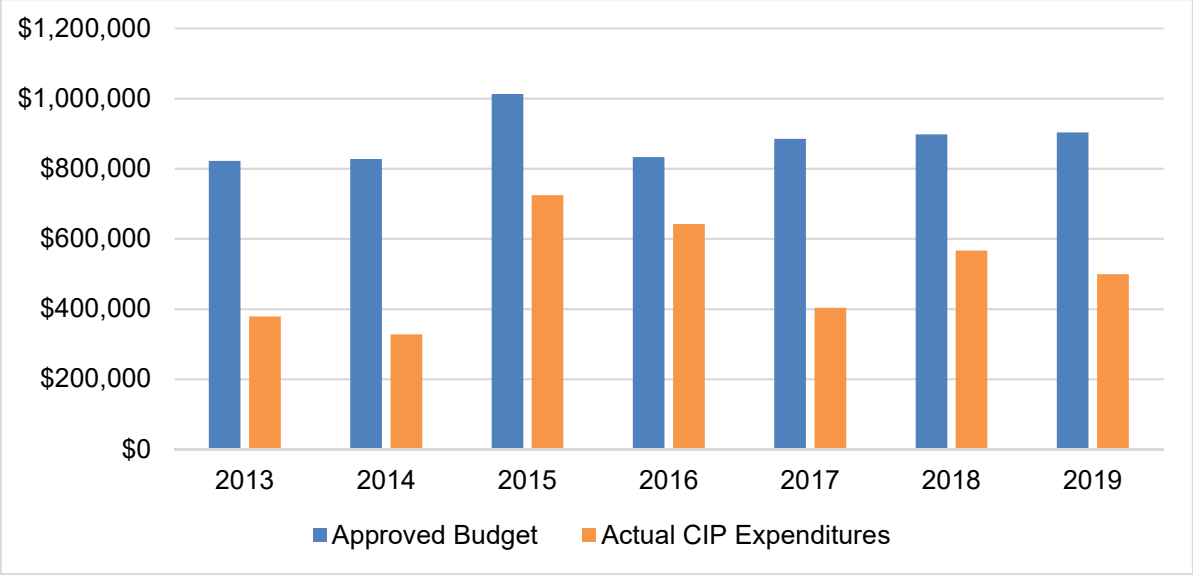
Actual CIP energy savings were 23% of the approved goal in 2019 compared to 63% in 2018 and 24% in 2017. Actual expenditures were 55% of approved budget in 2019 compared to 63% in 2018 and 46% in 2016. The shortfall in

actual Dk savings and expenditures from the approved budget levels is primarily attributable to the lack of custom projects. The graphs below illustrate the Company's annual energy savings achievements and annual CIP spending compared to the approved goal and budget for each year (2013-2019).

Graph CIP-3a: Great Plains' Annual CIP Energy Savings Goals Compared to Actual Energy Savings (DK)



Graph CIP-3b: Great Plains' Annual CIP Budgets Compared to Actual Expenditures



CIP-4) What were the associated "lost margins" from Company-sponsored CIP programs for each year under consideration, in total and by rate class? The "lost margins" were calculated by multiplying first year energy savings achieved by the applicable margin.

Table CIP-4 shows the lost margins associated with the Company's CIP energy savings from 2013 to 2019. The figures shown are single-year figures and do not reflect the reduced sales due to energy savings over the lifetime of the installed equipment.

Table CIP-4: Great Plains Lost Margins due to CIP Energy Savings by Rate Class 2013-2019

Rate Class	2013	2014	2015	2016 1/	2017 2/	2018 3/	2019 3/
Residential Rates N60 & S60	$16,537	$17,663	$17,785	$19,457	$12,636	$16,371	$17,024
Firm General Rates N70 & S70	2,744	2,821	4,561	24,243	5,937	1,514	3,097
Small IT Sales Rates N71 & S71	1,134	4,300	8,138	-	1,057	-	82
Small IT Transport Rates N81 & S81	-	-	-	31,048	691	11,969	
Small IT - Total	1,134	4,300	8,138	31,048	1,748	11,969	82
Large IT Sales Rates - N85 & S85	-	200	23	301	-		
Large IT Transport Rate - N82 & S82	-	-	11,611	-	-	7,109	
Large IT South - Total	-	200	11,634	301	-	7,109	-
Total Minnesota	$20,415	$24,984	$42,118	$75,049	$20,321	$36,963	$20,203

1/ Lost margins calculated by multiplying first year energy savings achieved by the applicable margin. The applicable margin reflects the the tariffed Distribution Delivery Charge excluding CIP base per dk as authorized in Docket No. G004/M-16-384 and implemented January 1, 2017.
2/ The applicable margin reflects the tariffed Distribution Delivery Charge excluding CIP base rate/dk as authorized for Phase 2 in Docket No. G004/M-16-384 and implemented January 1, 2018.
3/ Margins reflect the rate consolidation that was effective with Phase 3 rates and are the tariffed Distribution Delivery Charge excluding CIP base rate/dk. Distribution delivery charges were reduced in Docket No. E,G-999-CI-17-895 (TCJA) effective May 1, 2019.

CIP-5) Since the most recent Full Revenue Decoupling Evaluation Report, has the Company proposed or implemented any changes or expansions to its energy conservation program offerings? Identify and describe such changes or expansions.

Great Plains has not made any changes or expansions to its energy conservation program offerings since its most recent Full Revenue Decoupling Evaluation Report.

CIP-6) Describe the Company's marketing and outreach efforts related to CIP. Since the most recent Full Revenue Decoupling Evaluation Report, has the Company changed its marketing strategy or tactics for CIP in general or for specific CIP programs? How do recent marketing and outreach efforts compare to prior years?

Great Plains markets and promotes its CIP programs to both its customers and the local contractor network. Great Plains also provides educational information to customers on ways to save energy in their home or businesses. The primary channels used by the Company are through its website and bill inserts. The Company's website and bill insert expenditures are not directly charged to CIP expense. The Company also utilizes billboard advertising on occasion to promote the CIP programs. Several contractors throughout the Great Plains' service territory also promote the programs available to customers.

The promotional materials are designed to encourage customers to participate in the Company's CIP programs by purchasing qualifying high-efficiency equipment, having a low-cost energy assessment performed on their home to identify energy savings, or installing low-cost measures to save energy in their home or business. Great Plains' CIP Energy Services Manager also works directly with the local contractor network on program awareness and education and will work directly with customers with outreach activities to promote all of the CIP programs including the custom program.

The level of expenditures for advertisements and promotions in the Company's CIP program for 2013-2016 pre-decoupling time period and 2017-2019 post decoupling time period are provided in Table CIP-6 below:

Table CIP-6: Great Plains Annual Expenditures for Advertising and Promotion

Year	Expenditure
2013	$ 6,890
2014	$ -
2015	$ -
2016	$ 1,095
2013-2016 Average	$ 1,996
2017	$ 4,875
2018	$ 1,200
2019	$ 18,050

Advertising costs increased in 2019 as Great Plains has increased its' outreach efforts for the CIP Programs through billboard advertising and targeted online campaigns. The online campaign utilizes geo-fencing for the zip codes of the towns served by Great Plains to deliver targeted ads. The online campaign consists of banner display static ads targeted inside the geographical area, displayed on over 50,000 mobile apps and over 250,000 websites (i.e. Weather Channel, ESPN, Washington Post, HGTV, Inforum, etc.) Great Plains has not previously used targeted online ads for increasing awareness of the CIP programs and ran the online campaign through the end of 2019.

CIP-7) What were the annual revenues collected from ratepayers to fund CIP programs, by rate class, for each year under consideration?

Annual revenues collected from ratepayers to fund the Company's CIP are provided by rate class for 2013 to 2019 in Table CIP-7 below.

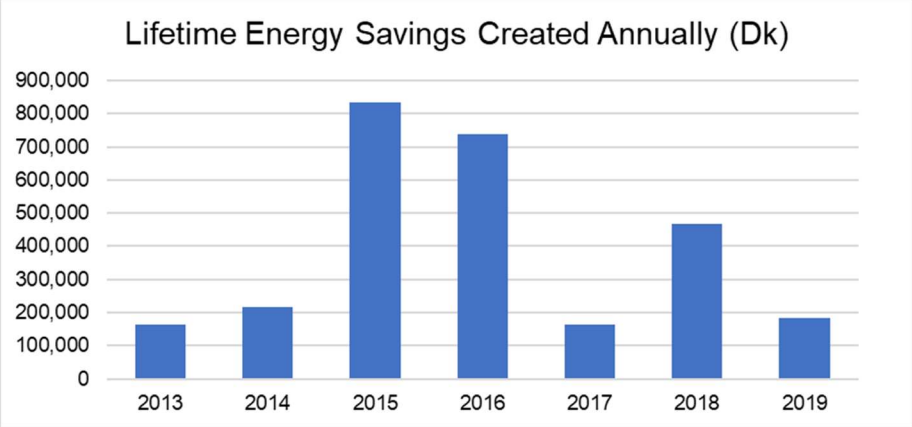
Table CIP-7: Great Plains Annual CIP Recovery by Rate Class

Rate Class	2013 1/	2014 1/	2015 1/	2016	2017	2018	2019
Residential Rate - N60				$28,110	$108,081	$164,378	$42,837
Residential Rate - S60				32,173	120,194	186,181	48,199
Total Residential				60,283	228,275	350,559	91,036
Firm General - N70				21,099	81,400	122,103	31,585
Firm General - S70				30,139	115,434	176,169	45,729
Total Firm General				51,238	196,834	298,272	77,314
Small IT Sales Rate - N71				13,999	43,252	64,239	(8,307)
Small IT Transport - N81				2,323	8,411	16,815	5,442
Small IT North - Total				16,322	51,663	81,054	(2,865)
Small IT Sales Rate - S71				14,741	55,880	73,786	17,757
Small IT Transport - S81				960	4,049	5,015	1,368
Small IT South - Total				15,701	59,929	78,801	19,125
Large IT Sales Rate - N85				11,391	44,565	50,511	37,111
Large IT Transport Rate - N82 2/				31,543	103,520	172,909	36,954
Large IT North - Total				42,934	148,085	223,420	74,065
Large IT Sales Rate - S85				2,329	9,976	15,987	3,326
Large IT Transport Rate - S82 2/				112,977	405,442	563,949	108,618
Large IT South - Total				115,306	415,418	579,936	111,944
Total Minnesota	$530,277	$784,249	$499,061	$301,784	$1,100,204	$1,612,042	$370,619
1/ Information not available by rate class.							
2/ Includes recovery under flex contract rates.							

CIP-8) What were the lifetime energy savings that can be attributed to the Company's CIP offerings for each year under consideration? How do lifetime energy savings in the decoupled period compare to the pre-decoupling period?

Graph CIP-8 below shows the annual level of lifetime energy savings for the Company's CIP beginning in 2013.

Graph CIP-8: Annual Lifetime Energy Savings for the Great Plains CIP



CIP-9) What changes in participation, cost-effectiveness, or other metrics that gauge the performance of the CIP programs have occurred during the years under consideration?

Participation:

Great Plains is a small natural gas distribution company located in western Minnesota and its customer base consists largely of rural communities with a total customer base of 22,137 as of December 2019. The largest community served in its service territory is Fergus Falls with 5,094 customers as of December 2019. In contrast, the smallest community served in Minnesota is Boyd with 96 customers as of December 2019. The major industries located in the service area are primarily agriculture related. When looking at the top ten large volume customers (who qualify for the CIP measures), eight of the ten are directly tied to the agricultural market. These facilities include agricultural processing, feed production and livestock production.

Since January of 2015, the commodity prices in the agricultural market have declined significantly. As these customers feel the effects of a more depressed agricultural market, they are looking less at investing capital in their facilities. Likewise, depressed agricultural market effects spill over to the communities in the service area as well. The economic factors in the service territory coupled with the current low cost of natural gas have presented greater challenges in enticing customers to invest in energy efficiency. Since December of 2014, Great Plains' customers have benefited from a consistent decline in the commodity price of natural gas. However, the low price of natural gas results in a lower return on investments in energy efficiency, making these investments less attractive to customers. In addition, Great Plains' service territory has very limited new construction growth, reducing the opportunity to influence the decision to invest in energy efficiency measures in the building phase. Because of this, Great Plains relies mainly on the retrofit market for the CIP program participation.

In order to achieve the CIP program energy savings goals Great Plains relies on large project participation in our Custom program. Due to the limited number of large volume customers in the Great Plains service territory, it is challenging to maintain steady participation rates in the Custom Project program. As stated earlier, Great Plains large volume customers are mostly agricultural related. Due to the current downturn in agriculture commodity prices coupled with the low gas costs, investments in energy efficiency are not meeting their economic criteria. Great Plains continues to work directly with this customer segment to assist them with any potential projects that would qualify for the program.

Great Plains continues to offer a robust portfolio of energy efficiency programs that covers most end use technologies for all customer segments. The Company also introduces new CIP projects and offerings to meet the needs of its customers and thus increase the participation in the Company's CIP.

As reflected in Table CIP-9a below, customer participation in the Company's CIP program in 2019 was 1,177 which was a slight decrease from 2018 and a slight increase over the average of the pre-decoupling program years. While Great Plains saw decreases in participation, cost effectiveness, and first year energy savings in 2019, much of this can be attributable to low participation in Great Plains' Commercial and Industrial Custom Project program.

Table CIP-9a: Great Plains Annual CIP Participation

Year	Actual Participation
2013	1,023
2014	1,311
2015	1,121
2016	911
2013-2016 Average	1,092
2017	1,108
2018	1,187
2019	1,177

Cost-effectiveness:

Table CIP-9b below, shows the cost-effectiveness test scores for each CIP Program year from 2013 to 2019 from the Utility and Societal perspective. The cost-effectiveness score represents the ratio of the benefits to the costs for a program; a score higher than one means the benefits are greater that the costs and the program is considered cost-effective. The utility test score reflects the costs and benefits that accrue to the utility, while the societal test score considers costs and benefits from a societal perspective. The primary difference between these tests are the societal test includes the cost to participants as well as the cost of the utility programs, while the utility test considers only the cost of the programs themselves. The societal test also includes the environmental benefit of avoided energy use.

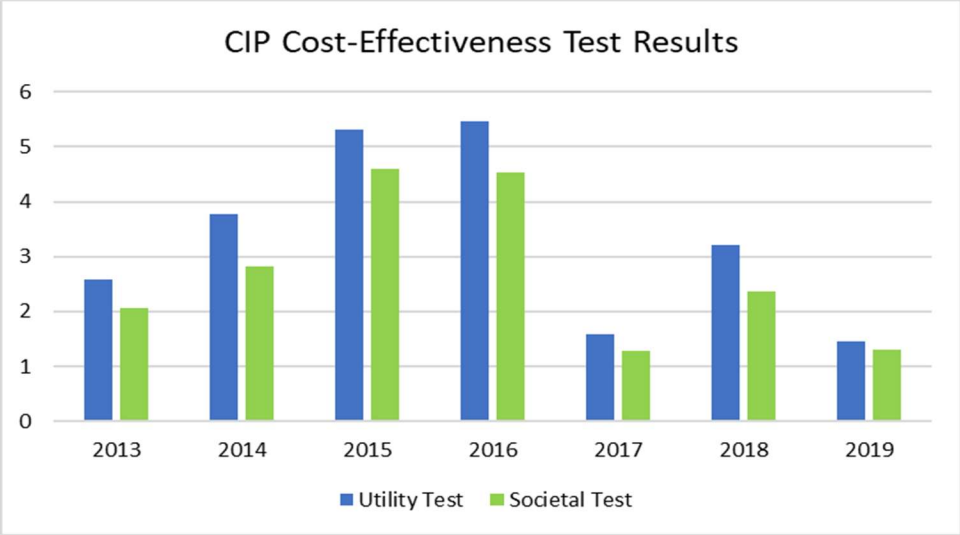
Both the utility and the societal test scores are influenced by a variety of factors, some a result of program achievements like energy savings or budget. However, some external factors also affect cost-effectiveness scores. Both the utility test and the societal test are highly sensitive to changes in the commodity cost of gas. The increased cost of achieving additional savings (discussed further below) also creates downward pressure on cost-effectiveness ratios.

Despite the challenges of maintaining cost-effective natural gas energy efficiency programs in a time of declining natural gas commodity costs, the Company's CIP has been cost-effective from both the societal and utility test perspective every year since 2013. Therefore, despite the reduction in energy savings this past year, the Company's CIP program continues to produce more benefits than it does costs for the Company's customers.

The Company's CIP Cost-Effectiveness Test Results were lower than the 2013-2016 test period due to lower participation than previous years. This was primarily driven by lack of participation in the Company's Commercial Custom

Project program.

Graph CIP-9b: Great Plains CIP Cost-Effectiveness Test Results

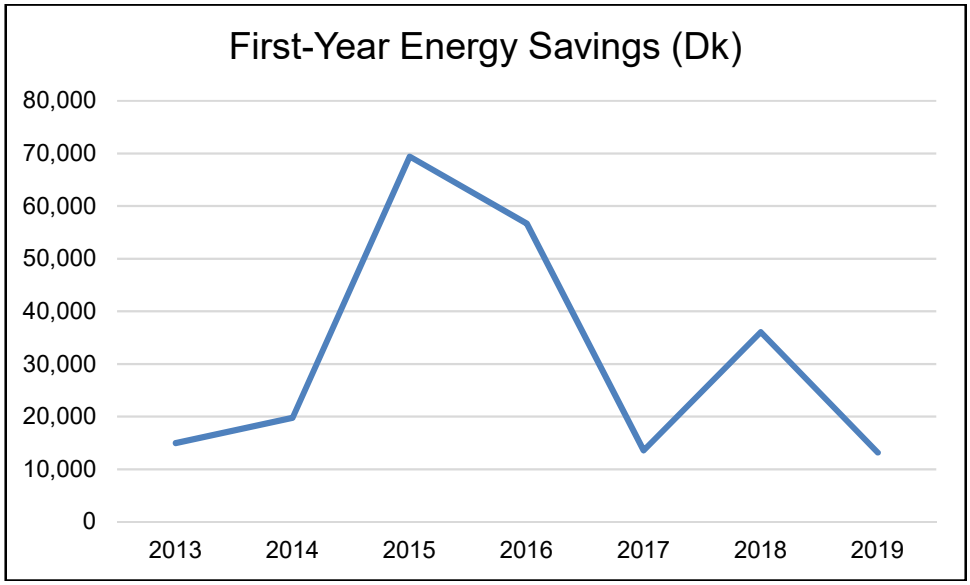


Energy Savings:

First-year energy savings is a key metric in determining the success and effectiveness of an energy efficiency program. As mentioned above, Great Plains has a small rural customer base with very low new customer growth in the service territory, and therefore the first-year energy savings is significantly impacted by participation in the Company's custom efficiency program that is primarily used by large commercial and industrial customers. Annual first-year energy savings for 2013 through 2019 are shown in Table CIP-9c below. The higher achievements in 2015, 2016 and 2018 where driven by completion of a few large custom efficiency projects, while stable participation was experienced in the prescriptive residential and commercial segments.

The Company's 2019 CIP First-Year Energy Savings were lower primarily due to no participation in the Company's Commercial and Industrial Custom Project program.

Graph CIP-9c: Great Plains CIP First-Year Energy Savings Achievements

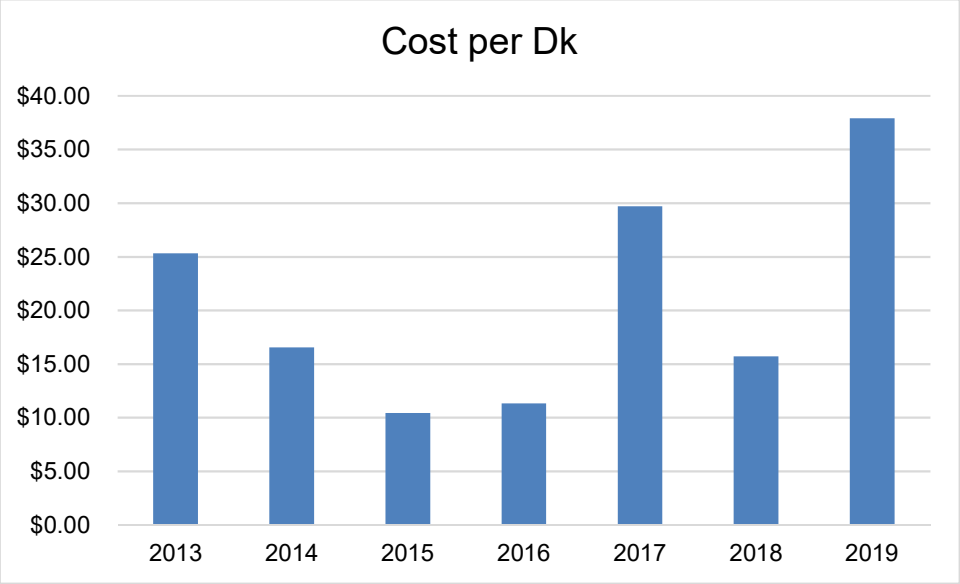


Cost per First-Year Energy Savings:

The cost to achieve incremental energy savings tends to increase as a utility strives to achieve greater levels of savings. This is because a utility must move beyond the easiest energy efficiency opportunities and pursue more expensive energy savings opportunities.

The cost per first-year energy savings achievements from 2013 to 2019 is shown below in Table CIP-9d. The decrease in the Company's CIP cost per first-year energy savings for 2013 through 2016 was primarily driven by increased participation in the Company's custom energy efficiency program that is typically more cost-effective on a cost per unit saved than the Company's other CIP prescriptive measures. The Company's overall cost per unit of first-year energy savings will therefore fluctuate based on the participation in the Company's custom efficiency program. The lower participation rate in the Company's 2019 CIP programs, specifically the lack of participation in the custom efficiency program, resulted in a higher cost per unit saved than previous years.

Graph CIP-9d: Great Plains CIP Cost per First-Year Energy Savings (Dk)



CIP-10) Describe low-income specific programs and/or impacts. What were the low- income CIP savings for the post-decoupling implementation time period compared to the pre-decoupling period?

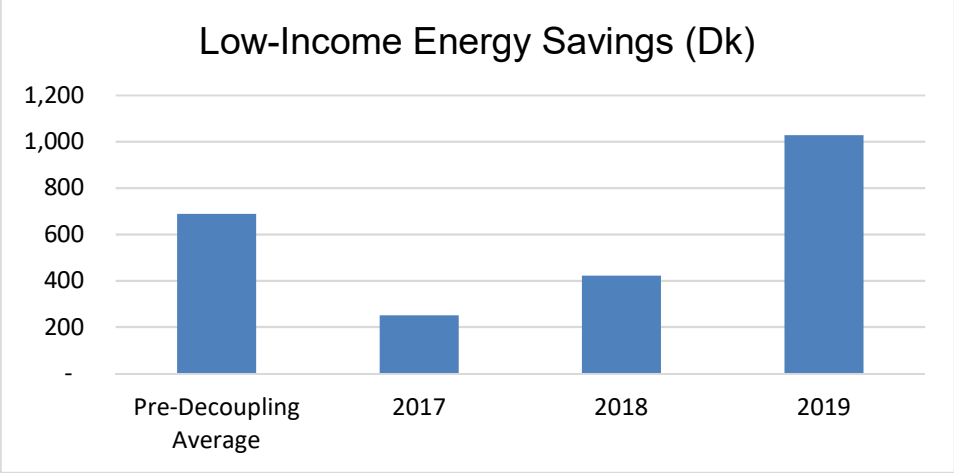
Great Plains offers conservation measures to low income customers through three programs. The first of the three programs is the funding of weatherization measures through Community Action partnership (CAP) agencies and the maximum funding available to the CAP agency for a qualified customer is $1,800 for weatherization. The second program provides funding for an emergency replacement of a furnace or boiler. The maximum funding available to the CAP agency per emergency is $2,500 for a furnace replacement and $5,000 for a boiler replacement. The third program provides funding for furnace and boiler tune-ups for qualified low-income customers. The maximum funding available to the CAP agency per furnace or boiler tune-up is $200.

In 2019, the Company had a 49% increase in energy savings in its low-income program over the 2013-2016 pre-decoupling years. Reductions in low income participation and savings in recent years was primarily due to difficulties the CAP

agencies had spending the funding that was available to them. The Company continues to work with the CAP agencies to find solutions to these difficulties and plans to make changes to the low-income programs in the 2021-2023 CIP Triennial filing.

Graph CIP-10 shows the annual energy savings achieved in the Company's low-income projects from 2017 to 2019 compared to the pre-decoupling average.

Graph CIP-10: Great Plains CIP Energy Savings from Low-Income Projects



CIP-10) What other information, whether qualitative or quantitative, should be considered in evaluating the Company's commitment to energy efficiency and conservation?

Great Plains is committed to energy efficiency and consistently strives to meet or exceed its annual energy savings goal. Great Plains is a small natural gas distribution company with a very small customer base and very low new customer growth; however, the Company offers a robust and comprehensive portfolio of efficiency programs and continuously seeks to it improve its CIP offerings to achieve more energy savings and meet customer's needs.

Company personnel regularly attend trade shows, industry conferences, and other events to develop new ideas for program enhancements and to stay

abreast of energy efficiency trends.

Finally, as additional evidence of Great Plains' continued commitment to conservation and energy efficiency, the Company's 2017-2019 CIP Triennial Plan includes a stable energy savings goal as compared to this study period and provides for further enhanced program offerings to meet customer needs. While the Company recognizes that the 2020 program year may be negatively affected by the current pandemic, the Company is committed to its CIP program and in offering a robust portfolio to achieve energy savings goals in the upcoming 2021 – 2023 CIP Triennial Plan.