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August 1, 2024

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

RE: Annual Compliance Filing
Docket Nos. G-999/CI-21-135 and G-004/M-21-235

Dear Mr. Seuffert:

Great Plains Natural Gas Co. (Great Plains), a Division of Montana-Dakota Utilities Co., herewith electronically submits the Annual Compliance Filing defined in Order Point 15, issued on February 17, 2023, for Docket Nos. G-999/CI-21-135 and G-004/M-21-235. This filing addresses Great Plains' Compliance with Order Point Nos. 4 through 11 as detailed below.

Order Point No. 4 – Participate in the North American Energy Standards Board Gas/Electric Harmonization Forum and other relevant efforts.

Great Plains has yearly involvement in the North American Energy Standards Board Gas/Electric Harmonization forum. Each year, Great Plains attends meetings and is a voting participant in the forum's various proceedings.

Order Point No. 5 – Exploring the availability and cost of contracting, hedging, and supply options for better protection against price spikes.

Great Plains continually explores availability and associated costs to better protect against price spikes. Specifically, Great Plains has modified its approach to contracting for base supply, day/spot supply, and its use of storage. As further described in its response to Order Point No. 6, Great Plains has increased its base supply reducing exposure to potentially volatile day/spot market pricing during times of higher demand. The Company has more actively pursued fixed pricing both during and external to its request for proposal process.

As explained in Order Point No. 7, Great Plains describes its changes to storage inventory management. These changes have required a more dynamic shape to the Company's base supply.

Great Plains' natural gas procurement practice is designed to ensure sufficient supply is available for purchase to serve the Utility's firm customers in all demand conditions and to limit daily index price exposure to the largest practical extent. The Company continually requests both fixed-price and index-based offers to meet base and spot/day requirements. The Company evaluates both pricing options against market expectations and leans into fixed-price options during identified times of potential volatility.

Great Plains has not implemented financial hedging, including put/call options because the Company has not yet identified an option strategy that would provide benefit to its customers. Great Plains has reviewed a variety of tangential products that are traded through Intercontinental Exchange but has not found compelling cause to participate in such options trading.

Order Point No. 6 – Explain baseload supply planning to incorporate a greater degree of baseload purchases to reduce reliance on daily spot-market gas.

For the past three heating seasons Great Plains has and continues to maximize base supply purchases during the heating season. This is accomplished by first determining the normalized monthly supply requirements for each month of the heating season and determining an appropriate ratable daily quantity. Great Plains then shapes seasonal base supply contracts such that the determined daily purchase quantity will vary, from month to month, throughout the heating season. Great Plains will contract monthly base supply to approximately 75% of the normalized requirement.[1] This practice limits the supply gap between Great Plains' base supply and peak requirements.

Factoring the daily design day supply requirement, which coincides with Great Plains' Demand Entitlement Filing (DEQ), the Company will secure swing supply to ensure that supply will be available to Great Plains as needed. Swing supplies are contracted against daily index pricing.[2] Great Plains' yearly take of swing supplies has diminished over the past two years in favor of spot (fixed-priced) supplies.[3]

Order Point No. 7 – Explore modifications to storage inventory management that could preserve withdrawal capacities for later in the heating season.

The primary purpose of storage is to ensure supply is available for its firm customers. Physical storage consists of less than ten percent of annual firm supply requirements and approximately five percent of total customer annual supply requirements.

Great Plains has a total contracted storage inventory capacity of 267,547 Dth. The withdrawal capacity is limited to a contractual maximum of 4,640 Dk/day, which ratchets downward as gas-in-place is reduced. This storage inventory is now planned for use only when foreseeable pricing events may occur in lieu of taking swing supplies or participating in a high spot market. Gas is strategically held for use only during potential events or until such a date when withdrawals must be taken to cycle gas out of storage.[4] This date typically occurs in late January.

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[1] Monthly natural gas consumption is generally limited to +/- 25% for firm, temperature-sensitive customers. Higher base supply levels risk oversupplied conditions during warmer-than-normal heating season months.
[2] Great Plains continues to request quotations for fixed-price swing contracts. To-date, none of Great Plains' suppliers have been willing to offer fixed-price swing contracts.
[3] Availability depends on daily market formation timing. Suppliers may not be willing to make spot deals in time for Great Plains to decline swing supplies.
[4] Historically, gas was strategically and evenly withdrawn beginning in December.

All of Great Plains' storage service is provided by Northern Natural Gas (NNG). NNG offers three types of storage service options to its customers. These include:

- 4-Step Withdrawal Option
- 3-Step Withdrawal Option
- Gas-in-Place (GIP) Option

Great Plains has compared its use of the GIP Storage Service to the other two options. Great Plains' 267,547 Dth of firm storage quantity (FSQ) would provide the following monthly withdrawal capacity under the 4-Step and 3-Step Options.

4-Step

267,547

Month	Withdrawal	% of FSQ
November	6,978	2.61%
December	6,978	2.61%
January	6,978	2.61%
February	5,390	2.01%
March	3,658	1.37%
April	2,166	0.81%

3-Step

267,547

Month	Withdrawal	% of FSQ
November	6,978	2.61%
December	6,978	2.61%
January	6,978	2.61%
February	3,658	1.37%
March	3,658	1.37%
April	2,166	0.81%

Great Plains' application of the GIP Option along with Great Plains' withdrawal strategy (as outlined in the table below) provides the maximum withdrawal schedule.

GIP

267,547

Month	Avg Inventory	Withdrawal	% of FSQ
November	267,547	4,640	1.73%
December	267,547	4,640	1.73%
January	267,547	4,640	1.73%
February	205,206	4,640	1.73%
March	79,607	1,907	0.71%
April	7,816	1,440	0.54%

Both the 4-Step Withdrawal Option and 3-Step Withdrawal Option provide more daily withdrawal capacity during the months of November through January. The GIP Option provides more daily withdrawal capacity during February than the 3-Step Withdrawal Option if high inventory levels are maintained. The 4-Step Withdrawal Option maintains the highest (most beneficial) withdrawal capacity for a single day.

Although the 4-Step Withdrawal Option provides for a higher single day withdrawal, the 4-Step's January 31st minimum balance requirement[5] would limit the number of days Great Plains could use all withdrawal capacity. Great Plains values storage primarily for operational security and thus prioritizes access to the additional 122,404 Dth in protection against any long-term January supply disruption. Furthermore, Great Plains feels the GIP Option allows the Company more control of both its injection and withdrawal schedule throughout the year.

While all three options may be beneficial under various circumstances, they all present risks in other circumstances. Great Plains' limited storage prioritizes the flexibility and control the GIP Option provides; therefore, Great Plains considers the GIP the best option.

Great Plains' application of the GIP Option along with Great Plains' withdrawal strategy (as outlined in the table above) provides the maximum withdrawal schedule.

Order Point No. 8 – Commit to improving supply reserve margin to minimize these quantities and explain the level of supply reserve margins in the future.

Variability of Great Plains' daily customer consumption is primarily a product of ambient air temperature. The Company continually evaluates forecasted customer consumption, based on forecasted temperatures up to the time of scheduling natural gas deliveries. Supply and resulting city gate deliveries remain consistent with forecasted consumption and such deliveries will not deviate during times of extraordinary pricing conditions. Error in the temperature forecast of statistical error in the regression analysis will negatively impact the Company's ability to forecast customer consumption.

Circumstances where deliveries may deviate are limited to correction of balances and will be avoided when high price conditions are present.

Order Point No. 9 – In future contract demand entitlement filings, discuss how changes to pipeline capacity affect supply diversity and include a comparison with the least-cost capacity option.

Due to the structured and long-term nature of Great Plains' transportation contracts, changes to pipeline capacity do not regularly affect supply diversity. Great Plains takes advantage of its access to diverse supply receipts at six locations on Viking Gas Transmission (VGT) and NNG.

Great Plains evaluates its transportation services portfolio when pipelines provide open season for available capacity. The Company is currently not seeking contracts for incremental capacity or changes to its transportation services portfolio.

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[5] Great Plains 4-Step Option would require a minimum of 160,931 Dth in storage on January 31st. The minimum requirement is 38,527 Dth under GIP.

Please see Docket No. G004/M-24-234 for the most recent DEQ. Great Plains provides this information in June and November of each year.

Order Point No. 10 – In future forward-looking gas planning or hedging filings, include expected supply mixes throughout the months of the winter heating season, forecasted day load requirements, and expected mix of baseload, storage, and spot supply.

Great Plains will comply in future forward-looking gas planning or hedging filings.

Order Point No. 11 – Design plans that study customer responses to conservation calls.

Great Plains practices interruptions and curtailments (or conservation) on its interruptible customers during the following circumstances:

1. When operating conditions on the distribution system or upstream transmission systems are not operating at full capacity. Causes for such include, but are not limited to, pipeline facility outages, line hits, and scheduled or unscheduled maintenance.
2. When expected customer demand exceeds transmission or distribution capacity. In such cases, interruptible customers will be required to curtail/interrupt usage of natural gas to ensure Great Plains' firm customers continue to receive service.

For use in a curtailment or conservation event, Great Plains has developed a notification process that includes a feedback loop where all customers who are required to curtail acknowledge that they understand the curtailment notification. Records are kept on this communication.

Great Plains, through a third party, launched a residential customer survey in June 2024 and a firm commercial survey in July 2024. The Company expects to receive the results from the survey mid-August 2024.

If you have any questions regarding this filing, please contact me at (701) 222-7855 or Kristin Stastny at (612) 977-8656.

Sincerely,

/s/ Travis R. Jacobson

Travis R. Jacobson
Director of Regulatory Affairs

cc: Kristin Stastny