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

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June 10, 2020

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

RE: ***In the Matter of Great Plains Natural Gas Co.'s Revenue Decoupling Mechanism Rates and Decoupling Evaluation Report for Year 3 (2019) of the Pilot Program.*** **Docket No. G004/M-20-335.**

Reply Comments of Great Plains Natural Gas Co.

Dear Mr. Seuffert:

Great Plains Natural Gas Co. ("Great Plains"), a Division of Montana-Dakota Utilities Co., herewith electronically submits its Reply Comments in response to the Department of Commerce's ("Department") June 1, 2020 Comments submitted in the above referenced docket.

On page 32 of its Comments, the Department concludes that Great Plains complied with the Commission's directives as required in its *February 7 Order* and *August 23 Order*. The Department recommends the Commission:

- Approve the RDM factors presented in Great Plains' February 28, 2020 filing, with a modification to the Large Interruptible North rate reflecting the Department's recommendation outlined in its June 1, 2020 Comments;
- Approve the proposed tariff changes as presented in Great Plains' February 28, 2020 filing once the Large Interruptible North rates have been recalculated to reflect the Department's recommendations outlined in its June 1, 2020 Comments; and
- Allow Great Plains to continue its RDM Pilot for calendar year 2020.

As discussed in the Company's February 28, 2020 Revenue Decoupling Mechanism (RDM) Rates and Decoupling Evaluation Report for Year 3, a Large Interruptible Transportation Rate N82 customer moved its service from under the customer's contract rate to the distribution rate applicable under Rate N82 as the customer's contract rate exceeded the Rate N82 distribution rate applicable under the tariff effective January 1, 2019 for Phase 3 rates in Docket No. G004-GR-15-879.

To reflect the customer's movement within the Company's RDM calculations for Year 3, Great Plains included the former flex customer's volumes priced at the Rate N82 distribution charge for both the authorized or designed revenues and actual revenues for 2019. The Company's treatment of this former flexible rate customer recognizes the customer was an existing customer on the Company's system but that the customer's former contract rate applicable at the time of the Company's last rate case exceeded the Rate N82 distribution rate applicable in 2019. The Department's modification, while consistent with the Company's previous treatment of a Large Interruptible Transportation Rate S82 customer moving its service under a flexible contract in the Company's Year 2 RDM Evaluation Report, does not recognize that the rate the Department is recommending in the determination of Authorized/Designed Revenues exceeds the distribution rate provided for under the tariff.

The table below is a comparison of the Company's Rate N82 balances as included in the Company's February 28, 2020 filing in this docket and the revised balances reflecting the Department's modification.

	As Filed	Department's Recommendation
Decoupling Adjustment	$1,871	$17,196
Prior Period Adjustment	$8,445	$8,445
Net Balance	$10,316	$25,641

The Company also wants to take this opportunity to respond to the Department's concerns as they relate to the Company's commitment to energy conservation as noted in the discussion on pages 7 through 19 of the Department's Comments.

Great Plains is committed to achieving its CIP goals and continues to encourage customers to invest in energy savings measures and participation in the Company's CIP rebate programs. Great Plains is a small gas distribution company located in western Minnesota where its customer base consists of largely rural communities and the major industries in the area are primarily agricultural related. Since January 2015, the commodity prices in the agricultural market have declined significantly. As customers feel the effects of a more depressed agricultural market in the area, they look less at investing capital in their facilities. Likewise, depressed agricultural market effects spill over to the communities in the service area as well. These economic factors present throughout the Company's service territory, coupled with the current low cost of natural gas, have presented greater challenges in enticing customers to invest in energy efficiency programs.

Great Plains' service territory also has very limited new construction growth, limiting opportunities to influence decisions to invest in energy efficiency measures in the building phase. Because of this, the Company relies mainly on the retrofit market for CIP program participation and the large customer participation in custom programs in order to achieve the CIP program's energy savings goals. Due to the limited number of large customers in the Great Plains' service territory, it is challenging to maintain steady participation rates in the custom program.

The Company offers a very robust CIP program which includes many of the prescriptive rebate programs outlined in the Minnesota Technical Reference Manual (TRM). Great Plains has seen consistent participation in the residential and commercial prescriptive programs as illustrated in the Department's Figure 1 of their June 1 Comments regarding Company's first year CIP energy savings. The Company expects to see continued steady participation in these programs. However, the Company's annual CIP results and expenditures vary significantly due to this aforementioned reliance on large custom projects in order to meet its annual energy savings goals. The Company's energy savings goal is approved at 1% of its weather-normalized throughput since 2010 when natural gas utilities were allowed to file for plans that met the 1% threshold rather than the 1.5% because of the lower potential for energy savings in natural gas end uses. In 2015 and 2016, Great Plains reached the 1% goal when the Company saw several large custom projects. 2018 was another year in which the Company saw custom project participation and a corresponding increase in its energy savings and expenditures. The impact of custom projects is further illustrated in the Department's Figure 8 of their June 1 Comments regarding the Company's annual CIP expenditures by customer segment. In years such as 2015, 2016, and 2018 where there is participation in custom program, total expenditures noticeably increase. As such, Great Plains continues to see the importance of these large custom projects to hit its goal and continues to pursue participation in the custom project program.

Great Plains appreciates the opportunity to provide Reply Comments in response to the Department's Comments.

Sincerely,

/s/ *Travis R. Jacobson*

Travis R. Jacobson
Director of Regulatory Affairs

cc: Brian Meloy
Service List