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January 21, 2009

**Ms. Patricia Van Gerpen, Executive Secretary
South Dakota Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070**

RE: HCPD Renewable Energy Objective Progress Report

Dear Ms. Van Gerpen:

Heartland Consumers Power District (HCPD) submits this Renewable Energy Objective (REO) Progress Report on behalf of its South Dakota Customers, nineteen municipal utilities, one cooperative utility, and one State agency, pursuant to SDCL 49-34A-101 and SDCL 49-34A-105. This report is filed on behalf of the following HCPD Customers in South Dakota: Arlington, Aurora, Bryant, Colman, Estelline, Groton, Hecla, Howard, Langford, Madison, McLaughlin, Miller, Northern Electric, Parker, Plankinton, Sioux Falls, State of South Dakota, Tyndall, Volga, Wessington Springs, and White. This report outlines a twelve month period from October 1, 2007 through September 30, 2008.

If you have any questions regarding this report, please contact me at 605-256-6536 or njones@hcpd.com.

Respectfully submitted,

**Nate Jones
Market Operations Manager
Heartland Consumers Power District**

Copy via fax:

**Amiel Redfish, Arlington Municipal Utilities
Andy Studer, Aurora Municipal Utilities
Garry Ladwig, Bryant Municipal Utilities
Brent Nelson, Colman Municipal Utilities
Dan DeWitt, Estelline Municipal Utilities
Terry Herron, Groton Municipal Utilities
Dennis Shelton, Hecla Municipal Utilities
Alan Adler, Howard Municipal Utilities**

Blair Healy, Langford Municipal Utilities
Dennis Poppen, Madison Municipal Utilities
Lornie Hach, McLaughlin Municipal Utilities
Bill Lewellen, Miller Municipal Utilities
Jim Moore, Northern Electric Cooperative
Rob Buller, Parker Municipal Utilities
Vern Hill, Plankinton Municipal Utilities
Mike Burkard, Sioux Falls Municipal Utilities
Michele Farris, State of South Dakota
Larry Chester, Tyndall Municipal Utilities
Steve Meyer, Volga Municipal Utilities
Roger Larson, Wessington Springs Municipal Utilities
Dan DeYoung, White Municipal Utilities

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Tom Marvin, SD Municipal Electric Association

Heartland Consumers Power District South Dakota Renewable Energy Progress Report

January 21, 2008

Pursuant to South Dakota Codified Law, Chapter 49-34A-101 outlines a state renewable and recycled energy objective (REO) that ten percent of all electricity sold at retail within the state by the year 2015 be obtained from renewable energy and recycled energy sources. The objective shall be measured by qualifying megawatt hours delivered at retail or by certificates representing credits purchased and retired to offset non-qualifying retail sales. This objective is voluntary, and there is no penalty or sanction for a retail provider of electricity that fails to meet this objective. The objective applies to each retail provider of electricity in the state, regardless of the ownership status of the electricity retailer. Any municipal or cooperative utility that receives wholesale electricity through a municipal power agency or generation and transmission cooperative may aggregate its renewable and recycled energy objective resources to meet this objective.

South Dakota Codified Law, Chapter 49-34A-105 establishes a requirement that annual reports concerning the REO commence on December 1, 2008 and that each retail provider shall annually report to the Public Utilities Commission on the provider's energy sales during the twelve month period ending on the preceding September thirtieth. This report shall include information regarding qualifying electricity delivered and renewable energy and recycled energy certificates purchased and retired as a percentage of annual retail sales and a brief narrative report that describes steps taken to meet the state renewable and recycled energy objective over time and identifies any challenges or barriers encountered in meeting the objective.

Given the power supply relationship between HCPD and its Customers, HCPD has assumed the responsibility for the REO and the associated reporting requirements on behalf of its South Dakota Customer communities. The following South Dakota entities, nineteen municipal utilities, one cooperative utility, and one State agency, are Customers of HCPD:

- Arlington
- Aurora
- Bryant
- Colman
- Estelline
- Groton
- Hecla
- Howard
- Langford
- Madison
- McLaughlin
- Miller
- Northern Electric
- Parker
- Plankinton
- Sioux Falls
- State of South Dakota
- Tyndall
- Volga
- Wessington Springs
- White

In order to meet the South Dakota REO, HCPD will integrate the South Dakota objective into its current Renewable Energy Standard (RES) report and plan as filed with the Minnesota Public Utilities Commission. According to Minn. Stat. §216B.1691, each electric utility shall generate or procure sufficient electricity generated by an eligible energy technology to provide its retail customers in Minnesota, or the retail customers of a distribution utility to which the electric utility provides wholesale electric service, so that at least the following standard percentages of the electric utility's total retail electric sales to retail customers in Minnesota are generated by eligible energy technologies by the end of the year indicated: 2012-12%, 2016-17%, 2020-20%, 2025-25%.

At the present time, HCPD acquires renewable energy resources through a single power purchase agreement (PPA) with Babcock & Brown, LLC. The PPA entitles HCPD to purchase the entire 51 MW of nameplate wind capacity and own all of the environmental attributes associated with such generation from the Wessington Springs Wind Project. (10 MW of the project are committed to another wholesale power supplier.) HCPD intends to meet its REO/RES goals by utilizing the contracted wind generation and associated renewable attributes.

For the period from October 1, 2007 – September 30, 2008, HCPD's South Dakota retail load served was 197,866 MWh. Given HCPD's current customer base and projected retail load served in South Dakota, Minnesota, and Iowa, Tables 1 identifies the projections of HCPD relating to compliance with the South Dakota REO goal.

HCPD doesn't anticipate encountering any obstacles to meet South Dakota's REO with the execution of the Wessington Springs Wind PPA.

In conclusion, HCPD currently has an adequate amount of renewable resource available and a plan to utilize the resource to meet the South Dakota Renewable Energy Objective of 10% by 2015 as part of its overall renewable energy goals for Customers in Minnesota, Iowa, and South Dakota.

Respectfully submitted this 21st day of January, 2009.

HEARTLAND CONSUMERS POWER DISTRICT



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Table 1: Heartland Consumers Power District Renewable Resource Utilization [1]

Year	Renewable Resource (GWh)	Retail Load Served (GWh)		Minimum Obligation by Jurisdiction				Unobligated Renewable Energy (GWh)	Unobligated Renewable Energy Allocated to Load		Renewable Supply by Jurisdiction [3]	
				Renewable Energy Supply (GWh)		Percentage of Retail Load					Percentage of Retail Load	
	Wessington Springs Wind [2]	MN	SD and IA	MN	SD and IA	MN	SD and IA	MN	SD and IA	MN	SD and IA	
2012	162	702	449	84	0	12.0%	0.0%	77	47	30	18.7%	6.7%
2016	162	490	469	83	47	17.0%	10.0%	31	16	15	20.3%	13.3%
2020	162	274	493	55	49	20.0%	10.0%	58	21	37	27.5%	17.5%
2025	162	269	526	67	53	25.0%	10.0%	42	14	28	30.3%	15.3%

[1] Heartland plans for current and proposed renewable resources.

[2] 51 MW project with expected inservice date 12/15/2008. 10 MW of project committed to other wholesale supplier. 41 MW to be used as Heartland network resource.

[3] Includes both Minimum Obligation and Unobligated Renewable Energy Allocated to Load