



400 North Fourth Street  
Bismarck, ND 58501  
(701) 222-7900

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June 29, 2012

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
State Capitol Building  
500 East Capitol  
Pierre, SD 57501

Re: 2011 Annual Renewable, Recycled, and  
Conserved Energy Objective Report

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., hereby submits its report regarding South Dakota's renewable energy objective as required by SDCL 49-34A-105.

Sincerely,

A handwritten signature in dark ink that reads 'Tamie A. Aberle'. The signature is written in a cursive, flowing style.

Tamie A. Aberle  
Regulatory Affairs Manager

**Montana-Dakota Utilities Co.**  
**Renewable, Recycled, and Conserved Energy Objective**  
**Annual Report to the South Dakota Public Utilities Commission**  
**July 1, 2012 Update**

**Requirement**

*SDCL 49-34A-105. Annual reports concerning renewable and recycled energy objective. Beginning on July 1, 2009, 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 December thirty-first. 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, the amount of conserved energy 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.*

**Report for Calendar Year 2011**

Montana-Dakota Utilities Co. (Montana-Dakota) provides electric service to customers in portions of Montana, North Dakota, and South Dakota through an integrated electric system which has generation and transmission facilities in each of those states. Customer power supply needs are met through a resource portfolio consisting of Company-owned generation comprised of coal fired resources, natural gas peaking capacity, and renewable resources; purchased power contracts, and demand side management programs. Renewable energy requirements applicable to Montana-Dakota's integrated electric system are as follows:

- Montana Standard – In 2011, obtain a minimum of 10% of all retail sales of electrical energy within the state from eligible renewable resources.
- North Dakota Objective – By the year 2015, obtain 10% of all retail sales of electrical energy within the state from renewable and recycled energy sources.
- South Dakota Objective – By the year 2015, obtain 10% of all retail sales of electrical energy within the state from renewable, recycled, and conserved energy.

The Company's electric retail sales in the State of South Dakota for the twelve month period ending December 31, 2011 were 149,990 MWh, representing approximately 6 percent of the Company's integrated system retail sales. As described further below, Montana-Dakota's generating resources produced 180,502 renewable energy credits (REC's) in 2011 with 10,732 REC's applicable to South Dakota. This resulted in 7.2 percent of the South Dakota retail load served from renewable resources. Montana-Dakota is selling the REC's allocated to South Dakota when cost effective to do so. Proceeds from the sale of REC's are recorded as a revenue credit. Montana-Dakota did not offer incentives for electric conservation programs in South Dakota in 2011,



therefore, conserved energy resources are not being used to meet the South Dakota objective.

The Company will continue to evaluate wind and other renewable resources in support of the objective in South Dakota and will incorporate such resources as part of its generation portfolio when reasonable and economic to do so.

Following is a description of the generating resources that supplied the REC's produced in 2011.

- In February 2008, Montana-Dakota commenced commercial operation of Diamond Willow, a 19.5 MW wind farm near Baker, Montana. An additional 10.5 MW Diamond Willow expansion project commenced commercial operation on June 28, 2010. In calendar year 2011, Diamond Willow produced 87,522 REC's. This wind resource is registered on the Midwest Renewable Energy Tracking System (M-RETS) with a designated identifier of "M-152". The M-RETS Administrator issues one electronic Certificate for each MWh of energy generated by Diamond Willow and a unique serial number is assigned to each Certificate.
- In July 2009, Montana-Dakota began commercial operation of a 7.5 MW waste heat recovery generating station on the Northern Border Pipeline near Glen Ullin, North Dakota. In calendar year 2011, the Glen Ullin facility produced 39,188 REC's. This resource is registered on the M-RETS system with a designated identifier of "M-535".
- On June 6, 2010, Montana-Dakota commenced commercial operation of Cedar Hills, a 19.5 MW wind farm near Rhame, North Dakota. In calendar year 2011, Cedar Hills produced 53,792 REC's. This wind resource is registered on the M-RETS system with a designated identifier of "M-584".

In accordance with SDAR 20:10:38:07, Montana-Dakota reports that the following REC's were retired in 2011 to meet the state of Montana's renewable energy standard. 4,727.2 of these REC's reflect a portion of South Dakota's allocated REC's with a corresponding payment transfer to South Dakota.

<u>Resource</u>	<u>Number of REC's</u>	<u>Trading System</u>
Cedar Hills-ND	43,432	M-RETS
Diamond Willow-MT	27,719	M-RETS
Total	71,151	

The Commission's Reporting form is provided in Attachment A.

Calendar Year 2008 RREO Report	Value	Comments
<b>Retail Sales</b>		
Total - All States (MWh)	2,615,677	Montana-Dakota's Integrated System
SD (MWh)	149,990	
<b>Generation Capacity Owned</b>		
Total - All States (MW)	481.9	Montana-Dakota's Integrated System based on MISO UCAP Rating
SD (MW)	103.3	
<b>Renewable Generation Capacity Owned</b>		
Total - All States (MW)	49.5	Montana-Dakota's Integrated System based on MISO UCAP Rating
Wind		
Solar		
New Hydro		
Old Hydro		
Hydrogen		
Biomass		
Geothermal		
Recycled	7.5	Waste Heat Recovery Unit
<b>Total - All States (MW)</b>	<b>57.0</b>	Montana-Dakota's Integrated System
SD (MW)		
Wind		
Solar		
New Hydro		
Old Hydro		
Hydrogen		
Biomass		
Geothermal		
Recycled		
<b>Total SD (MW)</b>	<b>0.0</b>	
<b>Renewable Energy Credits Retired for SD</b>		
Total - Generated In All States (MWh)		
Wind		
Solar		
New Hydro		
Old Hydro		
Hydrogen		
Biomass		
Geothermal		
Recycled		
<b>Total - All States (MWh)</b>	<b>0.0</b>	
Generated in SD (MWh)		
Wind		
Solar		
New Hydro		
Old Hydro		
Hydrogen		
Biomass		
Geothermal		
Recycled		
<b>Total SD (MWh)</b>	<b>0.0</b>	
<b>Renewable Energy Credits Retired for Other States</b>		
Total - Generated In All States (MWh)	71,151	
Wind		
Solar		
New Hydro		
Old Hydro		
Hydrogen		
Biomass		
Geothermal		
Recycled		
<b>Total - All States (MWh)</b>	<b>71,151</b>	
Generated In SD (MWh)		
Wind		
Solar		
New Hydro		
Old Hydro		
Hydrogen		
Biomass		
Geothermal		
Recycled		
<b>Total SD (MWh)</b>	<b>0</b>	
<b>Conserved Energy &amp; Capacity</b>		
Conserved Energy (MWh)		
Total - All States	2,256	Montana-Dakota's Integrated System
SD	0	
Conserved Capacity (MW)		
Total - All States	7.4	Montana-Dakota's Integrated System
SD	0.0	