



UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

June 27, 2014

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

Re: 2013 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. Also attached is the form, provided by Commission Staff, completed for Montana-Dakota's generation mix attributable to South Dakota in 2013.

Sincerely,

A handwritten signature in red ink that reads 'Tamie A. Aberle'.

Tamie A. Aberle
Director of Regulatory Affairs

Montana-Dakota Utilities Co.
Renewable, Recycled, and Conserved Energy Objective
Annual Report to the South Dakota Public Utilities Commission
July 1, 2014 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 2013

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, Midcontinent Independent System Operators, Inc. market purchases, 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 2013, obtain a minimum of 10% of all retail sales of electrical energy within the state for the prior calendar year from eligible renewable resources with 5.6 MW required to be obtained from a Community Renewable Energy Project.
- 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, 2013 were 152,248 MWh, representing approximately 5 percent of the Company's integrated system retail sales. As described further below, Montana-Dakota's generating resources produced 185,965 renewable energy credits (REC's) in 2013 with 9,983 REC's applicable to South Dakota. This resulted in 6.6 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 2013, 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 2013.

- 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 2013, Diamond Willow produced 93,147 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 2013, the Glen Ullin facility produced 38,042 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 2013, Cedar Hills produced 54,776 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 2013 to meet the state of Montana's renewable energy standard. 2,528.42 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	37,353	M-RETS
Diamond Willow-MT	<u>38,252</u>	M-RETS
Total	75,605	

An additional 151,391 REC'S were sold, and 11,330.16 of these REC's reflect a portion of South Dakota allocated REC's with a corresponding payment transfer to South Dakota.

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

Renewable, Recycled, and Conserved Energy Objective Annual Report for 2013

Directions: Fill in each orange box, save your responses, and email the completed spreadsheet back to brian.rounds@state.sd.us by July 1, 2014. Your completed spreadsheet will fulfill the reporting requirements in SDCL 49-34A-105. If you wish to supplement the spreadsheet with an additional narrative report, please include that report in your submission. If you have any questions, please contact Brian Rounds at 605.773.3201 or brian.rounds@state.sd.us.

- 1 MWH of electricity delivered to retail customers (retail sales) in 2013
- 2 MWH of electricity obtained from a hydroelectric facility in 2013 with an inservice date before July 1, 2008 (old hydro)
- 3 MWH of electricity obtained from qualifying renewable or recycled facilities
- 4 MWH of qualifying conserved energy
- 5 Please provide a brief narrative that describes steps taken to meet the state renewable, recycled, and conserved objective over time and identifies any challenges or barriers encountered in meeting the objective.

Following is a description of the generating resources that supplied the REC's produced in 2013.

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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.

If the Company is claiming renewable MWH in (3) above or retiring RECs in other jurisdictions, please provide the following per ARSD 20:10:38:07:

6 Total amount of RECs retired for CY2013 compliance across all jurisdictions

7 Amount of RECs retired to meet South Dakota's renewable energy objective for CY2013

8 For RECs listed above in (7), please provide the tracking system(s) RECs were retired under:

N/A

9 For RECs listed above in (7), please provide the name and location of each facility that produced the retired RECs:

N/A

10 Amount of RECs that the provider retired to meet a renewable energy objective or renewable energy standard in each of the other states it provides electricity services:

75,605 RECs were retired in 2013 to meet the state of Montana's renewable energy standard.

11 For RECs listed above in (10), please provide the name and location of each facility that produced the retired RECs:

Cedar Hills- Rhame, ND
Diamond Willow- Baker, MT

If the Company is claiming conserved MWH in (4) above, please provide the following per ARSD 20:10:38:03 through 06:

12 MWH of conserved energy achieved through energy efficiency

13 A general explanation of each energy efficiency impact evaluation or estimate, the rationale for using each energy efficiency impact evaluation or estimate, and the amount of expenditures spent on energy efficiency measures for the calendar year (ARSD 20:10:38:03).

N/A

14 MWH of conserved energy achieved through demand response ((12) and (14) should sum to (4))

15 A general explanation of each demand response impact evaluation or estimate, the rationale for using each demand response impact evaluation or estimate, and the amount of expenditures spend on demand response measures for the calendar year (ARSD 20:10:38:06).

N/A

Generation Mix Attributable to SD in 2013

Utility Name	Coal	Hydro	Nuclear	Natural Gas	Oil	Biomass	Solid Waste	Purchases	"Null" Power ¹	Retired Renewable Generation	Total Check
Montana Dakota Utilities Co.	68.72%			19.78%					6.86%	4.64%	100.00%

¹"Null" Power includes renewable generation for which credits were generated but not retired in 2013