



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

July 2, 2015

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

Re: 2014 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 2014.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Tamie A. Aberle', is written in a cursive style.

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, 2015 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 2014

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 – For compliance years from 2010 through 2014, obtain a minimum of 10 percent 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 percent 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 percent 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, 2014 were 155,418 MWh, representing approximately 5 percent of the Company's integrated system retail sales. As described further below, Montana-Dakota's generating resources produced 187,225 renewable energy credits (REC's) in 2014 with 9,598 REC's applicable to South Dakota. This resulted in 6.2 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 2014, therefore, conserved energy resources are not being used to meet the South Dakota objective.

Construction is underway on the Company's 107.5 MW Thunder Spirit Wind Project. It is expected that the Project will go into service by the end of 2015. This will bring the Company's renewable resources to 20 percent of retail sales thereby allowing the Company to meet the South Dakota Objective for a number of years.

Following is a description of the generating resources that supplied the REC's produced in 2014.

- In February 2008, Montana-Dakota commenced commercial operation of Diamond Willow, a 19.5 Megawatt facility located in Fallon County, Montana. An additional 10.5 Megawatt Diamond Willow expansion project commenced commercial operation on June 28, 2010. In calendar year 2014, the Diamond Willow facilities produced 96,410 RECs. 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 2014, the Glen Ullin facility produced 31,439 RECs. 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 Megawatt wind facility located in Bowman County, North Dakota. In calendar year 2014, the Cedar Hills facility produced 59,376 RECs. This wind resource is registered on the M-RETS system with a designated identifier of "M-584".

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

Renewable, Recycled, and Conserved Energy Objective Annual Report for 2014

Directions: Fill in each orange box, save your responses, and email the completed spreadsheet back to [brian.rounds\(at\)state.sd.us](mailto:brian.rounds(at)state.sd.us) by **July 1, 2015**. 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\(at\)state.sd.us](mailto:brian.rounds(at)state.sd.us).

- 1 155,418 MWh of electricity delivered to retail customers (retail sales) in 2014
- 2 MWh of electricity obtained from a hydroelectric facility in 2014 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.

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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 CY2014 compliance across all jurisdictions

7 Amount of RECs retired to meet South Dakota's renewable energy objective for CY2014

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:

77,660 RECs were retired in 2014 to meet the state of Montana's renewable energy standard. Of these RECs, 17 were 2013 certificates.

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 2014

Utility Name	Coal	Hydro	Nuclear	Wind	Natural Gas	Oil	Biomass	Solid Waste	Waste Heat	Purchases	Other - Please Specify	Total Check
Montana Dakota Utilities Co.	50.69%			6.76%	25.14%				1.02%	16.39%		100.00%

Other: For any generation listed under "Other", please provide the generation source and percentage associated with each.

For the renewable generation listed above, please provide:

RECs retired for SD RRCEO compliance in 2014	0
RECs held or "banked"	2,359
RECs sold or transferred to other parties	#VALUE!

Facilities Producing 2014 RECs	RECs Produced	RECs Retired	RECs Sold	Remaining RECs
Diamond Willow	96,410	47,899	42,972	5,539
Cedar Hills	59,376	29,761	27,028	2,587
Glen Ullin	31,439		20,777	10,662
Total	187,225	77,660	90,777	18,788
% Allocated to SD	9,598	2586*	4,653	2,359

*Retired to meet the Montana Renewable Standard. Transfer payment credited to South Dakota.