

June 26, 2012

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

RE: MRES Renewable, Recycled and Conserved Energy Objective Progress Report

Dear Ms. Van Gerpen:

Missouri River Energy Services (MRES) submits this Renewable, Recycled and Conserved Energy Objective (RRCEO) Progress Report on behalf of its twelve South Dakota municipal utility members, pursuant to SDCL 49-34A-101 and 49-34A-105. This report covers the twelve month period from January 1, 2011 through December 31, 2011.

This report is filed on behalf of the following MRES members in South Dakota: Beresford, Big Stone City, Brookings, Burke, Faith, Flandreau, Fort Pierre, Pickstown, Pierre, Vermillion, Watertown and Winner.

If you have any questions regarding this report, please contact me at 605-338-4042 or derek.beresch@mrenergy.com.

Sincerely,



Derek Bertsch, Attorney at Law
Staff Attorney, Legal

Copy:

Jay Nordquist, Beresford Municipal Utilities
Duane Henderson, Big Stone City Municipal Utilities
Steve Meyer, Brookings Municipal Utilities
Jerry Jones, Burke Municipal Utilities
Debbie Brown, Faith Municipal Utilities
Don Johnston, Flandreau Municipal Utilities
Brad Lawrence, Fort Pierre Municipal Utilities
Bonnie Nielsen, City of Pickstown
Leon Schochenmaier, Pierre Municipal Utilities
John Prescott, City of Vermillion
Steve Lehner, Watertown Municipal Utilities Department
Jack Day, Jr., Winner Municipal Utilities
Jeffrey Mehlhaff, SD Municipal Electric Association

**Missouri River Energy Services
South Dakota
Renewable, Recycled and Conserved Energy Progress Report**

June 26, 2012

Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services (MRES) is a body politic and corporate and a public agency organized under the laws of the State of Iowa and existing under the intergovernmental cooperation statutes of the States of Iowa, Minnesota, North Dakota and South Dakota. MRES is a multi-state, member-based joint-action agency, headquartered in Sioux Falls, South Dakota. Its members receive a fixed allocation of hydroelectric power and energy from the Western Area Power Administration (WAPA), and purchase their supplemental power from MRES, a not-for-profit agency, to meet their needs over and above their WAPA allocations. As part of that responsibility, MRES provides its members with a balanced power supply portfolio, including renewable generation. MRES has included wind energy in its power supply program since 2002.

The South Dakota Legislature has adopted a voluntary Renewable, Recycled and Conserved Energy Objective (RRCEO) which provides that "...ten percent of all electricity sold at retail within the state by the year 2015 be obtained from renewable, recycled, and conserved energy sources," and allows municipal utilities to aggregate their RRCEO through their municipal power agency. SDCL 49-34A-101. The objective is measured by qualifying megawatt hours delivered at retail¹ or by certificates representing credits purchased and retired to offset non-qualifying retail sales. In 2009, the legislature amended SDCL 49-34A-101 to include recycled or conserved energy as a renewable resource for RRCEO compliance.

The RRCEO also requires that reports be filed with the Public Utilities Commission (Commission) that detail energy sales during the previous twelve-month period, and efforts to meet the RRCEO goal through 2015. SDCL 49-34A-105. As with the RRCEO itself, municipal utilities are permitted to aggregate their reporting requirements through their municipal power agency. SDCL 49-34A-105 was also amended by the legislature in 2009, requiring the information to be provided annually for the preceding calendar year by July 1. Additionally, in 2011, the Commission adopted a new chapter of rules, ARSD 20:10:38, regarding the reporting of renewable energy credits and the measurement and verification of energy efficiency and demand response measures.

Given the power supply relationship between MRES and its members, MRES has assumed responsibility for the RRCEO and the associated reporting requirements on behalf of all of its South Dakota member communities. The following twelve South Dakota municipal utilities are members of MRES:

¹ Calculation of the amount of electricity sold excludes from the baseline of retail sales that portion of MRES SD member sales supplied by WAPA pursuant to each member's hydropower allocation. SDCL 49-34A-103. Calculations used in this report are based on the total MRES energy sales at the town gate, pursuant to the supplemental power supply obligations of the Power Supply Agreement (S-1) contract between MRES and its members.

- Beresford
- Big Stone City
- Brookings
- Burke
- Faith
- Flandreau
- Fort Pierre
- Pickstown
- Pierre
- Vermillion
- Watertown
- Winner

In order to meet the South Dakota RRCEO, MRES has integrated the South Dakota objective into its resource planning in conjunction with similar requirements in Minnesota and North Dakota.² MRES allocates its renewable energy generation and renewable energy credits (RECs) based on S-1 energy sales by state.

MRES Renewable Energy Resources

MRES acquires renewable energy resources through its exclusive power supply arrangement with Western Minnesota Municipal Power Agency (Western Minnesota), and through power purchase agreements with independent developers. At the present time, all MRES renewable resources are based on wind generation. Currently, MRES contracts for the output of the following wind generating resources:³

- Worthington (MN) Wind Project, 3.7 MW
- Marshall (MN) Wind Project, 18.7 MW
- Odin (MN) Wind Project, 20.0 MW
- Rugby (ND) Wind Project, 40.0 MW
- Hancock (IA) Wind Project, 3.3 MW

MRES purchases the full output of the units in each of these wind projects, and owns all of the environmental attributes associated with such generation.⁴ These resources total 85.7 MW of nameplate capacity, most of which is dedicated to meeting the various state Renewable Energy

² Beginning in 2012, Minnesota's voluntary REO became a mandated Renewable Energy Standard (RES) of 12%, which increases to 17% in 2016, 20% in 2020, and ultimately 25% by 2025. Minn Stat. 216B.1691, Subd. 2a. North Dakota's REO is nearly identical to the South Dakota REO, imposing a voluntary goal of 10% by 2015. NDCC 49-02-28. Iowa does not presently have a renewable energy objective or mandate.

³ The Worthington Wind Project is located near Worthington, Minn., in Nobles County. The Marshall Wind Project is located near Marshall, Minn., in Lyon County. The Odin Wind Project is located near Odin, Minn., in Watonwan and Cottonwood Counties. The Rugby Wind Project is located near Rugby, N.D., in Pierce County. The Hancock Wind Project is located near Britt, I.A., in Hancock County.

⁴ MRES also purchases the output of two 750 kW turbines owned by member Moorhead Public Service (MPS) and located in Moorhead, Minnesota. The output of the MPS turbines is sold back to MPS, and MPS uses that renewable energy to supply its Capture the Wind[®] green pricing program required by Minn. Stat. Ann. §216B.169. This transaction results in a net zero purchase to MRES, and thus, MPS generation is not used by MRES for REO compliance purposes.

Objectives (REOs).⁵ MRES intends to meet its REO goals by utilizing the contracted wind generation, associated renewable attributes, and conserved/recycled energy to meet the MRES SD RRCEO benchmark for each year.

The following Table 1 identifies the projections of MRES relating to compliance with the South Dakota RRCEO goal. Specifically, the table identifies the benchmarks that MRES will use in its efforts to progressively ramp up its renewable resources in the state to meet the statutory goal of 10% by 2015 for its South Dakota municipal utility members.

Table 1: Projected MRES SD RRCEO Goals

Year₁	MRES SD S-1 Sales_{2,3} (MWh)	SD RRCEO annual benchmark (%)	MRES SD RRCEO (MWh)
2011	624,487	3	18,735
2012	616,323	4	24,653
2013	665,627	6	39,938
2014	682,971	8	54,638
2015	701,234	10	70,123

Note 1 12 month period ending December 31

Note 2 Year 2011 lists actual sales; Years 2012-2015 list projected sales

Note 3 Town gate sales

The total actual retail sales of MRES to South Dakota customers in 2011 was 624,487 MWh, as set forth in the report attached as Exhibit A – “MRES SD RRCEO PROGRESS REPORT.” MRES established an M-RETS REO retirement subaccount to demonstrate compliance with the requirements of SDCL 49-34A-101. In order to comply with the RRCEO goals, MRES transferred RECs to its 2011 South Dakota REO subaccount. Instead of transferring and retiring 18,735 RECs, 25,475 RECs were inadvertently transferred and retired. MRES intends to use the 6,740 overage for the 2012 compliance year.

MRES continues to evaluate opportunities for additional renewable resources to ensure continuing compliance with the REO goals of North Dakota and South Dakota, and the requirements of the Minnesota RES. In 2012 and beyond, MRES will evaluate its renewable energy portfolio and the energy market to determine cost-effective purchases or the acquisition of such resources. MRES seeks out projects that meet its needs as well as the needs of its members as part of our continuing commitment to expand the role of renewable energy used to serve our member communities.

⁵ Minnesota’s green pricing statute, which previously required distribution utilities to offer customers the option to purchase renewable and high-efficiency energy at the utility’s cost of acquiring the resources, is now a voluntary program, and MRES continues to provide its members in all states with this option through the MRES RiverWindsSM program. See Minn. Stat. §216B.169. The renewable energy generation that MRES supplies through its RiverWinds program is excluded from the generation available to meet other state renewable energy program requirements.

In addition, MRES is in its fifth year with the Bright Energy Solutions[®] program which offers commercial, industrial and residential energy efficiency programs to MRES member communities. The Bright Energy Solutions programs are being implemented in South Dakota with the results for 2011 of MRES South Dakota members described in Table 2.

**Table 2: 2011 MRES SD
Recycled/Conserved Energy Savings**

Savings (MWh)	Savings (MW)	Incentives to Customers
7,124	1.44	\$450,589.00

Obstacles to meeting the RRCEO

At this time, MRES does not envision any obstacles to meeting the RRCEO goals established through 2015.

Efforts to Overcome Obstacles

N/A

Conclusion

MRES has developed a plan to meet the South Dakota Renewable, Recycled and Conserved Energy Objective goal of 10% by 2015 as part of its overall renewable energy goals for members in Minnesota, North Dakota, and South Dakota. The SD RRCEO has been integrated into the MRES resource planning process, and MRES is committed to pursuing renewable energy as part of its balanced portfolio to supply its member communities with reliable and cost-effective power supply.

Respectfully submitted this 26th day of June, 2012.

MISSOURI BASIN MUNICIPAL POWER AGENCY
d/b/a MISSOURI RIVER ENERGY SERVICES



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EXHIBIT A, MRES SD RRCEO PROGRESS REPORT JUNE 26 2012, Calendar Year 2011

Please provide a value in each of the boxes below with an "X" in it.

Company:

Missouri River Energy Services on behalf of MRES municipal electric utility members in South Dakota: Beresford, Big Stone City, Brookings, Burke, Faith, Flandreau, Fort Pierre, Pickstown, Pierre, Vermillion, Watertown and Winner

Calendar Year 2011 RRCEO Report	Value	Comments
Retail Sales		
Total - All States (MWh)	2,253,236	(MRES portion only. Does not include WAPA.)
SD (MWh)	624,487	(MRES portion only. Does not include WAPA.)
Generation Capacity Owned		
Total - All States (MW)	725.8	Laramie River Station (282), Exira Iowa Peaking (140), WPPI / Point Beach--PPA (32.8), Watertown Power Plant (47.7), Wind (includes Worthington MN--owned by WMMPA/MRES; Odin MN--PPA, Marshall MN--PPA, Rugby ND--PPA, Hancock IA--PPA) (82.4), Municipal member generation (137.6). This does not include WAPA Power.
SD (MW)	53.7	Watertown Power Plant and municipal member generation
Renewable Generation Capacity Owned		
Total - All States (MW)		
Wind	85.7	Wind (includes Worthington MN--owned by WMMPA/MRES; Odin MN--PPA, Marshall MN--PPA, Rugby ND--PPA, Hancock IA--PPA)
Solar	0	
New Hydro	0	
Old Hydro	340.3	
Hydrogen	0	
Biomass	0	
Geothermal	0	
Recycled	0	
Total - All States (MW)	426	
SD (MW)		
Wind	0	
Solar	0	
New Hydro	0	
Old Hydro	100.2	
Hydrogen	0	
Biomass	0	
Geothermal	0	
Recycled	0	
Total SD (MW)	100.2	
Renewable Energy Credits Retired for SD		
Total - Generated In All States (MWh)	18,735	SD REO
Wind	0	
Solar	0	
New Hydro	0	
Old Hydro	0	
Hydrogen	0	
Biomass	0	
Geothermal	0	
Recycled	0	
Total - All States (MWh)	18,735	
Generated in SD (MWh)		
Wind	0	
Solar	0	
New Hydro	0	
Old Hydro	0	
Hydrogen	0	
Biomass	0	
Geothermal	0	
Recycled	0	
Total SD (MWh)	0	
Renewable Energy Credits Retired for Other States		
Total - Generated In All States (MWh)	88,915	Minnesota REO (85,884), ND REO (2,106) and Green Pricing in all states (925)
Wind	0	
Solar	0	
New Hydro	0	
Old Hydro	0	
Hydrogen	0	
Biomass	0	
Geothermal	0	
Recycled	0	
Total - All States (MWh)	88,915	
Generated in SD (MWh)		
Wind	0	
Solar	0	
New Hydro	0	
Old Hydro	0	
Hydrogen	0	
Biomass	0	
Geothermal	0	
Recycled	0	
Total SD (MWh)	0	
Conserved Energy & Capacity		
Conserved Energy (MWh)		
Total - All States	29,814 MWh	
SD	7,124 MWh	
Conserved Capacity (MW)		
Total - All States	6.07 MW	
SD	1.44 MW	