



**MONTANA-DAKOTA**

**UTILITIES CO.**

A Division of MDU Resources Group, Inc.

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

June 30, 2010

Executive Secretary  
North Dakota Public Service Commission  
State Capitol Building  
600 East Boulevard  
Bismarck, ND 58505-0480

Re: 2009 Annual Renewable Energy Objective

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., hereby submits its report regarding progress toward meeting North Dakota's renewable energy and recycled energy objective as required by NDCC 49-02-34.

Sincerely,

Tamie A. Aberle  
Pricing & Tariff Manager

**Montana-Dakota Utilities Co.  
Renewable Energy Objective  
Annual Report to the North Dakota Public Service Commission  
June 30, 2010 Update**

**Requirement**

*NDCC 49-02-34. Commencing on June 30, 2009, retail providers shall report annually on the provider's previous year's energy sales. This report must 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 objective over time and identifies any challenges or barriers encountered in meeting the objective. The last annual report must be made on June 30, 2016. Retail providers shall report to the public service commission, which shall make data and narrative reports publicly available and accessible electronically on the internet. Distribution cooperatives may aggregate their reporting through generation and transmission cooperatives and municipal utilities may aggregate their reporting through a municipal power agency.*

**Report**

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. Customers power supply needs are met through a resource portfolio consisting of demand side management programs, company owned generation comprised of coal fired resources, natural gas peaking capacity, renewable resources and purchased power contracts. The Company's electric retail sales in the State of North Dakota for the twelve month period ending December 31, 2009 were 1,565,304 MWh, representing 65% of the Company's integrated system retail sales. As described further below, Montana-Dakota's generating resources produced 79,035 renewable energy credits (REC's) in 2009.

The states comprising Montana-Dakota's integrated electric system all have adopted either a renewable energy objective or renewable energy standard. Each state's objective or standard is summarized below.

**Montana**

- In 2007, the Montana Legislature mandated a graduated renewable energy standard for public utilities.
  - In compliance years 2008 and 2009, each public utility shall procure a minimum of 5% of its retail sales of electrical energy in Montana from renewable resources.

- In compliance years 2010 through 2014, each public utility shall procure a minimum of 10% of its retail sales of electric energy in Montana from renewable resources.
- In compliance year 2015 and each succeeding year, each public utility shall procure a minimum of 15% of its retail sales of electrical energy in Montana from renewable resources.
- If a public utility exceeds a standard for a given compliance year, the public utility may carry forward the amount to comply with the standard up to two compliance years.

#### North Dakota

- In 2007, the North Dakota Legislature enacted a state renewable and recycled energy objective that 10% of all electricity sold at retail within the state by the year 2015 be obtained from renewable energy and recycled energy sources. The objective is voluntary and there is no penalty or sanction if a utility fails to meet the objective.

#### South Dakota

- In 2008, the South Dakota Legislature enacted a state renewable and recycled energy objective that 10% of all electricity sold at retail within the state by the year 2015 be obtained from renewable and recycled energy sources. The objective is voluntary and there is no penalty or sanction if a utility fails to meet the objective. In 2009, the Legislature amended the objective to include conserved energy as a resource under the objective.

Montana-Dakota has installed a number of renewable energy projects since the Company commenced commercial operation of its first wind farm in early 2008. The Company will continue to evaluate wind and other renewable resources in support of the objectives in North Dakota and South Dakota and the standard in Montana and will incorporate such resources as part of its generation portfolio when reasonable and economic to do so.

#### Renewable Resources

- In February 2008, Montana-Dakota commenced commercial operation of Diamond Willow, a 19.5 MW wind farm near Baker, Montana. In calendar year 2009 Diamond Willow produced 67,497 MWh of renewable energy. 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. Montana-Dakota retired 35,020 of the REC's produced by Diamond Willow on February 14, 2010 to meet its obligations under Montana's Renewable Resource Standards. An additional 10.5 MW Diamond Willow expansion project commenced commercial operation on June 28, 2010.

- Montana-Dakota also received an allocation of 1,200 REC's based on its ownership interest in the Big Stone generating station for energy produced by biomass fuel in calendar year 2009.
- In July 2009, Montana-Dakota began commercial operation of a 5.3 MW waste heat recovery generating station on the Northern Border Pipeline near Glen Ullin, North Dakota. In calendar year 2009 the Glen Ullin facility produced 10,338 MWh of renewable energy. This resource is also registered on the M-RETS system.
- On June 6, 2010, the Cedar Hills wind project began commercial operation. Cedar Hills is a 19.5 MW wind farm near Rhame, North Dakota.

Montana-Dakota did not meet North Dakota's renewable energy objective in calendar year 2009. The additional resources installed in 2010 will serve to help meet the objective and Montana-Dakota will continue to evaluate renewable resources that will serve customers reliably and economically.