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June 30, 2010

–VIA E-MAIL & U.S. MAIL–

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

Re: 2010 ANNUAL RENEWABLE ENERGY AND RECYCLED ENERGY
OBJECTIVE STATUS REPORT

Dear Mr. Nitschke:

Northern States Power Company, a Minnesota Corporation operating in North Dakota (“Xcel Energy” or “Company”), respectfully submits this renewable energy objective (“REO”) compliance report to the North Dakota Public Service Commission (“Commission”) as required by North Dakota Century Code Section 49-02-34.

ANNUAL RENEWABLE ENERGY OBJECTIVE STATUS REPORT

North Dakota Century Code Section 49-02-34 states that: “Commencing on June 30, 2009, retail providers shall report annually on the provider's previous calendar 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”.

For the 2009 calendar year, as detailed in the Attachment, 5.5 million megawatt-hours or 10.7 percent of the energy we provided to our customers in North Dakota was generated at facilities using qualified renewable fuels. This compares to the goal of “ten percent of all electricity sold at retail within the state by the year 2015 be obtained from renewable energy and recycled energy sources” as stated in Section 49-02-28.

STEPS TAKEN TO MEET THE RENEWABLE ENERGY OBJECTIVE

The Company has taken a number of steps in recent years to meet the renewable energy goals of the various states we operate in. The most recent updates are:

- We currently have approximately 96 MW of community-based wind on the system that qualifies for Renewable Energy Objectives and Standards and another approximate 243 MW under contract and scheduled for construction within the next couple of years. Of these projects, we plan to file for an Advance Determination of Prudence for the larger projects that comprise the bulk of the 243 MW.
- In 2009, we received approvals in both North Dakota and Minnesota for the Nobles (201 MW) and Merricourt (150 MW) wind projects.¹ Nobles is expected to go in service in November of this year, and Merricourt will be operational in December 2011.
- We continue to assess opportunities to acquire or purchase an additional 50 MW of wind in North Dakota.

JURISDICTIONAL RENEWABLE ENERGY CREDITS

A system of renewable energy certificates accounted for in a regional tracking data base known as the Midwest Renewable Energy Tracking System (“M-RETS”) has been set up for compliance tracking relative to state renewable energy standards.² One Renewable Energy Certificate or Credit (“REC”) is created with the production of one megawatt-hour of electricity at a power plant that qualifies as renewable based generation. RECs are retired to demonstrate compliance with renewable energy standards and objectives. Some states allow RECs to be bought and sold so that they can be applied to compliance independently of the energy originally produced.

In recognition of the principal that RECs remain with the associated energy until retired or sold, Xcel Energy has set up jurisdictional accounts in M-RETS and allocated RECs to each jurisdictional account in proportion to jurisdictional energy cost allocations. These are not “retirement” accounts, but rather holding accounts

¹ See ORDER ON APPLICATION FOR ADVANCE DETERMINATION OF PRUDENCE in Case Nos. PU-08-907 and PU-08-908.

² Note: All of the renewable generation facilities owned by Xcel Energy have been registered in M-RETS. All of the commercially operational facilities the Company purchases renewable energy from that we have specific rights to the RECs, assigned in the Purchased Power Agreements, are also registered in M-RETS. However, there are generation facilities the Company has entered into PPAs with where the agreements do not identify, or are “silent” on, the ownership of the renewable energy certificates. We continue to work with these facilities to reach an agreement on the ownership of the renewable energy certificates.

for unused and active RECs before they are applied to any jurisdictional renewable objective or standard. Last year, we began recognizing these active jurisdictional RECs in annual compliance reports in all jurisdictions for reporting purposes.

North Dakota's renewables statute establishes a goal or objective of providing 10% of the energy used from renewables-based generation by 2015. We are interpreting the REO as requiring no REC retirements until 2015. While compliance with a renewable standard is generally demonstrated by "retiring" a REC and placing it in a compliance account in M-RETS, the North Dakota Commission has indicated that since the North Dakota REO is not a mandate and has no intermediate milestones between now and 2015, it would not require retirement of RECs to demonstrate progress towards or achievement of the REO. Instead the Commission has suggested that utilities sell all of their North Dakota allocable RECs and return the proceeds to North Dakota customers.

Xcel Energy believes that since customers have paid for renewable energy they should be compensated if value can be obtained for any associated environmental attributes. Upon Commission approval of our filed REC proceeds-sharing plan and tariff, we are prepared to sell RECs allocated to North Dakota and return the proceeds to North Dakota customers as credits through the Fuel Cost Rider.

If there are questions regarding information contained in the attached report, please feel free to contact me at (701) 241-8632 or Kari Chilcott Clark at 303-571-6905.

Sincerely,



DAVID H. SEDERQUIST
SR. CONSULTANT, REGULATION & FINANCE

Enclosures

ATTACHMENT

North Dakota Renewable Energy Objective 2009 Status Report

System Total Generation (and Jurisdictional Allocator)

<u>State</u>	<u>Energy (MWh)</u>	<u>Percentage</u>
1 MN	32,118,816	74.05970%
2 ND	2,300,491	5.30448%
3 SD	1,904,148	4.39059%
4 WI/MI	<u>7,045,365</u>	16.24523%
5 NSP System	43,368,820	

System Renewable Generation¹

<u>Source</u>	<u>M-RETS RECs</u>	<u>"Silent" RECs</u>	<u>Total</u>
6 Wind	2,710,686	788,283	3,498,969
7 Hydro	551,504	101,978	653,482
8 Biomass	368,321	583,902	952,223
9 Refuse-Derived Fuel (RDF)	<u>216,669</u>	<u>187,069</u>	<u>403,738</u>
10 NSP System	3,847,180	1,661,232	5,508,412

ND REO Renewable Energy

11 ND % of System Total Generation:	5.30448%	5.30448%		L2
12 System RECs allocated to ND:	204,071	88,119	292,190	L10 x L11
13 Remove Hydro & RDF (per ND REO) ² :	<u>(40,746)</u>	<u>(15,332)</u>	<u>(56,078)</u>	-(L7+L9) x L11
14 ND REO qualifying renewable energy:	163,325	72,787	236,112	
15 ND retail sales:	2,246,625	2,246,625	2,246,625	FERC Form 1
16 Remove ND Hydro allocation (per ND REO) ³ :	<u>(29,254)</u>	<u>(5,409)</u>	<u>(34,663)</u>	-L7 x L11
17 ND REO adjusted retail sales:	2,217,371	2,241,216	2,211,962	
18 ND REO renewable energy %:	<u>7.4%</u>	<u>3.2%</u>	<u>10.7%</u>	(L14/L17)
19 RECs retired for 2009 REO compliance			0	

1 All of the renewable generation facilities owned by Xcel Energy have been registered in the Midwest Renewable Energy Tracking System ("M-RETS"). All of the commercially operational facilities the Company purchases renewable energy from, that specifies to the Company the rights to the RECs assigned in the PPAs, are registered in M-RETS. "Silent" RECs are related to renewable energy purchases initiated prior to the establishment of the REC market. There is uncertainty regarding whether these credits can be claimed by the energy purchaser or the owner/generator.

2 Per ND REO statute 49-02-25 and 49-02-26

3 Per ND REO statute 49-02-30