



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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Bismarck, ND 58501
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RECEIVED

JUN 30 2011

June 30, 2011

PUBLIC SERVICE COMMISSION

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

Re: 2010 Annual Renewable Energy Objective

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

Sincerely,

Tamie A. Aberle
Regulatory Affairs Manager

**Montana-Dakota Utilities Co.
Renewable Energy Objective
Annual Report to the North Dakota Public Service Commission
June 30, 2011 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. Customer 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 states comprising Montana-Dakota's integrated electric system all have adopted either a renewable energy objective or renewable energy standard.

The Company's electric retail sales in the State of North Dakota for the twelve month period ending December 31, 2010 were 1,608,983 MWh, representing approximately 65 percent of the Company's integrated system retail sales. As described further below, Montana-Dakota's generating resources produced 135,651 renewable energy credits (REC's) in 2010 with 88,022 REC's applicable to North Dakota. This resulted in 5.5 percent of the North Dakota retail load served from renewable resources. Montana-Dakota is disposing the REC's allocated to North Dakota when prudent to do so. Proceeds from the sale of REC's will be flowed through to customers through the Fuel and Purchased Power Adjustment.

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 objective in North 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 in 2010.

Renewable Resources

- 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 2010, Diamond Willow produced 67,957 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 2010, the Glen Ullin facility produced 37,165 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 2010, Cedar hills produced 30,529 REC's. This wind resource is registered on the M-RETS system with a designated identifier of "M-584".