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June 30, 2011

**–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: 2011 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 2010 calendar year, as detailed in the Attachment, 5.5 million megawatt-hours or 10.6 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. The percent reflects a slight reduction from the 2009 level of 10.7 percent due to the resolution of the assignment of “silent RECs” pertaining to those wind contracts that did not contain specific REC provisions. In 2009 we included all

potential silent RECs in the REO calculation. This year, we no longer include in the calculation the silent RECs associated with PURPA contracts (and a few others) that were awarded to the generator owners. We continue, however, to include those RECs from wind contracts that we have signed amendments for ownership of the RECs (Lake Benton and FibroMinn), but these are pending approval with the MPUC.

### **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:

- The Company-owned Nobles Wind Project (201 MW) went into service in 2010.
- We solicited additional wind projects through an RFP in 2010. As a result of that solicitation, we have completed negotiations for the purchase of 200 MW from the Prairie Rose Wind Project that will connect to the Angus Anson substation in SE South Dakota.
- We continue to assess opportunities to acquire wind energy in North Dakota, either through a Purchase Power Agreement or Company ownership.
- We currently have approximately 115 MW of additional community-based wind under contract and scheduled for construction within the next couple of years.

### **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.<sup>1</sup> 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.

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<sup>1</sup> 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 or by the MPUC in Docket E-002/M-08-440, 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. The Company’s negotiated agreements on the ownership of the renewable energy certificates with these counterparties are pending MPUC approval.

In recognition of the principal that RECs remain with the associated energy until retired or sold, Xcel Energy has set up state 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 for unused and active RECs that will ultimately be applied to jurisdictional renewable objectives or standards, or sold.

North Dakota’s renewables statute establishes a goal or objective of providing 10% of the energy used from renewables-based generation by 2015. In the Commission’s September 8, 2010 order in Case No. PU-10-19, the Commission confirmed that the Company will not be required to retire RECs until 2015. Additionally, all RECs not required for compliance purposes can be sold.

The market for RECs remains very soft and as of yet we have not sold any RECs that are considered to be in excess of our needs. We will continue to monitor the market and initiate sales when the opportunity arises.

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,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive, flowing style.

DAVID H. SEDERQUIST  
SR. CONSULTANT, REGULATION & FINANCE

Enclosures

# ATTACHMENT

## North Dakota Renewable Energy Objective 2010 Status Report

### System Total Generation (and Jurisdictional Allocator)

| <u>State</u> | <u>Energy (MWh)</u> | <u>Percentage</u> |
|--------------|---------------------|-------------------|
| 1 MN         | 32,914,233          | 73.95964%         |
| 2 ND         | 2,341,743           | 5.26199%          |
| 3 SD         | 2,034,397           | 4.57137%          |
| 4 WI/MI      | 7,212,592           | 16.20699%         |
| 5 NSP System | 44,502,965          |                   |

### System Renewable Generation<sup>1</sup>

| <u>Source</u>                | <u>M-RETS<br/>RECs</u> | <u>"Silent"<br/>RECs</u> | <u>Total</u> |
|------------------------------|------------------------|--------------------------|--------------|
| 6 Wind                       | 3,186,750              | 250,467                  | 3,437,216    |
| 7 Solar                      | 778                    | -                        | 778          |
| 8 Hydro                      | 948,325                | -                        | 948,325      |
| 9 Biomass\Wood\Landfill Gas  | 505,352                | 409,575                  | 914,927      |
| 10 Refuse-Derived Fuel (RDF) | 208,153                | -                        | 208,153      |
| 11 NSP System                | 4,849,358              | 660,042                  | 5,509,400    |

### ND REO Renewable Energy

|   |                    |                    |                     |                |
|---|--------------------|--------------------|---------------------|----------------|
| 12 ND % of System Total Generation:                       | 5.26199%           | 5.26199%           |                     | L2             |
| 13 System RECs allocated to ND:                           | 255,170            | 34,731             | 289,901             | L10 x L11      |
| 14 Remove Hydro & RDF (per ND REO) <sup>2</sup> :         | (60,852)           | -                  | (60,852)            | -(L7+L9) x L11 |
| 15 ND REO qualifying renewable energy:                    | 194,318            | 34,731             | 229,049             |                |
| 16 ND retail sales:                                       | 2,205,880          | 2,205,880          | 2,205,880           | FERC Form 1    |
| 17 Remove ND Hydro allocation (per ND REO) <sup>3</sup> : | (49,900)           | -                  | (49,900)            | -L7 x L11      |
| 18 ND REO adjusted retail sales:                          | 2,155,980          | 2,205,880          | 2,155,980           |                |
| <b>19 ND REO renewable energy %:</b>                      | <b><u>9.0%</u></b> | <b><u>1.6%</u></b> | <b><u>10.6%</u></b> | (L14/L17)      |

**20 RECs retired for 2010 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"). In addition, all of the RECs from the Company's purchased power agreements ("PPAs") for renewable energy that specify Xcel Energy's rights to the associated RECs are registered in M-RETS. "Silent" RECs included in this report are related to renewable energy PPAs signed prior to the establishment of the REC market for which the Company has since negotiated the rights to, but are pending regulatory approval.

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

3 Per ND REO statute 49-02-30