



2302 Great N. Drive
Fargo, North Dakota 58402
(701) 241-8632
dave.sederquist@xcelenergy.com

June 29, 2012

VIA ELECTRONIC
AND U.S. MAIL

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
Department 408
600 East Boulevard Avenue
Bismarck, ND 58505-0480

RE: 2012 ANNUAL RENEWABLE ENERGY OBJECTIVE STATUS REPORT

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy with operations in North Dakota (“Xcel Energy” or “Company”), respectfully submits this renewable energy objective (“REO”) compliance report to the North Dakota Public Service 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 2011 calendar year, consistent with the requirements of the statute and detailed in Attachment A, 290,453 megawatt-hours or 13.2 percent of the energy we provided to our customers in North Dakota (adjusted for 2011 vintage Renewable Energy Credits, or RECs, sold earlier this year) was generated at facilities using qualified renewable fuels. This compares to the goal of 10 percent of electricity from renewable energy and recycled energy sources by 2015, as described in Section 49-02-28. The 2011 percent reflects an increase from the 2010 level of 10.6 percent, due primarily to increased wind and solar production.

STEPS TAKEN TO MEET THE RENEWABLE ENERGY OBJECTIVE

The Company has taken a number of steps in recent years to meet the various renewable energy standards and objectives of the various states we operate in. Since last year’s REO compliance filing, the Company has continued to evaluate its renewable energy requirements,

moving forward with some projects and not with others. We continue to look for reasonable renewable energy investment opportunities from an economic and policy perspective:

- Signed a power purchase agreement with Geronimo Wind LLC for 200 MW from the Prairie Rose wind facility scheduled to go into service by the end of 2012 (Case No. PU-12-59);
- Continued working to gain approval for the necessary transmission infrastructure needed to bring wind generation to the market;
- Continued efforts to fund research that could help identify cost effecting renewable energy storage technologies;
- Continued efforts to fund biomass research and demonstration plots such as those near the Bay Front Plant in Ashland, WI;
- Terminated our contract with enXco to own a 150 MW Merricourt Wind;
- Engaged in negotiations on the Borders Wind Project for a wind generation project in North Dakota, but ultimately did not reach an agreement due to, among other items, turbine availability.

JURISDICTIONAL RENEWABLE ENERGY CREDITS

A system of renewable energy certificates accounted for in a regional tracking database, known as the Midwest Renewable Energy Tracking System (“M-RETS”), has been set up for compliance tracking relative to state renewable energy standards.¹ 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 principle 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.

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 has improved significantly and the Company recently sold 13,383 RECs allocated to North Dakota from its 2010 and 2011 generation. Xcel Energy intends on crediting customers for 90 percent of the proceeds consistent with the Commission’s Order in

¹ Note: All of the renewable generation facilities owned by Xcel Energy have been registered in M-RETS. All of the commercially operational facilities from which the Company purchases renewable energy that we have specific rights to the RECs, assigned in the Purchased Power Agreements or by the MPUC in Docket No. E002/M-08-440, are also registered in M-RETS.

Case No. PU-10-19. The Company will soon request an extension of the Fuel Cost Rider waiver which was originally granted by the Commission in Case No. PU-10-19.

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 SEDERQUIST
SR. REGULATORY/FINANCIAL CONSULTANT
XCEL ENERGY (NORTH DAKOTA)

cc: Pat Fahn

North Dakota Renewable Energy Objective Status Report 2011 Calendar Year

System Total Generation (and Jurisdictional Allocator)

State	<u>Energy (MWh)</u>	<u>Percentage</u>
1 MN	32,893,908	74.10721%
2 ND	2,360,154	5.31723%
3 SD	2,037,447	4.59020%
4 WI/MI	<u>7,095,408</u>	15.98536%
5 NSP System	44,386,917	

System Renewable Generation

Source	<u>M-RETS RECs</u>
6 Wind	4,496,372
7 Solar	3,332
8 Hydro	916,309
9 New Hydro (post 1/1/2007)	3,261
10 Biomass\Wood\Landfill Gas	997,180
11 Refuse-Derived Fuel (RDF)	<u>219,191</u>
12 NSP System	6,635,645

ND REO Renewable Energy

13 ND % of System Total Generation:	5.31723%	L2
14 System RECs allocated to ND:	352,833	L12 x L13
15 Remove Hydro & RDF (per ND REO) ¹ :	<u>(60,377)</u>	-(L8+L11) x L13
16 ND REO qualifying renewable energy:	292,456	
17 Vintage 2011 REC Sales ² :	<u>(2,003)</u>	
18 Net ND REO qualifying renewable energy:	290,453	
19 ND retail sales:	2,242,501	FERC Form 1
20 Remove ND Hydro allocation (per ND REO) ³ :	<u>(48,722)</u>	L8 x L13
21 ND REO adjusted retail sales:	2,193,779	
22 ND REO renewable energy %:	<u>13.2%</u>	L18 / L21
23 RECs retired for 2011 REO compliance	0	

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

2 Vintage 2011 REC sales executed as of June 22, 2012

3 Per ND REO statute 49-02-30