

June 27, 2012

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

RE: MRES Renewable and Recycled Energy Objective Progress Report

Dear Mr. Nitschke:

Missouri River Energy Services (MRES) submits this Renewable and Recycled Energy Objective (RREO) Progress Report on behalf of its six North Dakota municipal utility members, pursuant to NDCC 49-02-28 thru 49-02-34. This progress report covers the twelve month period from January 1, 2011 through December 31, 2011.

This report is filed on behalf of the following MRES member municipal electric utilities in North Dakota: Cavalier, Hillsboro, Lakota, Northwood, Riverdale and Valley City.

If you have any questions regarding this report, please contact me at 605-338-4042 or derek.beresch@mrenergy.com.

Sincerely,



Derek Bertsch, Attorney at Law
Staff Attorney, Legal

Copy:

Katie Werner, Cavalier Municipal Utilities
Lesley Connelly, Hillsboro Municipal Utilities
Norris Severtson, Lakota Municipal Light Plant
Jeremiah Black, Northwood Municipal Utilities
Nancy Elliott, City of Riverdale
Wayne Nelson, Valley City Public Works

Missouri River Energy Services North Dakota Renewable and Recycled Energy Progress Report

June 27, 2012

Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services (MRES) is a body politic and corporate and a public agency organized under the laws of the State of Iowa and existing under the intergovernmental cooperation statutes of the States of Iowa, Minnesota, North Dakota and South Dakota. MRES is a multi-state, member-based joint-action agency, headquartered in Sioux Falls, South Dakota. Its members receive a fixed allocation of hydroelectric power and energy from the Western Area Power Administration (WAPA), and purchase their supplemental power from MRES, a not-for-profit agency, to meet their needs over and above their WAPA allocations. As part of that responsibility, MRES provides its members with a balanced power supply portfolio, including renewable generation. MRES has included wind energy in its power supply program since 2002.

The North Dakota Legislature has adopted a voluntary Renewable and Recycled Energy Objective (RREO) which provides that "...ten percent of all electricity sold at retail within the state by the year 2015 be obtained from renewable energy and recycled energy sources," and allows municipal utilities to aggregate their RREO through their municipal power agency. NDCC 49-02-28. The objective is measured by qualifying megawatt hours delivered at retail¹ or by certificates representing credits purchased and retired to offset non-qualifying retail sales. The RREO also requires that reports be filed with the Public Service Commission (Commission) that detail energy sales during the previous twelve-month period, and efforts to meet the RREO goal through 2015. NDCC 49-02-34. As with the RREO itself, municipal utilities are permitted to aggregate their reporting requirements through their municipal power agency.

Given the power supply relationship between MRES and its members, MRES has assumed responsibility for the RREO and the associated reporting requirements on behalf of all of its North Dakota member communities. The following six North Dakota municipal electric utilities are members of MRES:

- Cavalier
- Hillsboro
- Lakota
- Northwood
- Riverdale
- Valley City

¹ Calculation of the amount of electricity sold excludes from the baseline of retail sales that portion of MRES ND member sales supplied by WAPA pursuant to each member's hydropower allocation. NDCC 49-02-30. Calculations used in this report are based on the total MRES energy sales at the town gate, pursuant to the supplemental power supply obligations of the Power Supply Agreement (S-1) contract between MRES and its members.

In order to meet the North Dakota RREO, MRES integrates the North Dakota objective into its resource planning in conjunction with similar requirements in Minnesota and South Dakota.² MRES allocates its renewable energy generation and renewable energy credits (RECs) based on S-1 energy sales by state.

MRES Renewable Energy Resources

MRES acquires renewable energy resources through its exclusive power supply arrangement with Western Minnesota Municipal Power Agency (Western Minnesota), and through power purchase agreements with independent developers. At the present time, all MRES renewable resources are based on wind generation. Currently, MRES contracts for the output of the following wind generating resources:³

- Worthington (MN) Wind Project, 3.7 MW
- Marshall (MN) Wind Farm, 18.7 MW
- Odin (MN) Wind Farm, 20 MW
- Rugby (ND) Wind Project, 40 MW
- Hancock (IA) Wind Project, 3.3 MW

MRES purchases the full output of the units in each of these wind projects, and owns all of the environmental attributes associated with such generation.⁴ These resources total 85.7 MW of nameplate capacity, most of which is dedicated to meeting the various state Renewable Energy Objectives (REOs).⁵ MRES intends to meet its REO goals by utilizing the contracted wind generation and associated renewable attributes to meet the MRES ND RREO benchmark for each year.

² Beginning in 2012, Minnesota's voluntary REO became a mandated Renewable Energy Standard (RES) of 12%, which increases to 17% in 2016, 20% in 2020, and ultimately 25% by 2025. Minn Stat. 216B.1691, Subd. 2a. South Dakota's REO is nearly identical to that of North Dakota, imposing a voluntary goal of 10% by 2015. SDCL 49-34A-101. South Dakota's definition of "renewable" energy for compliance is slightly different than that of North Dakota. SDCL 49-34A-101. Iowa does not presently have a renewable energy objective or mandate.

³ The Worthington Wind Project is located near Worthington, Minn., in Nobles County. The Marshall Wind Project is located near Marshall, Minn., in Lyon County. The Odin Wind Project is located near Odin, Minn., in Watonwan and Cottonwood Counties. The Rugby Wind Project is located near Rugby, N.D., in Pierce County. The Hancock Wind Project is located near Britt, I.A., in Hancock County.

⁴ MRES also purchases the output of two 750 kW turbines owned by member Moorhead Public Service (MPS) and located in Moorhead, Minnesota. The output of the MPS turbines is sold back to MPS, and MPS uses that renewable energy to supply its Capture the Wind[®] green pricing program required by Minn. Stat. Ann. §216B.169. This transaction results in a net zero purchase to MRES, and thus, MPS generation is not used by MRES for REO compliance purposes.

⁵ Minnesota's green pricing statute, which previously required distribution utilities to offer customers the option to purchase renewable and high-efficiency energy at the utility's cost of acquiring the resources, is now a voluntary program, and MRES continues to provide its members in all states with this option through the MRES RiverWindsSM program. See Minn. Stat. §216B.169. The renewable energy generation that MRES supplies through its RiverWinds program is excluded from the generation available to meet other state renewable energy program requirements.

The following Table 1 identifies the projections of MRES relating to compliance with the North Dakota RREO goal. Specifically, the table identifies the benchmarks that MRES will use in its efforts to progressively ramp up its renewable resources in the state to meet the statutory goal of 10% by 2015 for its North Dakota municipal utility members.

Table 1: Projected MRES ND RREO Goals

Year₁	MRES ND S-1 Sales_{2,3} (MWh)	ND RREO annual benchmark (%)	MRES ND RREO (MWh)
2011	70,183	3	2,106
2012	68,750	4	2,750
2013	76,640	6	4,598
2014	78,295	8	6,264
2015	80,299	10	8,030

Note 1 12 month period ending December 31
 Note 2 Year 2011 lists actual sales; Years 2012-2015 list projected sales
 Note 3 Town gate sales

The total actual retail sales of MRES to North Dakota customers in 2011 were 70,183 MWh. MRES established a Midwest Renewable Energy Tracking System (M-RETS) REO retirement subaccount to demonstrate compliance with the requirements of NDCC 49-02-28. In order to comply with the RREO goals, MRES transferred 2,106 RECs to its 2011 North Dakota REO subaccount.

MRES continues to evaluate opportunities for additional renewable resources to ensure continuing compliance with the REO goals of North Dakota and South Dakota, and the requirements of the Minnesota RES. In 2012 and beyond, MRES will evaluate its renewable energy portfolio and the energy market to determine cost-effective purchases or the acquisition of such resources. MRES seeks out projects that meet its needs as well as the needs of its members as part of our continuing commitment to expand the role of renewable energy used to serve our member communities.

Obstacles to meeting the RREO

At this time, MRES does not envision any obstacles to meeting the RREO goals established through 2015.

Efforts to Overcome Obstacles

N/A

Conclusion

MRES has developed a plan to meet the North Dakota Renewable, Recycled Energy Objective goal of 10% by 2015 as part of its overall renewable energy goals for members in Minnesota, North Dakota, and South Dakota. The ND RREO has been integrated into the MRES resource planning process, and MRES is committed to pursuing renewable energy as part of its balanced portfolio to supply its member communities with reliable and cost-effective power supply.

Respectfully submitted this 27th day of June, 2012.

MISSOURI BASIN MUNICIPAL POWER AGENCY
d/b/a MISSOURI RIVER ENERGY SERVICES



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