



400 North Fourth Street  
Bismarck, ND 58501  
(701) 222-7900

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June 29, 2012

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

Re: 2011 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,

A handwritten signature in blue ink that reads 'Tamie A. Aberle'.

Tamie A. Aberle  
Regulatory Affairs Manager

**Montana-Dakota Utilities Co.  
Renewable Energy Objective  
Annual Report to the North Dakota Public Service Commission  
June 30, 2012 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 Company-owned generation comprised of coal fired resources, natural gas peaking capacity, and renewable resources; purchased power contracts, and demand side management programs. Renewable energy requirements applicable to Montana-Dakota's integrated electric system are as follows:

- Montana Standard – In 2011, obtain a minimum of 10% of all retail sales of electrical energy within the state from eligible renewable resources.
- North Dakota Objective – By the year 2015, obtain 10% of all retail sales of electrical energy within the state from renewable and recycled energy sources.
- South Dakota Objective – By the year 2015, obtain 10% of all retail sales of electrical energy within the state from renewable, recycled, and conserved energy.

The Company's electric retail sales in the State of North Dakota for the twelve month period ending December 31, 2011 were 1,718,125 MWh, representing approximately 66 percent of the Company's integrated system retail sales. As described further below, Montana-Dakota's generating resources produced 180,502 renewable energy credits (REC's) in 2011 with 117,715 REC's applicable to North Dakota. This resulted in 6.9 percent of the North Dakota retail load served from renewable resources. Montana-Dakota is selling the REC's allocated to North Dakota when cost effective to do so. Proceeds from the sale of REC's are flowed through to customers through the Fuel and Purchased Power Adjustment.

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 produced in 2011.

- 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 2011, Diamond Willow produced 87,522 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 2011, the Glen Ullin facility produced 39,188 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 2011, Cedar Hills produced 53,792 REC's. This wind resource is registered on the M-RETS system with a designated identifier of "M-584".