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June 27, 2013

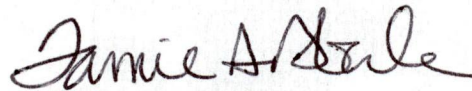


Executive Secretary
North Dakota Public Service Commission
State Capitol Building
600 East Boulevard
Bismarck, ND 58505-0480

Re: 2012 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
Director of Regulatory Affairs

**Montana-Dakota Utilities Co.
Renewable Energy Objective
Annual Report to the North Dakota Public Service Commission
June 30, 2013 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, Midcontinent Independent System Operators, Inc. market purchases 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 2012, obtain a minimum of 10% of all retail sales of electrical energy within the state for the prior calendar year from eligible renewable resources with 5.6 MW required to be obtained from a Community Renewable Energy Project.
- 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, 2012 were 1,774,593 MWh, representing approximately 66 percent of the Company's integrated system retail sales. As described further below, Montana-Dakota's generating resources produced 192,598 renewable energy credits (REC's) in 2012 with 126,509 REC's applicable to North Dakota. This resulted in 7.1 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 2012.

- 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 2012, Diamond Willow produced 90,892 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 2012, the Glen Ullin facility produced 38,991 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 2012, Cedar Hills produced 62,715 REC's. This wind resource is registered on the M-RETS system with a designated identifier of "M-584".