

March 7, 2016

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

Re: Comments Regarding Retiring
Renewable Energy Credits

Montana-Dakota Utilities Co. herewith provides its responses to Mr. Mike Diller's questions regarding the North Dakota Renewable Energy Objective 49-02-28 NDCC and for discussion purposes regarding the best course of action for disposing of Renewable Energy Credits.

Responses are noted below. Montana-Dakota looks forward to further discussion regarding this matter at the Informal Hearing scheduled for March 23, 2016.

- 1. On a North Dakota (ND) basis, provide a table depicting your inventory of Renewable Energy Credits (RECs) generated, retired, sold and remaining balance since the program started. For years when RECs were sold, indicate the amount of revenue received. For the next 10 years, provide your average projected value for a REC.**

Response: The table below provides the North Dakota allocated RECs generated and sold for the period 2008 through 2015. As shown, Montana-Dakota currently has a balance of 123,282 RECs. Montana-Dakota does not have a means of projecting a value for a REC. Montana-Dakota has discovered that the RECs transferred to Montana to meet the Renewable Energy Standard have not been correctly accounted for. This omission will be corrected and the value of the transferred RECs provided to North Dakota customers as a credit through the Fuel Cost Adjustment in 2016. The revenues shown in the table below relate to REC sales Montana-Dakota made into the market and returned to North Dakota customers through the Fuel Cost Adjustment.

**Renewable Energy Certificates
Allocated to North Dakota**

	2008	2009	2010	2011	2012	2013	2014	2015	Total
REC's Generated	41,910	51,628	88,022	131,565	126,510	123,406	126,157	126,060	815,258
REC's Retired	(22,538)	(22,724)	(21,348)						(66,610)
REC's Sold				(59,200)	(36,788)	(140,061)	(189,323)	(21,765)	(447,137)
Subtotal Balance									301,511
Revenue Associated with Sales				\$63,321	\$73,316	\$126,473	\$149,227	\$2,681	\$415,018
Sales Revenue per RECs Sold									\$0.928
REC's to MT				(47,258)	(28,378)	(31,256)	(32,590)	(38,747)	(178,229)
REC Balance Net of Transfer to MT									123,282
Value of Transfer to MT									\$214,951

- 2. What is the useful life (do REC's self-terminate after a period of time) of RECs in each of the state jurisdictions you serve? If there is no termination date, does the REC market discount old REC's and to what extent? What is your oldest REC remaining in your current balance of unused REC's?**

Response: RECs generated up to two years before the compliance year are eligible as Eligible Renewable Energy credits in Montana. South Dakota has not defined a self-termination date. Based on Montana-Dakota's experience, the RECs do lose value with age; however, the extent has not been quantified. The oldest vintage wind related REC held today was generated in 2015.

- 3. Can REC's prior to 2020 be used to satisfy the Clean Power Plan (CPP) rule and to what extent? Would it be wise to not retire any REC's and save them all for transitioning to less carbon based generation under the CPP?**

Response: Montana-Dakota interprets, from the current CPP Rule, that renewable energy certificates (RECs) will not be allowed to be used to satisfy the compliance requirements, whether they are generated prior to 2020 or afterwards. It is unknown how the CPP Rule may be modified as the rule is litigated over the next two to three years. The proposed CPP rule initially gave states credit in their emission targets for renewable generation project implementation by recognizing and applying historic renewable generation installation in each state, but did not base that generation on REC issuance or retirement of RECs. The final CPP Rule does not allow for use of RECs for compliance. It is unknown if the CPP Rule will be modified to allow RECs to be used for compliance and what the effective date would be for the generation of RECs.

- 4. If you have other states you serve that have a Renewable Energy Objective (REO), are you retiring or planning to retire REC's in those states? Have other REO states provided you with guidance on the disposition of REC's in their state?**

Response: Montana-Dakota provides electric service in South Dakota where an REO is in place. Montana-Dakota has been selling RECs in South Dakota in lieu of retiring those RECs and reporting such to the South Dakota PUC. South Dakota has not provided guidance regarding the disposition of REC's to date.

- 5. How should the commission weigh achieving the REO against selling REC's for the benefit of ratepayers? What would your company do if the commission decided in favor of selling all REC's and returning the proceeds to ratepayers? What should the commission do to minimize the optics of not meeting the REO and instead selling REC's for the benefit of customers?**

Response: Montana-Dakota has been selling its RECs to provide a benefit to customers and suggests this should continue in the future as long as there is only an objective to meet under the Statute and the selling of the RECs does not impede recovery of the renewable investment. The objective is met by the fact that approximately 20 percent of Montana-Dakota's customers' energy requirements is supplied by renewable energy. 49-02-28 requires that "*The Objective must be measured by qualifying megawatt-hours delivered at retail or by certificates representing credits purchased and retired to offset nonqualifying retail sales*". Montana-Dakota has met this objective. The benefit of the REC sale should be a benefit that flows back to customers as another means of offsetting the cost of the generation.

Another consideration regarding the retirement of RECs is if government agencies are required to demonstrate a percentage of their requirements have been sourced from a renewable resource would utilities need to retire RECs in order for customers to meet that requirement.

- 6. Given the interplay between the CPP, REO and your customers' interest, summarize your plan for managing REC's absent any guidance from the commission and the rationale for doing so.**

Response: As noted above, Montana-Dakota's preference is to continue selling RECs, if not needed for some other program or objective, to provide a benefit to customers.

7. According to state law (49-02-34), the last annual report showing progress toward meeting the REO is due on June 30, 2016. If there is no requirement to report on achieving the REO beyond this year, what concern is there in not retiring REC's for the purpose of selling them or saving them for meeting CPP requirements? If you are intent on retiring REC's to meet the REO each year, do you desire to continue reporting REC's retired to meet the REO so there is a public record of it?

Response: The value of the RECs sold is returned through the FCA which should be sufficient reporting to the Commission.

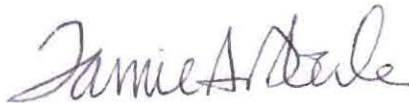
8. Do you have any rule or statute changes you would like the commission to consider concerning REC's and the REO?

Response: Montana-Dakota does not have any suggestions for changes at this time.

Montana-Dakota appreciates the opportunity to provide its comments regarding this issue and will be participating in the informal hearing scheduled for March 23, 2016 regarding this matter.

Please contact me at 701.222.7856 or tamie.aberle@mdu.com if you have questions regarding the above comments prior to the informal hearing.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: Garret Senger
Karl Liepitz