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June 30, 2015

**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: 2014 RENEWABLE ENERGY OBJECTIVE REPORT

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, 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 REPORT

North Dakota Century Code Section 49-02-34 states:

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 2014 calendar year, consistent with the requirements of the statute and detailed in Attachment A to this Report, 349,816 megawatt-hours (adjusted for the 10,285 2014 vintage Renewable Energy Credits, or RECs, sold during the year), or 15.6 percent, of the energy we provided to our customers in North Dakota was generated at facilities using qualified renewable resources. The increase from the 2013 level of 11.8 percent reflects primarily an increase in wind production and lower REC sales to other entities.

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 states in which we operate. The Company continues to evaluate the market for opportunities to secure low-cost renewable energy investment or purchase opportunities. Given that the renewable objective in North Dakota of 10 percent by 2015 has already been exceeded, and given the sensitivities of the Commission to the higher costs and intermittency of these resources, our efforts to add renewables in the future to serve our North Dakota customers will be based fully on price competitiveness and ease of integration.

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 established 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. See Attachment B for the vintage North Dakota REC balances by resource type.

In the Commission’s September 8, 2010 Order in Case No. PU-10-19, the Commission confirmed that the Company is not required to retire RECs prior to 2015.² Since July 1, 2012, the Company has sold 977,256 RECs allocated to North Dakota from its 2009 - 2014 allocated generation (see Attachment B for the REC sales made in 2014). By these sales, Xcel Energy has credited North Dakota customer bills \$2,244,781 during this period, consistent with the Commission’s Order in Case

¹ 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 for which we have specific rights to the RECs are also registered in M-RETS.

² We filed Comments on March 13, 2015 in Case No. PU-15-94 recommending that the Commission defer any final decision regarding the disposition of RECs allocated to the Company’s North Dakota customers until fall 2015, after release of the EPA’s final 111(d) rule.

No. PU-10-19. The Company will continue to look for other opportunities in the REC market as we seek to maximize the value of our RECs for the benefit of our North Dakota retail customers.

If there are questions regarding information contained in the attached report, please feel free to contact me or Jeff Haskins at Jeff.Haskins@xcelenergy.com or (303) 571-6454.

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive, flowing style.

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

cc: Pat Fahn

**North Dakota Renewable Energy Objective
2014 Status Report**

Attachment A

NSP System Renewable Generation

Source	Mwh
1 Wind	5,902,987
2 Hydro (pre-2007)	1,127,251
3 Biomass\Wood\Landfill Gas	1,098,029
4 Refuse-Derived Fuel (RDF)	241,661
5 Hydro (2007 or after)	38,569
6 Solar	<u>12,951</u>
7 NSP System	8,421,448

Jurisdictional Allocator (Energy)

State	Allocator
8 Minnesota	73.7784%
9 North Dakota	5.5828%
10 South Dakota	4.8404%
11 Wisconsin/Michigan	<u>15.7984%</u>
12 NSP System	100.0000%

ND REO Renewable Energy

13 ND % of System Total Generation:	5.58282%	L9
14 System RECs allocated to ND:	470,154	L7 x L13
15 Remove Jan.- Feb. 2014 Prairie Rose Wind ¹ :	(33,630)	
16 Remove pre-2007 Hydro, RDF ² :	<u>(76,423)</u>	(L2+L4) x L13
17 ND REO qualifying renewable energy:	360,101	
18 Sales of 2014 vintage RECs ³ :	<u>(10,285)</u>	
19 Net ND REO qualifying renewable energy:	349,816	
20 ND retail sales:	2,300,601	FERC Form 1
21 Remove pre-2007 Hydro ⁴ :	<u>(62,932)</u>	L2 x L13
22 ND REO adjusted retail sales:	2,237,669	
23 ND REO renewable energy %:	<u>15.6%</u>	(L19/L22)
24 RECs retired for 2014 REO compliance	0	

1 Commission denied recovery of Prairie Rose PPA costs in Case No. PU-12-059; Recovery approved as part of a Settlement in Case No. PU-12-813, beginning March 1, 2014.

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

3 Vintage 2014 REC sales executed as of June 1, 2015

4 Per ND REO statute 49-02-30

**North Dakota Renewable Energy Objective
2014 Status Report**

Attachment B

2014 REC Sales

	REC Type	Vintage	Quantity
1	Biomass (Non-Poultry)	2012	13,992
2	Biomass (Non-Poultry)	2013	10,940
3	Biomass (Poultry Waste)	2013	4,488
4	Biomass (Poultry Waste)	2014	10,285
5	Biomass (Poultry Waste)	2015	<u>6,262</u>
6	Total		45,967
7	Net Proceeds to ND		\$525,997

Remaining REC Inventory

		2009¹	2010	2011	2012	2013	2014
8	Biogas	-	2,337	2,293	2,100	2,494	2,508
9	Biomass (All)	7,850	97,744	79,439	22,881	41,581	38,404
10	Hydro	-	534	80,354	35,676	50,200	3,711
11	Municipal Solid Waste	-	1,546	2,686	-	1,618	1,763
12	Solar	-	40	162	418	673	289
13	Wind	-	155	<u>195,618</u>	<u>96,744</u>	<u>318,011</u>	<u>335,255</u>
14	Total	<u>7,850</u>	<u>102,356</u>	<u>360,552</u>	<u>157,819</u>	<u>414,577</u>	<u>381,930</u>

¹ All 2009 REC inventory has either been sold or swapped for newer vintages to increase portfolio value. The exceptions are 7,850 biomass RECs that cannot be sold or swapped at current values.