



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street

Bismarck, ND 58501

(701) 222-7900

June 30, 2016

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

Re: 2015 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, 2016 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 Operator, Inc. market purchases, 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 – For compliance years from 2015 and beyond, obtain a minimum of 15 percent of all retail sales of electrical energy within the state for the prior calendar year from eligible renewable resources with 8.8 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, 2015 were 2,074,025 MWh, representing approximately 68 percent of the Company's integrated system retail sales. As described further below, Montana-Dakota's generating resources produced 184,470 renewable energy credits (RECs) in 2015 with 126,060 RECs applicable to North Dakota. This resulted in 6.1 percent of the North Dakota retail load served from renewable resources. Montana-Dakota is selling the RECs allocated to North Dakota when cost effective to do so.

Proceeds from the sale of RECs are flowed through to customers through the Fuel and Purchased Power Adjustment.

On December 31, 2015, the 107.5 MW Thunder Spirit Wind facility went into service. This facility will bring the Company's renewable resources to approximately 20 percent of retail sales thereby allowing the Company to meet the North Dakota Objective for a number of years.

Following is a description of the generating resources that supplied the REC's produced in 2015.

- In February 2008, Montana-Dakota commenced commercial operation of Diamond Willow, a 19.5 Megawatt facility located in Fallon County, Montana. An additional 10.5 Megawatt Diamond Willow expansion project commenced commercial operation on June 28, 2010. In calendar year 2015, the Diamond Willow facilities produced 89,103 RECs. 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 Megawatt waste heat recovery generating station on the Northern Border Pipeline near Glen Ullin, North Dakota. In calendar year 2015, the Glen Ullin facility produced 38,247 RECs. This resource is registered on the M-RETS system with a designated identifier of "M-535".
- On June 6, 2010, Montana-Dakota began commercial operation of Cedar Hills, a 19.5 MW wind facility located in Bowman County, North Dakota. In calendar year 2015, the Cedar Hills facility produced 57,120 RECs. This wind resource is registered on the M-RETS system with a designated identifier of "M-584".