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June 30, 2016

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: 2015 ANNUAL RENEWABLE ENERGY OBJECTIVE STATUS REPORT
AND PU-15-94 RECs RETIREMENT REPORT**

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, respectfully submits this final 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 STATUS REPORT

In part, 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. The last annual report must be made on June 30, 2016.

For the 2015 calendar year, 398,967 megawatt-hours, or 18.2 percent, of the energy we provided in North Dakota (adjusted to exclude the 6,284 2015 vintage Renewable Energy Credits (RECs) sold for the benefit of North Dakota customers) was generated at facilities using qualified renewable resources (see Attachment A). 15.6 percent increase in the percentage of energy from renewables over the 2014 level reflects an increase in renewable production from all sources coupled with a 2.3 percent reduction in overall

energy usage. Gross REC production increased 12.5 percent over 2014 production due primarily to a full year of production from the Company's Prairie Rose wind facility when Prairie Rose went into service.

RETIREMENT OF RECS TO MEET THE NORTH DAKOTA REO

The Midwest Energy Tracking System (M-RETS) is the regional database used to officially track RECs used to show compliance relative to state renewable energy standards.¹ One REC is created with the production of one megawatt-hour of electricity at a power plant that qualifies as renewable-based generation. Xcel Energy has setup state jurisdictional accounts in M-RETS and allocated RECs to each jurisdictional account in proportion to jurisdictional energy use. These M-RETS accounts are not "retirement" accounts, but rather holding accounts for unused and active RECs that will ultimately be applied to eligible state renewable objectives or standards, or sold.

RECs are retired to demonstrate compliance with renewable energy standards and objectives. The tracking system ensures an orderly and accurate accounting of RECs across the industry. In the Commission's September 8, 2010 Order (Case No. PU-10-19), the Commission confirmed that the statute does not require the Company to retire any RECs prior to the 2015 performance year. That said, to demonstrate compliance with the North Dakota voluntary renewable energy objective of 10 percent in 2015, NSP elected to retire 218,888 RECs of older vintage RECs into an M-RETS retirement subaccount. RECs transferred into a retirement subaccount can no longer be used for any other purpose. See Attachment B for our current North Dakota REC inventory.

Overall, since July 1, 2012 the Company has sold 981,436 RECs allocated to North Dakota during the 2009 – 2015 period, crediting customers over \$2.3 million. In future years, we will continue to look for optimal sale opportunities in the REC market for our inventory of North Dakota RECs, and timely sell them for the benefit of our retail customers.

STEPS TAKEN TO ACHIEVE THE NORTH DAKOTA REO

The Company has taken a number of steps in recent years to meet the state's REO as well as various renewable energy standards and objectives of the other states in which we operate. Two of the more recent milestones are:

¹ Note: 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 that we have specific rights to the RECs, assigned in the Purchased Power Agreements or by the MPUC in Docket No. E002/M-08-440, are also registered in M-RETS.

- We contracted to purchase or build 750 MW of new wind generation in 2013. Of this amount, two projects, totaling 350 MW, are located in North Dakota. Our Border Winds facility became operational in October 2015 and the Courtenay Wind facility will be operational in 2016.
- We completed construction of the CAPX2020 group of transmission projects in the region, including the 215 mile line from Monticello, Minnesota to Fargo, North Dakota.

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

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style and is positioned above the typed name.

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

cc: Pat Fahn

North Dakota Renewable Energy Objective 2015 Status Report

Jurisdictional Allocator - (Based on 2015 Energy Use)

<u>State</u>	<u>State Allocators</u>
1 Minnesota	73.7241%
2 North Dakota	5.5042%
3 South Dakota	4.9504%
4 Wisconsin/Michigan	<u>15.8214%</u>
5 NSP System	100.0000%

2015 NSP System Renewable Generation by Source

	<u>MWh (RECs)</u>
6 Wind	6,115,383
7 Solar	16,659
8 Hydro (pre-2007)	1,072,717
9 Hydro (in-service 2007 or after)	47,947
10 Landfill Gas	93,840
11 Biomass\Wood	1,088,810
12 Refuse-Derived Fuel (RDF)	<u>258,626</u>
13 NSP System	8,693,981

ND REO Renewable Energy

14 ND % of System Total Generation:	5.50415%
15 System RECs allocated to ND:	478,530
16 Remove pre-2007 Hydro & RDF ¹ :	<u>(73,279)</u>
17 ND REO qualifying renewable energy:	405,251
18 Sales of 2015 vintage RECs ² :	<u>(6,284)</u>
19 Net ND REO qualifying renewable energy:	398,967
20 ND retail sales:	2,247,923
21 Remove pre-2007 Hydro ³ :	<u>(59,043)</u>
22 ND REO adjusted retail sales "(MWh)":	2,188,880

23 **ND REO renewable energy %:** **18.2%**

24 **RECs retired for 2015 REO compliance** **218,888**

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

2 Vintage 2015 REC sales executed as of June 1, 2016

3 Per ND REO statute 49-02-30

North Dakota Renewable Energy Objective 2015 Status Report - 2015 REC Sales and Current ND REC Inventory

2015 REC Sales

	<u>REC Type</u>	<u>Vintage</u>	<u>Quantity*</u>
1	Biomass	2012	3,316 (Poultry waste)
2	Total		<u>3,316</u>
3	Net ND Proceeds		\$79,572

Remaining REC Inventory

	<u>Vintage</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
4	Biogas	-	-	1,324	2,494	6,673	5,165	15,656
5	Biomass	-	-	14,977	41,581	110,292	59,930	226,780
6	Hydro**	534	-	35,676	50,200	27,581	61,683	175,674
7	Solid Waste**	1,546	-	1,313	1,618	3,077	14,235	21,789
8	Solar	-	-	236	673	520	917	2,346
9	Wind	-	-	<u>15,654</u>	<u>318,011</u>	<u>628,322</u>	<u>336,600</u>	<u>1,298,587</u>
10	Total	2,080	-	69,180	414,577	776,465	478,530	1,740,832

* Reflects sales of all REC vintages made in 2015

** Note: Non-qualifying Hydro and Munciple Solid Waste RECs will be sold or swapped with ND qualifying RECs