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June 29, 2018

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: 2017 ANNUAL RENEWABLE ENERGY OBJECTIVE STATUS 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 STATUS REPORT

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

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 2017 calendar year, 475,270 megawatt-hours, or 22.2 percent, of the energy we provided in North Dakota was generated at facilities using REO qualified renewable resources (see Attachment A).

Also, 622,976 of NSP System Renewable Energy Credits (RECs) were allocated to North Dakota in 2017. Excluding the RECs generated from renewable power purchase

agreements disallowed by the Commission,¹ 551,857 vintage 2017 RECs were sold, generating \$629,571 in revenue (See Attachment B) that is passed on to North Dakota customers through the Fuel Cost Rider.

In 2016, 19.6 percent of the energy delivered in North Dakota was from qualifying renewable resources. The increased percentage in 2017 reflects an 11.2 percent increase in the amount of energy generated from renewable resources in 2017 while overall energy growth was relatively flat.

REC MANAGEMENT TO SATISFY THE NORTH DAKOTA REO

The Midwest Renewable Energy Tracking System (M-RETS) is the regional database used to officially show compliance relative to state renewable energy standards.² 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 set-up state jurisdictional accounts in M-RETS and allocates RECs to each jurisdictional account in proportion to jurisdictional energy use. These MRET's accounts are holding accounts for unused and active RECs that will ultimately be applied to satisfy state renewable objectives or standards, or sold.

In general, RECs are either retired or sold 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 after the 2015 performance year. That said, to demonstrate compliance with the North Dakota voluntary renewable energy objective, NSP sells the North Dakota jurisdictional share of allocated RECs in the voluntary market. For compliance year 2017, 551,857 RECs were sold, returning over \$629,000 in revenue to its customers. The RECs were transferred via MRET's and can no longer be used by the company.

Going forward, the Company plans to continue to sell the North Dakota jurisdictional share of RECs each year and, in turn, pass the proceeds to the customers. Overall, since July 1, 2012 the Company has sold over 3.7 million RECs allocated to North Dakota

¹ In Case No. PU-12-813 the Commission approved a Settlement that called for the exclusion of purchased power agreements (PPAs) with 15 Community Based Energy Development (CBED) projects and 2 small solar power projects from the Fuel Cost Rider (FCR). Subsequent to that Order, 4 additional PPAs were excluded from the FCR as a result of Orders in Case Nos. PU-14-810, 15-95, and 16-458.

² 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.

during the 2009 – 2017 generation period, resulting in credits to customers of over \$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.

ADDITIONAL RENEWABLE ENERGY ADDED TO SYSTEM

The Company has taken a number of steps to add renewable energy to the system and to ensure we meet the state's Renewable Energy Objective (REO). Most recently the Company announced plans to add 1,850 MW of wind resources to its renewable portfolio. These resources are a mixture of Self-Build, Build-Own-Transfers (BOT), and Purchased Power Agreement projects. All are expected to commence commercial operations prior to the end of 2021 in order to qualify for Production Tax Credits. These projects represent very low cost resources that enable NSP to meet the various renewable energy standards and objectives in the states within which we operate.

If there are questions regarding information contained in the attached report, please feel free to contact me or Sarah Frazee at (303) 571-7619 or sarah.m.frazee@xcelenergy.com. Thank you.

Sincerely,



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

cc: Pat Fahn

North Dakota Renewable Energy Objective 2017 Status Report

<u>Jurisdictional Allocators (based on 2017 energy use)</u>	<u>State Allocators</u>	<u>Note</u>
1 Minnesota	72.9816%	
2 North Dakota	5.4274%	
3 South Dakota	5.1408%	
4 Wisconsin/Michigan	<u>16.4502%</u>	
5 NSP System	100.0000%	
<u>2017 NSP System Renewable Generation</u>		
	<u>MWh (RECs)</u>	
6 Wind	8,475,503	
7 Hydro (pre-2007)	1,188,553	
8 Biomass\Wood	1,032,687	
9 Refuse-Derived Fuel (RDF)	222,563	
10 Landfill Gas	80,245	
11 Hydro (in-service 2007 or after)	42,652	
12 Solar	<u>436,119</u>	
13 NSP System	11,478,322	
<u>ND REO Renewable Energy</u>		
14 ND % of NSP System Energy	5.42741%	
15 NSP System RECs allocated to ND	622,976	
16 Exclude RECs from Sources Rejected by NDPSC	<u>(71,119)</u>	
Adjusted ND RECs	551,857	
17 Exclude pre-2007 Hydro & RDF	<u>(76,587)</u>	
18 ND REO qualifying renewable energy:	475,270	
<u>ND Retail Electric Energy Sales</u>		
19 ND electric energy retail sales	2,207,484	
20 Exclude pre-2007 Hydro	<u>(64,507)</u>	
21 ND REO adjusted retail sales	2,142,977	
22 % of ND Energy from REO Qualifying Renewables	<u>22.2%</u>	
<u>2017 ND REC Sales</u>		
23 Total System ND Net Allocated RECs	622,976	
24 Exclude RECs from Sources Rejected by NDPSC	<u>(71,119)</u>	
25 Net ND RECs Available to Sell 2017 Vintage	551,857	
26 2017 Vintage Executed REC Sales	551,857	
27 RECs Retired for 2017 REO Compliance	0	

Notes:

- 1 Per Settlement Agreement in Case No. PU-12-813.
- 2 Per ND REO statute 49-02-25 and 49-02-26
- 3 Per ND REO statute 49-02-30
- 4 Per statute, there is no REO compliance requirement after 2015; RECs are sold as available.

North Dakota Renewable Energy Objective 2017 Status Report

ND REC Sales Summary

<u>Transaction Date</u>	<u>Vintage</u>	<u>Quantity</u>	<u>Net Proceeds*</u>
4/11/2018	2017	6,669	\$200,061.00
5/3/2018	2017	545,188	\$429,509.80
Total:		<u>551,857</u>	<u>\$629,570.80</u>

*Proceeds are Net of applicable Broker Fees

REC Inventory (as of 5/30/18)

<u>Source Type</u>	<u>Vintage</u> <u>2017</u>	<u>Total</u>
1 Wind	0	0
2 Solar	0	0
3 Hydro	0	0
4 Biomass	0	0
5 Total	<u>0</u>	<u>0</u>

Notes:

* 2017 Vintage REC sales executed through May 15, 2018.