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June 25, 2019

**VIA ELECTRONIC**  
**AND U.S. MAIL**

Steven M. Kahl, Executive Secretary  
North Dakota Public Service Commission  
Department 408  
600 East Boulevard Avenue  
Bismarck, ND 58505-0480

**RE: ANNUAL RENEWABLE ENERGY OBJECTIVE REPORT  
2018 PERFORMANCE  
CASE NO. PU-19-\_\_\_\_**

Dear Mr. Kahl:

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 2018 calendar year, 425,184 megawatt-hours, or 19.2 percent, of the energy we provided in North Dakota was generated at facilities using "ND REO qualified" renewable resources (see Attachment A).

Also, in 2018 492,844 Renewable Energy Credits (RECs) were assigned to the North Dakota jurisdiction. This reflects an allocation of all NSP System RECs based on energy sales, adjusted to exclude RECs generated from renewable power purchase agreements

(PPAs) not granted full cost recovery in North Dakota.<sup>1</sup> All 492,844 vintage 2018 RECs were sold in 2018, generating \$311,946 in proceeds that were passed on to North Dakota customers through the Fuel Cost Rider (See Attachment B).

In 2017, 475,270 MWh or 22.2 percent of the energy delivered to North Dakota customers was from ND REO qualifying renewable resources. The decreased percentage in 2018 was largely due to lower wind production, terminated biomass contracts, and lower hydro generation.

## **NORTH DAKOTA REC MANAGEMENT**

The Midwest Renewable Energy Tracking System (M-RETS) is the regional database used to officially show compliance relative to state renewable energy standards.<sup>2</sup> 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 active RECs that will ultimately be applied to satisfy state renewable objectives, 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 comply with the North Dakota voluntary renewable energy objective and previous Commission directives, NSP sells the North Dakota jurisdictional share of allocated RECs in the voluntary market. As mentioned above, for compliance year 2018, 492,844 RECs were sold, returning \$311,946 in proceeds to North Dakota customers during the year. The RECs were transferred via MRET's and can no longer be used by the company.

Consistent with past practice, the Company plans to continue to sell the North Dakota jurisdictional share of RECs each year and, in turn, promptly pass the proceeds to customers. Since July 1, 2012 the Company has sold over 4.2 million RECs allocated to North Dakota during the 2009 – 2018 generation period, resulting in credits to customers of over \$3.6 million. In future years, we will continue to look for optimal sale

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<sup>1</sup> In Case No. PU-12-813 the Commission approved a Settlement that required the exclusion of 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 have been excluded from the FCR as a result of Orders in Case Nos. PU-14-810, 15-95, and 16-458.

<sup>2</sup> 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 and has specific rights to the RECs, assigned in the PPAs or by the MPUC in Docket No. E002/M-08-440, are also registered in M-RETS.

opportunities in the REC market for our inventory of North Dakota RECs, and timely sell them for the benefit of our retail customers.

#### **RENEWABLE ENERGY ADDITIONS**

The Company continues its industry leadership in delivering environmentally sound energy by becoming the first energy company to announce its vision to serve customers with 100 percent carbon-free electricity. Recently the Company received approvals 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. Most are under construction and expected to commence commercial operations prior to 2021. Two of the projects are located in North Dakota, and they will bring our total wind generation presence in the state to 662 MW of nameplate capacity. All of 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.

In addition, the Company will soon be filing its 2020-2034 Upper Midwest Resource Plan. The Plan calls for substantial additions – about 5,200 MW – of solar and wind generation across its system in the coming years.

If there are questions regarding the 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](mailto:sarah.m.frazee@xcelenergy.com). Thank you.

Sincerely,



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

cc: Pat Fahn

## North Dakota Renewable Energy Objective Report 2018 Performance

<u>Jurisdictional Allocation (based on MWh energy use)</u>	<u>State Allocators</u>
1 Minnesota	72.9007%
2 North Dakota	5.4092%
3 South Dakota	5.1934%
4 Wisconsin/Michigan	<u>16.4967%</u>
5 NSP System	100.0000%

<u>2018 NSP System Renewable Generation<sup>1</sup></u>	<u>MWh (RECs)</u>
6 Wind	7,757,599
7 Hydro (pre-2007)	1,013,487
8 Biomass\Wood	811,077
9 Solar	470,626
10 Refuse-Derived Fuel (RDF)	247,590
11 Landfill Gas	59,061
12 Hydro (in-service 2007 or after)	<u>52,207</u>
13 NSP System	10,411,647

<u>ND REO Renewable Energy</u>	
14 ND % of NSP System Energy	5.40921%
15 NSP System Renewable Energy Allocated to ND	563,187
16 Exclude Sources Not Allowed in ND FCR <sup>2</sup>	<u>(70,343)</u>
17 Renewable Energy (RECs) Attributable to ND	492,844
18 Exclude pre-2007 Hydro & RDF Production <sup>3</sup>	<u>(68,214)</u>
19 ND REO Qualifying Renewable Energy:	424,630

<u>ND Retail Electric Energy Sales</u>	
20 ND Electric Energy Retail Sales	2,265,078
21 Exclude pre-2007 Hydro Production <sup>4</sup>	<u>(54,821)</u>
22 ND REO Statute Adjusted Retail Sales	2,210,257
23 % of ND Energy from REO Qualifying Renewables	<u>19.2%</u>

<u>2018 ND REC Sales</u>	
24 NSP System Renewable Energy Allocated to ND (line 15)	563,187
25 Exclude Sources Not Allowed in ND FCR (line 16)	<u>(70,343)</u>
26 2018 ND RECs Available to Sell	492,844
27 2018 Vintage Executed REC Sales	492,844
28 RECs Retired for 2018 REO Compliance <sup>5</sup>	<b>0</b>

### Notes:

- 1 Excludes production dedicated to green pricing programs (Windsor, Renewable\*Connect, etc.)
- 2 Per Settlement Agreement in Case No. PU-12-813.
- 3 Per ND REO statute 49-02-25 and 49-02-26
- 4 Per ND REO statute 49-02-30
- 5 Per statute, there is no REO compliance requirement after 2015; RECs are sold as available.

# North Dakota Renewable Energy Objective Report 2018 REC Sales Activity

## ND REC Sales Summary

<u>Transaction Date</u>	<u>Vintage</u>	<u>Quantity</u>	<u>Net Proceeds*</u>
11/18/2018	2018	1,757	\$52,689.29
5/1/2019	2018	200,000	\$106,000.00
5/31/2019	2018	<u>291,087</u>	<u>\$153,257.29</u>
Total:		<u>492,844</u>	<u>\$311,946.58</u>

\*Proceeds are Net of applicable Broker Fees

## REC Inventory (as of 5/30/19)

<u>Source Type</u>	<u>Vintage</u> <u>2018</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>