

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Otter Tail Corporation  
Advance Determination of Prudence  
Application**

**Case No. PU-06-481**

**Montana-Dakota Utilities Co., a Division  
of MDU Resources Group, Inc.  
Advance Determination of Prudence  
Application**

**Case No. PU-06-482**

**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER**

\_\_\_\_\_, 2007

**Appearances**

Commissioners Susan E. Wefald, Tony Clark and Kevin Cramer.

Todd Guerrero, Lindquist and Venum, PLLP, 4200 IDS Center, 80 South Eighth Street, Minneapolis, MN 55402 and Mark Bring, Otter Tail Corporation, 215 South Cascade Street, Fergus Falls, MN 56537, on behalf of Otter Tail Power Company.

Dan Kuntz, Assistant General Counsel, MDU Resource Group, Inc., PO Box 5650, Bismarck, ND 58506-5650, on behalf of Montana-Dakota Utilities Co.

William Binek, Chief Counsel, Public Service Commission, State Capitol, 600 E Boulevard Ave., Bismarck, North Dakota 58505, on behalf of the Public Service Commission.

Jack Breen, Attorney-at-Law, 717 Williams Street, Bismarck, ND 58501-2483 and Carrie LaSeur, Attorney-at-Law, 319 3rd St NW, Mount Vernon, IA 52314 on behalf of Intervenor Dakota Resource Council.

Al Wahl, Administrative Law Judge, Office of Administrative Hearings, 1701 North Ninth Street, Bismarck, North Dakota 58501-1882.

**Preliminary Statement**

On November 14, 2006, Otter Tail Power Company (Otter Tail) filed an application for advance determination of prudence of Otter Tail's participation

and ownership interest in the Big Stone II Generating Plant, Case No. PU-06-481.

On November 15, 2006, Montana-Dakota Utilities Co. (Montana-Dakota) filed an application for advance determination of prudence of Montana-Dakota's participation and ownership interest in the Big Stone II Generating Plant, Case No. PU-06-482.

On December 1, 2006, Otter Tail and Montana-Dakota each filed direct testimony in support of its application.

On December 29, 2006, the Commission issued a Notice of Filing and Notice of Intervention Deadline in both cases setting February 15, 2007 as the intervention deadline.

On January 10, 2007, the commission issued a Notice of Hearing scheduling the hearing for April 17, 2007. The Commission identified the following issues in its Notice of Hearing:

1. Whether the resource addition is reasonable and prudent.
2. Whether the applicants have need for additional generating resources.
3. What alternatives exist for meeting additional generation needs?

On January 24, 2007, the Commission issued a Notice of Public Input Sessions. The Commission held Public Input Sessions February 5, 2007 in Bismarck and February 12, 2007 in Jamestown.

On February 15, 2007, Mark Trechock, Staff Director of the Dakota Resource Council (DRC or Intervenors) and DRC filed a Petition to Intervene.

On February 23, 2007, the Commission granted the Petition to Intervene.

On March 7, 2007, the Commission issued a Notice of Rescheduled Hearing scheduling the hearing for May 29, 2007.

On April 10, 2007, the Applicants filed a Motion in Limine to Exclude Evidence on Environmental Externality Values and Request to Amend Scheduling Order.

A Prehearing Conference was held on April 20, 2007 to hear oral argument of, consider, and rule upon Applicants' Motion in Limine and to revise the schedule for testimony, briefs, hearing dates, and proposed orders.

The Office of Administrative Hearings granted the Motion in Limine on April 25, 2007.

Intervenors waived the requirement for the Commission to issue an order within seven months of filing on April 30, 2007. Otter Tail waived the requirement on May 1 and Montana-Dakota on April 30.

The Commission issued a second Notice of Rescheduled Hearing on May 16, 2007 scheduling the hearing for June 26, 2007.

On May 31, 2007, Commission Advocacy Staff and the Intervenors filed direct testimony in both cases.

The Commission held a hearing on both cases June 26, 27, and 28, 2007 in the Commission Hearing Room.

Having allowed all interested persons an opportunity to be heard and having heard, reviewed and considered all testimony and evidence presented, the Commission makes the following:

### **Findings of Fact**

1. Otter Tail Corporation is a Minnesota corporation authorized to do business in the State of North Dakota as a foreign corporation. Otter Tail is doing business in the State of North Dakota as a public utility.
2. Montana-Dakota, a division of MDU Resources Group, Inc., is a Delaware corporation authorized to do business in the State of North Dakota as a foreign corporation. Montana-Dakota is doing business in the State of North Dakota as a public utility.
3. DRC is an environmental group organized in the state of North Dakota and a ratepayer of Montana Dakota Utilities Co. Mark Trechock is Staff Director of the DRC and is a ratepayer of Montana-Dakota.
4. Otter Tail and Montana-Dakota along with five other utilities are proposing to construct a 630 MW pulverized coal facility located adjacent to the existing Big Stone Plant in Big Stone City, South Dakota. The Big Stone Unit I site is approximately two miles northwest of Big Stone city, 1.7 miles from the nearest point of Big Stone lakeshore, and approximately two miles from the Minnesota border. The co-owners expect Big Stone Unit II to have an 88 percent capacity factor.
5. The Big Stone Unit II co-owners also propose to construct two new high voltage transmission lines.
6. Otter Tail and Montana-Dakota each will own 19.33 percent of Big Stone Unit II. Big Stone Unit II is estimated to cost \$1.361 billion with an in-service date of 2011.
7. The Applicants expect that the in-service date of Big Stone Unit II will be extended to mid-2012. If the in-service date is extended, the costs will increase 6% or

to \$1.442 billion, exclusive of transmission. The transmission interconnection and delivery service facilities are expected to cost approximately \$238 million. Each of the Applicants will contribute approximately 19.33 percent of the total.

8. The cost increases are due to global growth demand for generating plants, increased cost of fabricated materials and specialty engineered equipment, construction commodity cost increases, labor rate escalation.

9. Montana-Dakota operates an integrated electric system in portions of Montana, North Dakota, and South Dakota. Montana-Dakota supports the electric requirements of the customers served by the integrated system with approximately 366 MW of base load coal generation from five units, and approximately 110 MW of gas or gas and oil fired combustion turbines for peaking requirements. Montana-Dakota purchased 66.4 MW of base load energy and capacity from Basin Electric Power Cooperative (Basin Electric) under a long-term contract that expired October 31, 2006. Montana-Dakota is constructing a 20 MW wind farm in Montana. Montana-Dakota also purchases energy from the Midwest Independent System Operator (MISO) market.

10. The Basin Electric contract represented approximately 20 percent of Montana-Dakota's capacity.

11. Otter Tail owns both base load and peaking plants. Otter Tail has partial or full ownership three large base load plants totaling 536 MW of summer capacity. Otter Tail owns approximately 4.2 MW of small base load hydro. Otter Tail also owns 110.74 MW of summer capacity, 2 MW of a coal-fired facility in western North Dakota and 50 MW of Canadian hydro facilities. Otter Tail has a number of customer-owned diesel units under contract for peaking duty totaling approximately 8.4 MW of summer capacity and approximately 25 MW nameplate capacity of wind generation under contract.

12. Otter Tail currently has approximately 22 MW of wind generation owned or purchased. The Langdon project will provide an additional 60 MW.

13. Otter Tail currently purchases 50 MW from Manitoba Hydro. This contract expires in 2011.

14. Otter Tail's energy requirements are forecasted to increase steadily through 2014 and beyond. From 2005-2014, Otter Tail's energy needs are projected to grow at an average annual rate of 2.4%.

15. Montana-Dakota's peak load obligation grows at 5% per year.

16. The Big Stone Unit II project utilities serve 2.5 million customers in a five state area.

17. The estimated effect on Montana-Dakota's North Dakota customers is approximately 1.87 cents per kWh at the time Big Stone Unit II becomes operative in 2012. Any request for an increase in rates will be in a separate proceeding.

18. North Dakota Century Code Section 49-05-16 allows a public utility proposing to construct an energy conversion facility for the purpose of ensuring reliable electric service to its customers to file an application with the Public Service Commission for an advance determination of prudence, or reasonableness, regarding the proposed facility.

Section 49-05-16 states:

**Advance determination of prudence.** A public utility proposing to construct, lease, or make improvements to an energy conversion facility, renewable energy facility, transmission facility, or proposed energy purchase contract from another entity or person for the purpose of ensuring reliable electric service to its customers may file an application with the commission for an advance determination of prudence regarding the proposal. The commission may order that expenses associated with investigating the application made by the public utility for prudence of a resource addition be paid by the public utility in accordance with section 49-02-02.

1. The commission may issue an order approving the prudence of an electric resource addition if:

a. The public utility files with its application a projection of costs to the date of the anticipated commercial operation of the electric resource addition;

b. The commission provides notice and holds a hearing, if appropriate, in accordance with section 49-02-02; and

c. The commission determines that the resource addition is reasonable and prudent. For facilities located or to be located in this state the commission, in determining whether the resource addition is reasonable and prudent, shall consider the benefits of having the energy conversion facility, renewable energy facility, transmission facility, or facility generating the energy to be purchased located in this state.

2. The commission order must be rendered no later than seven months after the public utility files its application requesting a prudence determination of an electric resource addition.

3. A resource addition approved by the commission is subject to annual reporting requirements until commercial operation of the resource addition.

4. The commission's order determining prudence of the resource adjustment is binding for ratemaking purposes.

5. If at any time following an initial commission order, the commission, following a subsequent hearing, determines that continuation

of a project is no longer prudent or that its prior order should be modified, the public utility may recover in its rates, and in a timely manner consistent with the public utility's financial obligations, the amounts the public utility already has expensed, incurred, or obligated on a project, including interest expense and a return on equity invested in the project up to the time the new order is entered even though the project may never be fully operational or used by the public utility to serve its customers.

6. There is a rebuttable presumption that an energy conversion facility, renewable energy facility, transmission facility, or facility generating the energy to be purchased which is located in the state is prudent.

19. North Dakota Century Code Section 49-02-23 prevents consideration of evidence of environmental externality values or environmental costs of future CO<sub>2</sub> regulation. Section 49-02-23 states:

**Consideration of environmental externality values prohibited.** The commission may not use, require the use of, or allow electric utilities to use environmental externality values in the planning, selection, or acquisition of electric resources or the setting of rates for providing electric service. Environmental externality values are numerical costs of quantified values that are assigned to represent either:

1. Environmental costs that are not internalized in the cost production or the market price of electricity from a particular electric resource; or
2. The alleged costs of complying with future environmental law or regulations that have not yet been enacted.

20. The co-owners intend to own Big Stone Unit II as tenants in common, with each utility having an undivided interest in the entire project.

21. The Applicants have entered into an Operating and Maintenance Agreement that governs the proposed operations of Big Stone Unit II. Under this agreement, Otter Tail would operate and maintain Big Stone Unit II. The agreement allows for future change of an operating agent if the owners choose.

22. On July 21, 2006, the South Dakota Public Utility Commission issued an Energy Conversion Facility Permit for Big Stone Unit II.

23. With the addition of Big Stone Unit II, coal delivery requirements to the Big Stone plants will more than double. Approximately 4-7 coal trains are required per week once Big Stone Unit II is in operation.

24. Fuel for the project will be Powder River Basin coal from a number of mines located in Wyoming and Montana. Burlington Northern Santa Fe Railroad will deliver the

coal. Standard inventory maintained at Big Stone Unit II will be between 30 and 45 days.

25. The Powder River Basin is the world's largest single deposit of low-sulfur coal. The Applicants testified that Powder River Basin coal is the lowest cost delivered coal for electric generators.

26. In 2006, Big Stone Unit I had to curtail operations due to lack of coal inventory and delivery problems. Big Stone Unit I had to rely on other electric supply sources during the time of delivery problems.

27. In 2004, Montana-Dakota issued a Request for Proposal (RFP) to fill the void left by the expiration of the contract with Basin Electric. Montana-Dakota received only three responses to its RFP and of these proposals, only one was a qualified bid, which Montana-Dakota rejected because it only offered a small portion of the needed capacity.

28. In 2006, Montana-Dakota issued another RFP for baseload coal capacity and energy for the 25 to 35-year periods beginning June 1, 2011 and June 1, 2016. Montana-Dakota received two proposals and rejected one for not meeting its requirements and the other due to uncertain delivery.

29. Otter Tail and Montana-Dakota (and the other five Big Stone co-owners) have each engaged in their own extensive resource planning to determine their future energy and capacity needs. Otter Tail's and Montana-Dakota's resource planners have presented testimony in this matter showing that their forecasting predicts energy growth over the next decade of more than 2% annually. Both utilities are already experiencing capacity deficits at times, and these deficits continue to grow each year. The Mid-Continent Area Power Pool (MAPP) predicts that continuing load growth will result in a generation capacity deficit by the year 2011 in the region.

30. The Applicants identified several different possible sites for a new coal plant, including the Coyote Station site and a Fargo site in North Dakota, and conducted an extensive evaluation of these sites before determining that Big Stone was the preferred location.

31. Six sites were used for further consideration by project participants:

- Big Stone, Grant County, South Dakota
- Coyote, Mercer County, North Dakota
- Fargo, Cass County, North Dakota
- Dickinson, Wright County, Minnesota
- Glenham, Walworth County, South Dakota
- Utica Junction, Yankton County, South Dakota

32. The criteria used to evaluate the sites is as follows:

- Water Supply – 20%

- Fuel Lines – 20%
- Transmission – 20%
- Environmental – 15%
- Air Quality – 15%
- Other – 10%

33. Big Stone Unit II received the highest weighted score.

34. The Applicants testified that there are several advantages to Big Stone Unit II, most due to existing infrastructure. For the cooling water needed for the plant, the existing pump house and pipeline are adequate to support Big Stone Unit II without any changes. Big Stone Lake, the water source for Big Stone I, has adequate water availability. For fuel delivery, the existing rail spur and unloading facilities are adequate for a second unit without any modifications. For solid waste, an existing disposal area has adequate storage for both units for a number of years. There are additional advantages to the site with the existing roadways and the existing plant staff. The existing transmission corridors should minimize the impact of transmission additions.

35. The addition of a second unit at Big Stone provided the opportunity to construct a single common wet scrubber for both Unit I and Unit II. The scrubber is the device for controlling SO<sub>2</sub> emissions. A wet scrubber uses a liquid reagent and is more costly but does a better job of controlling emissions than does a dry scrubber process. The Applicants testified that because of the common scrubber, they expect sulfur dioxide emissions to be less from the two units than the current sulfur dioxide emissions from Unit I.

36. Disadvantages to the Big Stone site include the nature of the water supply. South Dakota statutes for lake elevation set the water availability of Big Stone Lake. The unit will need a certain amount of water storage for drought tolerance. Another disadvantage is a single rail carrier serves the site; it does not have rail competition.

37. The Coyote Station was a viable site for generation expansion; however, there were significant transmission limitations.

38. The Big Stone Unit II co-owners evaluated several different alternative generation technologies before selecting Big Stone Unit II. The analysis determined that several alternative technologies were not feasible. Alternative technologies considered for base load were supercritical pulverized coal, a wind and gas combination, integrated gasification combined cycle (IGCC), and other technologies.

39. The Applicants hired Black and Veatch to provide a Big Stone Unit II project cost estimate. Black and Veatch engaged in the summer of 2005 to develop plant system design, provide engineering and construction services, including competitive quotations on five major plant components (boiler, turbine, fabric filter, wet scrubber, and chimney). The project cost estimate was prepared after the definition of plant arrangements,

configuration was developed in sufficient detail, and after the design criteria for all equipment and material was developed and agreed to by the co-owners.

40. In October 2005, Black and Veatch analyzed and evaluated Big Stone Unit II's 2004 capital cost estimate and found that the 2004 cost estimate was reasonable.

41. The Big Stone Unit II project will be executed on a multiple contract basis meaning that the plant equipment and construction will be broken-down into approximately 110 specific contracts.

42. Equipment costs include materials and services for all plant components. Construction contracts include labor, materials, and services necessary to erect the plant equipment. Indirect costs include owner's costs including engineering and construction management as well as escalation and reserves allocation.

43. The cost estimate prepared by Black and Veatch was based on the following:

- Pricing of all major equipment and systems including receipt of detailed competitive bids for five major components and indicative price quotes for approximately 17 other major pieces of equipment and systems.
- Estimates of cost and quantity of individual construction commodities.
- Estimates of cost and quantity of individual construction labor hours. Local labor rates for the various union crafts (building trades) were obtained and used.
- Estimates of project indirect costs including engineering, construction management, unit startup, property tax, financing, insurance, contingencies, and others as required.
- Inclusion of all other co-owner costs including transmission costs as well as for the Big Stone Unit II personnel and other indirect costs.

44. Otter Tail's and Montana-Dakota's participation in the Big Stone II project has been determined by Black and Veatch to be the best overall option for providing a reliable and stable resource addition.

45. A three-step process was used for Big Stone Unit II transmission planning. The planning began with screen studies to identify certain transmission facilities with the greatest potential to provide a reliable interconnection. This was followed by a specific interconnection study required by MISO. Finally, a delivery service study to determine the impacts of the proposed interconnection on a broader geographic basis was completed. Planning will continue until the new facilities are placed into operation.

46. In November 2005, the Big Stone Unit II co-owners requested that the Minnesota Public Utilities Commission issue a certificate of need to construct a new transmission line between the Big Stone Plant and Granite Falls, Minnesota and a new 230 kV line between the Big Stone Plant and Morris, Minnesota, which for the most part will actually be an upgrade of the existing Big Stone – Morris 115 kV line. The Granite Falls line will

be designed capable of operating at 345 kV but will most likely initially operate at 230 kV.

47. The Granite Falls initial operation at 230 kV is consistent with what MISO will require and will provide additional capacity for wind. This will become part of the MISO Transmission Expansion Plan. The cost of the 345 kV upgrade will be allocated by the MISO process.

48. Applicants' witness Timothy Rogelstad testified that MISO agrees with the proposed Big Stone transmission lines.

49. A decision on the siting of the transmission lines is pending before the Minnesota Public Utilities Commission.

50. The planning studies show that additional transmission in South Dakota and Minnesota is required to accommodate the proposed Big Stone Unit II.

51. Montana-Dakota considered several supply options at the loss of the contract with Basin Electric. These were extension of the Basin Electric contract, a lignite plant at Gascoyne, gas turbines, participation in Big Stone II, RFP for supply, and purchases from the MISO market.

52. Modeling conducted by Montana-Dakota through its integrated resource plan indicates that Big Stone Unit II is the best option. Montana-Dakota cites several factors in making the determination that Big Stone Unit II is the best choice. These include that natural gas pricing and availability is uncertain, the RFP responses were inadequate, MISO energy pricing is uncertain, Big Stone Unit II is approximately 30 percent less costly than Gascoyne, there are multiple partners in Big Stone Unit II, and associated cost savings related to Big Stone Unit I.

53. Montana-Dakota's expansion modeling in 2003 selected gas turbines. Montana-Dakota did not consider this a viable option due to cost to customers. In 2006, Strategist® modeling selected coal base load and confirmed the selection of Big Stone II as the least cost option to Montana-Dakota customers. The reasons include natural gas pricing/availability uncertainty, inadequate RFP responses, MISO energy pricing uncertainty, approximately 30% less costly than Gascoyne plant, economies of scale, multiple partners, and associated cost savings related to Big Stone I that will be captured with the construction of Big Stone Unit II.

54. The Applicants testified that there is no cost disadvantage to retrofit the Big Stone Unit II for carbon capture.

55. The Applicants testified that the cost difference for an investor owned utility between wind and other forms of generation is utility specific and project specific.

56. Montana-Dakota witness Andrea Stomberg testified that Montana-Dakota abandoned Gascoyne due to its location away from generation and the inability for Montana-Dakota to find partners to participate in the construction of the Gascoyne plant. The Gascoyne site has additional issues, including no water and air quality issues.

57. Montana-Dakota requested PA Consulting Group, Inc. (PA) to perform a capacity expansion modeling analysis to help evaluate an overall optimal resource plan for Montana-Dakota. The results of the analysis determined that Montana-Dakota's participation in the Big Stone Unit II would yield the lowest-cost base load resource expansion option.

58. PA based its analysis upon input assumptions from a variety of resources included Montana-Dakota, PA, and the joint project sponsors.

59. The analysis completed by PA is an independent analysis prepared on behalf of Montana-Dakota; assumptions were not jointly developed with Otter Tail or other project co-owners.

60. The results of the PA analysis selected Big Stone Unit II as part of the overall plan that includes demand side management and renewable and other resources.

61. PA's Big Stone Unit II capital cost estimates are consistent with current estimates.

62. PA modeled Big Stone II assuming no off-system sales to test whether it is part of the least cost mix for serving retail load. Inclusion of off-system sales would make the plant more financially attractive.

63. PA's analysis did not disadvantage wind by limiting the number of units available in the base case. PA confirmed this in separate tests.

64. PA's analysis included two wind resources installed prior to Big Stone Unit II, Big Stone Unit II in 2012, additional demand side management in 2014, and a natural gas-fired turbine and demand side management in 2015.

65. The Big Stone Unit II has not gone through financial close.

66. Montana-Dakota witness Rita Mulkern testified that of Montana-Dakota's 19.33 percent share of Big Stone II, or \$309 million, North Dakota's share is 68.53 percent or \$212 million. Inclusion of AFUDC or CWIP would add 18.8 percent or 6.6 percent respectively to the cost of the plant. The estimated rate impact for the return on the investment, exclusive of Operations and maintenance, depreciation, fuel/purchased power costs and ad valorem taxes are 1.87 cents per kWh for North Dakota customers.

67. Ms. Mulkern further testified that once Big Stone Unit II goes online they expect a reduction in its fuel costs.
68. The cost of energy from the MISO market has been high for both on peak and off-peak demand. In January and February 2002, the average price was \$20/MWh of energy. In 2007, the average price was close to \$80 per MWh. This is indicative of supply deficiencies in the MISO region.
69. Big Stone Unit II is consistent with a carbon-constrained future.
70. Big Stone Unit II is consistent with balanced resource mix of renewable and conservation.
71. The environmental features of Big Stone Unit II include a wet scrubber, bag house filter to control small particles, selective catalytic reduction to control NOx
72. All asset-backed off-system sales margins will be credited to Otter Tail customers whereas 85% of asset-backed off-system sales margins will be credited to Montana-Dakota customers in accordance with the Commission's last rate order.
73. David Schlissel testified on behalf of DRC and stated that the Commission should reject the advance determination of prudence request by Otter Tail and Montana-Dakota for their participation in the Big Stone Unit II project
74. Mr. Schlissel testified that Otter Tail and Montana-Dakota have not adequately considered the risks associated with building a new coal-fired generating unit in their modeling and economic analyses. Mr. Schlissel's opinion was that significant uncertainties and risks associated with the proposed Big Stone Unit II could cause an increase in the project's capital cost; the potential for fuel supply disruptions that could affect plant operating performance and fuel costs; and future restrictions on CO<sub>2</sub> emissions.
75. Mr. Schlissel testified that if the Big Stone Unit II plant was located in North Dakota his analysis would not change.
76. Mr. Schlissel stated that he is not proposing a specific alternative to Big Stone Unit II. His opinion was that neither company has studied how much wind its system could accommodate in addition to its gas peaking plants.
77. Advocacy Staff witness Terry Deason testified that the inputs used in the modeling process used by the Applicants were appropriate and in some case conservative.
78. Mr. Deason also testified that the addition of Big Stone Unit II would enhance the transmission system.

79. Mr. Deason concluded that Big Stone Unit II should be approved with certain conditions and filings. Reporting requirements, budgeting, coal delivery mgmt and two studies concerning rail cars and coal delivery levels.

80. Bruce Imsdahl, President and CEO of Montana-Dakota testified that Montana-Dakota commits to provide periodic informational filings regarding progress of Big Stone II to the Commission, construction cost reporting on forecasted and actual basis, measures to enhance the timely and efficient delivery of coal, a study on rail cars necessary to serve the plant, and a study to determine the most cost effective coal inventory level. These were the recommendations of Commission Advocacy Staff and Terry Deason.

81. Otter Tail also agrees to comply with all recommendations of Commission Advocacy Staff and Terry Deason.

From the foregoing Findings of Fact, the Commission now makes its:

### **Conclusions of Law**

1. The Commission has jurisdiction over this proceeding under North Dakota Century Code Chapter 49-05.
2. The resource addition of Big Stone Unit II is reasonable and prudent under North Dakota Century Code Section 49-05-16.
3. Montana-Dakota has need for additional base load resources that are represented by Big Stone II.
4. Otter Tail has need for additional base load resources that are represented by Big Stone II.
5. No reasonable alternatives for meeting additional generation needs exist.

From the foregoing Findings of Fact and Conclusions of Law, the Commission now makes it:

**Order**

The Commission orders:

1. Otter Tail's application for advance determination of prudence is granted.
2. Montana-Dakota's application for advance determination of prudence is granted.

**PUBLIC SERVICE COMMISSION**

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**Tony Clark  
Commissioner**

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**Susan E. Wefald  
President**

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**Kevin Cramer  
Commissioner**