LINDQUIST & VENNUM P.L.L.P.

4200 IDS CENTER
80 SOUTH EIGHTH STREET
MINNEAPOLIS, MN 55402-2274
TELEPHONE: 612-371-3211
FAX: 612-371-3207

IN DENVER:
600 17TH STREET, SUITE 1800 SOUTH
DENVER, CO 80202-5441
TELEPHONE: 303-573-5900
FAX: 303-573-1956

ATTORNEYS AT LAW

www.lindquist.com

TODD J. GUERRERO
612/371-3258
tguerrero@lindquist.com

May 6, 2008

VIA REGULAR MAIL & EMAIL

Illona Jeffcoat-Sacco
Executive Secretary
North Dakota Public Service Commission
State Capitol
Bismarck, ND 58505

Re: Montana Dakota Utilities Co., and Otter Tail Corporation; Advance Determination of Prudence, Big Stone II Generating Station
Case Nos. PU-06-481 and PU-06-482

Dear Ms. Jeffcoat-Sacco:

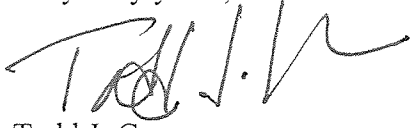
Enclosed for filing in the above matter please find an original and seven copies of the following:

Late Filed Exhibits OTP Exhibit 123 and PSC Exhibit 7; and
an Affidavit of Service.

Please direct any questions to Montana-Dakota's Mr. Daniel Kuntz (701-530-1016), Otter Tail's Mr. Mark Bring (218-998-7152), or to the undersigned.

Thank you for your consideration.

Very truly yours,



Todd J. Guerrero

TJG/kas
cc: Attached Service List (w/encl.)

PSC Exhibit 7

PSC Exhibit 7 is intended to address why Otter Tail is proposing to participate in BSP II at a level between 120 and 133 MWs when its integrated resource plan modeling demonstrates a need for 170 MWs of pulverized coal baseload generation resources.

Otter Tail's participation in the BSP II project in the proposed range of 120-133 MWs is a function of the following various factors:

- Planning a baseload resource takes time and the project participants have been working for over three years on developing and permitting the project. Initially, when the project participants came together for the purpose of developing a jointly owned baseload generation resource, Otter Tail's then current Integrated Resource Planning modeling identified a need in the range of approximately 120 MWs. Additionally, the model was showing that 50 MWs of base load resources could be provided from a long-term capacity and energy contract with Manitoba Hydro.

- As the BSP II project was evolving, the participants were regularly reviewing their individual resource needs in conjunction with evolving parameters relating to plant size and cost. A protocol that emerged among the prospective participants was that it would be desirable, for purposes of developing a jointly-owned project, to have partners whose ownership participation was relatively equal in size with no single participant being a dominant participant relative to the other participants.

- The evolution of project participants and project size established that Otter Tail's original planning needs of approximately 120 MWs could be achieved consistent with a 630 MW project with the seven original participants and is the historical basis on which Otter Tail's ownership participation was determined.

- With the withdrawal of Great River Energy and Southern Minnesota Municipal Power Agency, the opportunity for readjusting the participation levels of the remaining partners has arisen. However, the current participation levels have so far been maintained to allow for the flexibility of adding an additional partner to potentially return to an approximately 580 MW unit, which was a factor in Otter Tail deciding to leave its share in the 120 MW range. In the event that no additional partner were to be selected, the project participants propose to develop a 500 MW unit. With a 500 MW unit, Otter Tail's participation would likely be capped at 133 MWs.

- Subsequent to the determination of initial project participation in BSP II, the power purchase agreement option with Manitoba Hydro has been withdrawn by Manitoba Hydro. The option is no longer available due to increased load requirements and delays in the addition of new resources on their system. Changes in the availability and pricing features of the Manitoba source now demonstrate that other alternatives for a base load resource would be more attractive.

The option of Otter Tail increasing its proposed share of BSP II to a total of 170 MWs (the original share plus the MH portion no longer deemed optimal) has not been selected for the following reasons:

- There remains an interest in keeping individual project participation levels relatively similar for the three largest project participants.

- Given the uncertainty with respect to future federal energy policy, the 120-133 MW participation level provides Otter Tail some hedge against potential carbon dioxide legislation.

- The current planning assumption indicates retirement of the Hoot Lake units in 2017, but actual retirement of those units will depend in large part on the evolution of future state and federal energy policies. As a result, some flexibility to maintain operational status of the Hoot Lake units is afforded by maintaining a participation level for BSP II at the original participation level.

- Otter Tail continues to seek opportunities for baseload generation from renewable energy resources, and while those opportunities cannot fulfill the resource provided by Otter Tail's proposed share of BSP II, leaving a 50 MW portion of the baseload needs of Otter Tail unfilled at this point provides an additional opportunity for filling a portion of that 50 MWs with a renewable baseload resource.

- Financial approval from the Otter Tail's Board of Directors has been obtained for participation at the 120 MW level but participation at a higher participation level would require additional board approval. Given the uncertainties that have emerged with regard to fossil fuel projects, Otter Tail has determined additional reliance on new coal resources beyond its participation in BSP II is not optimal at this time.

Late Filed Exhibit OTP 123
Otter Tail Power Company

This OTP Exhibit 123 is being provided in response to the North Dakota Public Service Commission request that Otter Tail provide its energy and demand savings associated with North Dakota conservation initiatives for the last ten years. The following information provides background and then estimates the impact associated with DSM in North Dakota since 1999.

Because North Dakota has not implemented a formal energy efficiency program, similar to Minnesota's Conservation Improvement Program, for instance, energy savings impacts in North Dakota are difficult to quantify.

North Dakota customers have been active participants in our DSM portfolio representing approximately 40-45% of the overall new DSM capability, or approximately 74-83 MW over the last nine years. This represents potential peak reduction, which is very different from actual peak reduction. Potential peak reduction represents the total nameplate rating of the DSM capability. Actual peak demand reductions will be less due to diversity between the end-use loads and the necessity to alternate or rotate control of certain loads to ensure that the exercise of these resources remains within the allowed limits of the program.

Demand-Side Management (DSM) Resources

Otter Tail currently uses a fully integrated capacity expansion model to conduct detailed computer modeling of Otter Tail's load, generation resources, DSM and conservation programs, regulatory requirements, and financial structure so that an optimal long-range plan is developed to meet customer needs on a system-wide basis. Otter Tail's current resource plan, modified in 2008, identifies the addition of up to 100.7 MW of DSM and conservation over the 15-year planning period. The plan includes some consideration of the impact of Otter Tail's recently filed proposal with the South Dakota Public Utilities Commission for new conservation programs in that state. The plan also includes some impacts under the assumption of implementing new conservation programs at some time in the future in North Dakota. The plan includes the new conservation goals enacted in 2007 by the Minnesota legislature.

DSM is a broad category that includes load management (direct load control and interruptible programs) as well as conservation and energy efficiency programs. As a matter of clarification, the following breaks out the two categories (load management and energy efficiency) and then defines the types of tactics under each.

Load Management

Direct Load Control are DSM program activities that can interrupt a consumer's load at the time of annual peak load through direct control by the utility system operator. This type of control usually involves residential consumers, but can also involve larger customers.

Interruptible Load are DSM program activities that, in accordance with contractual arrangements, can interrupt consumer load at times of seasonal peak load through direct

control by the utility system operator or by action of the consumer at the direct request of the system operator. This type of control usually involves commercial and industrial consumers, but it can also involve residential customers.

Other Load Management includes DSM programs other than Direct Load Control and Interruptible Load that limit or shift peak load from on-peak to off-peak time periods. Other Load Management includes technologies that primarily shift all or part of a load from one time of-day to another and, secondarily, may have an impact on energy consumption. Examples include space heating and water heating storage systems, cool storage systems, and load limiting devices in energy management systems. This category also includes programs that aggressively promote time-of-use rates and other innovative rates such as real time pricing. These rates are intended to reduce consumer bills and shift hours of operation of equipment from on-peak to off-peak periods through the application of time-differentiated rates. In all cases, savings are typically reported as kilowatt or megawatt savings (i.e., demand savings).

North Dakota customers have had access to a Load Management program for decades.

Energy Efficiency and Conservation

Energy conservation and efficiency programs are aimed at reducing the energy used by specific end-use devices and systems, typically without affecting the services provided.

These programs reduce overall electricity consumption (reported in kilowatt-hours (kWh) or megawatt-hours (MWh)), often without explicit consideration for the timing of program-induced savings. Such savings are generally achieved by substituting technologically more advanced equipment to produce the same level of end-use services (e.g., lighting, heating, motor drive) with less electricity. Examples include energy saving appliances and lighting programs, high-efficiency heating, ventilating, and air conditioning (HVAC) systems or control modifications, efficient building design, advanced electric motor drives, and heat recovery systems.

Otter Tail's DSM Portfolio

DSM has been part of Otter Tail's energy plan since the 1940s when it encouraged customers to put timers on their water heaters. Today over 30% of our customers participate in some form of DSM program. Otter Tail operates a diverse DSM portfolio in all three states. In 2007, Otter Tail added 27.4 MW of new controlled load. From 1999 through 2007, Otter Tail added 186.4 MW of new controlled load capability system-wide.

North Dakota customers have been active participants in Otter Tail's DSM portfolio, representing approximately 40-45% of the overall new DSM capability, or approximately 74-83 MW over the last nine years.

The following two parts of Table 1 summarize Otter Tail's achievements for the past nine years. It is reasonable to assume that approximately 40-45% of these impacts are in North Dakota.

Demand Side Management - MN, ND, SD (North Dakota approximately 40-45% of totals)									
Otter Tail Power Company									
1999-2007									
Additional Controlled Load (kw) by customer class	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Residential	4,792	6,750	9,017	7,975	10,290	11,689	13,268	18,633	12,914
Commercial	4,932	6,183	11,457	9,666	12,560	6,838	9,838	15,476	14,495
Total kw	9,724	12,933	20,474	17,641	22,850	18,527	23,106	34,109	27,409
Additional Controlled Load (kw) by Load Type	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2006**
Dual Fuel	5,370	6,571	15,087	11,939	13,795	9,898	14,482	21,533	18,037
Heat Storage	1,156	2,845	1,922	2,891	4,658	3,992	3,776	7,120	6,169
Demand Control	1,789	2,023	2,616	2,008	2,556	2,356	2,525	2,240	974
Water Heating	1,409	1,494	850	802	1,841	2,281	2,323	3,217	2,229
Total kw	9,724	12,933	20,474	17,641	22,850	18,527	23,106	34,109	27,409

Table 1

Keep in mind that these numbers represent potential peak reduction, which is different than actual peak reduction. These charts reflect the installed load reduction capability, as opposed to the actual peak reduction achieved by participants, during the time of annual system peak load.

Energy Efficiency and Conservation

Conservation and energy efficiency have been a part of our portfolio since generally the 1980s. The Conservation Improvement Program in **Minnesota** became much more aggressive in the early 1990s. Today in Minnesota, the Next Generation Energy Act of 2007 now includes a goal to achieve energy savings, where cost-effective, of 1.5% of annual retail kilowatt-hour sales in 2010, based on a rolling three-year, weather-normalized average. The plan includes over 20 programs.

At the request of the South Dakota Public Utilities Commission, Otter Tail filed for an energy efficiency plan in **South Dakota** in March of 2007. The South Dakota Commission is scheduled to make a final decision on that plan on May 20, 2008. It is anticipated that the Company would roll out an energy efficiency program to South Dakota customers in late 2008, pending final approval of the plan and cost recovery components. That plan includes eight different programs, a budget of $157,100 an annual energy savings goal of 1,143,446 kwh and 416 kw.

Otter Tail currently manages a number of conservation-related educational programs in **North Dakota,** including our on-line audit tools and conservation tips. North Dakota customers also have access to Otter Tail's Idea Center where customers can call for information on energy-efficient building practices and equipment. In 2006, Otter Tail did a series of workshops in Jamestown, Devils Lake, Rugby, as part of our Energy Makeover series, which included weatherization improvements and heating system upgrades in four selected homes. The approximate cost of that project was $85,000.

Throughout most of the 1990s, Otter Tail had a relatively full portfolio of North Dakota conservation programs including rebates for end uses such as lighting, motors, and heat

pumps. However, because no formal program was in place, including a long-term plan for cost-recovery, the plans were eventually phased out.

Otter Tail remains open and committed to developing a portfolio of energy conservation programs in North Dakota, similar to those in place in Minnesota and as proposed in South Dakota. Historically we have not had comparable cost recovery of conservation and efficiency efforts in North Dakota, and that would be a critical component to development of any long-term conservation programs.

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Otter Tail Corporation, Advance Determination of Prudence Application

AFFIDAVIT OF SERVICE

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

Case Nos. PU-06-481, PU 06-482

Nicole A. Garvey, of the City of Minneapolis, County of Hennepin, in the State of Minnesota, being duly sworn on oath says: that on the 6th day of May, 2008, she served the following:

Late Filed Exhibit OTP 123;
Late Filed Exhibit PSC 7; and
An Affidavit of Service.

A copy has also been served upon the attached service list via electronic mail and U.S. Mail.

Nicole Garvey

Subscribed and sworn to before me
this 6th day of May, 2008.

Jennifer K Grossinger
Notary Public

JENNIFER KAY GROSSINGER
Notary Public
Minnesota
My Commission Expires January 31, 2010

Doc# 2656088\1

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Otter Tail Corporation, Advance Determination of Prudence Application

SERVICE LIST

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

Case Nos. PU-06-481, PU 06-482

Illona Jeffcoat-Sacco
Executive Secretary
North Dakota Public Service Commission
State Capitol
Bismarck, ND 58505

Donald R. Ball
Vice President – Regulatory Affairs
Montana-Dakota Utilities Co., a Division of
MCU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

Daniel S. Kuntz
Assistant General Counsel
Montana-Dakota Utilities, Co., a Division of
MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506-5650

John W. Breen Jr.
Attorney and Counselor at Law
717 Williams Street
Bismarck, ND 58501-2483

Mark Trechock
Dakota Resource Council
P.O. Box 1095
Dickinson, ND 58602-1095

David Schlissel
Synapse Energy Economics
22 Pearl Street
Cambridge, MA 02139

Carrie La Seur
Plains Justice
319 3rd Street NW
Mount Vernon, IA 52314

Mark Bring
Associate General Counsel
Otter Tail Corporation
215 S. Cascade Street
Fergus Falls, MN 56538-0496