



400 North Fourth Street  
Bismarck, ND 58501  
(701) 222-7900

November 15, 2006

Executive Secretary  
North Dakota Public Service Commission  
State Capitol Building  
Bismarck, ND 58505

Re: Advance Determination of Prudence  
Case No. PU-06-\_\_\_

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits for the Commission's consideration and approval an original and seven (7) copies of an application for an advance determination of prudence of Montana-Dakota's participation and ownership interest in the Big Stone II Generating Station. This filing is made in accordance with Title 49 of the North Dakota Century Code and the rules and regulations promulgated by the North Dakota Public Service Commission.

The Company is also requesting the Commission hold a Scheduling Conference whereby a procedural schedule would be discussed. Montana-Dakota requests a joint conference be held with Otter Tail Power Company who has filed a similar Application.

Please refer all inquiries regarding this filing to:

Mr. Donald R. Ball  
Vice President – Regulatory Affairs  
Montana-Dakota Utilities Co.  
400 North Fourth Street  
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence and pleadings to:

Mr. Daniel S. Kuntz  
Assistant General Counsel  
MDU Resources Group, Inc.  
P. O. Box 5650  
Bismarck, ND 58506-5650

Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed stamped envelope.

Sincerely,

A handwritten signature in black ink that reads "Donald R. Ball". The signature is written in a cursive style with a large, prominent initial "D".

Donald R. Ball  
Vice President – Regulatory Affairs

Attachments

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF NORTH DAKOTA

In the Matter of the Application of )  
MONTANA-DAKOTA UTILITIES CO., a )  
Division of MDU Resources Group, Inc., )  
for an Advance Determination of ) Case No. PU-06-\_\_\_\_  
Prudence of Montana-Dakota's )  
Participation & Ownership Interest in the )  
Big Stone II Generating Station )

\* \* \* \*

APPLICATION AND REQUEST FOR SCHEDULING CONFERENCE

COMES NOW, Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., and respectfully submits this Application for an Advance Determination of Prudence of Montana-Dakota's participation and ownership interest in the Big Stone II Generating Station.

I.

Montana-Dakota, a Division of MDU Resources Group, Inc., is a Delaware corporation duly 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.

II.

The Company's Certificate of Incorporation and amendments thereto have previously been filed with the North Dakota Public Service Commission. Such Certificate and Amendments are hereby incorporated by reference.

III.

That Applicant's full name and post office address are:

Montana-Dakota Utilities Co.,  
a Division of MDU Resources Group, Inc.  
400 North Fourth Street  
Bismarck, North Dakota 58501

IV.

Montana-Dakota, along with six other utilities, is proposing to construct an energy conversion facility for the purpose of ensuring reliable electric service to its customers. The facility will be a 630 MW pulverized coal facility located adjacent to the existing Big Stone Plant in Big Stone City, South Dakota. Montana-Dakota will own 19.33% of Big Stone II. The remainder will be owned by Otter Tail Power Company, Great River Energy, Western Minnesota Municipal Power Agency, Central Minnesota Municipal Power Agency, Southern Minnesota Municipal Power Agency, and Heartland Consumers Power District.

V.

A projection of the Big Stone II plant costs, including estimated transmission costs required for delivery, to the date of the anticipated commercial operation of Big Stone II is attached as Exhibit 1.

VI.

This Application is submitted in accordance with the provisions of Section 49-05-16 of the North Dakota Century Code and the rules and regulations promulgated by the Public Service Commission of the State of North Dakota and the filing guidelines of the Public Service Commission.

VII.

On or before December 1, 2006, Montana-Dakota will file Direct Testimony and Exhibits of witnesses showing that the addition of Big Stone II is a reasonable and prudent investment for the purpose of providing reliable electric service to its


customers. The testimony and exhibits will further support the need for generation; provide the rationale and support for choosing Big Stone II as the best resource for meeting that need; describe the plant design including the cost projections provided in Exhibit 1 and finally provide an estimate of the cost to customers.

VIII.

Montana-Dakota requests that the Commission hold a scheduling conference as soon as practicable to discuss a procedural schedule for this matter. Otter Tail Power Company has filed a similar Application regarding a prudence determination of its participation in the Big Stone II generating station. Montana-Dakota requests that the Commission hold a joint scheduling conference as coordinated scheduling in the two dockets would be most efficient. The Big Stone II participants will be called upon to financially commit their intent to proceed with construction of the generation unit in June 2007. Montana-Dakota will require a final determination from the Commission regarding the prudence of its investment in Big Stone II by June 15, 2007.

Dated this 15<sup>th</sup> day of November, 2006.

MONTANA-DAKOTA UTILITIES CO.  
a Division of MDU Resources Group, Inc.

By:   
Donald R. Ball  
Vice President – Regulatory Affairs



**MONTANA-DAKOTA UTILITIES CO.**  
**A Division of MDU Resources Group, Inc.**

**Big Stone II Project Cost Estimate**  
**Proposed Pre-Commercial Operation**  
**Operating Plan & Budget**  
**(in 2011 Dollars)**

	Total Project Costs (000s)
Plant Costs	
Civil/Structural Equipment	\$350,297
Mechanical	741,721
Electrical	92,752
Control	14,896
Chemical	19,660
Construction Services	19,056
Plant Site & Related Costs	122,328
Total Plant Costs	<u>1,360,710</u>
Transmission Costs	238,130
Project Total	<u><u>\$1,598,840</u></u>