



400 North Fourth Street  
Bismarck, ND 58501  
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December 1, 2006

Executive Secretary  
North Dakota Public Service Commission  
State Capitol Building  
Bismarck, ND 58505-0480

Re: Advance Determination of Prudence  
Case No. PU-06-482

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits an original and seven (7) copies of the Direct Testimony and Exhibits of Company witnesses in support of its Application for Advance Determination of Prudence of Montana-Dakota's Participation and Ownership Interest in the Big Stone II Generating Station, Case No. PU-06-482, filed on November 15, 2006.

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'.

Donald R. Ball  
Vice President – Regulatory Affairs

Attachment  
cc: D. Kuntz

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

Before the Public Service Commission of North Dakota

Case No. PU-06-482

Direct Testimony  
of  
Bruce T. Imsdahl

1 Q. Please state your name and business address.

2 A. My name is Bruce T. Imsdahl and my business address is 400  
3 North Fourth Street, Bismarck, North Dakota 58501.

4 Q. By whom are you employed and in what capacity?

5 A. I am the President and CEO of Montana-Dakota Utilities Co.  
6 (Montana-Dakota), a Division of MDU Resources Group, Inc.

7 Q. Please describe your duties and responsibilities with Montana-Dakota.

8 A. I have executive responsibility for the development, coordination,  
9 and implementation of Company strategies and policies relative to all  
10 areas of operations.

11 Q. Please outline your educational and professional background.

12 A. In 1970, I received a Bachelor of Science degree in Mechanical  
13 Engineering from North Dakota State University, Fargo, North Dakota. I  
14 was granted certificates of attainment from the Joseph M. Kraatz Graduate  
15 School of Business in Management Program for Executives from the  
16 University of Pittsburgh, Pittsburgh, Pennsylvania in 1990 and from the

1 Graduate School of Business, Stanford University in the Executive  
2 Management Program in 2003.

3           Upon graduating from college in 1970, I began my career with  
4 Montana-Dakota as a results engineer at the Lewis & Clark electric  
5 generating station. In 1973, I took an engineering position at the  
6 corporate office and was responsible for the engineering at five of our  
7 electric generating stations. In 1979, I transferred to the Lewis & Clark  
8 Station as the Plant Superintendent, where I was responsible for all  
9 engineering, operations, and maintenance of the plant. In 1983, I  
10 transferred to the R. M. Heskett Station as the Plant Manager, where I  
11 was again responsible for all engineering, operations and maintenance of  
12 the plant. In 1985, I transferred to the corporate office as Generation  
13 Manager, where I became responsible for all the electric generating plants  
14 that Montana-Dakota owned and operated and the Company's  
15 Environmental Department. In 1989, I became Vice President - Power  
16 Supply and, in November 1992, I was named Vice President - Energy  
17 Supply assuming responsibility for natural gas supply as well as the  
18 electric power supply. In February 2003, I was named Executive Vice  
19 President. I became President of Montana-Dakota in July 2003 and  
20 became President and CEO in November 2004.

21           I am a Registered Professional Engineer in North Dakota and  
22 Montana. I also have been involved with the activities of the Electric  
23 Power Research Institute, the Edison Electric Institute, the University of

1 North Dakota Energy & Environmental Research Center, and the  
2 American Gas Association.

3 Q. Have you testified before this Commission and other state regulatory  
4 bodies?

5 A. Yes. I previously testified before the Minnesota Public Utilities  
6 Commission and the Montana Public Service Commission and submitted  
7 written testimony before this Commission, the Montana Public Service  
8 Commission, the Minnesota, Oregon and South Dakota Public Utilities  
9 Commissions and the Washington Utilities and Transportation  
10 Commission.

11 Q. What is the purpose of your testimony?

12 A. The purpose of my testimony is to provide an overview of Montana-  
13 Dakota's electric operations, explain the Company's request for an  
14 Advance Determination of Prudence of Montana-Dakota's participation  
15 and ownership interest in the Big Stone II Generating Station and  
16 introduce Company witnesses that will present testimony and exhibits in  
17 further support of the Company's request.

18 Q. Would you briefly describe Montana-Dakota's electric operations?

19 A. Yes. Montana-Dakota provides electric retail service to  
20 approximately 120,000 customers in portions of Montana, North Dakota,  
21 South Dakota and Wyoming. The electric operations in Montana, North  
22 Dakota and South Dakota are operationally interconnected and served by  
23 common generation resources. The interconnected system, commonly

1 referred to as the Company's Integrated System, consists of 366 MW of  
2 baseload coal generation from five units and 110 MW of gas or gas- and  
3 oil-fired combustion turbines for peaking requirements. Power is delivered  
4 over Company owned transmission lines, as well as lines owned by the  
5 Western Area Power Administration (Western) under long-term  
6 agreements. Montana-Dakota is also a member of the Midwest  
7 Independent Transmission System Operator (Midwest ISO) and a  
8 participant in the Midwest ISO market.

9 The Company's Wyoming electric operation is not interconnected  
10 with the Company's other three jurisdictions and operates independently  
11 from the Integrated System. The Wyoming service area is supplied by  
12 wholesale power purchased from Black Hills Power, Inc.

13 Q. Please briefly describe the Big Stone II project.

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

1 of the facility is provided in the direct testimony of Mr. Mark Rolfes, Otter  
2 Tail Power Company, Project Manager for the Big Stone Unit II Project.

3 Q. Why did the Company choose to participate in the Big Stone II project?

4 A. On October 31, 2006, a contract with Basin Electric Power  
5 Company (Basin) for 66.4 MW of baseload energy and capacity from their  
6 Antelope Valley Station Unit II (AVS-2) expired. The Company has been  
7 exploring various avenues for acquiring energy and capacity to replace the  
8 loss of the AVS-2 contract and also to be able to continue to reliably and  
9 economically meet the growing energy and capacity needs of our electric  
10 customers. The alternatives explored are further explained in the direct  
11 testimonies of Ms. Andrea Stomberg, Montana-Dakota's Vice President of  
12 Electric Supply and Mr. Duane Steen, Montana-Dakota's Director of New  
13 Generation Development.

14 As will be evidenced in this Application, Big Stone II is the best  
15 overall resource option for Montana-Dakota's electric customers.

16 Q. Why has Montana-Dakota filed this Request for Prudence?

17 A. In 2005, the North Dakota Legislature passed into law Section 49-  
18 05-16 of the North Dakota Century Code for Advance Determination of  
19 Prudence. The North Dakota Prudence Law allows a public utility  
20 proposing to construct an energy conversion facility for the purpose of  
21 ensuring reliable electric service to its customers to file an application with  
22 the Public Service Commission for an advance determination of prudence,  
23 or reasonableness, regarding the proposed facility.

1           In essence, the North Dakota law provides the Commission and  
2 utilities a tool to review, and ultimately agree to, the construction of an  
3 energy conversion facility prior to the completion of the project and/or the  
4 utility's rate application requesting cost recovery of the generating facility.  
5 Utilities are provided with a level of regulatory certainty that was not  
6 present prior to passage of Section 49-05-16 of the North Dakota Century  
7 Code. This certainty is critical when considering a project of this  
8 magnitude with a planning horizon spanning eight to ten years.

9           While the participating companies continue to investigate options  
10 surrounding the facility itself, the Big Stone II participants will be called  
11 upon to financially commit their intent to proceed with construction of the  
12 generation unit in June 2007. An affirmative decision from this  
13 Commission regarding the prudence of Montana-Dakota's participation in  
14 the Big Stone II project will allow Montana-Dakota to move forward with  
15 the development of the Big Stone II project in order to bring long term  
16 reliability and price stability to its customers. Absent a determination of  
17 prudence, Montana-Dakota may be left with shorter term resource  
18 solutions in meeting its customers' needs that will unnecessarily subject  
19 customers to increased costs and price volatility.

20           Montana-Dakota requests the Commission determine the  
21 Company's participation in the construction and ownership of the Big  
22 Stone Unit II generating station to be reasonable and prudent for serving  
23 the long term needs of its customers.

1 Q. Is the Company requesting a change in its North Dakota electric rates and  
2 conditions of service in this Application?

3 A. No. The Company is not requesting a change in its North Dakota  
4 electric rates and conditions of service at this time. The Company is only  
5 requesting that the Commission determine the construction of the Big  
6 Stone Unit II generating station to be reasonable and prudent in order to  
7 provide the basis for future rate stability proposals the Company will  
8 present to the Commission.

9 Q. Mr. Imsdahl, did you authorize the filing of this application?

10 A. Yes, I did.

11 Q. Will you please identify the other witnesses who will testify on behalf of  
12 Montana-Dakota in this proceeding?

13 A. Yes. Following is a list of witnesses that will provide testimony  
14 and/or exhibits in support of the Company's application:

- 15 • Ms. Andrea L. Stomberg, Vice President of Electric Supply for  
16 Montana-Dakota will testify regarding the Company's power supply  
17 and related activities, in addition to why the Company chose to  
18 participate in the development of Big Stone II.
- 19 • Mr. Duane O. Steen, Director of New Generation Development for  
20 Montana-Dakota will testify on the Company's investigation and  
21 efforts into baseload power supply options and why the Company  
22 chose to participate in the development of Big Stone II.

- 1                   • Mr. James A. Heidell, a Managing Consultant at PA Consulting  
2                   Group, Inc. will testify regarding the expansion analysis performed  
3                   by PA Consulting Group, Inc. using the Strategist optimization  
4                   model.
- 5                   • Mr. Mark Rolfes, Project Manager for the Big Stone Unit II Project,  
6                   employed by Otter Tail Corporation d/b/a/ Otter Tail Power  
7                   Company, will provide an overview of the Big Stone Unit II plant  
8                   and address the various generation technologies that were  
9                   considered before selecting a supercritical pulverized coal plant.
- 10                  • Mr. Timothy J. Rogelstad, Manager of Delivery Planning for Otter  
11                  Tail Power Company will testify regarding the transmission  
12                  requirements associated with the Big Stone II project.
- 13                  • Mr. Kermit E. Trout, Vice President – Senior Project Manager for  
14                  Black & Veatch Corporation will summarize the July 2006 Big Stone  
15                  Unit II project cost estimate and provide the basis for the cost  
16                  estimate.
- 17                  • Mr. Robert Brautovich, Assistant Vice President Coal Marketing  
18                  West, BNSF Railway Company will testify regarding coal supply  
19                  and transportation to the Big Stone II plant.
- 20                  • Ms. Rita Mulkern, Regulatory Analysis Manager for Montana-  
21                  Dakota, will testify on the estimated cost of the Big Stone II addition  
22                  to customers.

1 Q. Does this complete your direct testimony?

2 A. Yes it does.