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March 24, 2009

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PUBLIC SERVICE COMMISSION

Reply to Fergus Falls office  
Direct: 218-998-7152

Mr. Darrell Nitschke  
Executive Secretary  
North Dakota Public Service Commission  
State Capitol  
600 East Boulevard, Department 408  
Bismarck, ND 58505-0480

*Via E-Filing  
and UPS Overnight Mail*

RE: 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

Dear Mr. Nitschke:

Please accept for filing the enclosed Report for the Big Stone II Project, Pursuant to Ordering  
Clause 6 of the Commission's Order of August 27, 2008.

An original and seven copies of the Report are being sent via UPS overnight mail to your attention  
for filing.

Sincerely,

Mark B. Bring  
Associate General Counsel  
MBB:nlo

Enclosures

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**Second Quarterly Report**

Otter Tail Corporation  
Mark Bring, Associate General Counsel

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**Second Quarterly Report**

Otter Tail Corporation  
Mark Bring, Associate General Counsel

Nasdaq: OTTR

**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**

**Second Quarterly Report for the  
Big Stone II Project**

**April 1, 2009 Quarter**

**Pursuant to Ordering Clause 6  
of the Commission's Order  
of August 27, 2008**

The Commission's Order of August 27, 2008, required the Applicants to advise the Commission quarterly, beginning January 1, 2009, of the progress in obtaining all necessary approvals, permits, and licenses from other regulatory bodies and of the anticipated date of commencement of construction.

At this time, the Big Stone II Project has received the following permits from the State of South Dakota:

South Dakota Energy Conversion Facility Permit  
South Dakota Permit to Construct Transmission Facilities  
South Dakota Surface Water Appropriations Permit  
South Dakota Groundwater Appropriations Permit  
South Dakota Prevention of Significant Deterioration Air Quality Preconstruction (PSD) Permit for Big Stone II

The South Dakota Energy Conversion Facility Permit was appealed to the South Dakota Circuit Court and the South Dakota Supreme Court. Both courts affirmed the decision of the South Dakota Public Utilities Commission.

With the exception of the PSD Permit, all of the remaining above-referenced permits are beyond the appeal period.

On November 20, 2008, the South Dakota Board of Minerals and Environment (BME) unanimously approved the Big Stone II participating utilities' application for a PSD permit for Big Stone II and a proposed Title V Operating Permit for the Big Stone site. A PSD permit is a pre-construction permit designed to protect air quality. Joint petitioners Sierra Club and Clean Water Action have appealed the administrative decision on the PSD permit to the Circuit Court of Hughes County. The appeal is currently pending before the court. The issuance of the Title V permit is subject to review by the U.S. Environmental Protection Agency (EPA). On January 22, 2009, the EPA filed a formal objection to the proposed Title V permit. The South Dakota Department of Environment and Natural Resources (DENR) has revised and submitted a proposed permit in response to the EPA's objection.

EPA's objection with the DENR identified three general areas of concern with the draft Title V Permit. Under the provisions of the Clean Air Act, the DENR has 90 days to correct the deficiencies in the permit. The DENR revised the draft Title V Permit and made the revised draft permit available for public comment for a 30-day period beginning on February 11, 2009. The BME has scheduled a two-day public hearing to consider the revised draft Title V Permit commencing at 10:00 a.m. on April 20, 2009, in Pierre, South Dakota. If the BME approves the revised draft permit, the EPA will again have a 45-day review period before the permit would become final.

Two additional permit proceedings are underway: a consolidated case docket for the Certificate of Need (CON) and Route Permit for transmission facilities located in Minnesota, and the Federal Environmental Impact Statement (EIS).

The Minnesota Public Utilities Commission (MPUC) heard final oral arguments on the CON and Route Permit on January 13, 2009. Deliberation and decision occurred on January 15, 2009. In

a unanimous decision, the MPUC approved both the CON and Route Permit, subject to a variety of conditions.

On March 17, 2009, the MPUC issued its written orders on the CON and Route Permit. While not included as conditions on the CON, the MPUC put Otter Tail on notice of the MPUC's present intention to shield Otter Tail's Minnesota ratepayers from bearing any construction costs exceeding the \$2600-\$3000/kW range and carbon dioxide regulation costs exceeding \$26/ton, adjusted as appropriate for the passage of time, including inflation.

The parties have 20 days in which to request reconsideration or clarification of the MPUC's written CON order.

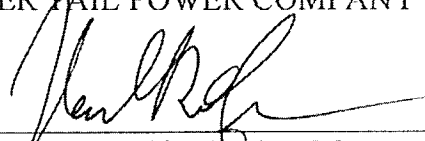
The EIS process led by the Western Area Power Administration (Western) continues to advance deliberately. Western and its third party subcontractor continue to develop the Final EIS, which will include comments on the Draft EIS and the Supplemental Draft EIS, and responses to those comments. Western will develop a Record of Decision (ROD) following internal review and approval of the Final EIS. It is anticipated that publication of the ROD in the *Federal Register* will occur during the second quarter 2009.

The anticipated date of commencement of construction is late summer 2010. This is subject to completion of permitting and the absence of a stay on the effect of any appealed permit.

Dated this 20~~th~~ day of March 2009.

OTTER TAIL CORPORATION, DBA  
OTTER TAIL POWER COMPANY

By: \_\_\_\_\_



Mark Rolfes, Project Manager