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September 22, 2009

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Reply to Fergus Falls office  
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**PUBLIC SERVICE COMMISSION**

Mr. Darrell Nitschke  
Director of Administration/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 Fourth Quarterly 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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**Fourth Quarterly Report**

**361 PU-06-481** Filed: 9/22/2009 Pages: 4  
**Fourth Quarterly Report**

Otter Tail Corporation  
Mark Bring, Associate General Counsel

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**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**

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

**October 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 Construction ("PSD") Permit for Big Stone II
- South Dakota Title V Air Quality Permit and Acid Rain Permit for the Big Stone Plant site

The South Dakota Energy Conversion Facility Permit was appealed to the South Dakota Circuit Court (Sixth Judicial District) and the South Dakota Supreme Court. Both courts affirmed the decision of the South Dakota Public Utilities Commission. The Title V Air Quality Permit and Acid Rain permit, and the PSD Permit were appealed to the South Dakota Circuit Court (Sixth Judicial District), but the appeal was dismissed with prejudice on July 22, 2009. On August 3, 2009 the Sierra Club and Clean Water Action petitioned the Administrator of the EPA to object to the Title V Permit issued by the South Dakota Department of Environment and Natural Resources to the Big Stone Power Plant.

The Minnesota Public Utilities Commission ("MPUC") on March 17, 2009 issued its written order for the Certificate of Need and the Route Permit for the transmission facilities needed for the project. On May 6, 2009, MPUC denied requests for reconsideration/clarification of the MPUC decision. This action concluded the Certificate of Need process before the MPUC.

The Joint Interveners filed an appeal of the Certificate of Need issuance with the Minnesota Court of Appeals on June 5, 2009.

The federal Environmental Impact Statement ("EIS") process concluded with Western Area Power Administration's publication of its Record of Decision (ROD) in the *Federal Register* on August 24, 2009, completing the five-year EIS process

With the publication of the ROD for the EIS in the *Federal Register* the Big Stone II Project has all necessary major permits needed in order to begin construction, although some of the permits are under appeal or subject to agency challenge by interested parties.


On September 11, 2009, the Big Stone II Project co-owners met for the purposes of taking a continuation vote required under the project agreements. At this meeting, Applicant Otter Tail provided notice of withdrawal from the project, while the remaining co-owners voted to continue the project. Montana-Dakota, as well as the other remaining participants, intend to move forward with the project if new participants are secured to join the project. Other potential new participants have expressed interest in joining the project and exploratory discussions are

underway. The remaining participants have tentatively set an end of November 2009 deadline to determine whether they will be in a position to continue with the project.

The anticipated date of commencement of construction is third quarter 2011. This is subject to the addition of new participants and appropriate approvals.

Dated this 21 day of September 2009.

OTTER TAIL POWER COMPANY

By:   
Mark Rolfes, Project Manager