



**MONTANA-DAKOTA**

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

**ORIGINAL**

December 2, 2009

**RECEIVED**

DEC 02 2009

**PUBLIC SERVICE COMMISSION**

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

Re: Application for Determination of Prudence  
Case No. PU-09-\_\_\_\_

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 a determination that Montana-Dakota's continued participation in the Big Stone II Generating Station is no longer prudent. 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.

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  
Associate General Counsel  
MDU Resources Group, Inc.  
P. O. Box 5650  
Bismarck, ND 58506-5650

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,

Donald R. Ball  
Vice President – Regulatory Affairs

Attachments

Cc: Derrick L. Braaten, Attorney at Law

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**Application for Determination that Participation in Big Stone II is No Longer Prudent**

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.  
Donald Ball, VP – Regulatory Affairs

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 a Determination of Prudence to )      Case No. PU-09-\_\_\_\_  
Discontinue Participation in the Big )  
Stone II Generating Station )  
)

\* \* \* \*

APPLICATION

COMES NOW, Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., and respectfully submits this Application for a Determination that Montana-Dakota's participation in the Big Stone II Generating Station is no longer prudent.

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.

By application dated November 15, 2006, Montana-Dakota filed an application under North Dakota Century Code Section 49-05-16 for advance determination of prudence for its participation and ownership, along with six other utilities, in the Big Stone II energy conversion facility and associated transmission for the purpose of providing electric service to its customers. The facility was proposed to be a 630 MW pulverized coal facility located adjacent to the existing Big Stone Plant in Big Stone City, South Dakota. Montana-Dakota would own 19.33% of Big Stone II. The remainder was to be owned by Otter Tail Power Company (Otter Tail), Great River Energy, Western Minnesota Municipal Power Agency, Central Minnesota Municipal Power Agency, Southern Minnesota Municipal Power Agency, and Heartland Consumers Power District. Great River Energy and Southern Minnesota Municipal Power Agency subsequently withdrew as participants in the Big Stone II project. On October 4, 2007 Montana-Dakota and Otter Tail requested authority to supplement the record in the case given the withdrawal of Great River Energy and Southern Minnesota Municipal Power Agency from the project. Supplemental Direct Testimony in support of their application for a 500 MW facility was filed on March 10, 2008.

V.

On August 27, 2008, the Public Service Commission issued Findings of Fact, Conclusions of Law, and Order in Case Nos. PU-06-481 and PU-06-482 in which it approved Montana-Dakota's request for advance determination of prudence for

ownership in the proposed Big Stone II project for a minimum of 121.8 MW up to a maximum of 133 MW and a proportionate ownership share of the associated transmission electric resource additions.

VI.

On August 19, 2009, the South Central Judicial District Court, Honorable Sonna M. Anderson, on an appeal by the Dakota Resource Council and Mark Trechock, affirmed the order of the Public Service Commission.

VII.

The Commission's order was based on an updated analysis by the potential Big Stone II owners for the cost of a 500 MW or 580 MW facility with an on-line date of mid-2013.

VIII.

On September 11, 2009, Otter Power Company elected to withdraw as an owner and operator of the Big Stone II project. The remaining project participants, including Montana-Dakota, sought but were unable to obtain commitments from new project participants largely because of regulatory, legislative and environmental concerns affecting the project as well the economic downturn.

IX.

On November 2, 2009, Montana-Dakota and the remaining project participants determined it was no longer feasible to continue the development of Big Stone II project at a size and cost that would be economically efficient.

X.

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.

XI.


This application is supported by the affidavit of Andrea L. Stomberg, Vice President- Electric Supply of Montana-Dakota.

XII.

Montana-Dakota requests that the Commission hold a formal or informal hearing on this application and issue its order that continuation of the Big Stone II project by Montana-Dakota is no longer prudent.

Dated this 2<sup>nd</sup> day of December, 2009.

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

By:   
Donald R. Ball  
Vice President – Regulatory Affairs

In the Matter of the Application of )  
MONTANA-DAKOTA UTILITIES CO., a )  
Division of MDU Resources Group, Inc., for a )  
Determination of Prudence to Discontinue )  
Participation in the Big Stone II Generating ) Case No. PU-09-\_\_\_\_  
Station )  
)


**AFFIDAVIT OF ANDREA L. STOMBERG**

Andrea L. Stomberg, being first duly sworn, states as follows:

1. I am the Vice President- Electric Supply of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (Montana-Dakota). In that capacity I have had primary responsibility for Montana-Dakota's participation in the Big Stone II electric generation project (Project). I was also the Company's representative on the Project's Engineering and Operating Committee which was given responsibility for oversight of the Project's development, construction and operation.
2. The Big Stone II project under Montana-Dakota's original prudence request was planned to meet the reasonably anticipated electric generation needs of seven utilities. The original project participants were Central Minnesota Municipal Power Agency, Great River Energy, Heartland Consumers Power District, Montana-Dakota, Otter Tail Power Company (Otter Tail), Southern Minnesota Municipal Power Agency, and Western Minnesota Municipal Power Agency. To meet the anticipated needs of these project participants, the Big Stone II plant was expected to be approximately 600 to 630 MW in size. Otter Tail was charged with the role of Project Operator and as such had primary responsibility for day to day project development activities.
3. Preliminary design and cost estimates for a plant size of approximately 630 MW were obtained for the project participants to use in their modeling and planning processes. Environmental and other plant permitting was undertaken using the same preliminary plant design characteristics. Montana-Dakota's intended ownership share of the plant was to be 19.33 percent or approximately 121.8 megawatts of a 630 MW plant.
4. In the fall of 2007, Great River Energy and Southern Minnesota Municipal Power Agency withdrew from the project. Combined, the ownership interest of these participants was intended to be 27.166 percent or approximately 171 megawatts of a 630 MW plant. The withdrawal of these participants resulted in a deficiency of subscribed megawatts to support the original plant size, design, costs and permitting.

5. The remaining Big Stone II project participants determined that a 500 to 580 MW plant size would support the existing permits. Revised modeling and planning by the participants supported the cost effectiveness of a plant of this size.
6. Montana-Dakota and the remaining Big Stone II project participants pursued additional participants to continue the development of a generating facility of this size.
7. On September 11, 2009, Otter Tail Power Company withdrew from the project, leaving a greater deficiency. Otter Tail's original intended ownership interest was 19.333 percent or 122 MW of a 630 MW plant. Otter Tail also withdrew from its role as project operator. The intended ownership interest of the remaining participants was only 53.5 percent or 337 MW of the original 630 MW project.
8. Montana-Dakota and the remaining Big Stone II project participants attempted but were unable to secure commitments for new participants in the Big Stone II project within a reasonable time frame to meet the existing permits and of sufficient magnitude to support the economic assumptions of the project participants.
9. Resizing, redesigning and repermitting the plant would have resulted in an anticipated commercial date that would not support the needs of the project participants.
10. Because the project could not obtain sufficient participation to support a project within the design and permit scope of the Big Stone II project, Montana-Dakota determined that continuation of the Big Stone Project was no longer prudent.

Dated this 2<sup>nd</sup> day of December, 2009.

  
Andrea L. Stomberg  
Vice President- Electric Supply  
Montana-Dakota Utilities Co.

