

**BEFORE THE
PUBLIC SERVICE COMMISSION OF THE STATE OF NORTH DAKOTA**

MONTANA-DAKOTA UTILITIES CO.,)
A DIVISION OF MDU RESOURCES)
GROUP, INC.)
APPLICATION FOR ADVANCE)
DETERMINATION OF PRUDENCE)
BIG STONE AIR QUALITY CONTROL)
SYSTEM PROJECT)

DOCKET NO. PU-11-163

OTTER TAIL POWER COMPANY)
APPLICATION FOR ADVANCE)
DETERMINATION OF PRUDENCE)
BIG STONE AIR QUALITY CONTROL)
SYSTEM PROJECT)

DOCKET NO. PU-11-165

REBUTTAL TESTIMONY

WARD L. UGGERUD

ON BEHALF OF

OTTER TAIL POWER COMPANY

November 8, 2011

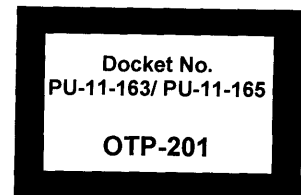


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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ward Uggerud. My business address is Otter Tail Power Company, 215 South Cascade Street, Fergus Falls, Minnesota, 56538-0496.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am the Senior Vice President for Otter Tail Power Company ("Otter Tail" or the "Company").

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND CURRENT RESPONSIBILITIES.

A. I am a 1971 graduate of North Dakota State University and have a degree in electrical engineering. I began working for Otter Tail in 1971 as an engineer in the Engineering Computer Services Department, where I worked on engineering software applications for our system operations. From 1974-1978, I worked on transmission, substation and protective relaying activities as an engineer in our System Engineering Department. From 1979-1988, I was the Manager of the System Operations Department. From 1988 to the present, I have been an Executive Officer supervising our Generation, Environmental Engineering and Wholesale marketing activities. I am currently Senior Vice President for Otter Tail. During my career, I have also served in various positions with the Mid-Continent Area Power Pool ("MAPP") and with the North American Electric Reliability Council (now the North American Electric Reliability Corporation) ("NERC"), including as Chairman of the Operating Committees of both organizations.

1 Q. FOR WHOM ARE YOU PROVIDING TESTIMONY?

2 A. I am providing testimony on behalf of Otter Tail.

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II. PURPOSE OF TESTIMONY

5 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

6 A. I am responding to the testimony of Richard S. Hahn regarding proposed
7 conditions on the Advance Determination of Prudence (“ADP”) and potential
8 alternatives to the Big Stone Air Quality Control System (“AQCS”).

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III. PROPOSED CONDITIONS

11 Q. WHAT IS YOUR GENERAL REACTION TO MR. HAHN’S TESTIMONY?

12 A. Mr. Hahn and the Applicants agree on the ultimate issue: the proposed AQCS
13 project is the “preferred option.” There may be differences regarding the
14 economic analysis that compares the proposed AQCS project and the alternatives
15 – especially the inputs used in that analysis – but Mr. Hahn and the Applicants
16 agree the Commission should issue the ADP.

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19 Q. DOES OTTER TAIL AGREE WITH MR. HAHN’S PROPOSAL ON PAGE
20 FOUR OF HIS TESTIMONY THAT A CONDITION SHOULD BE
21 ATTACHED THAT LIMITS THE COVERAGE OF THE ADP TO “FINAL
22 ACTUAL COSTS WITHIN 10% OF THE COSTS ESTIMATED BY THE
23 COMPANIES IN ITS APPLICATION INCLUDING ESCALATION, AFDUC,
24 AND FINANCING COSTS?”

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1 A. Otter Tail has no objection to this condition. As Otter Tail understands the
2 recommendation, the cost cap applies to overall project costs, so in effect the
3 ADP will cover costs up to \$585 million. Otter Tail also understands the cost cap
4 does not prevent the Company from seeking recovery for costs associated with the
5 AQCS in excess of \$585 million, provided the Company can demonstrate such
6 costs are prudent. Otter Tail further understands this condition will not prevent
7 the Company from seeking recovery of costs associated with the implementation
8 of the AQCS prior to the completion of the project.

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10 Q. DOES OTTER TAIL AGREE WITH MR. HAHN'S PROPOSAL THAT A
11 CONDITION SHOULD BE ATTACHED THAT PROVIDES THE ADP IS
12 EFFECTIVE ONLY IF THE U.S. EPA APPROVES THE SOUTH DAKOTA
13 REGIONAL HAZE STATE IMPLEMENTATION PLAN ("SIP") IN "THE
14 SAME FORM AS CURRENTLY PROPOSED"?

15 A. Provided this condition does not delay the issuance of the ADP, Otter Tail has no
16 objection.

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18 Q. DOES OTTER TAIL AGREE WITH MR. HAHN'S RECOMMENDATION
19 THAT THE COMPANIES PROVIDE PERIODIC REPORTS TO THE
20 COMMISSION?

21 A. Yes, Otter Tail supports an ADP condition that would require periodic reports on
22 the status of project costs and EPA's review of the South Dakota Regional Haze
23 SIP.

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1 Q. MR. HAHN RECOMMENDS ON PAGE 34 THAT THE PROPOSED
2 ACTIVATED CARBON INJECTION (“ACI”) SYSTEM FOR MERCURY
3 CONTROL SHOULD NOT BE INCLUDED IN THE ADP. WHAT IS OTTER
4 TAIL’S RESPONSE?

5 A. Otter Tail would support a conditional ADP approval of the ACI system subject
6 to finalization of the utility MACT rule by the EPA.
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8 **IV. ALTERNATIVES TO THE BIG STONE PLANT WITH THE AQCS**

9 Q. MR. HAHN SUGGESTS AN ALTERNATIVE TO THE PROPOSED PROJECT
10 SHOULD INCLUDE MARKET PURCHASES. DO YOU AGREE?

11 A. No. Otter Tail did not evaluate an alternative involving market purchases because
12 greater reliance on the market would expose our customers to an unreasonable
13 risk of price volatility, as Mr. Hahn concludes on page 29 of his testimony. Otter
14 Tail is also aware that members of the Commissions in the states we serve (North
15 Dakota, South Dakota and Minnesota) are concerned about market risk. Given
16 the importance of the Big Stone Plant as a baseload generation resource, Otter
17 Tail did not propose replacing it with more market purchases that carry greater
18 price volatility risk.
19

20 **V. CONCLUSION**

21 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

22 A. Yes, it does.
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