

STATE OF NORTH DAKOTA  
BEFORE THE  
NORTH DAKOTA PUBLIC SERVICE COMMISSION

IN THE MATTER OF OTTER TAIL POWER  
COMPANY'S APPLICATION FOR AN ADVANCE  
DETERMINATION OF PRUDENCE FOR ITS BIG  
STONE AIR QUALITY CONTROL SYSTEM  
PROJECT

CASE No. PU-11-\_\_\_\_\_

APPLICATION FOR AN ADVANCE DETERMINATION  
OF PRUDENCE

PUBLIC DOCUMENTS - TRADE SECRET - PRIVATE  
DATA HAS BEEN EXCISED

May 20, 2011

Docket No.  
PU-11-163/ PU-11-165

OTP-202

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OF THE STATE OF NORTH DAKOTA

IN THE MATTER OF OTTER TAIL POWER )  
COMPANY'S APPLICATION FOR AN )  
ADVANCE DETERMINATION OF PRUDENCE )  
FOR ITS BIG STONE AIR QUALITY CONTROL )  
SYSTEM PROJECT )

CASE No. PU-11-\_\_\_\_

APPLICATION FOR AN ADVANCE  
DETERMINATION OF PRUDENCE

Otter Tail Power Company (Otter Tail or Applicant), makes this Application pursuant to NDCC § 49-05-16 and NDAC § 69-02-02-04, for an advance determination that the addition of the air quality control system (AQCS) at the Big Stone Generating Station, to comply with the Federal Clean Air Act and the South Dakota Regional Haze Implementation Plan (SD Haze SIP), is reasonable and prudent.

I.

That Applicant's full name and post office address are:

Otter Tail Power Company  
215 South Cascade Street  
P.O. Box 496  
Fergus Falls, MN 56538-0496

II.

That Applicant is a Minnesota corporation duly authorized to do business in the State of North Dakota as a foreign corporation, and that it is doing business in the State of North Dakota

as a public utility subject to the jurisdiction of and regulation by the North Dakota Public Service Commission (Commission) under NDCC Title 49 as amended.

### III.

Applicant's Certificate of Incorporation and Amendments thereto have been previously filed with the Commission. Such Certificate and Amendments are hereby incorporated by reference, as though fully set forth herein. A Certificate of Good Standing is attached.

### IV.

That the Big Stone Generating Plant (Big Stone or Plant) is a 475 megawatt (MW) coal-fired power plant located near Milbank, South Dakota. The Plant became operational in 1975 and burns low sulfur sub-bituminous coal using a cyclone-fired boiler. Big Stone is jointly owned by three utilities: Otter Tail (53.9%), NorthWestern Energy (23.4 %), and Montana-Dakota (22.7 %).

### V.

That the SD Haze SIP and its implementing rules provide that the Big Stone AQCS be installed, operated and shown to comply as expeditiously as practicable but not later than five years from the United States Environmental Protection Agency's (EPA) approval of the SD Haze SIP submitted to the EPA on January 21, 2011 by the South Dakota Department of Environment and Natural Resources. As a result, if EPA approves the SD Haze SIP in 2011, the Big Stone AQCS must be installed and operational by 2016. To be in compliance by 2016, the AQCS Project design must be finalized and procurement of major elements of the AQCS must be initiated in early 2012. That the estimate of the capital costs to install the AQCS Project at Big Stone is \$489,397,400.00 (2015 dollars), +/-20%.

## VI.

The EPA recently proposed National Emissions Standards for Hazardous Air Pollutants (HAPs) for Coal-Fired Utilities which would require mercury emissions reductions at the Plant. The rule was proposed on March 16, 2011, and is projected to be final by November 16, 2011. The compliance timeline of the proposed rule requires coal-fired utilities to install mercury controls to comply with the rule's established mercury emission limits by early 2015. The Co-Owners are recommending installation of the mercury control equipment at the time of the AQCS project as the requirement to control mercury emissions is anticipated within the time frame of the AQCS project. Installation of mercury control equipment on the Plant is estimated to cost an additional \$5,012,700. Otter Tail's share of the total estimated cost of the AQCS Project including installation of mercury control equipment is approximately \$266 million (2015 dollars).

## VII.

The Exhibits attached hereto and Otter Tail's Integrated Resource Plan submitted to the Commission on June 25, 2010 (Case No. PU-10-346) with results presented at a Periodic Information Exchange meeting on July 23, 2010, demonstrate the Big Stone AQCS project (and additional mercury control anticipated to be required by March 16, 2011 proposed rule relating to HAPs) is a prudent course of action and the most cost effective option to allow the continued operation of the Big Stone plant beyond 2016. Montana-Dakota is filing a similar application for advance determination of prudence with respect to its participation in the AQCS project as a Co-Owner of the Big Stone Plant. Exhibits 1-3 attached hereto represent exhibits jointly filed by Otter Tail and Montana-Dakota in support of the AQCS project.

VIII.

That the following list of exhibits is attached hereto in support of the Application. A Verification is provided for Joint Exhibits 1-3.

- Joint Exhibit 1- Detailed description of the Big Stone Air Quality Control System Project verified by Mr. Mark Rolfes, Manager, Generation Development.
- Joint Exhibit 2 - Reasonableness of the Big Stone AQCS Project verified by Mr. Mark Rolfes, Manager, Generation Development.
- Joint Exhibit 3 – Assessment of Financial and Operational Impacts of Pending Environmental Regulations to the Big Stone Plant verified by Mr. Mark Rolfes, Manager, Generation Development.

IX.

That Applicant believes it is in the public interest that Applicant be granted an Advance Determination of Prudence to proceed with the installation of the AQCS project (including mercury control anticipated to be required by March 16, 2011 proposed rule relating to HAPs) as more fully described in Exhibit 1, in the time frame required to meet the SD Haze SIP requirements.

WHEREFORE, Applicant respectfully requests that the Commission:

1. Issue Notice of Opportunity for hearing to interested parties and, if no hearing is requested within twenty days, to waive the hearing in accordance with subsection 5 of NDCC §49-02-02;
2. Issue an order determining that the design and installation of the Big Stone AQCS project (including mercury control anticipated to be required by the March 16, 2011 proposed rule relating to HAPs) is reasonable and prudent; and

3. Grant such other relief as the Commission shall deem appropriate.

Dated this 20<sup>th</sup> day of May 2011.

OTTER TAIL POWER COMPANY

BY /s/ MARK ROLFES

Mark Rolfes  
Manager Generation Development  
215 South Cascade Street, PO Box 496  
Fergus Falls, MN 56538-0496  
Telephone No. (218) 739-8648

Subscribed and sworn to before me  
this 20th day of May 2011.

/s/ WENDI A. OLSON

Otter Tail County, Minnesota  
My Commission Expires: 01/31/2015

Of Counsel:

Mark Bring  
Associate General Counsel  
Otter Tail Corporation  
215 South Cascade Street, PO Box 496  
Fergus Falls, MN 56538-0496  
Telephone No. (218) 998-7152

# *State of North Dakota*

## SECRETARY OF STATE



### CERTIFICATE OF GOOD STANDING OF

### OTTER TAIL POWER COMPANY

The undersigned, as Secretary of State of the State of North Dakota, hereby certifies that OTTER TAIL POWER COMPANY, a Minnesota corporation, authorized to transact business in the State of North Dakota on February 24, 1914, and according to the records of this office as of this date, has paid all fees due this office as required by North Dakota statutes governing foreign corporations.

**ACCORDINGLY** the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Good Standing to

### OTTER TAIL POWER COMPANY

Issued: May 18, 2011

A handwritten signature in cursive script, reading "Alvin A. Jaeger".

Alvin A. Jaeger  
Secretary of State

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)

VERIFICATION

STATE OF MINNESOTA )  
) ss.  
COUNTY OF OTTER TAIL )

MARK ROLFES, being first duly sworn on oath, deposes and says that he is the Manager of Generation Development for Otter Tail Power Company, operating agent for the Big Stone Generating Station; that: Joint Exhibit 1 - The Big Stone Air Quality Control System Project, Joint Exhibit 2 - Reasonableness of Big Stone AQCS Project, and Joint Exhibit 3 - Assessment of Financial and Operational Impacts of Pending Environmental Regulations to the Big Stone Plant, were prepared under his direction; that he knows and verifies the contents thereof, and that the same are true and correct to the best of his knowledge and belief.

Dated this 18th day of May 2011.

/s/ MARK ROLFES  
MARK ROLFES

Subscribed and sworn to before  
me this 18<sup>th</sup> day of May, 2011.

/s/ WENDI A. OLSON  
Notary Public  
My Commission Expires: 1-31-2015