

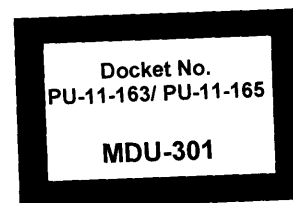
**BEFORE THE  
PUBLIC SERVICE COMMISSION OF THE STATE OF NORTH DAKOTA**

MONTANA-DAKOTA UTILITIES CO., )  
A DIVISION OF MDU RESOURCES )  
GROUP, INC. ) DOCKET NO. PU-11-163  
APPLICATION FOR ADVANCE )  
DETERMINATION OF PRUDENCE )  
BIG STONE AIR QUALITY CONTROL )  
SYSTEM PROJECT )  
)  
)

OTTER TAIL POWER COMPANY )  
APPLICATION FOR ADVANCE ) DOCKET NO. PU-11-165  
DETERMINATION OF PRUDENCE )  
BIG STONE AIR QUALITY CONTROL )  
SYSTEM PROJECT )  
)  
)

REBUTTAL TESTIMONY  
OF  
ANDREA L. STOMBERG  
ON BEHALF OF  
MONTANA-DAKOTA UTILITIES CO.

November 8, 2011



1 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

2 A. Yes. My name is Andrea L. Stomberg, and my business address is 400 North  
3 Fourth Street, Bismarck, North Dakota 58501.

4

5 Q. WHAT IS YOUR POSITION WITH MONTANA-DAKOTA UTILITIES CO.?

6 A. I am the Vice President of Electric Supply for Montana-Dakota Utilities Co.  
7 (“Montana-Dakota”), a Division of MDU Resources Group, Inc.

8

9 Q. WHAT ARE YOUR RESPONSIBILITIES AS THE VICE PRESIDENT OF  
10 ELECTRIC SUPPLY?

11 A. My responsibilities include power production and transmission, system operations  
12 and planning, environmental, NERC compliance and electric dispatch.

13

14 Q. WOULD YOU PLEASE OUTLINE YOUR EDUCATIONAL AND  
15 PROFESSIONAL BACKGROUND?

16 A. I graduated from the University of Washington with a bachelor’s degree in  
17 Geology, from Oregon State University with a Master of Science degree in Soils,  
18 and from the University of Mary, Bismarck, with a masters in business  
19 management. I worked for the North American Coal Corporation for ten years in  
20 surface mine permitting, reclamation planning and oversight. I worked for  
21 Montana-Dakota for about 15 years in the environmental field prior to my current  
22 position.

23

1 Q. HAVE YOU TESTIFIED IN OTHER PROCEEDINGS BEFORE  
2 REGULATORY BODIES?

3 A. Yes, I have testified before this Commission and I have filed written testimony  
4 with the Montana Public Service Commission and the Minnesota and South  
5 Dakota Public Utilities Commissions.

6

7 Q. FOR WHOM ARE YOU PROVIDING TESTIMONY?

8 A. I am providing testimony on behalf of Montana-Dakota Utilities Co.

9

10 Q. DOES MONTANA-DAKOTA AGREE WITH MR. HAHN'S  
11 RECOMMENDATION THAT THE COMMISSION ISSUE AN ADVANCE  
12 DETERMINATION OF PRUDENCE CONDITIONAL ON THE EPA  
13 APPROVAL OF THE SOUTH DAKOTA STATE IMPLEMENTATION PLAN  
14 ("SIP") AS CURRENTLY CONFIGURED?

15 A. An advance determination of prudence conditional upon EPA approval of the  
16 South Dakota State Implementation Plan as currently proposed would be  
17 acceptable to Montana-Dakota. Issuance of a conditional determination would  
18 support continuance of preliminary work on the project, and provide project  
19 engineers and vendors with additional schedule assurance to help keep this  
20 complex project progressing pending EPA approval of the South Dakota SIP.  
21 Montana-Dakota would be very concerned, however, if the Commission adopted  
22 Mr. Hahn's alternative recommendation to delay issuance of an advance  
23 determination of prudence until after the EPA approval is issued.

24

1 Q. WHY WOULD A CONDITIONAL APPROVAL BE PREFERABLE TO  
2 SIMPLY A DELAY PENDING THE SIP APPROVAL?

3 A. Montana-Dakota would be concerned about a delay in the issuance of an advance  
4 determination of prudence. Not only is such a delay not contemplated under the  
5 advance determination of prudence statute, if the plant owners felt it necessary to  
6 suspend preliminary project work due to the perceived risk of non-recovery of  
7 expenditures, it could delay completion of the project for a period significantly  
8 longer than the time expected until issuance of the EPA approval. For instance,  
9 the tie-in of the equipment should be coordinated with other essential plant work  
10 and regional outages for economic efficiencies identified in the rebuttal testimony  
11 of Mr. Mark Rolfes.

12  
13 With a multi-faceted and complex project of this magnitude, it is unlikely that all  
14 regulatory, permitting and engineering tracts could ever be timed perfectly.  
15 However, knowing that the Commission has approved the project pending only  
16 the formal approval of the SIP provides a critical level of assurance for Montana-  
17 Dakota and Otter Tail as we continue to expend the funds needed to keep the  
18 project on track.

19  
20 Q. WHAT IS MONTANA-DAKOTA'S POSITION REGARDING THE  
21 ADDITIONAL RECOMMENDED CONDITIONS REGARDING PRUDENCE  
22 APPROVAL OF TOTAL PROJECT COSTS, EXCLUDING THE MERCURY  
23 PROJECT, OF \$585 MILLION AND SUBMITTAL OF PERIODIC PROJECT  
24 COST REPORTS?

25 A. Montana-Dakota does not object to providing periodic cost updates to the  
26 Commission; however, some clarification is necessary regarding the  
27 recommendation of approval based on current capital cost estimates. It is my

1 understanding that an advance determination of prudence is a determination that a  
2 project is needed and prudent for future rate making purposes based upon  
3 information reasonably available at the time of determination. Montana-Dakota,  
4 Otter Tail and Mr. Hahn have all concluded that the Big Stone AQCS is a needed  
5 and prudent project based on information reasonably available at this time. It is  
6 also my understanding that an advance determination of prudence is not a  
7 determination for ratemaking purposes that all costs actually incurred are  
8 reasonable nor does it establish the estimated project cost as either a cap or a floor  
9 for ratemaking purposes. Montana-Dakota would not object to conditions that  
10 clarify that actual costs, whether above or below estimated costs, are subject to  
11 review in a rate proceeding, nor to advising the Commission any time it becomes  
12 evident that project costs will materially exceed the estimate. Montana-Dakota  
13 would strongly disagree, however, with a recommendation that a project  
14 determined prudent in this proceeding could later be held imprudent if its capital  
15 costs exceeded the Company's best estimates of the capital costs of the project at  
16 the time of this proceeding.

17  
18 Q. WOULD AN ADVANCE DETERMINATION OF PRUDENCE ORDER THAT  
19 EXCLUDED THE CONTEMPLATED MERCURY CONTROLS BE  
20 ACCEPTABLE TO MONTANA-DAKOTA?

21 A. While I take some issue with Mr. Hahn's characterization of the operation of the  
22 North Dakota environmental externalities statute, an advance determination of  
23 prudence that conditioned the inclusion of the mercury controls upon the  
24 finalization of the mercury control requirement would be acceptable to Montana-  
25 Dakota. Montana-Dakota believes that there will be efficiencies gained with the  
26 installation of mercury controls concurrently with the AQCS that will overall  
27 reduce costs of the mercury control installation. Montana-Dakota would expect to

1 recover the costs for this equipment under the environmental tracker or with other  
2 appropriate regulatory filings.

3

4 Q. DOES THIS COMPLETE YOUR TESTIMONY?

5 A. Yes, it does.