

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 An Advance Determination of) Case No. PU-11-____
Prudence for the Big Stone Generating)
Station Air Quality Control System)
Project)

APPLICATION FOR AN ADVANCE
DETERMINATION OF PRUDENCE

COMES NOW, Montana-Dakota Utilities Co. (Montana-Dakota or Applicant), a Division of MDU Resources Group, Inc., the Applicant in the above-entitled proceeding, and makes this Application pursuant to NDCC Chapter 49-05-16, 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.

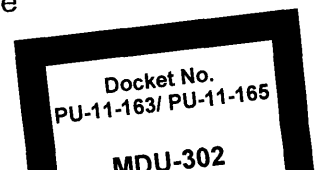
I.

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

Montana-Dakota Utilities Co.,
a Division of MDU Resources Group, Inc.,
400 North Fourth Street
Bismarck, North Dakota 58501

II.

That Applicant is a Division of MDU Resources Group, Inc., a Delaware 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.

That Applicant's Certificate of Incorporation and amendments thereto have been previously filed with the Commission and such Certificate and Amendments are hereby incorporated by reference as though fully set forth herein.

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 Power Company (OTP), NorthWestern Energy, and Montana-Dakota. Montana-Dakota holds a 22.7 percent ownership interest.

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 be initiated in early 2012. The estimate of the capital costs to install the AQCS Project at Big Stone is \$489,397,400 (2015 dollars), with an accuracy of +/-20 percent.

VI.

The EPA recently proposed National Emissions Standards for Hazardous Air Pollutants for Coal-Fired Utilities which requires mercury emissions reductions that would apply to 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 meet the rule's mercury emission limits by early 2015. The Co-Owners are recommending installation of the mercury control equipment at the same time as the AQCS project because the requirement to control mercury emissions is anticipated to be effective 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. Montana-Dakota's share of the total estimated cost of the AQCS Project including installation of mercury control equipment is approximately \$112 million (2015 dollars).

VII.

The Exhibits attached hereto and Montana-Dakota's Integrated Resource Plan submitted to the Commission on May 12, 2011, demonstrate the Big Stone AQCS project (and additional mercury control equipment) is a prudent course of action and the most cost effective option to allow the continued operation of the Big Stone plant beyond 2016. OTP 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 Montana-Dakota and OTP in support of the ACQS project.

VIII.

That the following exhibits are attached hereto in support of this Application for an Advance Determination of Prudency. A Verification is provided for Exhibits 1-4.

- Joint Exhibit 1- Detailed description of the Big Stone Air Quality Control System Project verified by Mr. Mark Rolfes, Manager, Generation Development with Otter Tail Power Company.
- Joint Exhibit 2 - Reasonableness of the Big Stone AQCS Project verified by Mr. Mark Rolfes, Manager, Generation Development with Otter Tail Power Company.
- 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 with Otter Tail Power Company.
- Montana-Dakota Exhibit 4 – Montana-Dakota's Assessment of Pending Environmental Regulations to the Big Stone Plant verified by Mr. Darcy Neigum, Electric System Operations and Planning Manager with Montana-Dakota.

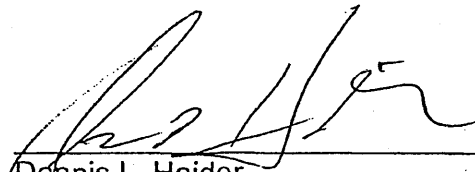
IX.

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 equipment) as more fully described in Exhibit 1, in the time frame required to meet the SD Haze SIP requirements.

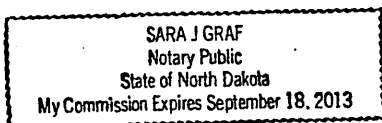
WHEREFORE, Applicant respectfully requests that the Commission:

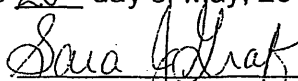
1. Issue Notice of Opportunity for hearing to interested parties and, if no hearing is requested within twenty days, to waive the hearing in accordance with subsection 5 of NDCC §49-02-02;
2. Enter an Order and issue an Advance Determination of Prudence authorizing the Applicant to proceed with the design and installation of the Big Stone AQCS project; and
3. Grant such other relief as the Commission shall deem appropriate.

Dated this 20th day of May, 2011.


Dennis L. Haider
Executive Vice President – Regulatory Affairs,
Gas Supply and Business Development

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




Sara J. Graf, Notary Public
Burleigh County, North Dakota
My Commission Expires: 09/18/2013

Of Counsel:

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

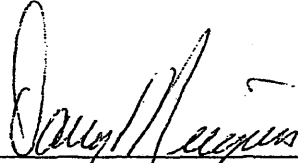
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

In the Matter of the Application of)
MONTANA-DAKOTA UTILITIES CO., a)
Division of MDU Resources Group, Inc.) Case No. PU-11-____
for An Advance Determination of)
Prudence for the Big Stone Generating)
Station Air Quality Control System)
Project)

VERIFICATION

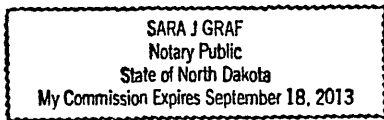
Darcy J. Neigum, being first duly sworn on oath, deposes and says that he is the Electric System Operations and Planning Manager for Montana-Dakota Utilities Co., the Applicant in the above captioned matter, and that Montana-Dakota Exhibit No. 4 submitted in the above captioned matter was prepared under his direction, that he knows the contents thereof, and that the same is true and correct to the best of his knowledge and belief.

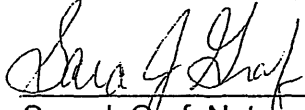
Dated this 20th day of May 2011.



Darcy J. Neigum

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





Sara J. Graf, Notary Public
Burleigh County, North Dakota
My Commission Expires: 09/18/2013

OF COUNSEL:
Daniel S. Kuntz
Associate General Counsel
MDU Resources Group, Inc.
P. O. Box 5650
Bismarck, ND 58506-5650