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OCT 12 2012

**PUBLIC SERVICE COMMISSION**



October 12, 2012

Mr. Darrell Nitschke  
Director of Administration/Executive Secretary  
North Dakota Public Service Commission  
State Capitol  
Bismarck, ND 58505

**RE: Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.  
Application for Advance Determination of Prudence Big Stone Air Quality Control  
System Project  
Case No. PU-11-163**

**Otter Tail Power Company Application for Advance Determination of Prudence  
Big Stone Air Quality Control System Project  
Case No. PU-11-165**

**Compliance Filing - Report**

Dear Mr. Nitschke:

On May 9, 2012 the North Dakota Public Service Commission issued a Findings of Fact Conclusions of Law and Order Granting Advance Determination of Prudence in the above described cases. In compliance with ordering paragraph 2, Otter Tail Power Company hereby submits the Big Stone Air Quality Control System Project Report. This report has been electronically filed. Enclosed is one original and seven (7) copies.

I have been authorized by Montana-Dakota Utilities Co. to file this report in both cases described above.

105 PU-11-165 Filed 10/12/2012 Pages: 5  
Compliance filing - Big Stone Air quality control system project report  
Otter Tail Power Company  
Mark Rolfes, Manager, Generation Devel.

106 PU-11-163 Filed 10/12/2012 Pages: 5  
Compliance filing - Big Stone Air quality control system project report  
Otter Tail Power Company  
Mark Rolfes, Manager, Generation Devel.

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If you have any questions regarding this report, please contact me at 218-739-8648 or at [mrolfes@otpc.com](mailto:mrolfes@otpc.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Rolfes', with a long, sweeping horizontal line extending to the right.

Mark Rolfes, P.E.  
Manager, Generation Development

wao

Enclosures

By electronic filing and UPS overnight mail

c: Tamie A. Aberle (by email)

**Big Stone Plant  
Air Quality Control System Project  
Quarterly Report**

**Period July 1, 2012 to September 30, 2012**



**October 12, 2012**

In compliance with the Commission Order the following information is being presented for their review.

### **Section I**

#### **Status of the United States Environmental Protection Agency's ("EPA") review of the South Dakota Regional Haze State Implementation Plan ("SIP").**

On March 29<sup>th</sup> the Administrator for EPA Region 8 signed as a final rule the approval of the South Dakota State Regional Haze SIP. The final rule was published in the *Federal Register* on April 26, 2012 and became effective on May 29, 2012. No further action is expected.

### **Section II**

#### **Types and amounts of project cost actually incurred.**

Total project costs actually incurred through September 30<sup>th</sup>, 2012 are approximately \$23M (Excluding individual company regulatory costs).

Approximately half of the costs to date have been for project development, project management and engineering, the other half has been spent on procurements.

Procurements for surveying, geo-technical investigation, Flue Gas Desulfurization ("FGD") system, Selective Catalytic Reduction ("SCR") catalyst, Induced Draft Fans, Boiler modification and site preparation have cost approximately \$12.5M of the total cost.

Work on selecting the General Work Contractor that will construct most of the project is under way. The Request for Proposals ("RFPs") is "on the street" now.

### **Section III**

#### **Any changed circumstances that will affect cost or project installation.**

Procurement activity continues for the project. At this time we have approximately 25 percent of the project costs either under contract or have bids in our possession that are being reviewed. The cost for this 25 percent of the project is below budgeted expenditures. Current market conditions do not indicate any change in the foreseeable future.

The EPA has issued its Mercury and Air Toxic Standards ("MATS") rule, also known as the utility Maximum Achievable Control Technology ("MACT") rules, which is for the control of

hazardous air pollutants with mercury being the most prevalent pollutant. While the rule has been issued, it may be challenged in court which could delay its effective date. The rules as issued would require the Big Stone Plant to add Activated Carbon Injection ("ACI") to the project. The estimated cost to add ACI as a standalone project is \$5M. Because of the synergies of installing the system at the same time as the AQCS, the owners have decided to include the ACI system as part of the scope of the AQCS. Because of the synergies we have only increased the projected cost by \$2.1M. The total projected cost for all AQCS activities is now \$491,497,400. There will be little expenditure for the ACI work in the next six months so if the MATS rule is stayed by the courts there will be time to reconsider.

### **Summary**

The Big Stone AQCS Project is currently on schedule and slightly better than budget. Because this is a long term project it is too early to tell the final outcome but for now market conditions remain good and there appears to be adequate labor to address the needs of the project.