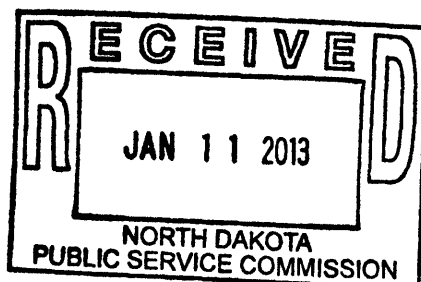


215 South Cascade Street  
PO Box 496  
Fergus Falls, Minnesota 56538-0496  
218 739-8200  
www.otpc.com



January 11, 2013

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.

108 PU-11-165 Filed 01/11/2013 Pages: 5  
Compliance filing - Big Stone Air Quality Control System Project Report  
Otter Tail Power Company  
Mark Rolfes, Manager, Generation Devel.

109 PU-11-163 Filed 01/11/2013 Pages: 5  
Compliance filing - Big Stone Air Quality Control System Project Report  
Otter Tail Power Company  
Mark Rolfes, Manager, Generation Devel.

Mr. Darrell Nitschke  
January 11, 2013  
Page 2

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 horizontal flourish 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 October 1, 2012 to December 31, 2012**



**January 11, 2013**

In compliance with the Commission's Order the following information is presented for 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 South Dakotas 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 December 31<sup>st</sup>, 2012 are approximately \$34M. (Excluding individual company regulatory costs)

Approximately \$13M have been for project development, project management and engineering.

Procurements for surveying, geo-technical investigation, Flue Gas Desulfurization ("FGD") system, Selective Catalytic Reduction ("SCR") catalyst, Induced Draft Fans, Induced Draft Fan motors and Variable Frequency Drives, Boiler modification and site preparation have cost approximately \$21M of the total.

The largest single contract will be for the General Work Contractor. The General Work Contractor will procure construction material such as concrete, wire and conduit and then construct the facilities. This contract will constitute approximately 40 percent of the entire project costs. The proposals for this work are under review at this time and an award will be made during the first quarter 2013 so that on site construction can start early second quarter 2013.

### **Section III**

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

The EPA has issued their Mercury and Air Toxic Standards ("MATS") rule, also known as the utility Maximum Achievable Control Technology ("MACT") rules, which are for the control of hazardous air pollutants. While the rule has been issued, it may be challenged in court which could delay its current effective date. The rule 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 achieved by installing the system at the same time as the AQCS, the ACI system will be included in the scope of the AQCS. Because of the synergies the total project projected cost has only increased by \$2.1M. The total projected cost for all AQCS activities is now \$491,497,400.

Procurement activity is nearing completion for the project. At this time we have approximately 75 percent of the project costs either under contract or have bids under review. The largest of these procurements is the General Work Contract ("GWC").

The GWC should be signed in the first quarter 2013 and a majority of the cost of the project will be under contract. Because of this we are in the process of reviewing the budget for the project and plan to issue a revised budget before the next report. With the next report the revised budget numbers and an explanation for any changes will be provided.

### **Summary**

The Big Stone AQCS Project is currently on schedule and current expenditures are under budget. With the next report the revised budget numbers will be provided as a majority of the costs of the project will be under contract by that time.