215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpco.com (web site)

January 13, 2014

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 you will find an original and seven (7) copies.

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

112 PU-11-165 Filed 01/13/2014 Pages: 10
Compliance filing - Big Stone Air Quality Control System Project Report
Otter Tail Power Company
Mark Rolfes, P.E.

An Equal Opportunity Employer

113 PU-11-163 Filed 01/13/2014 Pages: 10
Compliance filing - Big Stone Air Quality Control System Project Report
Otter Tail Power Company
Mark Rolfes, P.E.

If you have any questions regarding this report, please contact me at 218-739-8648 or at mrolfes@otpco.com.

Sincerely,

/s/ MARK ROLFES
Mark Rolfes, P.E.
Manager, Generation Development

wao
Enclosures
By electronic filing and US mail
c: Tamie A. Aberle (by email)

BIG STONE PLANT
AIR QUALITY CONTROL SYSTEM PROJECT
QUARTERLY REPORT

TO THE

NORTH DAKOTA PUBLIC SERVICE COMMISSION

FOR THE

PERIOD OCTOBER 1 TO DECEMBER 31, 2013

January 13, 2014

Montana-Dakota Utilities Co. and Otter Tail Power Company submit this report on the Big Stone Plant Air Quality Control System ("AQCS") Project in compliance with the North Dakota Public Service Commission May 9, 2012 Order in Cases No. PU-11-163 & PU-11-165, ordering paragraph 2.

This report describes progress made on the Project during the quarter ending December 31, 2013. Specifically, in compliance with the above-referenced Order, this report includes information on the status of the United States Environmental Protection Agency ("EPA") review of the South Dakota Regional Haze State Implementation Plan ("SIP"); it describes the types and amounts of costs incurred on the Project to date; and it describes changed circumstances that are expected to affect the cost, schedule or installation of the AQCS Project.

Section I

Status of the United States Environmental Protection Agency's review of the South Dakota Regional Haze State Implementation Plan

On March 29, 2012, the Administrator for EPA Region 8 signed as a final rule the approval of South Dakota's Regional Haze SIP. The final rule was published in the *Federal Register* on April 26, 2012 and became effective on May 29, 2012.

Section II

Types and amounts of Project cost actually incurred

Actual construction commenced on the Project on March 18, 2013. A groundbreaking ceremony was held on April 26, 2013. Significant construction progress has been made during the quarter. Examples of accomplishments include:

- All major concrete foundation work completed.
- Installation of the waste ash and pebble lime silos are complete. Waste ash silo approximately 50 percent insulated.
- Siding for the waste ash and pebble lime silo nearly complete. Electrical and mechanical installation well underway.
- Scrubber vessels have been erected.
- Baghouse and scrubber structural steel nearly complete. Most of the elevated slabs have been poured. First baghouse modules have been put into place.
- Electrical equipment room concrete block walls have been installed. Equipment pads have been poured and running of cable trays has started.
- Selective Catalytic Reduction ("SCR") structural steel towers have been installed and truss work has started.
- Ground assembly of SCR has started.
- Approximately 250 construction workers on the project at this time.
- Winter weather is challenging progress.
- Material continues to arrive.

Costs incurred through December 31, 2013, can be broken down into the following general categories:

Category	Costs Through December 31, 2013
Equipment/Material Procurement:	$80.3M
Construction:	$49.0M
Engineering/Field Engineering Support:	$17.1M
Owners Cost:	$6.4M
Total:	**$152.8M**

(Project costs identified do not include individual company costs.)

Equipment and Material Procurement: All owner-procured material for the Project, such as the flue-gas desulfurization system equipment, selective catalytic reduction catalyst, induced draft fans and their motors, transformers, structural steel, ductwork, ammonia handling equipment and the distributed control system.

Construction: Payments made to Graycor (the General Work Contractor), site preparation work, testing work, surveying work and work to remove equipment that is no longer needed or which needs to be moved.

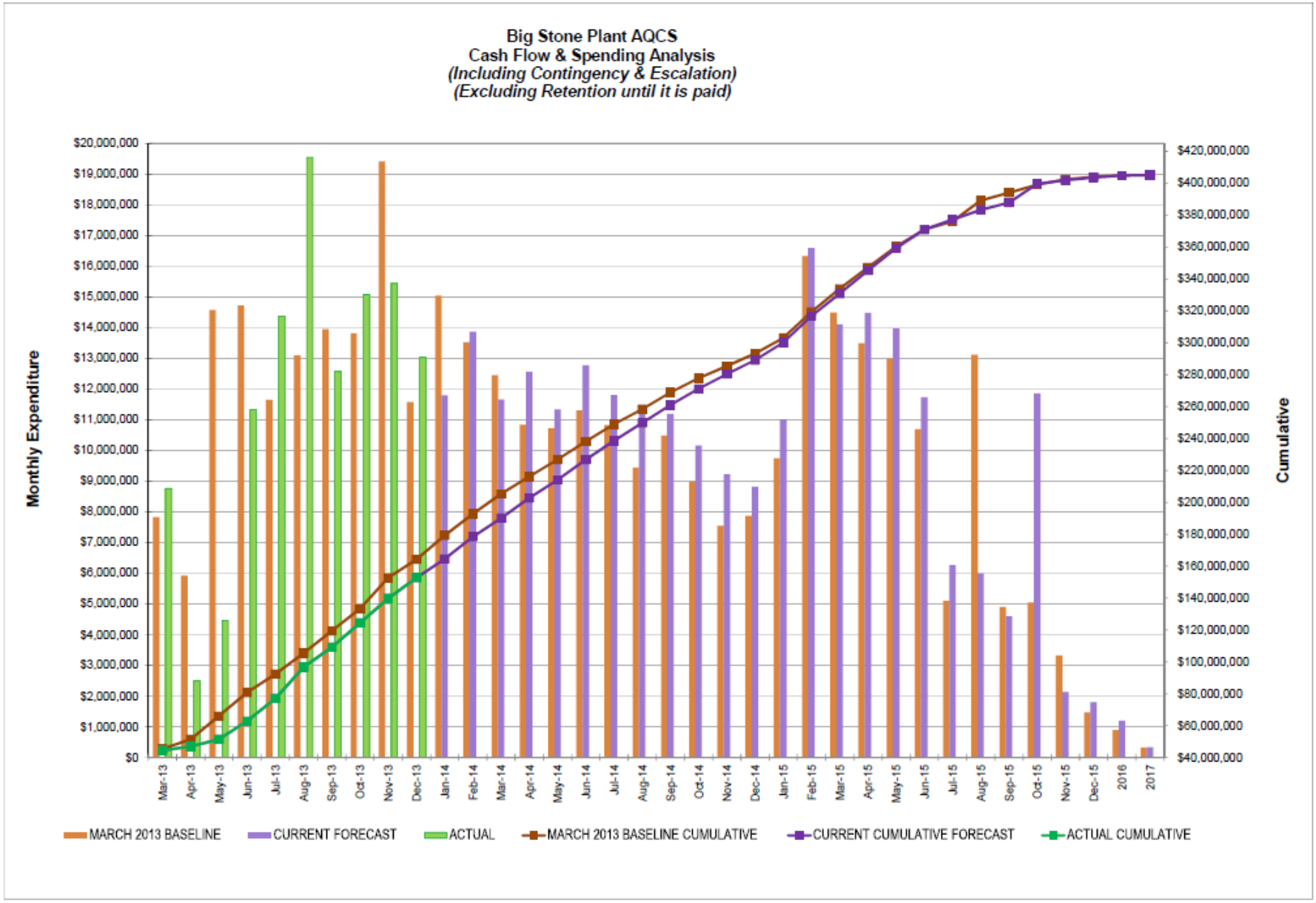
Engineering and Field Engineering Support: Engineering and procurement work done by Sargent & Lundy (Project engineer) and engineering field support for construction and commissioning.

Owners Cost: Items such as labor for Project development and construction management, and such things as insurance, legal costs, permitting, office space and equipment; also spare parts and consumables used during testing and commissioning.

As described in the 2nd Quarterly report for 2013, the overall Project budget was reduced from $489M to $405M.

The Project's budget will be closely reviewed in the 1st quarter of 2014. If a change in the projection cost for the Project is warranted after the review, the Commission will be informed of the change in the 2nd Quarterly Report for 2014.

Actual Project cash flow and spending through December 2013, and forecast through Project completion, is illustrated on the next page.


Big Stone Plant AQCS
Cash Flow & Spending Analysis
(Including Contingency & Escalation)
(Excluding Retention until it is paid)
Monthly Expenditure
Cumulative
$20,000,000
$19,000,000
$18,000,000
$17,000,000
$16,000,000
$15,000,000
$14,000,000
$13,000,000
$12,000,000
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$360,000,000
$340,000,000
$320,000,000
$300,000,000
$280,000,000
$260,000,000
$240,000,000
$220,000,000
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Feb-15
Mar-15
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
2016
2017
MARCH 2013 BASELINE
CURRENT FORECAST
ACTUAL
MARCH 2013 BASELINE CUMULATIVE
CURRENT CUMULATIVE FORECAST
ACTUAL CUMULATIVE

The following photographs illustrate various construction activities on the Project during the quarter:

10-07 CFB & baghouse structural steel erection

11-04 Lower baghouse modules, hydrated lime silo & scrubber

12-11 Insulation & siding on baghouse ongoing

10-07 Waste ash/pebble lime silos

11-07 WA/PL liner panel installation

12-11 Siding work almost finished WA/PL

10-26 ID Fan pedestal pour

10-01 Ammonia foundation formwork

11-20 Ammonia tanks set & unloading slab poured

11-25 Setting aux boiler stack horizontal section

10-16 Center SCR bent lift

11-23 N SCR tower

10-01 Aerial photo

11-15 Aerial photo

Safety is emphasized on this Project. The table below is included to provide information on recordable and lost-time injuries and near miss incidents for the total labor hours worked on the Project through December 2013:

	Hours	Recordable	Lost Time	Near Miss	First Aid
Graycor	370.037	0	0	3	11
Project Team & Contractors	55,449	0	0	0	0
Engineering	145,285	0	0	0	0
Totals	570,771	0	0	3	11

Section III

Any changed circumstances that will affect cost or Project installation

The EPA has issued the Mercury and Air Toxic Standards ("MATS") rule, also known as the utility Maximum Achievable Control Technology ("MACT") rules, which require control of hazardous air pollutants. While the final rule has been issued, several petitions for review have been filed in United States Court of Appeals for the D.C. Circuit which could ultimately delay its effective date. The rule as issued requires the Big Stone Plant to reduce mercury emissions, which can be controlled by adding 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 Project; we have only increased the projected cost of the AQCS Project by $2.1M to account for the ACI system. Although the standard MATS rule compliance date is April 16, 2015, on August 27, 2013 the South Dakota Department of Environment and Natural Resources granted a one year compliance extension for Big Stone Plant, such that the new compliance date is April 16, 2016.

Procurement activity is completed for the Project except for reagents that will be consumed during start-up (Lime, activated carbon, etc.). Also testing services to insure equipment is meeting its guaranteed performance.

Construction is now 26.7 percent complete. To date we have not seen anything to cause us to alter our schedule.

Summary

The Big Stone AQCS Project is currently on schedule and on budget.