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January 13, 2017

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**

Quarterly Report - Compliance Filing

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.

134 PU-11-165 Filed 11/30/2017 Pages: 6
Compliance filing - Big Stone Air Quality Control System Project Report
Otter Tail Power Company
Kirk Phinney, Manager Generation Service

An Equal Opportunity Employer

136 PU-11-163 Filed 11/30/2017 Pages: 6
Compliance filing - Big Stone Air Quality Control System Project Report
Otter Tail Power Company

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If you have any questions regarding this report, please contact me at (605) 862-6306 or at kphinney@otpc.com.

Sincerely,

/s/ KIRK PHINNEY
Kirk Phinney
Manager, Generation Services

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

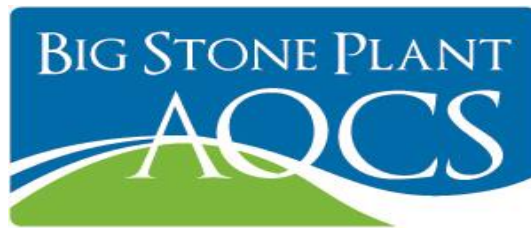
**BIG STONE PLANT
AIR QUALITY CONTROL SYSTEM PROJECT
QUARTERLY REPORT**

TO THE

NORTH DAKOTA PUBLIC SERVICE COMMISSION

FOR THE

PERIOD OCTOBER 1, 2016 THROUGH DECEMBER 31, 2016



January 13, 2017

Otter Tail Power Company submits 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 Case Nos. PU-11-163 & PU-11-165, ordering paragraph 2.

This report describes progress made on the project during the period ending December 31, 2016. 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 (EPA) review of the South Dakota Regional Haze State Implementation Plan (SIP)

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

Construction of the project was completed in the third quarter of 2015. Systems were declared commercially operational on December 29, 2015 and overall Unit reliability has not been impacted from the new equipment. During this past quarter activity has centered on closing out punchlist items and all known items are now complete.

Costs incurred through December 31, 2016 can be broken down into the following general categories:

Category	Costs Through December 31, 2016
Equipment/Material Procurement:	\$105.7M
Construction:	\$217.9M
Engineering/Field Engineering Support:	\$24.5M
Owners Cost:	\$16.9M
Total:	\$365.0M

(Project Costs identified do not include individual company costs such as AFUDC.)

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, activated carbon injection system, and the Distributed Control System.

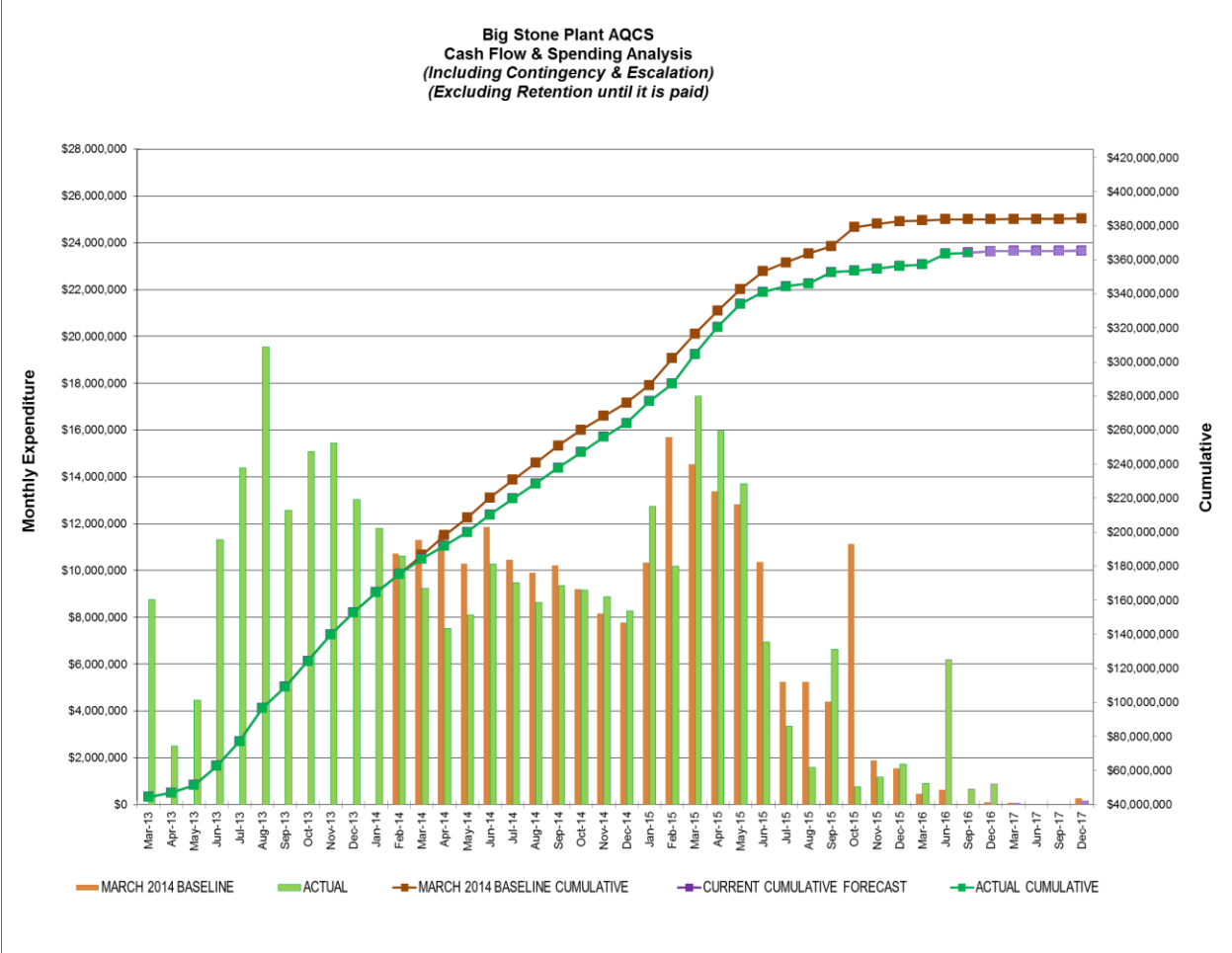
Construction: Payments made to Graycor (the General Work Contractor), site preparation work, testing work, surveying work and work to remove equipment that is no longer needed or which needs to be moved.

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 previous quarterly reports, the project budget was reviewed in early 2013 and then again in early 2014. Following both reviews the projected project budget was reduced. The original project budget was \$491M; it was reduced in 2013 to \$405M and again reduced to \$384M in 2014. With most contracts closed out, the project cost has been forecasted to be \$365.6M, or \$18.6M below the 2014 budget.

Actual project cash flow and spending through December 31, 2016 and forecast through project completion, is illustrated on the following graph:



Safety is very important to us. To construct the project over 2.3 million man hours were invested with only one lost time incident and an OSHA rate of approximately 0.88. This is an accomplishment of which we are very proud.

Section III

Any changed circumstances that will affect cost or project installation

Construction is now 100 percent complete and the project is in operation. Remaining expenditures are related to contractual retention release payments that are well defined. It is not anticipated that any substantial costs will be added to the project cost forecast and all budgeted contingency has been removed from the project cost forecast.

Summary

The Project was declared commercially operational on December 29, 2015, completing six years of effort. Few administrative activities remain to be completed and total project cost is forecasted to be \$365.6M.