

DAKOTA GASIFICATION COMPANY

A BASIN ELECTRIC SUBSIDIARY



MAILING ADDRESS:

P.O. BOX 5540
BISMARCK, NORTH DAKOTA 58506-5540
PHONE: 701/221-4400 FAX: 701/221-4450

STREET ADDRESS:

1600 EAST INTERSTATE AVENUE
BISMARCK, NORTH DAKOTA 58503-0561

RECEIVED

JUN 28 2011

PUBLIC SERVICE COMMISSION

June 27, 2011

Mr, Darrell Nitschke, Executive Secretary
Public Service Commission
State Capitol Building
600 E Boulevard Ave – Dept 408
Bismarck ND 58505-0408

Dear Mr. Nitschke:

Section 49-22-04 of the North Dakota Century Code requires that Dakota Gasification Company annually submit a Ten-Year Plan to the Pubic Service Commission.

Enclosed are ten copies of the 2011 Dakota Gasification Company Ten-Year Plan. A copy is being filed with the Mercer County Auditor as well. Also enclosed is the distribution list for the agencies receiving notice of Dakota Gasification Company's submission of its Ten-Year Plan.

If you have questions or comments, please contact Andrew Buntrock (701) 557-5353.

Sincerely,

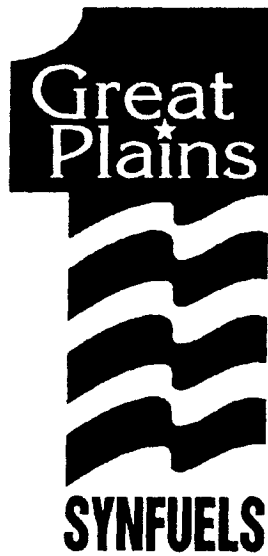
Gary G. Loop
Senior Vice President and
Chief Operating Officer

ggl/vw/cw

Enclosures

cc: Monte Erhardt
Mercer County Auditor
P.O. Box 39
Stanton, ND 58571





**DAKOTA GASIFICATION COMPANY
NORTH DAKOTA TEN-YEAR PLAN**

June 30, 2011

Submitted to the North Dakota Public Service Commission
pursuant to
North Dakota Century
Code Section 49-22-04

EXISTING ENERGY CONVERSION FACILITIES

The Great Plains Synfuels Plant (**Synfuels Plant**), owned and operated by Dakota Gasification Company (**Dakota**), a wholly-owned subsidiary of Basin Electric Power Cooperative (**Basin Electric**), is located approximately eight miles northwest of Beulah, North Dakota. The Synfuels Plant uses technology developed by the Lurgi Corporation of Germany to convert lignite coal to synthetic natural gas (SNG). The Synfuels Plant is presently capable of producing up to 170 million cubic feet of SNG per day and up to 56 billion cubic feet per year. In addition to producing SNG, the Synfuels Plant presently produces and sells eight other products: carbon dioxide, anhydrous ammonia, ammonium sulfate, crude cresylic acid, krypton-xenon, liquid nitrogen, naphtha and phenol.

Adjacent to the Synfuels Plant is the Antelope Valley Station (**AVS**), an electric generating station which is part of a regional power supply system operated by Basin Electric. The Synfuels Plant and AVS share certain common facilities including water supply, water treatment, coal handling, rail and electrical transmission. Lignite for both plants is delivered from the nearby Freedom Mine, operated by The Coteau Properties Company (**Coteau**), a subsidiary of The North American Coal Corporation. Most mining equipment is owned or leased by Dakota Coal Company (another subsidiary of Basin Electric) and is either leased or subleased to Coteau. Dakota Coal Company was incorporated in 1988 and was organized to supply lignite coal to AVS and the Synfuels Plant.

Coal gasification involves a process which combines carbon and hydrogen from the lignite coal with high pressure steam and oxygen to produce methane. The first step in the Lurgi gasification process is the crushing and screening of approximately 33,000 tons of lignite per day into a top size of two-inch diameter pieces. During this "sizing" process, approximately 14,700 tons of lignite "fines" per day are screened out. These fines are particles of lignite too small to gasify. The fines are sold to Basin Electric for use in generating electricity. The other 18,300 tons of sized lignite per day are delivered to the Synfuels Plant and are used as feedstock for the plant's gasifiers.

The gasifiers are cylindrical pressure vessels 40 feet high with an inside diameter of 13 feet. The Synfuels Plant has 14 gasifiers. Sized lignite enters the tops of these gasifiers forming tall beds of lignite. Steam and oxygen (produced on site) are fed into the bottom of the lignite beds causing intense combustion (2,200°F). The resulting hot gases break down the molecular bonds in the lignite and steam releasing compounds of carbon, hydrogen, nitrogen, sulfur and other substances to form a raw gas.

This raw gas is then cooled causing tars, oils, phenol, ammonia and some water vapor to condense into liquids. These liquids are then processed separately from the main gas stream.

Shift conversion, or hydrogen enrichment, is the next step in the process. The raw gas now contains about 2-1/4 parts hydrogen to one part carbon monoxide. To increase the ratio to 3:1 (the minimum needed for methanation) some of the raw gas is passed through catalytic reactors. These reactors convert part of the carbon monoxide and water to hydrogen and carbon dioxide. The raw gas now contains the proper mix of hydrogen and carbon monoxide for SNG production, but first, acid gas and organic impurities must be removed in the Rectisol unit. In the Rectisol unit (the last step before methanation), the raw gas passes through a wash of cold methanol (-95°F) which removes sulfur compounds, naphtha and most of the carbon dioxide.

Methanation takes place by passing the clean gas over beds of a nickel catalyst causing carbon monoxide and most of the remaining carbon dioxide to react with the free hydrogen to form methane. Final cleanup removes traces of carbon monoxide and readies gas for compression into pipeline quality SNG.

Dakota has no plans to remove any of its facilities from service during the ten-year period.

EXISTING TRANSMISSION PIPELINES FACILITIES

The water supply for the Synfuels Plant is provided by a 42-inch diameter steel-lined concrete pipe owned by Basin Electric, which is approximately nine miles in length. This water pipeline also supplies water for Basin Electric's AVS which is located adjacent to the Synfuels Plant. The raw water line runs directly south from an intake structure and pumping station located on Lake Sakakawea to the two plant sites. The line was designed and constructed to be used as a joint facility for both AVS and the Synfuels Plant. The line has a maximum operating pressure of 160 psi gauge and a flow rate of 30,000 gpm. The pipeline was constructed with a minimum cover of seven feet.

Pipeline transmission facilities owned by Dakota include its 34-mile, 24-inch diameter Class A carbon steel pipeline extending from the tailgate of the Synfuels Plant, running southwest to an interconnection at the Hebron Tap where the SNG enters the Northern Border Pipeline. The Northern Border Pipeline transports the SNG along with large quantities of mostly Canadian natural gas to Ventura, Iowa, Harper, Iowa and North Hayden, Indiana where it reaches an interconnection to a network of pipeline systems serving customers throughout the United States.

There are two metering stations on the Synfuels Plant to Hebron Tap pipeline, one of them at the Synfuels Plant and the other at the Hebron Tap. These metering stations measure the quantity of SNG transported and analyze SNG quality. Maximum design operating pressure of this pipeline is 1,440 psi. The pipeline is capable of transporting considerably more than 170 million standard cubic feet of SNG per day produced by the Synfuels Plant as it was designed to transport SNG for a coal gasification plant twice the size of the present facility. There is a mid-valve on the pipeline that automatically closes in the event of sudden depressurization. The pipeline first transported SNG on July 28, 1984. The pipeline was constructed with a minimum cover of four feet.

The SNG is compressed by two separate two-stage Allis-Chalmers compressors. In December 1991, Dakota installed two new turbine drivers from Mitsubishi International Corporation in order to have sufficient horsepower to deliver the Synfuels Plant's production into the Northern Border Pipeline system. These turbines are 12,500 hp, 13,700 rpm drivers driven by 1,150 psi steam.

Design chemical composition of the SNG entering the pipeline is 95.33 percent methane, 3.8 percent hydrogen, .32 percent carbon dioxide, .26 percent nitrogen, .21 percent argon, 84 ppm water and 7 ppm carbon monoxide containing a heating value of about 968 Btu's per standard cubic foot (dry basis).

This pipeline is regulated under Code of Federal Regulation Title 49, Part 192 (regulations promulgated pursuant to the Natural Gas Pipeline Safety Act of 1968). Reports are monitored by the Office of Pipeline Safety, an agency of the United States Department of Transportation.

In July 1997, Dakota entered into a contract with PanCanadian Resources, now Cenovus Energy (**Cenovus**), on behalf of the Weyburn Unit pursuant to which Dakota constructed and operates a carbon dioxide pipeline from the Synfuels Plant to the U.S./Canadian border including a compressor station at the Synfuels Plant. Cenovus initially contracted to purchase up to 95 MMSCF/D and deliveries commenced in 2001. In May 2005, Dakota signed a contract with Apache Canada Ltd of Weyburn, Saskatchewan to supply their Midale Unit with 25 MMSCF/D of carbon dioxide. Another contract was signed with Cenovus for delivery of an additional 32.7 MMSCF/D of carbon dioxide to its Weyburn Unit. Delivery of these supplemental volumes commenced in October 2006. These additional deliveries required the installation of a third compressor at the Synfuels Plant and a Booster Pump at Tioga, ND. Dakota still has under consideration the utilization of this pipeline to transport additional carbon dioxide to oil producing areas in western North Dakota and, if so requested, would make capacity on the pipeline available for third parties to transport carbon dioxide on a cost of service basis. At full production, the Synfuels Plant produces 240 MMSCF/D of

carbon dioxide. The pipeline, with sufficient compression, is capable of transporting the entire 240 MMSCF/D output to Tioga and up to 165 MMSCF/D from Tioga to the Canadian border.

The carbon dioxide pipeline proceeds in a westerly direction from the Synfuels Plant to a point near Killdeer, North Dakota where it turns north, goes under the Little Missouri River and Lake Sakakawea and crosses the United States/Canadian border north of Crosby, North Dakota. The pipeline traverses the major production areas of the northern portion of the Williston Basin. Carbon dioxide is economically available to oil production companies operating in that area. In addition, a connection was placed near Killdeer, North Dakota where the pipeline turns northward which would enable future expansion of the carbon dioxide pipeline south to the oil fields in the Dickinson, North Dakota area and/or into Montana. The pipeline is approximately 167 miles in length. An interconnecting pipeline in Canada owned by Dakota's Canadian subsidiary, Souris Valley Pipeline Limited, is approximately 38 miles in length.

A compressor facility located within the Synfuels Plant boosts the carbon dioxide stream pressure to approximately 2700 psig to ensure delivery to the oil field in Weyburn at a minimum of 2200 psig. The carbon dioxide is transported in a super critical dense phase which reacts like a liquid. From the Synfuels Plant to Tioga, the pipe has a diameter of 14 inches with a wall thickness of 0.375 inches. From Tioga to the Canadian border, the pipe has a 12-inch diameter and a wall thickness of 0.375 inches. Mainline pipe was constructed using Grade X70 high frequency electric resistance welded steel pipe. Road and railroad crossings were constructed using Grade X65 SMLS pipe. Pipe for the Little Missouri and Lake Sakakawea was also Grade X65 SMLS pipe with Abrasion Resistant coating. All pipe and field joints were coated with a fusion-bonded epoxy to an average thickness of 16 mills. All field welds were radiographed. The gas stream transported contains a minimum of 95.5% carbon dioxide by volume, and contains less than 2% by volume of hydrogen sulfide (H₂S), less than 2% by volume nitrogen and less than 2% by volume of methane. This pipeline and associated facilities were designed and constructed and are operated and maintained in accordance with the requirements of the U.S. Department of Transportation, Pipeline Safety Regulations Code of Federal Regulations (CFR) Title 49, Part 195, Transportation of Hazardous Liquids by Pipeline.

The entire pipeline system is designed and operated by remote operation from Dakota's operations center at the Synfuels Plant by means of a microwave-based radio communicator system.

ENVIRONMENTAL

Dakota has acquired all of the environmental permits that are required for the construction and/or operation of the Synfuels Plant.

The various environmental permits acquired from the North Dakota Department of Health include the air pollution control permits, deepwell injection permits, solid waste disposal permits, hazardous waste storage permits and a Title V Permit to Operate.

PROJECTED DEMAND FOR SERVICES

The joint project between the Synfuels Plant and Basin Electric to capture carbon dioxide from the Antelope Valley Station power plant has been put on hold due to high costs and uncertain technical viability.

Dakota Gasification Company recently completed the installation of a booster compressor at the end of the SNG pipeline where it ties into the Northern Border natural gas distribution pipeline. The purpose of the booster compressor is to allow for maximum SNG capacity of the Synfuels Plant during times when the Northern Border pipeline is at higher than normal pressures. The compressor does not increase the capacity of the Synfuels Plant, but rather boosts the SNG pressure prior to discharge into the Northern Border pipeline.

DGC is currently in the design phase of the Clean Cooling Water Project. This will segregate the current dirty cooling water from the plant cooling water exchangers. A new, closed-loop clean water system will replace the dirty water in the plant exchangers. The heat accumulated in the clean cooling water will be removed in 14 plate heat exchangers (PHE). The heat will be transferred to the dirty cooling water where it will be rejected in the existing cooling tower. This system will allow the plant to operate 2-3 years without having to take a scheduled maintenance turnaround. The current dirty cooling water system requires the Synfuels Plant to take a yearly turnaround to clean sediment out of the plant cooling water exchangers. The project is scheduled to be completed at the 2013 Black Plant maintenance turnaround.

DGC is also in the design phase of a project to sell tar oil. Tar oil is a co product of the gasification process and currently is used as the primary fuel in the Synfuels Plant boilers. Due to the current economic situation of low natural gas prices and high crude oil prices, tar oil can be sold into the Number 6 Fuel Oil market. It makes financial sense for DGC to sell tar oil and use SNG as fuel in the boilers. The project will add a distillation column (to remove water and light hydrocarbons) on site, additional rail loadout facilities, and rail tracks for storing additional rail cars.

ND Aeronautics Commission
Box 5020
Bismarck ND 58502

Job Service North Dakota
PO Box 5507
Bismarck ND 58506-5507

Dept of Transportation
608 East Boulevard Avenue
Bismarck ND 58505-0700

Dept of Agriculture
600 E Boulevard Ave – Dept 602
Bismarck ND 58505-0020

Game & Fish Department
100 N Bismarck Expressway
Bismarck ND 58501-5095

State Historical Society
612 E Boulevard Avenue
Bismarck ND 58505

Career and Technical Education
State Capitol, 15th Floor
600 E Boulevard Ave – Dept 270
Bismarck ND 58505-0610

Department of Health
Capitol Building - 2nd Floor
600 E Boulevard Avenue
Bismarck ND 58505-0200

Industrial Commission
State Capitol Building – 14th Fl
600 E Boulevard Ave – Dept. 405
Bismarck ND 58505-0840

Tax Commissioner
State of North Dakota
600 E Boulevard Ave - 8th Floor
Bismarck ND 58505-0599

Department of Labor
600 E Boulevard Ave – Dept 406
Bismarck ND 58505-0340

Land Department
PO Box 5523
Bismarck ND 58506-5502

Indian Affairs Commission
600 E Boulevard Avenue
1st Fl Judicial Wing – Rm 117
Bismarck ND 58505-0300

Soil Conservation Coordinator
2718 Gateway Avenue, Suite 104
Bismarck ND 58503

Department of Human Services
State Capitol - Judicial Wing
600 E Boulevard Ave – Dept 325
Bismarck ND 58505-0250

Water Commission
900 E Boulevard
Bismarck ND 58505-0850

Office of Governor
State Capitol Building
600 E Boulevard Avenue
Bismarck ND 58505-0001

Parks & Recreation
1600 E Century Ave #3
Bismarck ND 58503-0649

North Dakota Geological Survey
1016 E. Calgary Avenue
Bismarck ND 58503