



**MONTANA-DAKOTA**

**UTILITIES CO.**

A Division of MDU Resources Group, Inc.

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June 1, 2012

Executive Secretary  
North Dakota Public Service Commission  
State Capitol Building  
Bismarck, ND 58505-0480

Re: R.M. Heskett Station – Unit 3  
88 MW Combustion Turbine Project  
Case Nos. PU-11-395

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits its first semi-annual report regarding the status of the 88 MW Combustion Turbine Project to be constructed at the R.M. Heskett Station near Mandan, North Dakota in accordance with the Commission's Order on Settlement issued on April 11, 2012 in this Case.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,

Tamie A. Aberle  
Regulatory Affairs Manager

Attachment



***R.M. Heskett Station – Unit 3***  
**88 MW Combustion Turbine Project**  
**Semi-Annual Report**  
**Case No. PU-11-395**

***Report Number 1***

***Presented to:***  
***North Dakota Public Service Commission***

***Submitted:***  
***June 1, 2012***

***R.M. Heskett Station – Unit 3***  
**88 MW Combustion Turbine Project**  
**Semi-Annual Report Number 1**

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## **1.0 Introduction**

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In accordance with the North Dakota Public Service Commission's ("Commission's") April 11, 2012 Order on Settlement in Case Nos. PU-11-395 and PU-11-396, Montana-Dakota Utilities Co. ("Montana-Dakota") hereby submits its Semi-Annual Report Number 1 on the status of the 88 MW Combustion Turbine Project ("Project") to be constructed at the R.M. Heskett Station near Mandan, North Dakota. The Project will be referred to as the R.M. Heskett Station Unit 3.

The Project consists of the construction of a simple cycle combustion turbine ("Combustion Turbine"), the necessary transmission interconnection facilities for the turbine ("Interconnect"), and approximately 24 miles of natural gas pipeline to supply fuel to the turbine ("Pipeline").

The overall Project budget, including Allowance for Funds Used During Construction ("AFUDC") is \$85.6 million. Montana-Dakota anticipates construction to begin in the second quarter of 2013 and commercial operation to begin on or before March 15, 2015.

## **2.0 Status**

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### **Overall status of the Project**

The Project is currently ahead of schedule and on budget. The majority of the activities through the date of this report have been focused on Project development, Project management, major equipment procurement, and preliminary engineering design.

On April 20, 2012, Montana-Dakota provided notice to the General Electric Company (GE) to proceed with the design and manufacture of one PG7121(EA) combustion gas turbine packaged power plant. A technical kick-off meeting was held on May 22-23, 2012 at General Electric's factory in Greenville, South Carolina. This meeting set in motion the design and manufacturing schedule for the Combustion Turbine and the balance of plant equipment.

Montana-Dakota submitted an application to the North Dakota Department of Health (NDDH) for a Prevention of Significant Deterioration (PSD) Permit to Construct for the Project on May 4, 2012.

Montana-Dakota is preparing an application for a Certificate of Site Compatibility for the Combustion Turbine and anticipates submittal to the Commission in June 2012. In addition, Montana-Dakota will be applying for a Certificate of Corridor Compatibility and an Energy Transmission Facility Route Permit and anticipates submittal to the Commission in July 2012.

Montana-Dakota continues to work through the Midwest Independent System Operator (MISO) Generator Interconnect Process for the Interconnect, and anticipates having a provisional Generator Interconnect Agreement in late June 2012. Allowing for MISO queue reform and required re-studies, Montana-Dakota expects to fully complete the MISO Generator Interconnect Process in the first half of 2013.

## 3.0 Costs

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### Amounts and types of costs incurred

The total Project cost incurred through April 30, 2012 is approximately \$1.3 million. This is approximately 2 percent of the budgeted total for the project. It should be noted that during this period, the Project costs were recorded in FERC Account 183, Preliminary Study and Investigation and therefore AFUDC was not accrued.

The majority of the Combustion Turbine costs incurred were for air permit application development, siting application development, Commission fees, preliminary engineering design, surveying, and geo-technical investigation. The majority of Interconnect costs incurred were for MISO Generator Interconnect Process fees and the majority of Pipeline costs incurred were for route planning, title searches, siting application development, and preliminary engineering design.

Table 1 – Cost Summary

	<b>Project Cost through 4/30/12</b>
Combustion Turbine	\$748,958
Interconnection	\$278,281
Pipeline	\$281,800
Total Expenditures	\$1,309,039

## 4.0 Changes

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### **Any changed circumstances that will materially affect cost, schedule or installation**

As of April 30, 2012, approximately 33 percent of the overall Project budget is considered committed. Overall, these costs are slightly lower than budgeted amounts. The current market conditions do not indicate that significant changes will occur in the foreseeable future.

A review of the Project milestone schedule by Sega, Inc., the Project consulting engineer, at the end of April indicates that the original construction schedule may be shortened. Montana-Dakota is in the process of refining the Project schedule further to consider information obtained at the technical kick-off meeting with GE.