

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Otter Tail Power Company
Environmental Cost Recovery Rider
Tariff**

Case No. PU-13-79

**Montana-Dakota Utilities Co., a Division of MDU
Resources Group, Inc.
Environmental Cost Recovery
Rates**

Case No. PU-13-83

**Otter Tail Power Company
Environmental Cost Recovery Rider
Rates**

Case No. PU-13-84

**Montana-Dakota Utilities Co., a Division of MDU
Resources Group, Inc.
Environmental Cost Recovery
Tariff**

Case No. PU-13-85

NOTICE OF CONSOLIDATED HEARING

July 10, 2013

On February 8, 2013, Otter Tail Power Company (Otter Tail) filed a tariff that provides for an adjustment of rates to recover jurisdictional capital costs and associated operating expenses incurred to comply with federal environmental mandates on existing electricity generating stations, Case No. PU-13-79. Also on February 8, 2013, Otter Tail filed a rate adjustment under that tariff to recover the cost of environmental upgrades to the Big Stone electric generation plant to comply with the South Dakota Haze State Implementation Plan and the United States Environmental Protection Agency, Case No. PU-13-84.

On May 8, 2013, Otter Tail updated its application in Case No. PU-13-79 noting a reduction in the original estimated cost of the upgrades from \$489 million to \$405 million, or a reduction in total costs of 17 percent.

Otter Tail owns 53.9 percent of Big Stone and requests a return on its invested capital and recovery of related expenses associated with the upgrades. Otter Tail proposes to annually update its cost estimates and the cost recovery rate until the project is completed in 2016. The environmental rate surcharge would apply to all retail customers. Otter Tail's initial residential rate for these costs of 0.309 cents per kWh would result in an increase of \$2.32 per month for a customer using 750 kWh per month.

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8 PU-13-83 Filed 07/10/2013 Pages: 3
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On February 11, 2013, Montana-Dakota Utilities Co. (MDU) filed a tariff that provides for an adjustment of rates to recover jurisdictional capital costs and associated operating expenses incurred to comply with federal environmental mandates on existing electricity generating stations, Case No. PU-13-85. Also on February 11, 2013, MDU filed a rate adjustment under that tariff to recover the cost of environmental upgrades to the Big Stone electric generation plant to comply with the South Dakota Haze State Implementation Plan and the United States Environmental Protection Agency, Case No. PU-13-83.

On May 31, 2013 MDU updated its application in Case No. PU-13-83 noting a reduction in the original estimated cost of the upgrades from \$489 million to \$405 million, or a reduction in total project costs of 17 percent.

MDU owns 22.7 percent of Big Stone and requests a return on invested capital and recovery of related expenses associated with the upgrades. MDU proposes to annually update its cost estimates and the cost recovery rate until the project is completed in 2016. The environmental rate surcharge would apply to all retail customers. MDU's proposed initial residential rate for these costs of .203 cents per kWh would result in an increase of \$1.52 per month for a customer using 750 kWh per month.

Believing that there will be no prejudice to the rights of the parties or the public interest, and finding the cases involve similar questions of law and fact, the Commission has consolidated the four cases under North Dakota Administrative Code section 69-02-04-04.

A **public hearing** on the enumerated cases will be held commencing on **September 16, 2013 at 9:00 a.m. CDT** in the Commission Hearing Room, State Capital, 12th Floor, Bismarck, North Dakota 58505.

The issues to be considered in each environmental cost recovery tariff proceeding are:

1. Should the commission approve each environmental cost recovery tariff?
 - a. Does each tariff allow the respective public utility to recover on a timely basis its investment in capital costs and associated operating expenses incurred to meet federal environmental mandates not reflected in the utility's general rate schedule?
 - b. Does each tariff allow a return on the respective public utility's investment made to meet federal environmental mandates at the level approved in the utility's most recent general rate case?
 - c. Does each tariff provide a current return on construction work in progress to meet federal environmental mandates provided the cost recovery from

retail customers of the allowance for funds used during construction is not sought through any other means?

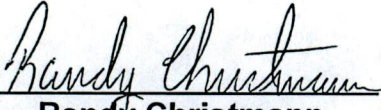
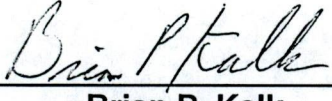

- d. Does each tariff terminate cost recovery after the respective public utility's costs and expenses to meet federal environmental mandates have been recovered fully or have been reflected in the utility's general rate tariffs?

The issues to be considered in each environmental cost recovery rate adjustment are:

- 1. Should the commission approve each environmental cost recovery rate adjustment?
 - a. Does each rate adjustment comply with the respective tariff?
 - b. Are each utility's incurred costs and expenses to meet federal environmental mandates reasonable and prudent?

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400 or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials, please notify, Darrell Nitschke, Executive Secretary, 24 hours in advance.

PUBLIC SERVICE COMMISSION

 _____ Randy Christmann Commissioner	 _____ Brian P. Kalk Chairman	 _____ Julie Fedorchak Commissioner
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