

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

In the Matter of Otter Tail Power)
Company on Behalf of Big Stone II)
Co-owners for an Energy Conversion)
Facility Permit for the Construction)
Of the Big Stone II Project)

DOCKET NO. EL05-022
NOTICE AND APPLICATION
FOR RECONSIDERATION

NOTICE OF APPLICATION FOR RECONSIDERATION

PLEASE TAKE NOTICE, that I, Mary Jo Stueve, make this Motion for Reconsideration of the above matter to the South Dakota Public Utilities Commission (the Commission) as set forth in more detail below.

APPLICATION FOR RECONSIDERATION

Pursuant to ARSD 20:10:01:29 and ARSD 20:10:01:30:01, I, Mary Jo Stueve (Pro Se) respectfully make this Application to the Commission for Reconsideration of the Commission's Order granting the permit in the docket of the Matter of Otter Tail Power Company on Behalf of Big Stone II Co-owners for an Energy Conversion Facility Permit for the Construction of the Big Stone II Project for reasons stated below.

This Application for Reconsideration should be granted because of newly discovered information regarding a material fact in this proceeding -- information that estimates that the Big Stone II project will cost 60% more than the \$1 billion estimated of cost upon which the Order was based.

In presenting Purpose and Need for the proposed Project for power generation, Co-owners estimated the cost of the Big Stone II Power Plant. Now, we are presented with a cost estimate greatly above that upon which the Big Stone II Petition was based. It was recently reported that the project's lead engineering firm, Black & Veatch, has produced new cost information that estimates a 60% increase in the cost of the plant, now estimated at \$1.6 billion dollars. This is information that the Commission must address to assure that the project is in the public interest and in the ratepayers' interest.

I, Mary Jo Stueve, respectfully request that the Commission:

- 1) Order Applicants to provide copy of the recent report from Black & Veatch, including cost information and all other contents of the report.
- 2) Reconsider the Order granting the permit, and take into account this 60% estimated cost increase and the public interest and ratepayer interest.
- 3) Take any and all other relevant information in the Black & Veatch report into consideration.

Dated this 27th day of July, 2006

Mary Jo Stueve
Pro Se
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From Sioux Falls Argus Leader:

<http://www.argusleader.com/apps/pbcs.dll/article?AID=/20060726/NEWS/607260304/1001>

Costs spiral for Big Stone II

Threat considered unlikely to impede power plant

BEN SHOUSE - bshouse@argusleader.com July 26, 2006, 2:55 am

The estimated cost of a major coal-fired power plant proposed near Milbank has shot up by 60 percent to \$1.6 billion, possibly calling the project's future into question.

The increase is mostly because of the rapidly rising cost of raw materials such as steel and copper, and higher than expected costs for construction labor, said Steve Schultz, spokesman for the seven companies proposing to build Big Stone II.

He said it is possible but not likely that the increase would derail the project.

"We think at this point we're still cruising along, business as usual," he said. "Obviously, since the beginning of the project there has been talk of what-ifs, so we don't have answers for all those what-ifs."

Big Stone II recently received a siting permit from the South Dakota Public Utilities Commission, but still needs a permit for a \$200 million transmission line project from the Minnesota PUC.

On Thursday, that commission questioned executives from Otter Tail Power Co., the lead developer, regarding the cost increase. The issue took up much of the day's meeting, according to Clark Kaml, a rates analyst for the Minnesota PUC.

He said the commission raised the issue because of a letter from environmental groups and Minnesota newspaper reports.

Commissioners asked both Otter Tail and Great River Energy - a partner in Big Stone II based in Elk River, Minn. - to repeat a key portion of their "resource plans." These plans, required of utilities in Minnesota, include a determination of the most economic mix of energy resources.

As a result of the new numbers, the computer models used in that analysis could recommend a shift away from coal toward wind power or energy conservation, said Brian Morlock, manager of resource planning for Otter Tail. But he added that wind turbines and other resources are subject to the same inflation that is raising the cost of Big Stone II.

"Any time you change the cost, it has the potential to change the resource plan, but until we actually run the models. ... I have no idea what the outcome will be," he said.

South Dakota Public Utilities Commissioner Bob Sahr agreed that the cost of wind turbines will also increase.

He said the increased cost for Big Stone II is a major concern because it could increase electric rates for consumers, but that it would probably not have influenced the commission's vote in favor of the plant on July 14.

"I don't think anyone would find this surprising, and frankly I think this was in the back of everyone's mind as something that could happen," he said.

Bill Grant, an opponent of Big Stone II with the Izaak Walton League in St. Paul, said it's possible that wind power could now be the cheaper option.

"I don't think it's accurate to say that, for example, wind energy costs have increased by 50 percent to 100 percent in the past year. So that's why I think we need to see their numbers and compare them to the costs of various alternatives. That's something, in our view, that did not happen in any meaningful way before the South Dakota commission," he said.

At least one minor participant in Big Stone II is having second thoughts because of the cost. Austin Utilities of Austin, Minn., has suggested withdrawing from the project, said general manager Jerry McCarthy.

His utility is part of Southern Minnesota Municipal Power Agency, which could vote to opt out of Big Stone II at its August board meeting. But the plant could be built without SMMPA, which accounts for only 7 percent of the project's output.

The cost increase could benefit the economy of the Milbank area in the form of higher labor costs, Schultz said. But property taxes and state taxes will not increase, because they were capped by the South Dakota Legislature, he said.