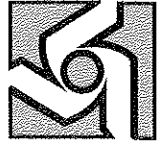

**BASIN ELECTRIC
POWER COOPERATIVE**

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BISMARCK, NORTH DAKOTA 58503-0564
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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

December 22, 2008

Patricia Van Gerpen, Executive Director
Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501-5070

Dear Ms. Van Gerpen:

**Subject: Notification of Intent Filed Pursuant to SDCL 49-41B-5
Proposed Deer Creek Station Project**

Basin Electric Power Cooperative is filing this Notification of Intent (NOI) to submit an application for a Permit for an Energy Conversion Facility as required by the South Dakota Codified Laws Chapter 49-41B-5 and the Administrative Rules of South Dakota Section 20:10:22:02, *Content of Notification of Intent*.

The information used in the preparation of this NOI represents the best professional judgment of Basin Electric, but is nevertheless preliminary at this time. The final facility description, facility operation methods, quantities, and other items herein are subject to modification as the development progresses to the final stage of design.

Western Area Power Administration (Western) has initiated an Environmental Impact Statement (EIS) development process for the Deer Creek Station Project. The EIS process requires the owner to consider a range of plant site alternatives. Basin Electric is filing this NOI for the Owner's preferred plant site alternative, referred to as White Site I, and its associated natural gas supply pipeline and transmission facilities.

Energy Conversion Facility

Basin Electric is proposing to construct and own a 300-megawatt net (MW) combined-cycle energy conversion facility and associated linear facilities (i.e., electric transmission infrastructure, water pipeline and gas pipeline) near White, South Dakota, referred to as the Deer Creek Station Project. This site is located in NE ¼, Section 25, Township 111N, Range 48 W, Brookings County, approximately 7 miles to the southeast of White, South Dakota, or 20 miles east of Brookings. The project is located in the northern Great Plains physiographic province, an area that has long been dominated by agricultural cereal-based crop rotations.

The energy conversion facility features two turbine-generator sets: one turbine is fired by natural gas, the other is driven by steam. Both of the turbines are connected to generators. The energy conversion facility will use natural gas supplied by the Northern Border Pipeline (NBPL). The energy conversion facility is needed to meet growing member load requirements and will serve as an intermediate power supply that is designed to "cycle" with demand, typically running about 12 to 16 hours a day when demand for electricity is higher.

The energy conversion facility site is illustrated on Exhibit 1. Basin Electric selected the site location because of its proximity to a fuel delivery source, an available water supply, and to take advantage of the existing transmission system for the delivery of electrical power to its members.

The energy conversion facility would be located on a greenfield (i.e., undeveloped) site of approximately 40 acres within a 100-acre plant site.

Two tanks sized approximately 500 gallons each would be used on site to store diesel for the backup generator and fire pump. Additional tanks, such as an ammonia tank to support to the Selective Catalytic Reduction (SCR) system and various water and wastewater storage tanks, would be present. All tanks would be aboveground or in a vault-type structure to minimize the potential for subsurface contamination. Additionally there would be miscellaneous lubricants and hydraulic oils also stored on site in appropriate storage areas.

Transmission

One 345-kilovolt (kV) transmission line segment would be constructed to interconnect the energy conversion facility to the existing 115/345-kV Western White Substation immediately adjacent to the site.

The 345-kV single-circuit transmission line structures would be constructed of a single-pole steel configuration approximately 120 feet tall. The arms on each side of each structure would be 20 feet long. These structures would have a circular concrete foundation base of 6 to 8 feet in diameter. The typical span between structures would be approximately 800 to 900 feet.

Natural Gas Pipeline

White Site I is located approximately 12 miles south of the NBPL, thereby ensuring a reliable fuel source is in the vicinity. The natural gas to be used for the combined cycle electricity generation would be sourced from the NBPL via a pipeline estimated to be 10-inch-diameter.

Water and Waste

Consumptive water use is anticipated to be a maximum of 60 gallons per minute (gpm) during peak use periods (summer peak). The estimated annual average use is anticipated to be 6 million gallons. Potable water from Brookings-Deuel Rural Water Supply would be piped to the site to support the 30 on-site permanent staff during operation. The potable water use rate is estimated as 1 gpm annual average.

Sanitary waste would flow to an on-site drain field. Operation of the energy conversion facility would produce approximately 12 gpm at peak times of process water treatment liquid discharge. The process wastewater would be held in on-site water storage tanks and/or ponds.

Office- and lunchroom-type waste would be disposed of on site in dumpsters and then hauled away by local waste management services for placement in permitted facilities. Construction debris would be removed and taken to the nearest permitted landfill in South Dakota.

Site Description

Currently approximately 90 percent of White Site I is tilled and used for agricultural production. Areas that are not in agricultural production are on the eastern third of the site and include a grassy swale, comprising approximately 5 percent of the property, and a forested shelter belt, comprising approximately 5 percent of the property. Plant communities consist of mixed native and introduced species, and no contiguous native prairie is present within the site.

Project Costs and Social and Economic Impact

Basin Electric estimates the capital cost of the energy conversion facility to be approximately \$405 million. Plant construction labor is projected to peak at 500 construction workers during the 16-month construction period. Once the plant is operational, Basin Electric estimates that up to 30 permanent full-time workers would be required on site.

Positive economic effects are expected from increased work force and wages in the area during construction, operation, and decommissioning phases. Transportation impacts from the proposed project are not expected to be significant, but may require certain mitigation measures.

List of Names and Addresses of County Commissioners, School District Presidents, Tribal Governments, and Municipalities in the Anticipated Affected Area

Please see Exhibit 2.

Permit Authorization Date and Construction and Operation Schedule

Construction is anticipated to begin in the third quarter of 2010 and would continue into 2012. Commercial operation is expected in 2012. The current schedule has been developed in anticipation of a final ruling from the PUC no later than the end of the second quarter 2010. Construction would begin following approval of the PUC and all other required federal, state, and local permits.

Construction Overview

Site work would begin by focusing on site clearing and access. Heavy construction earthmoving equipment, including bulldozers, scrapers, graders, trucks, and backhoes, would be used to prepare the site to construct foundations, site roadways, and storm drainage. Suitable topsoil would be salvaged and stockpiled for use on-site grading and reseeding and set aside for use for final plant site decommissioning efforts. Where appropriate, gravel would be used for temporary roads, equipment storage and laydown areas, and work areas. Precautions would be taken during these operations to contain erosion runoff, in accordance with the developed Stormwater Pollution Prevention Plan requirements, and to minimize fugitive dust emissions.

After completing the site preparation, the installation of the substructures (e.g., support pilings, foundations, etc.) and structures would begin. This effort would include installation of the power block substructure. Foundation construction would consist of buried pipe installation, foundation excavation, form erection, reinforcement installation, concrete placement, and foundation backfilling. These activities require delivery of materials to the site. Major construction equipment used during this stage would consist of medium-sized mobile cranes, backhoes, dump trucks, concrete pumps, and concrete delivery trucks.

Structural steel erection would begin when foundations are sufficiently complete. Large cranes would be used to unload the steel members and raise them to their final location. Construction equipment used during this phase would consist of large mobile cranes, lowboy trucks, specialized hauling and rigging equipment, and material delivery trucks.

Other major equipment for the proposed project would consist of a gas turbine generator, steam turbine generator, heat recovery steam generator (HRSG), main transformer, fans, air-cooled condenser, selected air pollution control equipment, and other items. The steam turbine generator set and the gas turbine generator set would be enclosed by siding and roofing. The administration building would be a permanent, roofed building.

Major equipment would be set into place and interconnected mechanically and electrically during the final construction stage. These activities would occur during the peak construction worker period for the proposed project and would overlap the equipment erection stage and the startup and testing stage. Major construction equipment used during this stage would consist of medium-sized mobile cranes, flatbed trucks, welding machines, portable power generators and air compressors, and cable-pulling equipment.

Federal, State, and Local Permits

The following permits or approvals are required for the construction and operation of the proposed project.

Government Level	Agency	Permits/Approvals/Consultations	Timing
Federal	Western Area Power Authority	Approval through a Record of Decision on an Environmental Impact Statement	Prior to Construction
Federal	U.S. Fish and Wildlife Service	Threatened and Endangered Species, Section 7	Prior to Construction
Federal	U.S. Army Corps of Engineers (USACE)	Section 10 and Nationwide Permit	Prior to Construction
Federal	Federal Aviation Administration	Approval of stack construction	Prior to Construction
Federal	U.S. Environmental Protection Agency	Spill Prevention, Control and Countermeasure Plan	Prior to Operation
State	South Dakota Department of Environment and Natural Resources (SDDENR)	Clean Water Act	Prior to Operation
State	SDDENR	Water Appropriation for Non-Irrigation Uses	Prior to Construction
State	SDPUC	Energy Conversion Facility and Transmission Facility Permits	Prior to Construction
State	SDDENR	Prevention of Significant Deterioration Air Permit	Prior to Construction
State	SDDENR	Title IV Acid Rain Permit	Prior to Construction
State	SDDENR	Title V Operating Permit	Prior to Operation
State	SDDENR	Sewage Disposal Permit	Prior to Construction
State	SDDENR	Construction Stormwater Discharge Permit	Prior to Construction
State	SDDENR	National Pollution Discharge Elimination System Operational Stormwater Discharge Permit	Prior to Operation
State	South Dakota Game and Fish Department	State-listed Endangered Fish and Wildlife	Prior to Construction
State	State Historic Preservation Office	Cultural and Historic Resources Review	Prior to Construction
State	SDDENR	No Exposure Certification (for exclusion from stormwater discharges associated with industrial activities)	Prior to Construction
State	SDDENR	Temporary Water Use Permit for construction activities, drilling or testing purposes.	Prior to Construction
Local	Brookings County	Building Permit	Prior to Construction

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Summary

The addition of 300 MW of generation to Basin Electric's eastern service area by 2012 is an essential component that will allow us to meet the capacity and energy requirements of our membership service area.

Basin Electric is very excited about fostering additional economic development in South Dakota by constructing the Deer Creek Station Project. We look forward to working with the Commission and its staff in bringing the project to a reality.

If you need additional information for the NOI, or have any project-specific questions, please feel free to contact Cris Miller at (701) 355-5635 or email at cmiller@bepec.com or contact Casey Jacobson at (701) 355-5413.

Sincerely,



Ronald R. Harper
CEO & General Manager

crm/rrh/gmj

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