



BIG STONE II

May 31, 2006

Mr. Kyrik Rombough
Air Quality Program
South Dakota Department of Environment
and Natural Resources
Joe Foss Building
523 East Capitol
Pierre, SD 57501-3181

Dear Mr. Rombough:

Subject: Prevention of Significant Deterioration Construction
Big Stone II

I am writing to update the Department on plans to control mercury emissions from Big Stone Units I and II. In the permit application for Big Stone II submitted in July of 2005, the applicant agreed to comply with the federal Clean Air Mercury Rule ("CAMR") promulgated by EPA in May of 2005. CAMR imposes New Source Performance Standards ("NSPS") on new units and imposes a cap-and-trade emissions allowance system on new and existing units. The NSPS varies depending on the rank of coal burned and the type of control equipment. New units such as Big Stone II which burn subbituminous coal and are equipped with a wet flue gas desulfurization unit must meet an emission standard of 42×10^{-6} lb (i.e., 42 millionths of a pound)/MWh. Using the NSPS for new units (42×10^{-6} lb/MWh) as a benchmark, the addition of Big Stone II would have represented an expected increase of approximately 210 lbs/year. The rule also caps mercury emissions from all power plants nationwide at 38 tons per year in 2010 to 2017 and then at 15 tons by 2018 and thereafter. The rule allocates a budget to each state based on past emissions. South Dakota's mercury allocation in 2010 is 144 lbs/year in 2010 to 2017 and 58 lbs/year thereafter. Adding the 210 lbs/year for the new unit based on the NSPS to the 144 lbs/year allocated to South Dakota yields an anticipated emission level for Big Stone I and II as high as 354 lbs mercury/year.

PO Box 496
215 SOUTH CASCADE STREET
FERGUS FALLS MN 56537
www.BigStoneII.com

OTTER TAIL POWER COMPANY, LEAD DEVELOPER
CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
GREAT RIVER ENERGY
HEARTLAND CONSUMERS POWER DISTRICT
MISSOURI RIVER ENERGY SERVICES
MONTANA-DAKOTA UTILITIES CO.
SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY

EXHIBIT
APPLICANTS'
EXHIBIT 34-A

Mr. Kyrik Rombough
May 31, 2006
Page 2

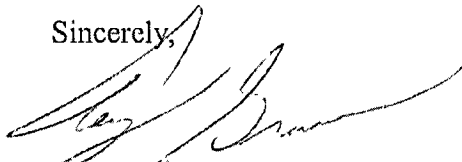
In the spirit of reducing emissions of mercury, the Big Stone II co-owners agreed last week to voluntarily commit to a site-wide cap of 189 lbs/year provided the facilities are allowed a period of three years after commercial operation date to test and implement commercially available, technically feasible mercury emissions control measures. This agreement is significant because, even though electrical output from the combined units will increase to 230% of current capacity, mercury emissions from both units will not increase above the amount emitted during 2004.

Under the agreement reached among the owners, there will be no such increase from the site as a whole. The agreement has the added benefit of operation flexibility — the owners can put resources to work where it will control mercury most effectively and efficiently. Finally, because the owners must purchase allowances in excess of those allocated under the South Dakota rules, they will have ongoing incentives to reduce mercury emissions.

We will contact you at a later date to discuss how this voluntary cap can be incorporated into the PSD Construction Permit.

Please call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Terry Graumann', written over a horizontal line.

Terry Graumann
Manager, Environmental Services

Table 1-1 Potentially Required Permits and Approvals (Revised June 1, 2006)

Timing	Gov't Level	Agency	Type of Permit/Approval	Permit Status
Prior to Construction	Federal	Western Area Power Administration	Environmental Impact Statement	Draft EIS public noticed on May 19 th - Public hearings June 13-16, 2006
		Corps of Engineers	404 Dredge and Fill	Permit application filed on March 7, 2006
		FAA	Stack height and lighting approval	No activity at this time
		Federal Land Managers	Class I Area Analysis	Determined to be not applicable
		FERC	(To Be Determined)	
		USFWS	Threatened and Endangered Species	In progress as part of the EIS
	State	SD Aeronautics Commission	Aeronautical Hazard Permit	No activity at this time
		SD DENR	401 Certification	No activity at this time
		SD DENR	PSD (Air) Permit	Permit application filed on July 21, 2005 – Draft permit public notice on April 26 th , 2006
		SD PUC	Notification of Intent to file Energy Conversion Facility Permit application	Notice of Intent filed on November 8, 2004
		SD PUC	Plant Siting	Permit application filed July 20, 2005 – Contested case hearing June 23-26, 2006
		SD PUC	Transmission Facility Route Permit	Permit application filed January 16, 2006
		MN PUC	Certificate of Need for High Voltage Transmission Line	Certificate of Need filed on October 3, 2005-MN – Pre-filed testimony filed on June 1, 2006
		MN PUC & MN DOC	MN Transmission Line Route Permit/MN EIS	Permit application filed on December 9, 2005-MN DEIS scheduled for completion on July 31, 2006
		SD – Water Rights Program	Water Appropriation	Permit public hearing scheduled for July 12–13, 2006
		SD State Historic Preservation Office	Cultural and Historic Resources Review	In progress as part of the EIS
		MN State Historic Preservation Office	Cultural and Historic Resources Review	In progress as part of the EIS
	Local	Grant County Planning Commission	Zoning Approval	No activity at this time



Timing	Gov't Level	Agency	Type of Permit/Approval	Permit Status
For Construction	Federal	Corps of Engineers	Section 10 River Crossing Permits	No activity at this time
	State	SD DENR	NPDES Storm Water Permit for Construction	No activity at this time
		MN DNR	Work in waterfowl or wildlife management areas?	No activity until transmission line route permit is issued
		MN DNR	State-listed Endangered Species	In progress as part of the EIS
		MN DNR	License to cross	No activity until transmission line route permit is issued
		MPCA	NPDES Construction Storm Water	No activity at this time
		MNDOT	Work in ROW	No activity until transmission line route permit is issued
		Grant County	Erosion and Sediment Control	No activity until transmission line route permit is issued – county approval may not be required
		Grant County or Big Stone Township	Driveway Permit for Construction Lay Down Area	No activity at this time
		Multiple LGU's	Wetland filling or excavation for transmission line	No activity until transmission line route permit is issued
For Operation	Federal	County Highways	Work in ROW	No activity until transmission line route permit is issued
		DOE	Fuel Use Act Certification	Requirements under review
		DOE	ORIS code number designation	Issued upon application – no approval necessary
	State	EPA	SPCC Plan	SPCC Plan required – no approval necessary
		SD DENR	Acid Rain Allowances	Issued upon purchase – no approval necessary
		SD DENR	AST certification	Notification required – no approval necessary
		SD DENR	Solid waste disposal permit.	Draft permit public noticed on May 10, 2006
		SD DENR	Title V Permit Application	Submittal due within 12 months of commencing operation
		SD DENR	NPDES Storm Water Permit	No activity at this time