



Montana-Dakota Utilities Co.

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Montana-Dakota Utilities Co.



Guiding Principles

- EPA and Montana should support a long-term federal energy policy
- Legislation and regulation should be based on sound science and economics
- Regulations must provide for orderly and achievable compliance, bearing in mind economic impacts on customers

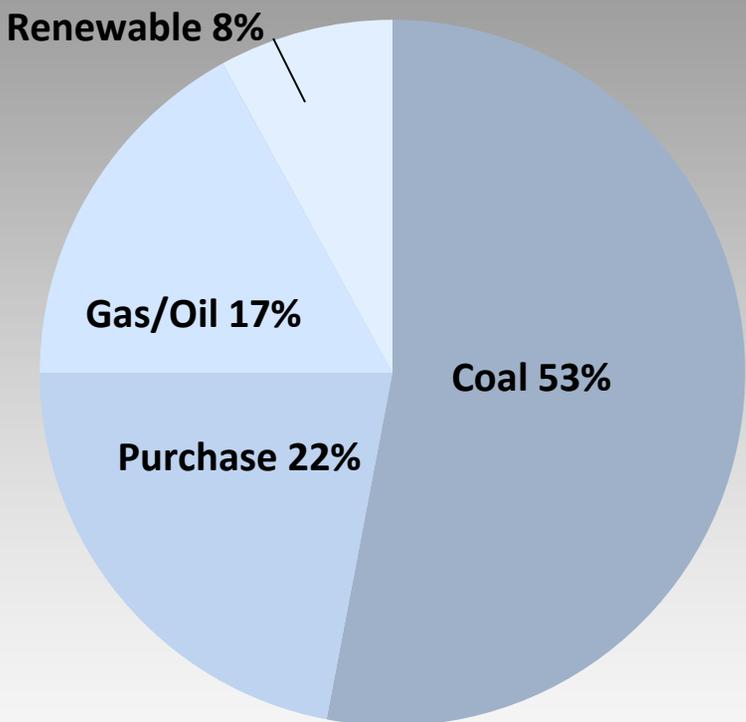


Regulatory Initiatives

- Montana-Dakota's electric system serving Montana is *integrated* - all our plants serve a common grid in Montana, North and South Dakota
- Costs for environmental compliance in all states is charged across the integrated system



MDU Generation Fleet - Capacity





Generation Fleet

- Our fleet serving the integrated system is over 50 percent coal based, and 70 percent fossil fuel-based
- EPA's suite of proposed regulations will require new equipment and add operating costs, *estimated at \$181 million over the next five to seven years*



Generation Fleet

- Montana-Dakota is evaluating expected compliance costs and alternatives
- Montana-Dakota believes that compliance can be achieved cost-effectively at all plants, but ...
- **Customer rates *will* increase to reflect these costs**

Compliance Cost Estimates in millions



Facility	Utility MACT	Regional Haze	Coal Combustion Residuals	316 (b)	Water Effluent Guidelines	Total
Heskett Unit 1	\$10.3	To be reviewed in 2018	\$0	Included with Unit 2	Estimated to be minimal	\$10
Heskett Unit 2	\$26	\$9	\$0	\$1.1	Estimated to be minimal	\$36
Lewis & Clark	\$15.5	\$2.5	\$1	\$1	Not estimated	\$20
Coyote (MDU's share)	\$1	\$1.6	\$0	\$0	Not estimated	\$2.6
Big Stone (MDU's share)	\$1.1	\$111	\$0	\$0	\$0	\$112



New Requirements

- Montana-Dakota has commented extensively on EPA proposed rules
- We have great concern about the accelerated timetables for compliance under some rules
- We have great concern about the scientific validity of some rules



Utility MACT Rule

- Ultimate concern is the insufficient compliance timeline
- EPA should further sub-categorize lower emitting sources



Coal Combustion Residuals Rule

- Hazardous waste designation requires tight timeline for ash pond closures and conversion to dry ash handling
- Beneficial use discouraged by hazardous waste designation
- Montana-Dakota supports solid waste designation for regulating coal ash



Regional Haze Program

- Rule allows many years to achieve reasonable progress toward background haze levels in 2064, so most stringent and expensive controls should not be required at outset



316(b) Cooling Water Intake Rule

- Final rule expected in 2012
- EPA should allow states to determine site-specific controls and not assign a one-size-fits-all technology



Steam Electric Effluent Guidelines Rule

- Expect proposed rule by July 2012
- Potential high cost wastewater treatment processes to be required for removal of trace pollutants in discharges



SO₂ NAAQS Rule

- Final rule preamble interpreted to require modeling to be used in lieu of monitor data to demonstrate compliance. Modeling requirement was not included in proposed rule.
- Modeling may over predict and lead to improper non-attainment area designations and unwarranted controls