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Minnesota Department of Commerce and Big Stone II Project Reach Agreement on Big Stone Transmission in Minnesota

St. Paul, MN -- The Minnesota Department of Commerce (DOC) and the seven owners (listed below) partnering to build the Big Stone II project announced today that they have reached an agreement settling issues related to high-voltage electric transmission facilities that are planned in Minnesota as part of the proposed project.

Project owners plan to build a 630-megawatt coal-fired power plant adjacent to the existing Big Stone Plant near Big Stone City, S.D., as well as transmission facilities in Minnesota and South Dakota that will deliver power to the owners'

customers from the plant and from planned wind generation facilities. The plant and transmission is intended to serve customers' needs beginning in 2012.

The agreement between the DOC and the Big Stone II owners resolves issues related to project costs, mercury emissions, water use, energy conservation, renewable energy, including Community-based Energy Development (C-BED), and carbon dioxide emissions consistent with Minnesota's 2007 Next Generation Energy Act.

"This agreement is intended to help pave the way for a diverse, reliable energy resource plan for the participating utilities, including additional renewables, energy conservation and efficiency, and needed new electric generating facilities, including Big Stone II," said Chuck MacFarlane, President, Otter Tail Power Company, lead developer of the project.

Among other provisions, the settlement includes:

- Innovative provisions to offset 100 percent of the Big Stone II plant's carbon dioxide emissions attributable to Minnesota customers.
- Commitments by the project's owners to build or procure at least 180 megawatts of locally owned renewable C-BED projects, representing 22 percent of Governor Pawlenty's statewide goal of 800 megawatts.
- Commitments by the project's owners to further improve and extend their energy conservation and efficiency efforts.

- Provisions that confirm that the project's owners will add equipment to both Big Stone II and the existing Big Stone I power plant that will remove at least 90 percent of the mercury emissions from both plants, similar to what is required for the largest plants located in Minnesota.

"This agreement supports the leadership of Governor Pawlenty and the Minnesota Legislature on issues related to developing renewable energy, including projects owned by Minnesota citizens, conserving energy and using it more efficiently, and attacking climate change while ensuring low cost, reliable energy for Minnesota consumers," said DOC Deputy Commissioner Edward Garvey.

On August 15, 2007, two Administrative Law Judges who reviewed the case in detail recommended that the Minnesota Public Utilities Commission approve the owners' requested certificate of need and related power line route permit and consider the conditions recommended by the DOC. The DOC's conditions are related to renewable energy development and energy conservation and efficiency and are all addressed in this agreement. The Minnesota Public Utilities Commission is expected to decide this matter sometime in October.

In July 2006 the South Dakota Public Utilities Commission (SDPUC), approved an Energy Conversion Facility Permit for the Big Stone II power plant itself and a route permit for its associated power lines located in South Dakota. On January

17, 2007, the SDPUC issued its order granting a permit to construct the associated transmission facilities in South Dakota.

In addition to Otter Tail Power Company, other project participants are the Central Minnesota Municipal Power Agency, Great River Energy, Heartland Consumers Power District, Missouri River Energy Services, Montana-Dakota Utilities Co., and the Southern Minnesota Municipal Power Agency. Together, the entities serve more than two million electric customers in Minnesota, South Dakota, North Dakota, Iowa, and Montana.

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