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November 22, 2010

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PUBLIC SERVICE COMMISSION

BY FEDERAL EXPRESS

Ms. Ilona Jeffcoat-Sacco
General Counsel
North Dakota Public Service Commission
600 E. Boulevard Ave., Dept. 408
Bismarck, ND 58505-0480

Re: Northern States Power Company
Case No. GS-08-765

Dear Ms. Sacco:

I am enclosing the settlement agreement containing Judy Pofel's original signature for the above-referenced case. If you have any questions, please contact Matthew Loftus at 612-215-4501.

Sincerely yours,

Jean Borrett
Legal Secretary to Matthew Loftus

Enclosure

cc: Matthew Loftus (w/enclosure)

26 GS-08-765 Filed: 11/23/2010 Pages: 6
Fully executed settlement agreement

Northern States Power Company

Jean Borrett

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

NORTHERN STATES POWER COMPANY
GAS SAFETY – FARGO, ND INSPECTION

CASE NO. GS-08-765

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this __ day of November, 2010, by and between the North Dakota Public Service Commission Advocacy Staff (Advocacy Staff) and Northern States Power Company, a Minnesota corporation with operations in North Dakota (Xcel Energy).

BACKGROUND

On September 2, 2008, at 12:37 AM, an explosion occurred at the south unit of a twin home located at 2215 and 2213, 15th Street South, Fargo, North Dakota. On September 2, 2008, the Testing and Safety Division of the Public Service Commission conducted an investigation of the incident. As a result of the incident investigation, a Notice of Probable Violations (NOPV) was issued to Xcel Energy, on April 1, 2010. The NOPV alleged three probable violations: (1) probable violation of 49 C.F.R. § 192.617; (2) probable violation of 49 C.F.R. § 192.615(b)(3); and (3) probable violation of 49 C.F.R. §192.13(c). The NOPV proposed a civil penalty of \$10,000 for each alleged violation and required payment for the costs of laboratory analysis of the failed pipe. On May 11, 2010, Xcel submitted a check for the laboratory costs. On May 7, 2010, Xcel Energy submitted written explanations and other materials in response to the Notice of Probable Violations. On August 12, 2010, Advocacy Staff issued an Amended Notice of Probable Violations (Amended NOPV) based on information provided by Xcel Energy. The Amended NOPV alleged the probable violation of only 49 C.F.R. § 192.617 and retained the \$10,000 civil penalty for this proposed violation.

TERMS OF SETTLEMENT

By April 1, 2011, Xcel Energy commits to implementing, in its five state upper Midwest natural gas operations, the revisions to its Pipeline Compliance and Standards Manual (Standards Manual) presented to Staff on November 15, 2010. The revisions improve Xcel Energy's natural gas incident review and analysis processes. The enhancements will improve cause analysis, the identification and extent of risk, and selection of corrective actions sufficient to address the root cause and minimize recurrence. The revisions to the Material Investigation Plan process flowchart, the Standards Manual, and related Gas Emergency Review process are attached to this settlement as Attachment A.

Xcel Energy does not admit nor deny that it committed the alleged violation in the Amended NOPV. In order to avoid further litigation or expenses, Xcel Energy and Advocacy Staff agree to resolve this case without any further proceedings with the further payment by Xcel Energy of the liquidated amount of ten thousand dollars (\$10,000). Payment of the amount provided in the Settlement is not an admission of any fact, fault or liability by Xcel Energy with regard to any matters alleged in the NOPV or Amended NOPV.

MISCELLANEOUS PROVISIONS

A. Basis of Settlement Agreement. It is agreed this Settlement Agreement is a negotiated Settlement agreement subject to approval by the Commission.

B. Effect of the Settlement Negotiations. It is understood and agreed that all offers of settlement and discussions related to this Settlement Agreement are privileged and may not be used in any manner in connection with proceedings in this case or otherwise, except as provided by law. In the event the Commission does not approve this Settlement Agreement, the Settlement Agreement will not be admissible as evidence in this or any other proceeding and no part thereof may be used for any purpose in this case or in any other.

C. Applicability and Scope. This Settlement Agreement is binding on Xcel Energy and Advocacy Staff, and their successors, assigns, agents, and representatives. This

Settlement Agreement does not set policy or overturn precedent. This Settlement Agreement does not in any respect constitute an agreement, admission or determination by Xcel Energy or Advocacy Staff as to the merits of any specific allegation or contention made by the Xcel Energy and Advocacy Staff in this proceeding.

D. Effective Date. This Settlement Agreement is effective on the date of the Commission Order approving the Settlement Agreement.

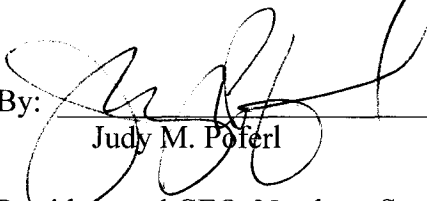
E. Modification. Xcel Energy and Advocacy Staff reserve the right to withdraw from the Settlement if the Commission rejects or modifies any element of the Settlement.

CONCLUSION

Xcel Energy and Advocacy Staff have agreed to the forgoing terms to resolve the issues in the captioned proceedings.

[Signature Pages Follow]

Northern States Power Company, a Minnesota corporation

By: 

Judy M. Pofel

President and CEO, Northern States Power Company-Minnesota
414 Nicollet Mall
Minneapolis, MN 55401

Dated this 22 day of November, 2010.

**[SIGNATURE PAGE TO SETTLEMENT AGREEMENT
CASE NO. GS-08-765]**

North Dakota Public Service Commission Staff

By: 
Illona A. Jeffcoat-Sacco (ID# 03315)

Special Assistant Attorney General
600 E. Boulevard Avenue, Dept. 408
Bismarck, ND 58505
(701) 328-2407

Dated this 04th day of November, 2010.

**[SIGNATURE PAGE TO SETTLEMENT AGREEMENT
CASE NO. GS-08-765]**