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August 4, 2010

PUBLIC SERVICE COMMISSION

VIA FAX AND U.S. MAIL

Darrell Nitschke
Executive Director
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

**Re: Otter Tail Power Company
Advance Determination of Prudence -
CapX2020 Group 1 Application
Case No. PU-09-676**

**Northern States Power Company
Advance Determination of Prudence -
CapX2020 Group 1 Application
Case No. PU-09-678**

Dear Mr. Nitschke:

Northern States Power Company, a Minnesota corporation ("Xcel Energy"), and Otter Tail Power Company ("Otter Tail") (collectively "Applicants") in the above-referenced Dockets, submit this letter for consideration by the North Dakota Public Service Commission ("Commission") in connection with our request for an Advance Determination of Prudence ("ADP") for our participation in the CapX2020 Group 1 Projects. Applicants believe that the Group 1 Projects are reasonable and prudent and that the Settlement Agreement is an appropriate mechanism to mitigate the problems identified with past ADP requests.

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Letter providing additional content for Commission deliberations
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Darrell Nitschke, Executive Director
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The record supports granting an ADP, subject to the Settlement Agreement as the Group 1 Projects are reasonable and prudent. They address the growing demand for electricity in North Dakota, improve community reliability in the Red River Valley, and improve overall system reliability. And they will support new North Dakota generation by increasing the North Dakota Export limit.

The broad benefit of the Group 1 Projects is reflected by the numerous utilities in the effort. These utilities all recognize the need for these projects and the benefits that will accrue to North Dakota and the Midwest region as well as all of our customers. All four of the Group 1 Projects are moving forward and we remain confident that they implement an infrastructure foundation that will be good for North Dakota and the region for many years. By granting the requested ADP, the Commission will be sending a strong positive signal supporting the orderly implementation of these projects to benefit North Dakota customers and surrounding states.

Applicants are aware of concerns surrounding other recent ADP cases and concerns about MISO's evolving cost allocation methodologies for projects that satisfy multiple policy goals, such as, we believe, the Brookings Project. We worked hard to mitigate those concerns, particularly with our commitment to forego the ADP law's cost recovery assurances in the unlikely event any of the Group 1 Projects is abandoned early in the process. Given that the final federal-level decision on cost allocation is still pending for the Brookings Project, we believe that approving the terms of the settlement agreement providing for additional Commission review for this project remains the most appropriate approach for the Commission to proceed.

By this letter we are providing additional context that the Commission may find useful in its deliberations. Applicants intend to have representatives available at the Commission's August 4, 2010 Work Session should any of the Commissioners have any question they would like addressed.

Respectfully,

/s/ James R. Alders
James R. Alders
Director of Regulatory Administration
Xcel Energy Services Inc. on behalf of
Northern States Power Company

/s/ Dean Pawlowski
Dean Pawlowski
Principal Engineer
Otter Tail Power Company

