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215 South Cascade Street
PO Box 496
Fergus Falls, MN 56538-0496

PUBLIC SERVICE COMMISSION

August 26, 2010

VIA EMAIL AND U.S. MAIL

Darrell Nitschke
Executive Secretary
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”) observed the North Dakota Public Service Commission (“Commission”) discussion of our CapX Advance Determination of Prudence (“ADP”) case at its August 24, 2010 Administrative meeting. Based on that discussion, we wish to clarify for the Commission, the terms of the Settlement Agreement we reached with Advocacy Staff. We respectfully request that the Commission schedule an Informal Hearing to discuss the settlement and allow us to answer the Commissioners’ questions.

Applicants appreciate the Commission’s careful consideration of our ADP request. We understand that the Commission is concerned about the risk of a project being abandoned in its early stages and how an abandoned project would be treated under the ADP law. Working closely with Advocacy Staff, we tried to address those concerns by agreeing to waive the ADP cost recovery protection for any project that is abandoned prior to Applicants making a financially binding commitment to its completion.

Darrell Nitschke, Executive Secretary
August 26, 2010
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We greatly appreciate the time and effort the Commission has taken to evaluate the Settlement Agreement. While some of the settlement language sounds like legalese, the execution of a “legally binding contractual investment commitment” simply marks the point in time when Applicants are financially committed to fund and construct a project. Once that commitment is made, we are bound to proceed with construction and there is no practical way to cancel participation, absent risking penalties for breaching the contract or extraordinary circumstances, which make project abandonment highly unlikely. Applicants note that no similar commitment was in place in the Big Stone II case. That project was abandoned before a financially-binding commitment to construct. Thus, our settlement offers more protection to ratepayers by postponing the ADP cost recovery protection to a much more certain stage than was present with Big Stone II.

Applicants respectfully request the opportunity to appear at the Commission in an Informal Hearing to explain the settlement and answer the Commission’s questions. We believe it may be most productive to convert the September 14th Work Session into an Informal Hearing with all of the parties to address the Commission’s questions. Applicants do not believe at this point that the record needs to be reopened but that the current record supports the settlement. Nevertheless, the Informal Hearing will allow notice to all parties and will give us the opportunity to do a better job of explaining the settlement and its benefits to North Dakota.

We look forward to working with the Commission and staff to help bring these cases to resolution. Please feel free to contact Mr. Dave Sederquist at (701) 241-8632 or Mr. Tim Rogelstad (218) 739-8583 for additional information or questions.

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

cc: Service List

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss. Case No. PU-09-678 and PU-09-676
COUNTY OF HENNEPIN)

 Zeviel Simpser, being first duly sworn, deposes and states that on the 26th day of August, 2010, he served the attached

 8/26/2010 JOINT LETTER TO NORTH DAKOTA PUBLIC SERVICE COMMISSION

upon:

Keith L. Beall
PO Box 4202
Carmel, IN 46082-4202
kbeall@midwestiso.org

Illona Jeffcoat-Sacco
North Dakota Public Service Commission
Department 408
600 East Boulevard Avenue
Bismarck, ND 58505-0480

Mike Diller
North Dakota Public Service Commission
Department 408
600 East Boulevard Avenue
Bismarck, ND 58505-0480

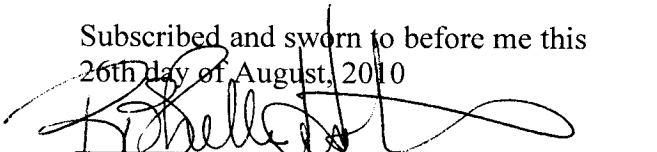
Jerry Lien
North Dakota Public Service Commission
Department 408
600 East Boulevard Avenue
Bismarck, ND 58505-0480

(Which is the last known address of said person) by depositing a true and correct copy thereof in the United States mail, postage prepaid.



Zeviel Simpser

Subscribed and sworn to before me this
26th day of August, 2010



Notary Public

