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October 5, 2012

Darrell Nitschke, Executive Director
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 59505-0480

**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:

In compliance with Order clauses 6 and 7 in the North Dakota Public Service Commission's ("Commission") October 6, 2010 Order Adopting Settlement in the above-referenced matters ("Order") and paragraph 1 of the Settlement Agreement, Northern States Power Company, a Minnesota corporation ("Xcel Energy"), and Otter Tail Power Company ("Otter Tail") (collectively "Applicants") in the above-referenced cases, provide the following:

148 PU-09-678 Filed 10/05/2012 Pages: 4
Compliance filing - Order clauses 6 & 7 of Oct. 6, 2010 Order
Northern States Power Company / Otter Tail Power Company
Paul Lehman / Dean Pawlowski

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Compliance filing - Order clauses 6 & 7 of Oct. 6, 2010 Order
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Paul Lehman / Dean Pawlowski

Binding Contractual Investment Commitments for Phase III of the Fargo Project

Previously, Applicants had advised the Commission of the information required in clause 6 of the Order for the first two segments of the CapX2020 Group 1 Fargo Project¹. On August 18, 2010, Xcel Energy, Otter Tail and the other project owners executed a Participation Agreement (“Ownership Agreement”) and other project agreements constituting the binding contractual investment commitments for the Fargo Project from Monticello, Minnesota to St. Cloud, Minnesota (“CapX Fargo Phase I”). The original Project Participation Agreement was amended to expand the scope of the project to include the St. Cloud, Minnesota to Alexandria, Minnesota (“CapX Fargo Phase II”) portion of the project on August 12, 2011. On September 28, 2012, the original Project Participation Agreement was further amended to expand the scope of the Project to include the Alexandria, Minnesota to Fargo, North Dakota (“CapX Fargo Phase III”) portion of the Project. The utilities who are committing themselves to funding and eventual ownership of the completed Project are unchanged as: Xcel Energy, Great River Energy, Western Minnesota Municipal Power Agency (“WMMPA”)², ALLETE, Inc., d/b/a Minnesota Power, and Otter Tail (collectively “Project Owners”).

Collectively, the agreements create a binding obligation that each owner will fund construction, operation and maintenance of the CapX Fargo Project up to their allocated share. These agreements constitute legally binding contractual investment commitments for the Project Owners for the CapX Fargo Project as contemplated in paragraph 1 of the Settlement Agreement entered into between Applicants and Advocacy Staff. Applicants would be in a position to provide further information to the Commission upon request.

The Project Owners have elected to remain at the following ownership percentages in the CapX Fargo Project:

Xcel Energy	36.1%
Great River Energy	25.0%

¹ See the Applicants’ August 23, 2010 letter to the Commission regarding the CapX Fargo Phase I segment from Monticello, Minnesota to St Cloud, Minnesota, and Applicants’ August 16, 2011 letter to the Commission regarding the CapX Fargo Phase II segment from Monticello, Minnesota to Alexandria, Minnesota.

² Missouri River Energy Services (“MRES”) has been a participating CapX2020 utility from the commencement of these proceedings. Under the Project Development Agreement, MRES held rights to as much as 11% of the Fargo Project. MRES chose to assign its rights to its affiliate, WMMPA. While WMMPA will be the owner of a share of the CapX Fargo Project, it will continue to be affiliated with MRES, and the overall utility operations are unchanged.

Darrell Nitschke, Executive Director
October 5, 2012
Page 3

Minnesota Power	14.7%
Otter Tail Power	13.2%
WMMPA	11.0%

These are the same ownership percentages represented to the Commission by Applicants in our Applications for an Advance Determination of Prudence in the above-referenced cases.

Critical Permits for Phase III of the Fargo Project

Enclosed as Attachment A, please find a list of all critical permits received by the Project Owners prior to making their investment commitment. Submission of this list is a provision of paragraph 1 of the Settlement Agreement.

Start of Actual Physical Construction for Phase III of the Fargo Project

Applicants advise the Commission that construction activities on CapX Fargo Phase III are expected to begin in October 2012. Pursuant to Order clause 7 of the Commission's October 6, 2010 Order in these cases, Applicants will inform the Commission when construction activities for CapX Fargo Phase III have commenced.

Please feel free to contact Mr. Dave Sederquist at (701) 241-8632 if the Commission requires additional information or has any questions.

Respectfully,

/s/ Paul J Lehman
Paul J Lehman
Manager Regulatory Compliance & Filings
Northern States Power Company

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

Enclosure

cc: Illona Jeffcoat-Sacco
Matt Dorsett
Mitch Armstrong

CRITICAL PERMITS FOR CAPX FARGO PHASE I

Certificate of Need granted by the Minnesota Public Utilities Commission on May 22, 2009 in PUC Docket No, ET-2, E-002, et. al./ CN-06-1115.

Route Permit for the Construction of a High Voltage Transmission Line and Substation in Wright and Sterns Counties issued by the Minnesota Public Utilities Commission on July 12, 2010 in PUC Docket No. E002, ET2/TL-09-246.

ADDITIONAL CRITICAL PERMITS FOR CAPX FARGO PHASE II

Route Permit for the Fargo to St. Cloud 345 kV Transmission Line Project issued by the Minnesota Public Utilities Commission on June 24, 2011 in PUC Docket No. E002, ET2/TL-09-1056.

ADDITIONAL CRITICAL PERMITS FOR CAPX FARGO PHASE III

Corridor Certificate Number 139 issued by the North Dakota Public Service Commission on September 12, 2012.

Route Permit Number 152 issued by the North Dakota Public Service Commission on September 12, 2012.