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February 1, 2013



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VIA EMAIL 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, doing business as Xcel Energy, and Otter Tail Power Company (Otter Tail) (collectively Applicants) in the above-referenced cases, provide the following update to the North Dakota Public Service Commission regarding the CapX2020 Group 1 Projects.

Execution of the Ownership Agreements

Ordering clause 6 in the Commission's October 6, 2010 Order Adopting Settlement in the above referenced matters (October 6 Order) requires Applicants to confirm in writing to the Commission when an Ownership Agreement is executed for each of the CapX Group 1 Projects or portion of a project. Also, Paragraph 1 of the CapX2020 Group 1 Projects Advanced Determination of Prudence Request Settlement Agreement (Settlement) requires Applicants to confirm to the Commission that all critical permits for a particular project have been obtained. Last, ordering

clause 6 of the Commission's November 10, 2011 Order Adopting Settlement (November 10 Order) reiterates Applicants' obligation to confirm in writing the execution of an Ownership Agreement for a particular Group 1 Project or portion thereof. In conformance with these requirements, on October 5, 2012 the Applicants submitted a compliance filing for the Fargo Phase III portion of the project, and on December 21, 2012, Northern States Power Company submitted a compliance filing for the La Crosse Project. These compliance filings included the ownership percentages as well as lists of critical permits received.

Collectively, the agreements create a binding obligation that each owner will fund construction, operation and maintenance of the Projects up to their allocated share. These agreements constitute the legally binding contractual investment commitment of the Project Owners as contemplated by paragraph 1 of the Settlement Agreement. Applicants can provide further information to the Commission upon request.

Attachment A contains the dates commercial agreements were executed for each project as well as the construction status. The Bemidji – Grand Rapids line went into service on September 17, 2012. The Brookings line is currently in construction. As reported in our December 6, 2012 Compliance Filing, construction activities on the Fargo Phase III Project began on November 12, 2012. Construction activities for the La Crosse Project began on January 28, 2013.

Annual Update

Pursuant to N.D.C.C. § 49-05-16 a “public utility shall provide periodic reports, as directed by the commission, which must include a description of the status of the resource addition and any changes in material circumstances affecting the resource addition.” Applicants report that they are not aware of any “material circumstances affecting the resource addition.” As can be seen, the Group 1 Projects are well underway with three projects under construction and one in service. Attachment B is a summary of Otter Tail and Northern States Power Company Expenditures through 2012.

Status of MVP Order

Pursuant to ordering clause 5 of the November 10 Order, and paragraph 6(d) of the Settlement of Continued Prudence in the above referenced cases, Applicants are

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required to provide updates to the Commission on the status of any proceedings related to the cost allocation methodology applicable to the Brookings Project which may arise before the Federal Energy Regulatory Commission (FERC) or any court of competent jurisdiction.

In our November 8, 2011 update on the status of the cost allocation methodology we informed the Commission that FERC's order and order on rehearing approving the cost allocation methodology applicable to the Brookings Project (*Midwest Independent Transmission System Operator, Inc.* 133 FERC ¶ 61,221 (2010); order on reh'g, 137 FERC ¶ 61,074 (2011)) were appealed to the United States Court of Appeals for the D.C. Circuit (D.C. Circuit) and the United States Court of Appeals for the Seventh Circuit (Seventh Circuit). On November 7, 2011, the United States Judicial Panel on Multidistrict Litigation randomly selected the Seventh Circuit as the venue for the filed appeals. Subsequently, all appeals were transferred from the D.C. Circuit to the Seventh Circuit. This means that the appeals for this matter will be heard by the United States Court of Appeals for the Seventh Circuit. As of January 31, 2013, all Parties to the appeals have filed briefs and are awaiting oral arguments. Oral arguments have not yet been scheduled but are expected to take place in late spring or summer of 2013.

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 and Filings
Northern States Power Company

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

Enclosures

**CapX2020 Commercial Agreements Status and Phase Update
 North Dakota Advanced Determination of Prudence**

CapX2020 Projects – Status of Commercial Agreements		
Project	CapX2020 Project Commercial Agreements	
	Executed (Y/N)	Date Executed
Fargo 1 (Monticello to Quarry)	Y	6/22/2011
Fargo 2 (Quarry to Alexandria)	Y	8/12/2011
Fargo 3 (Alexandria to Bison)	Y	9/28/2012
Bemidji – Grand Rapids	Y	1/20/2011
Brookings – Hampton	Y	1/14/2011
La Crosse – Hampton	Y	12/21/2012

CapX2020 Projects – Status of Construction			
Project	Construction Commenced (Y/N)	Status of Construction	Estimated Completion
Fargo 1 (Monticello to Quarry)	Y	Complete	N/A
Fargo 2 (Quarry to Alexandria)	Y	In Construction	Q3 2014
Fargo 3 (Alexandria to Bison)	Y	In Construction	Q3 2015
Bemidji – Grand Rapids	Y	Complete	N/A
Brookings – Hampton	Y	In Construction	Q2 2015
La Crosse – Hampton	Y	In Construction	Q4 2015

Exhibit 12 - Otter Tail Power Company & Northern States Power Company	Exhibit 12
Advance Determination of Prudence - CapX2020 Group 1 Application	1/28/2013
Case Nos. PU-09-676 and PU-09-678	
Expenditures through December 31, 2012	
Dollars are presenting (in Thousands)	
PDA - Permitting and Development Phase	
CMA - Construction Management Agreement	

Project	Expenditures to Date*	Xcel Energy		Otter Tail		Comments
		Ownership Share	ND Jurisdiction	Ownership Share	ND Jurisdiction	
Fargo - PDA						
Joint Development	\$4,755	\$1,717	\$79	\$628	\$259	
Direct Costs (Shared)	\$13,746	\$4,962	\$229	\$1,814	\$749	
Direct Costs (Non-Shared) NSPMN	\$2,911	\$2,911	\$134	\$0	\$0	
Direct Costs (Non-Shared) OTP	\$0	\$0	\$0	\$0	\$0	
Fargo - CMA						
Direct Costs (Shared)	\$183,575	\$65,536	\$3,028	\$24,329	\$10,048	
Discrete (Non-Shared)**	\$23,900	\$23,900	\$1,104	\$0	\$0	** OTP and NSP only
Direct Costs (Non-Shared) NSPMN	\$6,757	\$6,757	\$312	\$0	\$0	
Direct Costs (Non-Shared) OTP	\$666	\$0	\$0	\$666	\$275	
Total Fargo Project	\$236,311	\$105,782	\$4,887	\$27,437	\$11,331	
Bemidji - PDA						
Joint Development	\$961	\$252	\$12	\$192	\$79	
Direct Costs (Shared)	\$8,141	\$2,133	\$99	\$1,628	\$672	
Direct Costs (Non-Shared) NSPMN	\$0	\$0	\$0	\$0	\$0	
Direct Costs (Non-Shared) OTP	\$0	\$0	\$0	\$0	\$0	
Bemidji - CMA						
Direct Costs (Shared)	\$90,335	\$26,803	\$1,238	\$12,835	\$5,301	
Discrete (Non-Shared)**	\$7,869	\$0	\$0	\$7,869	\$3,250	** OTP and NSP only
Direct Costs (Non-Shared) NSPMN	\$4,739	\$4,739	\$219	\$0	\$0	
Direct Costs (Non-Shared) OTP	\$785	\$0	\$0	\$785	\$324	
Total Bemidji Project	\$112,830	\$33,927	\$1,567	\$23,310	\$9,627	
Brookings - PDA						
Joint Development	\$10,506	\$7,470	\$345	\$431	\$178	
Direct Costs (Shared)	\$11,173	\$7,944	\$367	\$458	\$189	
Direct Costs (Non-Shared) NSPMN	\$9,280	\$9,280	\$429	\$0	\$0	
Direct Costs (Non-Shared) OTP	\$480	\$0	\$0	\$480	\$198	
Brookings - CMA						
Direct Costs (Shared)	\$121,135	\$88,764	\$4,101	\$5,883	\$2,430	
Discrete (Non-Shared)**	\$22,817	\$22,817	\$1,054	\$0	\$0	** OTP and NSP only
Total Brookings Project	\$175,392	\$136,275	\$6,296	\$7,252	\$2,995	
La Crosse - PDA						
Joint Development	\$3,994	\$2,556	\$118	\$0	\$0	
Direct Costs (Shared)	\$16,596	\$10,621	\$491	\$0	\$0	
Direct Costs (Non-Shared) NSPMN	\$5,510	\$5,510	\$255	\$0	\$0	
La Crosse MN - CMA						
Direct Costs (Shared)	\$8,065	\$4,014	\$185	\$0	\$0	
Discrete (Non-Shared)**	\$1,969	\$1,969	\$91	\$0	\$0	** OTP and NSPMN only
Direct Costs (Non-Shared) NSPMN	\$0	\$0	\$0	\$0	\$0	
La Crosse WI - CMA						
Direct Costs (Shared)	\$1,508	\$1,163	\$54	\$0	\$0	
Discrete (Non-Shared)**	\$77	\$3	\$0	\$0	\$0	** OTP and NSPWI only
Direct Costs (Non-Shared) NSPWI	\$0	\$0	\$0	\$0	\$0	
Total La Crosse Project	\$37,719	\$25,837	\$1,194	\$0	\$0	
Grand Total	\$562,252	\$301,821	\$13,944	\$57,998	\$23,953	
*Currently the expenditures listed are actual costs through 12/31/2012						
Xcel totals include overheads and AFUDC; OTP totals does not include AFUDC						
Bemidji and Brookings CMA include a forecast for the month of December, 2012						
** NSP or OTP only						
*** OTP Put Direct Costs in CMA Phase on Bemidji & Fargo since project agreements are signed						
NSP ND Jurisdictional Allocation	4.6%					
OTP ND Jurisdictional Allocation	41.3%					