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February 9, 2016

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: Advance Determination of Prudence - CapX2020 Group 1 Projects
Case Nos. PU-09-676, PU-09-678**

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, and Otter Tail Power Company (Otter Tail), collectively, the 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 requires Applicants to confirm in writing to the Commission when an Ownership Agreement is executed for each of the CapX2020 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 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, Applicants have previously reported on the execution of all Ownership Agreements for all of the CapX2020 Group 1 projects. Thus there are no remaining Ownership Agreements to report on.

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.”

Three of the group 1 projects are fully in service: Fargo, Brookings and Bemidji. The remaining Group 1 Project, Hampton – La Crosse, energized a 92-mile segment of 345 kV line from Pine Island, MN to Holman, WI on September 15, 2015. Two 161 kV lines in the Rochester, MN area, totaling 28 miles, have been placed into service. The final segment of the project, a 37-mile line from Pine Island to Hampton, MN, is under construction and will be completed by September 2016.

Attachment A contains the dates commercial agreements were executed for each project as well as the construction status.

Attachment B is a summary of Otter Tail and Northern States Power Company capital expenditures through 2015. The Permitting and Development Phase has been completed and the costs have been assigned to the construction assets which are presented as direct costs (non-shared) under each construction management agreement.

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

Respectfully,

/s/ _____
David Sederquist
Senior Consultant Regulatory & Finance
Northern States Power Company

/s/ _____
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 | 12/01/2010 |
| 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 December 21, 2011 | N/A |
| Fargo 2 (Quarry to Alexandria) | Y | Complete April 22, 2014 | N/A |
| Fargo 3 (Alexandria to Bison) | Y | Complete April 2, 2015 | N/A |
| Bemidji – Grand Rapids | Y | Complete September 17, 2012 | N/A |
| Brookings – Hampton | Y | Complete March 2015 | N/A |
| La Crosse – Hampton | Y | In Construction | Q3 2016 |

| | |
|--|-------------------|
| Exhibit 12 - Otter Tail Power Company & Northern States Power Company | Exhibit 12 |
| Advance Determination of Prudence - CapX2020 Group 1 Application | 1/29/2016 |
| Case Nos. PU-09-676 and PU-09-678 | |
| Expenditures through December 31, 2015 | |
| 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 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Direct Costs (Shared) | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Direct Costs (Non-Shared) NSPMN | \$0 | \$0 | \$0 | | | |
| Direct Costs (Non-Shared) OTP | \$0 | | | \$0 | \$0 | |
| Fargo - CMA | | | | | | |
| Direct Costs (Shared) | \$529,479 | \$173,762 | \$8,028 | \$75,185 | \$31,051 | |
| Discrete (Non-Shared)** | \$42,652 | \$42,652 | \$1,971 | \$3,155 | \$1,303 | ** OTP and NSP only |
| Direct Costs (Non-Shared) NSPMN | \$30,298 | \$30,298 | \$1,400 | | | Includes PDA |
| Direct Costs (Non-Shared) OTP | \$3,104 | | | \$3,140 | \$1,282 | |
| Total Fargo Project | \$605,533 | \$246,712 | \$11,398 | \$81,480 | \$33,636 | |
| Bemidji - PDA | | | | | | |
| Joint Development | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Direct Costs (Shared) | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Direct Costs (Non-Shared) NSPMN | \$0 | \$0 | \$0 | | | |
| Direct Costs (Non-Shared) OTP | \$0 | | | \$0 | \$0 | |
| Bemidji - CMA | | | | | | |
| Direct Costs (Shared) | \$91,563 | \$27,374 | \$1,265 | \$13,513 | \$5,581 | |
| Discrete (Non-Shared)** | \$7,383 | | | \$7,383 | \$3,049 | ** OTP and NSP only |
| Direct Costs (Non-Shared) NSPMN | \$7,089 | \$7,089 | \$328 | | | Includes PDA |
| Direct Costs (Non-Shared) OTP | \$2,546 | | | \$2,546 | \$1,052 | |
| Total Bemidji Project | \$108,583 | \$34,463 | \$1,592 | \$23,443 | \$9,682 | |
| Brookings - PDA | | | | | | |
| Joint Development | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Direct Costs (Shared) | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Direct Costs (Non-Shared) NSPMN | \$0 | \$0 | \$0 | | | |
| Direct Costs (Non-Shared) OTP | \$0 | | | \$0 | \$0 | |
| Brookings - CMA | | | | | | |
| Direct Costs (Shared) | \$520,301 | \$362,733 | \$16,758 | \$24,733 | \$10,215 | |
| Discrete (Non-Shared)** | \$64,038 | \$64,038 | \$2,959 | \$0 | \$0 | ** OTP and NSP only |
| Direct Costs (Non-Shared) NSPMN | \$42,222 | \$42,222 | | | | Includes PDA |
| Direct Costs (Non-Shared) OTP | \$1,396 | | | \$1,396 | \$586 | OTP input cell N48 |
| Total Brookings Project | \$627,957 | \$468,993 | \$19,717 | \$26,129 | \$10,801 | |
| La Crosse - PDA | | | | | | |
| Joint Development | \$0 | \$0 | \$0 | | | |
| Direct Costs (Shared) | \$0 | \$0 | \$0 | | | |
| Direct Costs (Non-Shared) NSPMN | \$0 | \$0 | \$0 | | | |
| La Crosse MN - CMA | | | | | | |
| Direct Costs (Shared) | \$232,023 | \$117,595 | \$5,433 | | | |
| Discrete (Non-Shared)** | \$25,877 | \$25,877 | \$1,196 | | | ** OTP and NSPMN only |
| Direct Costs (Non-Shared) NSPMN | \$23,822 | \$23,822 | \$1,101 | | | Includes PDA |
| La Crosse WI - CMA | | | | | | |
| Direct Costs (Shared) | \$140,494 | \$110,192 | \$5,091 | | | |
| Discrete (Non-Shared)** | \$28,622 | \$28,622 | \$1,322 | | | ** OTP and NSPWI only |
| Direct Costs (Non-Shared) NSPWI | \$14,306 | \$14,306 | \$661 | | | Includes PDA |
| Total La Crosse Project | \$465,144 | \$320,414 | \$14,803 | \$0 | \$0 | |
| Grand Total | \$1,807,217 | \$1,070,582 | \$47,510 | \$131,052 | \$54,119 | |
| *Currently the expenditures listed are actual costs through 12/31/2014 | | | | | | |
| Xcel totals include overheads and AFUDC; OTP totals does not include AFUDC | | | | | | |
| ** NSP or OTP only | | | | | | |
| *** OTP Put Direct Costs in CMA Phase on Bemidji & Fargo since project agreements are signed | | | | | | |
| NSP ND Jurisdictional Allocation-2010 | 4.6% | | | | | |
| OTP ND Jurisdictional Allocation | 41.3% | | | | | |