



414 Nicollet Mall
Minneapolis, MN 55401



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

RECEIVED

AUG 22 2011

PUBLIC SERVICE COMMISSION

August 16, 2011

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:

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:

- 115 PU-09-678 Filed 08/22/2011 Pages: 6
Fargo project - phase II - notification re investment commitment, critical permits, start of construction
Northern States Power Company & Otter Tail Power Co.
James Alders & Dean Pawlowski
- 116 PU-09-676 Filed 08/22/2011 Pages: 6
Fargo project - phase II - notification re investment commitment, critical permits, start of construction
Northern States Power Company & Otter Tail Power Co.
James Alders & Dean Pawlowski

Binding Contractual Investment Commitments for Phase II of the Fargo Project

Previously, Applicants had advised the Commission of the information required in clause 6 of the Order for the first segment of the CapX2020 Group 1 Fargo Project¹. On August 12, 2011, Xcel Energy, Otter Tail and the other project owners executed an Amended and Restated Project Participation Agreement (“Ownership Agreement”) and other project agreements constituting the binding contractual investment commitments for the Fargo Project from Monticello, Minnesota to Alexandria, Minnesota (“CapX Fargo”). 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. 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%
Minnesota Power	14.7%
Otter Tail Power	13.2%
WMMPA	11.0%

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.

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
August 16, 2011 - Page 3

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 II 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 II of the Fargo Project

Applicants advise the Commission that construction activities on CapX Fargo Phase II are expected to begin in September 2011. 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 II 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/ 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

Enclosures

cc: Service List

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.

CERTIFICATE OF SERVICE

I, Lindsey Didion, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota;

xx by email.

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

Dated this 16th day of August, 2011.

/s/

Lindsey Didion

SERVICE LIST

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

Matthew Loftus
Assistant General Counsel
Xcel Energy
5th Floor
414 Nicollet Mall
Minneapolis, MN 55401

Mitchell D. Armstrong
Smith Bakke Porsborg Schweigert Armstrong
122 East Broadway
P.O. Box 460
Bismarck, ND 58502-0460

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

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

Matthew R. Dorsett
Midwest ISO
PO Box 4202
Carmel, IN 46082-4202

Jennifer O. Smestad
Associate General Counsel
Otter Tail Corporation
P.O. Box 496
125 South Cascade Street
Fergus Falls, MN 56537

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

Zeviel Simpser
Briggs and Morgan
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402-2157