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January 20, 2012

VIA EMAIL AND FEDERAL EXPRESS

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, a Minnesota corporation (“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 (the “Commission”) regarding:

- Execution of the Ownership Agreements for the Brookings Project
- Annual update on the Group 1 Projects; and
- Appeal of the MVP Order.

Execution of the Ownership Agreements for the Brookings Project

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, Applicants provide the following:

On January 13, 2012, Xcel Energy, Otter Tail and the owners of the Brookings Project executed a Project Participation Agreement ("Ownership Agreement") and other project agreements constituting the binding contractual investment commitment for the Brookings Project. The utilities who have committed themselves to funding and eventual ownership of the completed Project are: Xcel Energy, Otter Tail, Missouri River Energy Services ("MRES"), Central Minnesota Municipal Power Agency ("CMMMPA"), and Great River Energy (collectively, the "Project Owners").

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

The Project Owners have elected the following ownership percentages in the Brookings Project:

Xcel Energy	71.1%
Great River Energy	16.3%
MRES	5.0%

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Otter Tail	4.0%
CMMPA	3.6%

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 a provision of paragraph 1 of the Settlement Agreement.

Construction activities on the Brookings Project are expected to begin this spring with route clearing and foundation work. Pursuant to ordering clause 7 of the Commission's October 6 Order and ordering clause 7 of the Commission's November 10 Order in these cases, Applicants will inform the Commission when construction activities for the Brookings Project have commenced.

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." Although not specifically directed to provide such updates in either the October 6 Order or the November 7 Order, Applicants provide Attachment B which is an update on the status of all the Group 1 Projects through 2011. 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 two of the four projects under construction and a third expected to reach that point shortly.

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 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

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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 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. Applicants have no other material updates to provide on this matter.

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: Illona Jeffcoat-Sacco
Matthew R. Dorsett

Attachment A

Critical Permits Received for the Brookings Project

Minnesota Certificate of Need

In the Matter of the Application of Northern States Power Company (d/ b/ a Xcel Energy), Great River Energy, and Others for Certificates of Need for Three 345 kV Transmission Lines with Associated System Connections, Order Granting Certificates of Need with Conditions, MPUC Docket No. E002/CN-06-115 (May 22, 2009).

Minnesota Route Permit

In the Matter of the Route Permit Application for a 345 kV Transmission Line from Brookings County, South Dakota to Hampton, Minnesota, Order Granting Route Permit for Remanded Segment of Route, MPUC Docket No. ET-2/TL-08-1474 (March 1, 2011); In the Matter of the Route Permit Application for a 345 kV Transmission Line from Brookings County, South Dakota to Hampton, Minnesota, Order Granting Route Permit, MPUC Docket No. ET-2/TL-08-1474 (September 14, 2010).

South Dakota Facilities Permit

In the Matter of the Application of Great River Energy and Northern States Power Company d/ b/ a Xcel Energy for a Permit to Construct a 10.6 Mile, 345 kV Transmission Line (CapX2020) in Brookings County Near White, South Dakota, Order Granting Joint Motion for Approval of Settlement Stipulation and Granting Permit to Construct Facilities, SDPUC Docket No. EL10-016 (June 17, 2011).



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Attachment B

North Dakota Advanced Determination of Prudence CapX2020 Project Update

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1. CapX2020 Commercial Agreement Status and Construction Phase Update

Date: 1/20/2012



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

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

CapX2020 Projects - Status of Construction		
Project	Construction Commenced (Y/N)	Status of Construction
Fargo 1 (Monticello to Quarry)	Y	In Construction
Fargo 2 (Quarry to Alexandria)	Y	In Construction
Fargo 3 (Alexandria to Bison)	N	Permitting
Bemidji - Grand Rapids	Y	In Construction
Brookings - Hampton	N	Land Acquisition
La Crosse - Hampton	N	Permitting



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2. CapX2020 Fargo Project - Updated Schedule

FARGO PROJECT SCHEDULES

	2009				2010				2011				2012				2013				2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Minnesota Certificate of Need		■																														
Minnesota Route Permit						■	■		■	■	■	■																				
North Dakota Certificate of Public Convenience and Necessity				■																												
North Dakota Certificate of Corridor Compatibility					■	■	■	■	■	■	■	■																				
North Dakota Route Permit												■	■																			
Engineering and ROW Acquisitions									■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■				
Construction						■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■				
In-Service												■									■											
Project Completion													■									■									■	

- Monticello – St. Cloud Segment
- St. Cloud – Alexandria Segment
- Alexandria – Fargo Segment

Route Permit for the St Cloud – Alexandria segment and the Minnesota portion of the Alexandria – Fargo segment was obtained in one permit application.



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3. CapX2020 Brookings Project - Updated Schedule



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4. CapX2020 Bemidji Project - Updated Schedule



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5. CapX2020 La Crosse Project - Updated Schedule



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6. Otter Tail Power Company and Northern States Power Company Expenditures through 2011

Otter Tail Power Company & Northern States Power Company
Advance Determination of Prudence - CapX2020 Group 1 Application
Case Nos. PU-09-676 and PU-09-678
Expenditures through December 31, 2011
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	\$4,555	\$1,644	\$76	\$601	\$248	
Direct Costs (Shared)	\$13,327	\$4,811	\$222	\$1,759	\$726	
Direct Costs (Non-Shared) NSPMN	\$1,694	\$1,694	\$78			
Direct Costs (Non-Shared) OTP				\$0	\$0	
Fargo - CMA						
Direct Costs (Shared)	\$80,790	\$26,185	\$1,210	\$12,667	\$5,231	
Discrete (Non-Shared)**	\$23,690	\$23,690	\$1,094			
Direct Costs (Non-Shared) NSPMN	\$644	\$644	\$30			
Direct Costs (Non-Shared) OTP	\$977			\$977	\$404	
Total Fargo Project	\$125,677	\$58,668	\$2,710	\$16,004	\$6,609	
Bemidji - PDA						
Joint Development	\$961	\$252	\$12	\$192	\$79	
Direct Costs (Shared)	\$8,181	\$2,143	\$99	\$1,636	\$676	
Direct Costs (Non-Shared) NSPMN	\$0	\$0	\$0			
Direct Costs (Non-Shared) OTP				\$0	\$0	
Bemidji - CMA						
Direct Costs (Shared)	\$46,801	\$13,811	\$638	\$7,197	\$2,972	
Discrete (Non-Shared)**	\$5,549	\$0	\$0	\$3,880	\$1,602	
Direct Costs (Non-Shared) NSPMN	\$1,787	\$1,787	\$83			
Direct Costs (Non-Shared) OTP	\$621			\$621	\$256	
Total Bemidji Project	\$63,901	\$17,993	\$831	\$13,525	\$5,586	
Brookings - PDA						
Joint Development	\$10,506	\$7,470	\$345	\$431	\$178	
Direct Costs (Shared)	\$12,026	\$8,551	\$395	\$493	\$204	
Direct Costs (Non-Shared) NSPMN	\$2,632	\$2,632	\$122			
Direct Costs (Non-Shared) OTP				\$472	\$195	
Brookings - CMA						
Direct Costs (Shared)	\$6,826	\$4,853	\$224	\$280	\$116	
Discrete (Non-Shared)**	\$3,845	\$3,845	\$178			
Total Brookings Project	\$35,835	\$27,351	\$1,264	\$1,676	\$692	
La Crosse - PDA						
Joint Development	\$3,825	\$2,448	\$113	\$0	\$0	
Direct Costs (Shared)	\$13,973	\$8,943	\$413	\$0	\$0	
Direct Costs (Non-Shared) NSPMN	\$1,735	\$1,735	\$80			
Total La Crosse Project	\$19,533	\$13,126	\$606	\$0	\$0	
Grand Total	\$244,946	\$117,138	\$5,412	\$31,205	\$12,888	

*Currently the expenditures listed are actual costs through 12/31/2011; except for Bemidji CMA which includes a forecast for the month of December, 2011

** NSP or OTP only