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February 4, 2014



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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, 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. However, in conformance with the intent of ordering clause 6, Applicants report here that on January 1, 2014, the Brookings Ownership Agreement was amended to adjust the ownership percentages for the owners of the Brookings Project. The new ownership percentages are as shown in the table below:

**Brookings Project**

	ADP Filing Ownership Share	Amended Ownership Share
Great River Energy	16.5000%	18.5145%
Central Minnesota Municipal Power Agency	2.2000%	4.0861%
Western Minnesota Municipal Power Agency	5.1000%	5.6752%
Otter Tail Power Company	4.1000%	4.0000%
Northern States Power Company (MN)	72.1000%	67.7242%
Total	100.0000%	100.0000%

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, and the first phase of the Fargo Project went into service on December 21, 2011.

*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 2013. 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 CMA.

*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 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).

The Seventh Circuit heard oral argument for the appeal on April 10, 2013, and issued an opinion on June 7, 2013. *Ill. Commerce Comm'n v. Fed. Energy Regulatory Comm'n*, 721 F.3d 764 (7th Cir. 2013). The Seventh Circuit affirmed the challenged orders, except the challenge by the departing MISO members was dismissed as premature and the determination regarding export pricing to PJM Interconnection, LLC was remanded for further analysis by the FERC. *Id.* at 781.

Petitions for Writ of Certiorari were filed with the Supreme Court of the United States on October 7, 2013. Docket Nos. 13-443 and 13-445. Respondents filed their opposition briefs on January 8, 2014, and Petitioners filed their reply briefs on January 21 and 22, 2014, respectively. The Supreme Court will consider whether to hear the case on February 21, 2014.

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

Darrell Nitschke, Executive Director  
February 4, 2014  
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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**

<b>CapX2020 Projects – Status of Commercial Agreements</b>		
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

<b>CapX2020 Projects – Status of Construction</b>			
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	In Construction	Q2 2014
Fargo 3 (Alexandria to Bison)	Y	In Construction	Q2 2015
Bemidji – Grand Rapids	Y	Complete September 17, 2012	N/A
Brookings – Hampton	Y	In Construction	Q1 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 Applicator** **1/28/2014**  
Case Nos. PU-09-676 and PU-09-678  
Expenditures through December 31, 2013  
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	
<b>Fargo - PDA</b>						
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	
<b>Fargo - CMA</b>						
Direct Costs (Shared)	\$382,885	\$126,924	\$5,864	\$54,037	\$22,317	
Discrete (Non-Shared)**	\$33,234	\$33,234	\$1,535	\$522	\$215	** OTP and NSP only
Direct Costs (Non-Shared) NSPMN	\$15,196	\$15,196	\$702			Includes PDA
Direct Costs (Non-Shared) OTP	\$3,155			\$3,155	\$1,303	
<b>Total Fargo Project</b>	<b>\$434,471</b>	<b>\$175,355</b>	<b>\$8,101</b>	<b>\$57,713</b>	<b>\$23,836</b>	
<b>Bemidji - PDA</b>						
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	
<b>Bemidji - CMA</b>						
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	
<b>Total Bemidji Project</b>	<b>\$108,583</b>	<b>\$34,463</b>	<b>\$1,592</b>	<b>\$23,443</b>	<b>\$9,682</b>	
<b>Brookings - PDA</b>						
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	
<b>Brookings - CMA</b>						
Direct Costs (Shared)	\$327,363	\$239,880	\$11,082	\$15,898	\$6,566	
Discrete (Non-Shared)**	\$43,311	\$43,311	\$2,001	\$0	\$0	** OTP and NSP only
Direct Costs (Non-Shared) NSPMN	\$43,256	\$43,256				Includes PDA
Direct Costs (Non-Shared) OTP	\$1,396			\$1,396	\$577	
<b>Total Brookings Project</b>	<b>\$415,326</b>	<b>\$326,447</b>	<b>\$13,083</b>	<b>\$17,294</b>	<b>\$7,143</b>	
<b>La Crosse - PDA</b>						
Joint Development	\$0	\$0	\$0	\$0	\$0	
Direct Costs (Shared)	\$0	\$0	\$0	\$0	\$0	
Direct Costs (Non-Shared) NSPMN	\$0	\$0	\$0	\$0	\$0	
<b>La Crosse MN - CMA</b>						
Direct Costs (Shared)	\$83,079	\$41,350	\$1,910	\$0	\$0	
Discrete (Non-Shared)**	\$20,106	\$20,106	\$929	\$0	\$0	** OTP and NSPMN only
Direct Costs (Non-Shared) NSPMN	\$14,297	\$14,297	\$661	\$0	\$0	Includes PDA
<b>La Crosse WI - CMA</b>						
Direct Costs (Shared)	\$19,182	\$14,792	\$683	\$0	\$0	
Discrete (Non-Shared)**	\$12,752	\$12,752	\$589	\$0	\$0	** OTP and NSPWI only
Direct Costs (Non-Shared) NSPWI	\$5,842	\$5,842	\$270	\$0	\$0	Includes PDA
<b>Total La Crosse Project</b>	<b>\$155,256</b>	<b>\$109,138</b>	<b>\$5,042</b>	<b>\$0</b>	<b>\$0</b>	
<b>Grand Total</b>	<b>\$1,113,636</b>	<b>\$645,403</b>	<b>\$27,819</b>	<b>\$98,450</b>	<b>\$40,660</b>	
*Currently the expenditures listed are actual costs through 12/31/2013 Xcel totals include overheads and AFUDC; OTP totals does not include AFUDC Brookings CMA include a forecast for the month of December, 2013						
** NSP or OTP only						
*** OTP Put Direct Costs in CMA Phase on Bemidji & Fargo since project agreements are signed						
<b>NSP ND Jurisdictional Allocation</b>	<b>4.6%</b>					
<b>OTP ND Jurisdictional Allocation</b>	<b>41.3%</b>					