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September 7, 2010

RECEIVED

Darrell Nitschke, Executive Director
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

SEP 09 2010

PUBLIC SERVICE COMMISSION

SUBJECT: Fargo Power Disruption of August 27, 2010

Dear Mr. Nitschke:

Northern States Power Company, a Minnesota corporation with operations in North Dakota (“Xcel Energy” or the “Company”) wishes to provide the North Dakota Public Service Commission (“Commission”) with an update of the August 27, 2010 partial power disruption in a north Fargo neighborhood (affecting homes on 7th and 8th streets, between 16th and 17th avenues) which unfortunately resulted in damage to some customer appliances and other household equipment.

A. The August 27, 2010 partial power disruption.

Let me begin by saying that, on behalf of Xcel Energy, we sincerely regret any loss or inconvenience experienced by our customers as a result of the partial power disruption. We have conducted a preliminary investigation of the event and determined that multiple factors likely contributed to the power disruption, including high electric loads on the line (at 92 degrees, August 27 had the hottest temperature recorded this year in Fargo) and wind speeds exceeding 30 miles per hour. These circumstances, and possibly other factors, appear to have contributed to abnormal line sag and movement late that afternoon, ultimately causing a secondary line to come into contact with a neutral wire. This resulted in failure of the neutral wire and two transformer ground wires, and consequent voltage imbalances on the two secondary conductors.

Once we were notified of the disturbance late in the afternoon on August 27th, our field crews were dispatched to the area where they repaired the damaged neutral wire and ground wires within a two hour period.

B. Actions to be taken to prospectively to upgrade the infrastructure.

Based upon our preliminary investigation and experience, we have determined that the best way to address growth in energy use in the neighborhood is to install upgraded

secondary and neutral lines in this block. The new triplex conductor will accommodate higher electric loads and, because the wires are insulated and lashed together, recurrence of a similar event is greatly minimized. We expect this upgrade work to be completed within a week.

C. The Company has acted prudently in the construction and maintenance of these facilities.

Operations management recently reviewed the site and determined that the infrastructure was constructed to industry standards. We also reviewed the history of power quality-related calls we've received from this particular neighborhood over the past 3 years, and based on our records, there had been only one¹. This is important because Xcel Energy relies primarily on information from the system or customer contacts to know if and when a portion of our distribution system needs to be investigated and possibly repaired or upgraded. Our General Service Rules, on file with the Commission, state that, unless we have been grossly negligent (for example, if we fail to address warning signs, such as multiple outages or customer calls about flickering or dimming lights) in maintaining a portion of our system, we are not liable for damaged customer equipment due to power interruptions:

"The company will endeavor to provide continuous service but does not guarantee an uninterrupted or undisturbed supply of electric service. The company will not be responsible for any loss or damage resulting from the interruption or disturbance of service for any cause other than gross negligence of the Company. The Company will not be liable for any loss of profits or other consequential damages resulting from the use of service or any interruption or disturbance of service." [Section 1.4, General Rules & Regulations]

We have informed the affected customers that due to the nature of electricity, the mechanical elements of our system, and the external intrusions upon our equipment, it is not reasonable for Xcel Energy -- or any other utility company, for that matter -- to guarantee continuous or undisturbed service 100 percent of the time. We believe this standard of service is reflected in Section 1.4 as stated above, which also serves to ensure fair and consistent treatment for all customers similarly impacted.

Due to the fact that our infrastructure had been constructed in conformity with industry standards, and based upon the lack of calls from customers in this area regarding power quality prior to August 27, 2010, we believe we have been prudent and responsible in constructing and maintaining our infrastructure, and that our system had been operating normally and sufficiently to meet the electric needs of the neighborhood. Consequently, our view is that the damage resulting from the August 27 disturbance was not the result of gross negligence.

While we understand the frustration and disappointment of our customers regarding the disruption, our initial analysis and our need to follow our rules and be consistent with past


¹ Flickering lights were reported by one residence on March 25, 2009. The problem was corrected by repairing the service connection at the weatherhead.

practice gives little if any basis to consider customer requests of the company to compensate them for damages that may have resulted. Instead, we have encouraged the affected customers to consult with their insurance companies regarding the filing of claims and recovery of losses in this matter.

We understand that the Commission may feel compelled to inquire further into the details of this power disruption and, if so, we are happy to cooperate. We are also open to working with Commission staff to consider other avenues of resolution if necessary.

Please feel free to contact me if you have any questions about the information in this letter. Thank you.

Sincerely,

A handwritten signature in black ink that reads "David H. Sederquist". The signature is written in a cursive style with a large, prominent 'D' and 'S'.

David H. Sederquist
Sr. Consultant, Regulation & Finance
Xcel Energy

Cc: Scott Sheldon
Public Outreach Specialist