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Laura McCarten
Regional Vice President
NSP-Minnesota

414 Nicollet Mall
Minneapolis, MN 55401
(612) 330-5723

November 19, 2010

PUBLIC SERVICE COMMISSION

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

Re: XCEL ENERGY SERVICE RELIABILITY INVESTIGATION
CASE NO. PU-10-577

Dear Mr. Nitschke:

The purpose of this letter is to provide an update of Northern States Power Company's ("Xcel Energy" or the "Company") actions regarding the August 27, 2010 power disruption ("power disruption") in north Fargo. As set forth below, we propose to take steps to address the quality of our communication with the affected customers following the power disruption. We respectfully request the North Dakota Public Service Commission ("Commission") accept our proposal.

I. Investigation showing lack of negligence.

Our General Service Rules contained within our Electric Rate Book on file with the Commission state that:

"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]

Following the August 27 power disruption, Xcel Energy performed a complete investigation to determine the cause of the disruption. As a result, we discovered the cause of the power disruption to be a tree branch that came into contact with a neutral wire. We also concluded the event was not caused by our negligence (much less, gross-negligence) primarily due to two factors: (1) the trees in the area had been maintained in conformity with our tree-trimming schedule and procedures; and (2) the system

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Letter describing NSP's proposed response &
requesting Commission feedback

Northern States Power Company

Laura McCarten

components and design were constructed and maintained in accordance with our standards and appropriate to meet service requirements. Based on our findings above, and pursuant to the General Service Rules language shown above, the Company is not liable for any damages that may have been caused by the power disruption. Through our discussions with Staff, it is our understanding that they will likewise not recommend the Commission initiate a formal complaint against the Company for gross negligence.

Since the power disruption, the Company has taken additional steps to better protect the affected neighborhood from future power disruptions. In particular, we have:

- Installed new secondary lines the length of the block using an insulated and "lashed" line, which is stronger and more resistant to tree-related contacts.
- Performed additional tree pruning at the south end of the alley, where it was determined that a tree branch contacted the old line.

We believe these steps will enhance the electrical reliability in the effected neighborhood. While it is impossible to ensure no power disruptions will occur in the future, we will continue to do our best to provide safe and reliable service.

II. October 6, 2010 Commission comments.

We understand that at an October 6, 2010 meeting, the Commission discussed what actions the Company was taking with regard to the August 27 power disruption. In that meeting, the Commission questioned its jurisdiction in ordering compensation to the customers affected by the power disruption.

The statutory and case precedent in North Dakota indicate the Commission has no jurisdiction to order the Company to pay compensation for any damages that may have been caused by the power disruption. Moreover, given that we appropriately serviced and maintained the system and trees at issue, even if the jurisdiction did exist we believe the circumstances would not warrant such a determination.

However, we are mindful of your October 6, 2010 comments and have acted in good faith to respond with due diligence. In particular, since the power disruption, we have met both with your Staff and the lead representative of the affected customers in an attempt to determine whether our customer service in dealing with customers' questions and concerns following the power disruption could have been better. The input from the Staff and customer representative has been very helpful.

III. Proposed resolution.

As noted above, we recognize our communication with the affected customers could have been more helpful following the power disruption. In consideration of this, we propose to provide service quality payments of \$500 to the twenty-two customers served by the system experiencing the disruption.

In addition, we will offer free home energy audits to the effected customers. The audits will provide an opportunity for an energy consultant to visit the customers' homes and assess what their best opportunities are for reducing energy costs.

Finally, the Company plans to invite all customers from the neighborhood to meet with us at a nearby location where we will: (1) provide the customers with an update on the August 27 power disruption and resulting repairs; (2) inform them of some limited-time appliance rebate opportunities; and (3) be available to listen to additional concerns and answer any questions.

IV. Request for acceptance of our proposed resolution.

It is important to note that only the unique circumstances relating to the August 27 power disruption warrant the Company's proposal. We believe the proposal does not set any precedent under which the Company will be legally obligated to follow on a prospective basis. In particular, the service quality payment(s) proposed above are not related to any damages that may have resulted from the power disruption. In an effort to recognize the unique circumstances relating to our proposal in this matter and to acknowledge that the Company has proactively responded to your concerns in this matter, we respectfully request you to convey your acceptance of our proposal above. We also recommend that the currently-pending investigation be closed.

We understand this issue will be discussed during your November 24 Administrative Meeting. We would very much appreciate a Commission reaction to our proposal to enable the company to send a letter to the affected customers and host a neighborhood meeting by mid-December. *

Please feel free to contact me at 612-330-6215 if you have any questions or comments about this incident or the information contained in this letter.

Sincerely,



Laura McCarten

Regional Vice President - NSPM