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Fargo, ND 58102

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DEC 08 2011

December 6, 2011

**PUBLIC SERVICE COMMISSION**

**- VIA ELECTRONIC FILING -**

Darrell Nitschke,  
Executive Secretary  
North Dakota Public Service Commission  
600 E. Boulevard, Dept. 408  
Bismarck, North Dakota 58505

Re: UPDATE ON SHERCO 3 SHUTDOWN AND IMPACT ON FUEL COST CHARGE

Dear Mr. Nitschke:

Northern States Power Company, a Minnesota corporation ("Xcel Energy" or "the Company"), submits this letter to update the North Dakota Public Service Commission ("Commission") regarding the equipment damage at our Sherburne County Generating Station Unit 3 ("Sherco 3"). We are filing this to provide the Commission with additional information about the event and when customers may begin to see the affect of the plant shutdown reflected in their bills.

As I have indicated in previous email correspondence, on November 19, 2011, Sherco 3 experienced a significant failure during turbine testing while returning to service following a scheduled maintenance overhaul. The failure at Sherco 3 resulted in fires in both the turbine and generator, and caused damage to the generator, exciter and some turbine components. The boiler and pollution control equipment, however, were not affected. The attached diagram shows the primary components affected and the damage that has been identified to date.

Other than smoke inhalation, no injuries were reported as a result of the accident. Insurance providers, contractors, and other potentially interested parties have been put on notice and are being given an opportunity to participate in the investigation pursuant to investigation protocols currently being developed. It is expected that most damage will be covered by insurance, but litigation and subrogation claims are possible depending on what is discovered during the investigation.

11 **PU-12-12** Filed: 12/8/2011 Pages: 3  
Update on Sherco 3 shutdown and impact on fuel  
cost charge

Northern States Power Company

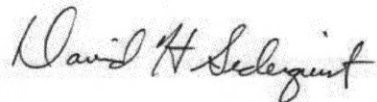
David Sederquist

We currently estimate Sherco 3 will be out of service for at least six months and possibly longer. We have not had sufficient time to estimate the potential cost impact. However, we currently do not see any issue in obtaining replacement power due to adequate reserve margins on our system as well as excess capacity within the Midwest ISO footprint. Given that our monthly Fuel Cost Recovery Factor is calculated using average fuel and purchased energy costs for the most recent four month period, we expect replacement energy purchases this month to be initially reflected in customer bills in February 2012.

The Company is committed to keeping the Commission informed regarding the Sherco 3 shutdown and the investigation and progress in bringing Sherco back into service. I will provide periodic updates as information becomes available, including estimates of when Sherco 3 can return to service and replacement power costs. I will also coordinate a final presentation or report once Sherco 3 has returned to service that will address our findings, lessons learned, and any steps taken to help prevent such an occurrence in the future

Please contact me at (701) 241-8632 or Sara Cardwell at (612) 330-7975 if you have any questions regarding this update.

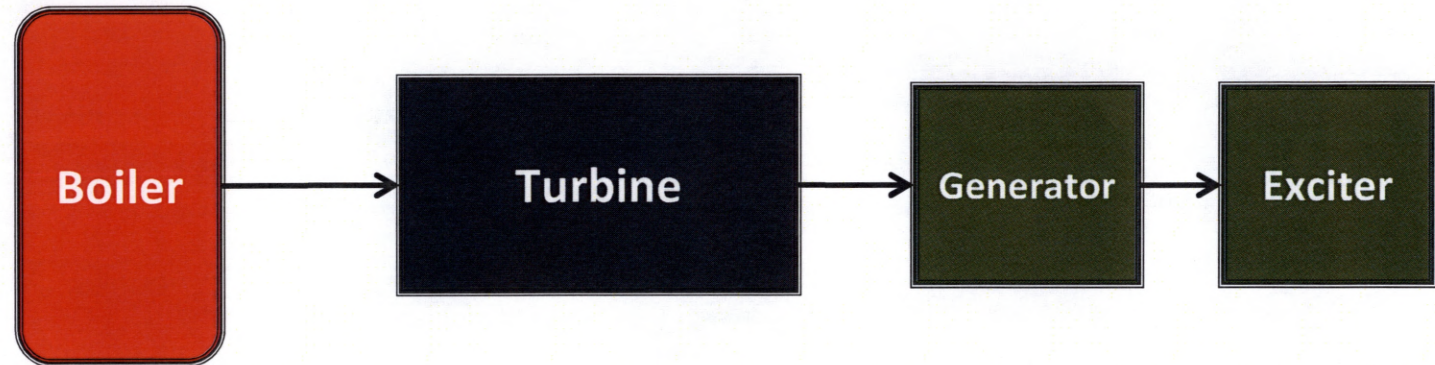
Sincerely,



DAVID SEDERQUIST  
SR. CONSULTANT, REGULATION/FINANCE

Enclosure

# Sherco 3 Generation Diagram



## Purpose

- Burns coal to produce steam
- Turbine convert steam energy to mechanical energy
- Generator and exciter convert mechanical energy into electricity

## Damage

- No apparent damage
- Some visible damage externally due to fire and system disturbance
- Internal damage unknown at this time. An internal inspection will determine extent of damage
- Exciter: completely destroyed
- Generator: visible damage externally and likely has substantial damage internally