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February 07, 2013

VIA ELECTRONIC
AND FED EX

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission, Dept. 0408
600 East Boulevard Avenue
Bismarck, ND 58505-0480

**RE: NORTHERN STATES POWER COMPANY - ELECTRIC RATE CASE
SETTLEMENT DISCUSSIONS AND PROCEDURAL ISSUES
CASE No. PU-12-813**

Dear Mr. Nitschke:

On January 16 the North Dakota Public Service Commission and Advocacy Staff discussed Staff's intent to enter into settlement negotiations with Xcel Energy in an effort to arrive at a constructive and early resolution to our pending \$16.9 million electric rate case application. During the meeting, the Company was given an opportunity to make a brief comment. We indicated at that time that we'd be glad to work with Staff to submit an outline of the potential benefits of an expedited settlement process and suggest procedural options to facilitate such a process.

It was apparent during the discussion that Commissioners desired a more complete record be developed and thus were reluctant to endorse pursuit of settlement at this early stage of the proceeding. In light of that, the Company has decided to refrain from such discussions for now. While we believe there are potential benefits to an expedited settlement, we also acknowledge that given the circumstances in this case it may be premature to take that path at this time. We have informed Staff of our decision, and they have initiated their hiring of outside rate consultants for this case.

As the traditional evidentiary hearing process gets underway, the Company respectfully requests that the Commission establish and hold to a procedural schedule that will lead to a timely decision in the matter. We recognize that Staff is in the midst of filling open positions and this creates challenges to completing its investigation and filing testimony. In light of this, we are committed to working with Staff to provide them with the information and assistance they need to maintain as efficient and timely a hearing process as is possible. We will soon contact Advocacy Staff to work with them to develop a complete procedural schedule to propose to the Commission.

We are hopeful that the productive discussions we've already had with Advocacy Staff with respect to various elements of potential settlement can continue after further record development and perhaps be a means to reaching a constructive and mutually agreeable outcome which can be submitted to the Commission for approval later in the case process.

Thank you for your consideration, and please contact me at 701-241-8632 if there are any questions or comments regarding this letter.

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style with a large initial 'D'.

DAVID SEDERQUIST
SR. REGULATORY CONSULTANT

c: Pat Fahn
Mike Diller