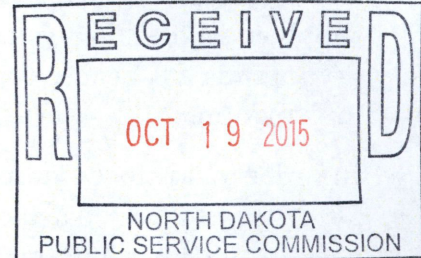


2302 Great N. Drive
Fargo, North Dakota 58102
(701) 241-8632
dave.sederquist@xcelenergy.com

October 19, 2015

VIA U. S. AND ELECTRONIC MAIL

Mr. Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
State Capitol Building – 12th Floor
Bismarck, North Dakota 58505



RE: FORMER FARGO MANUFACTURED GAS PLANT SITE INVESTIGATION –
UPDATE
(CASE NO. PU-15-514)

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy (“Xcel Energy”, or “the Company”), submits this update of progress made in the investigation and clean-up of a manufactured gas plant (MGP) site that was previously operated by the Company or prior companies in the city of Fargo, North Dakota.

The Commission may recall that on July 9, 2015 the Company sought Commission approval for deferred accounting to capture the costs of investigation and remediation (net of any insurance proceeds) and enable the Company and Commission to consider various options for cost recovery in the future, when final costs can be determined. We are currently working with staff on a proposal to assign a portion of the costs to our Minnesota jurisdiction, and to initially fund part of the remediation costs using existing natural gas earnings, thereby mitigating future rate recovery.

Progress Update

After discovering potential soil and groundwater impacts along NP Avenue in May of this year, we promptly reported it to the North Dakota Department of

Public Health and then began the process of removing abandoned pipe and other materials in the corridor to protect construction crews working in the area. We also negotiated access agreements with several property owners in the area to continue our investigation of area site conditions. Currently, we have no information that indicates the public has contact with any contaminated soils. Most of the former MGP plant site is sealed by paved parking lots or streets, and our testing to date has found no evidence that MGP-related byproducts are airborne in any nearby buildings. In addition, the area ground water does not supply local drinking water. While all of these facts and the data collected so far do not indicate a cause for concern, we are proceeding to gather more information.

In order to advance our investigation, we submitted an application on August 28, 2015, to the Department of Public Health to move forward with the necessary further investigation of the MGP site, pursuant to North Dakota Century Code, Section 23-20.3-03.1. Participation in the state cleanup program should help mitigate potential damages and the potential for higher costs of investigation and remediation that might result if the site were to be placed in a state or federal enforcement program.

We have completed additional testing at 1026 NP Avenue in early September. It appears that there is no concern about indoor air problems from MGP constituents at this property. The property owner had requested that we perform any excavation and assessment work quickly so as to not cause delays to their current construction schedule and anticipated tenant move-in date of October 1.

We entered into an access agreement on September 15, 2015 with the owner and tenant of the property at 12 North 12th St., allowing us to proceed with an environmental site assessment of that property (one of the former locations of the MGP site). This work is currently underway.

We continue to negotiate with the owners of the 11 North 12th St. property for access (one of the former locations of the MGP Site]. We hope to be able to perform this additional work in early November.

Lastly, we entered a license agreement with the City to perform additional investigation in the City streets around the above mentioned properties. We also met with the North Dakota Department of Public Health and the City of Fargo to discuss the proposed work plans for these properties.

If MGP byproducts are discovered, we will remediate or mitigate those impacts as necessary and appropriate to protect the public and the environment.

Plant History

While we continue to investigate the history of the Fargo MGP site, it appears from our records that NSP owned and/or operated the MGP for at least a portion of the Site's history.¹ Specifically, it appears that NSP may have acquired the MGP site from Consumers Power Company in the late 1930s. Our current understanding of the historical dates of operation is as follows:

- 1885: Commenced delivery of gas to mains in Fargo, ND
- 1904: Original coal gas plant dismantled; new coal gas plant built
- 1914: Delivery of gas to Moorhead, MN began
- 1929: 2nd coal gas plant replaced with a new coal gas plant; Carbureted water gas (CWG) production began
- 1952: Coal gas plant retired, Carbureted water gas (CWG) production continued
- 1960: CWG production ceased. Sometime between 1960 and 1963 the plant was demolished
- 1969: The main plant site was sold and redeveloped into a residential apartment building. (A smaller parcel to the west of 12th Street North was redeveloped into a commercial building in 1966).
- 1994: The EPA performed a site assessment in 1994 and concluded that no further site remediation action was required.

Current Cost Summary

With respect to actual costs incurred, as of September 30 we had incurred \$1,327,084 related to site investigation and pipeline removal work in the streets.

¹ Note that under most environmental laws, such as the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") liability for contaminated properties is "strict" and "joint and several". This means that a governmental enforcement entity, including for example, the United States Environmental Protection Agency ("EPA") or the North Dakota Department of Health ("NDH") can require a potentially responsible party ("PRP") to investigate and clean up an entire site, even if the PRP did not engage in any negligence or wrongdoing (e.g., mere historic ownership of the property at the time of a disposal can subject a PRP to liability) and a PRP can be required by the governmental agencies to remediate the *entire* site, even if there are multiple PRPs that are responsible for site conditions. If a PRP is required to remediate more than their "fair share" the PRP can then seek contribution, or reimbursement, for investigation and cleanup costs directly from other PRPs through litigation or settlement. See e.g., 42 U.S.C. §§9607 and 9613.

With respect to future costs, as of September 30 we have accrued \$1,400,000 for anticipated future investigation and interim mitigation costs. An estimate of the potential total project cost cannot be made without further investigation and the availability of soil, groundwater, and vapor test results.

Insurance Recovery

While we continue to investigate other potential sources of contamination in the area and other potentially responsible parties, we are also investigating the potential for insurance recovery for our investigation and remediation costs. NSPM has third-party liability coverage from insurance policies issued by Associated Electric and Gas Insurance Service, Ltd. (AEGIS). These AEGIS policies generally provide coverage for third-party damages caused by continuous or repeated exposure to conditions resulting in property damage. The AEGIS policies each have a limit of \$25 million for liability imposed by law because of property damage, personal injury or bodily injury caused by an occurrence. On June 25, 2015, we provided AEGIS with notice of the occurrence and claims and requested that AEGIS defend and indemnify NSP under the AEGIS policies. AEGIS responded on July 17, 2015 with a reservation of rights. We continue to keep AEGIS informed of the investigation and we are evaluating next steps to ensure we maximize any insurance recovery for this Site.

Public Information Meeting

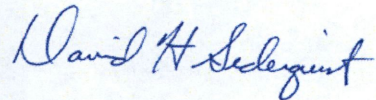
To reach out to apartment tenants and businesses in the MGP site area and provide information to them about the former MGP, we are conducting a public information “open house” tomorrow, October 20, at the Fargo Park District offices, which is within walking distance of the site. The forum will run from 4 pm until 7 pm, and will include multiple stations where participants can learn, at their own leisure, about the former plant, MGP operations, and our investigation and testing processes. Attached to this update is a copy of the invitation sent to interested parties (pages 1 and 2 of Attachment A). Also attached are various pictures, diagrams, and maps that will be used to help explain these topics to the public (pages 3 through 10 of Attachment A)². Personnel from Xcel Energy, the North Dakota Department of Health, and the Fargo Cass County Public Health Department will be on hand to describe the various aspects of the MGP project and answer any questions the public may have.

² Due to size restrictions, only pages 1 and 2 of Attachment A are included in the electronic mailing of this update. Pages 3 through 10 are included in the hardcopy version of this submittal.

Conclusion

Xcel Energy will continue to provide periodic updates of this project, and is planning to provide a verbal update at the Commission's November 12 Periodic Information Exchange with the Company. We appreciate the support of the Commission and staff as we continue to take the necessary steps to investigate and remediate the former Fargo MGP site. If you have any questions concerning this update, please don't hesitate to contact me.

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 H. Sederquist
North Dakota Regulatory Affairs

cc: Mike Diller
Patrick Fahn
Sara Cardwell



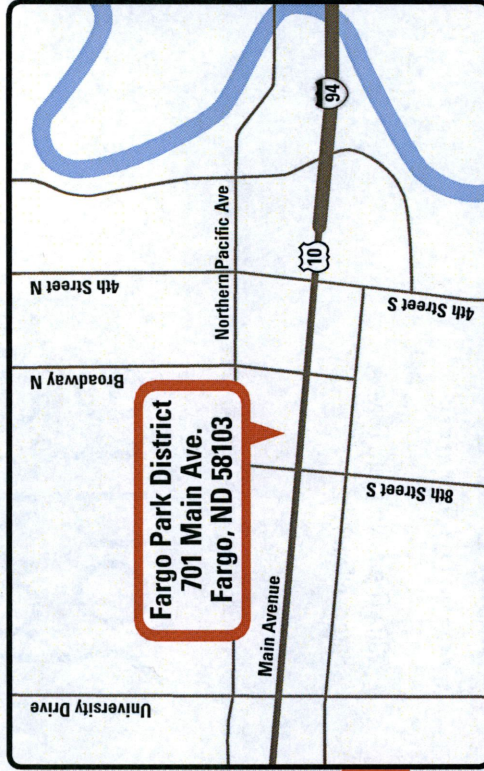
2302 Great Northern Drive
Fargo, ND 58102

**You're
invited**
**to a Public Open
House Meeting.**



Dear building owner or tenant:

You're invited to join us for an informational meeting about work being conducted between 11th Street and University Drive along Northern Pacific Avenue to investigate a historic Manufactured Gas Plant that once operated at 1150 NP Avenue and 12 12th Street. Representatives from the North Dakota Department of Health and City of Fargo will also be in attendance.



Date: Tuesday, October 20, 2015

Time: Stop by anytime between 4:00 P.M. – 7:00 P.M.

Location: Park District at 701 Main Avenue, Fargo, North Dakota 58103

Project Area: Work is being conducted between 11th Street and University Drive along NP Avenue

Project Purpose: Investigation of a historic Manufactured Gas Plant

Contact Information:

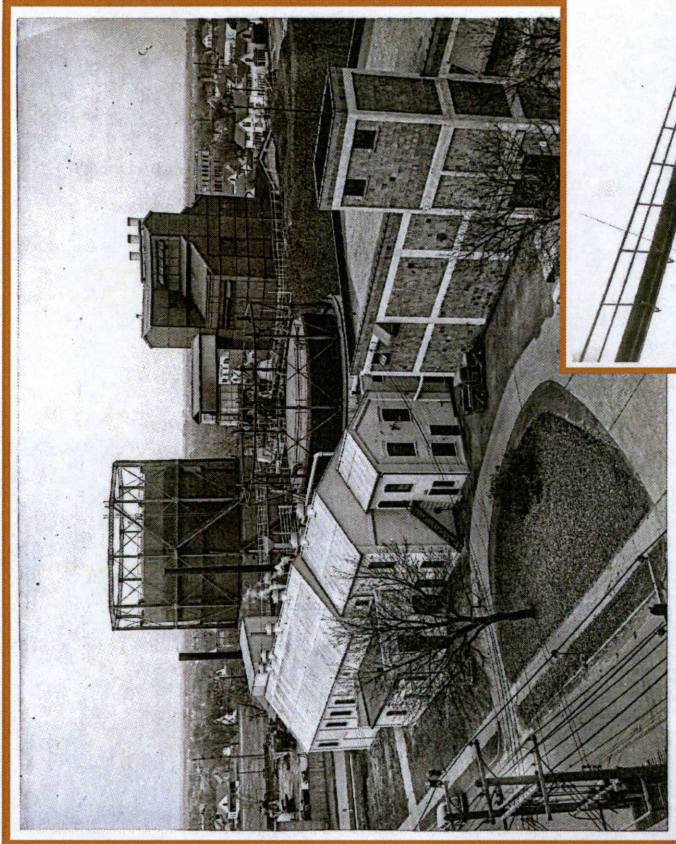
Mark Nisbet, Xcel Energy, 701-241-8607 or mark.nisbet@xcelenergy.com

Curt Erickson, North Dakota Department of Health, 701-328-5166 or cerickson@nd.gov

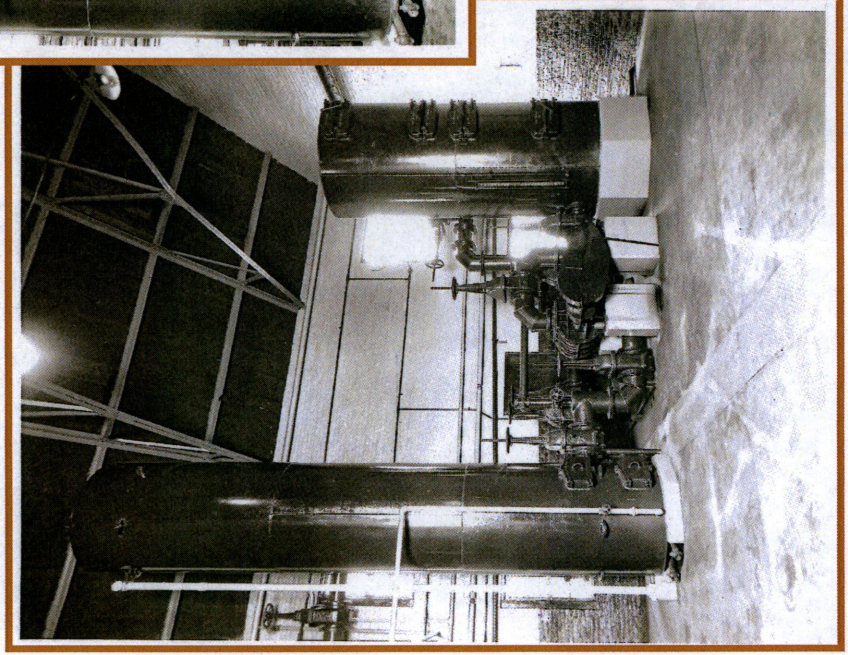
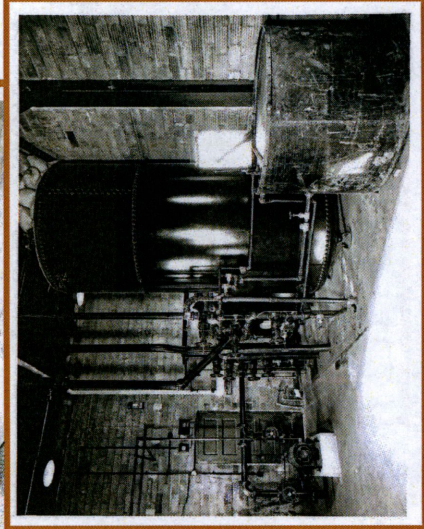
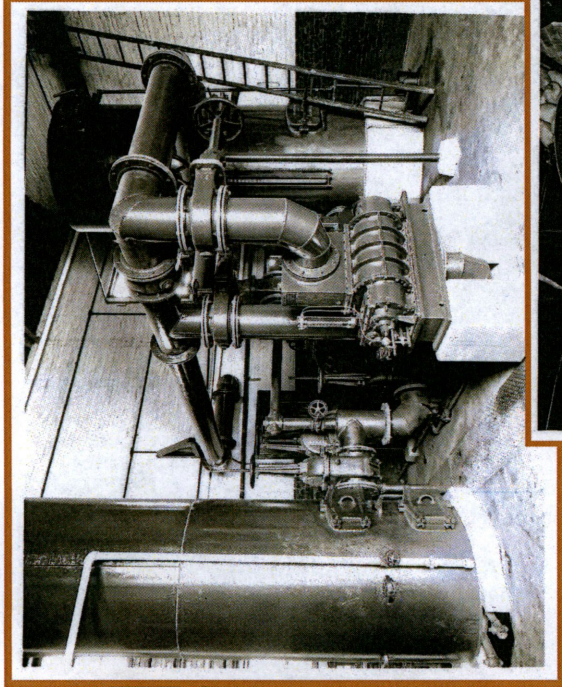
Grant Larson, R.S., City of Fargo (Fargo Cass Public Health), 701-241-1388 or Glarson@cityoffargo.com



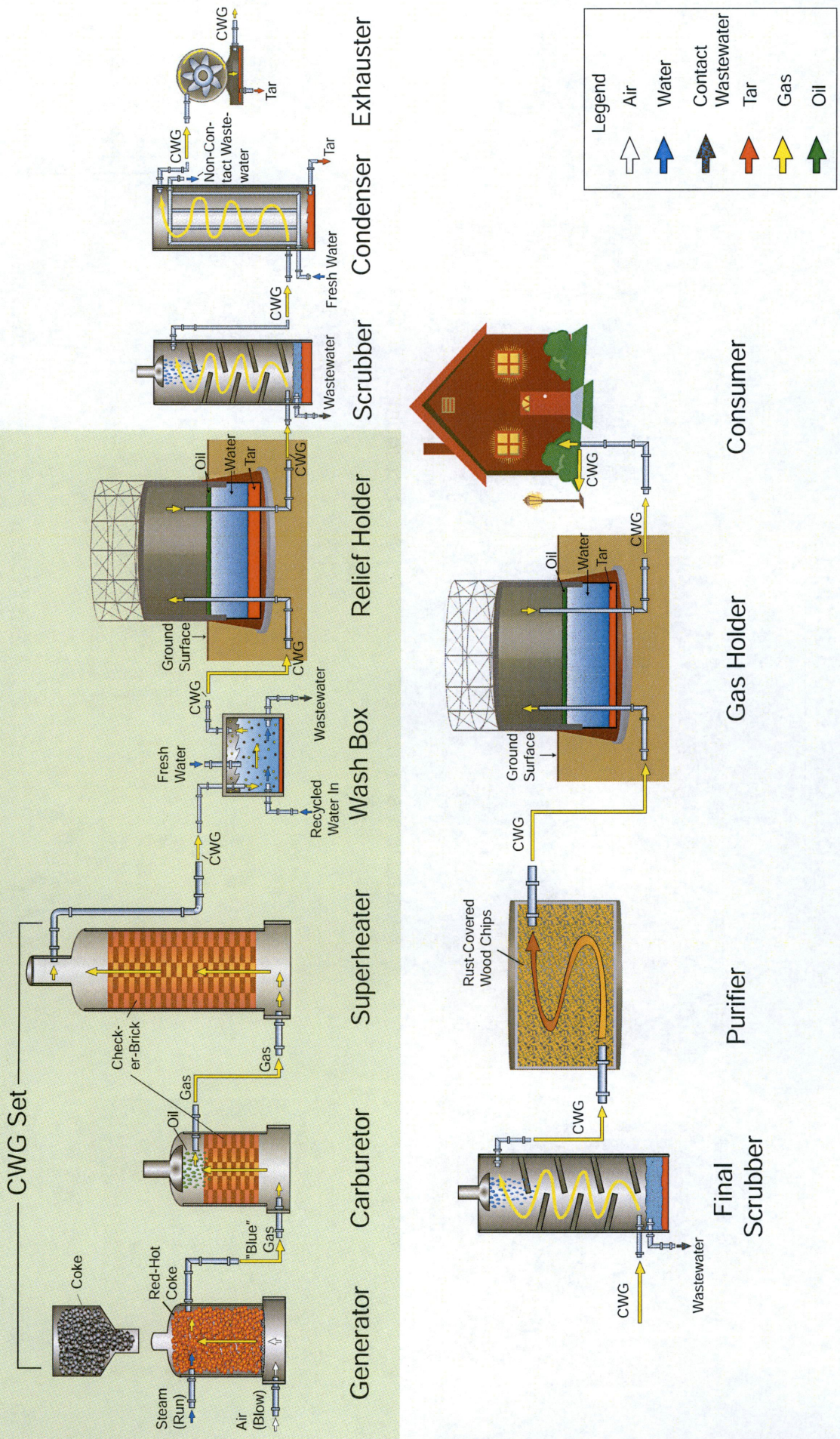
Historic Fargo MANUFACTURED GAS PLANT



Historic Fargo Manufactured Gas Plant



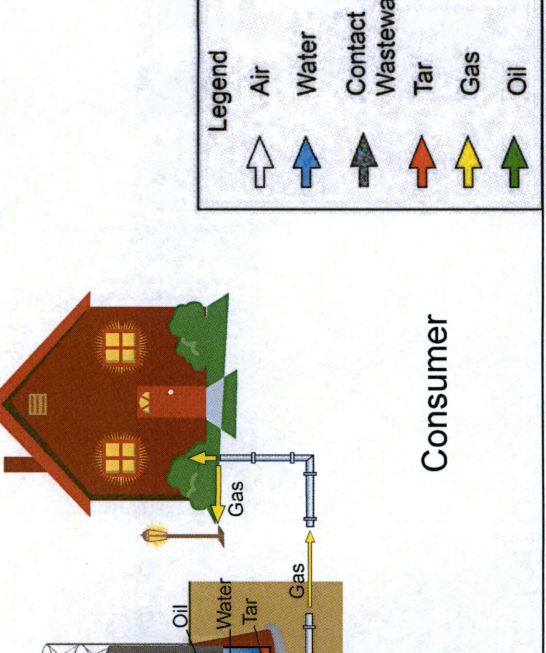
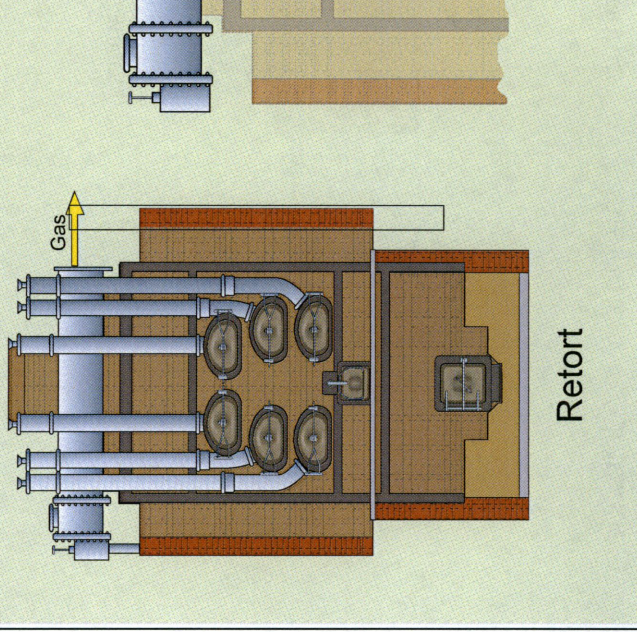
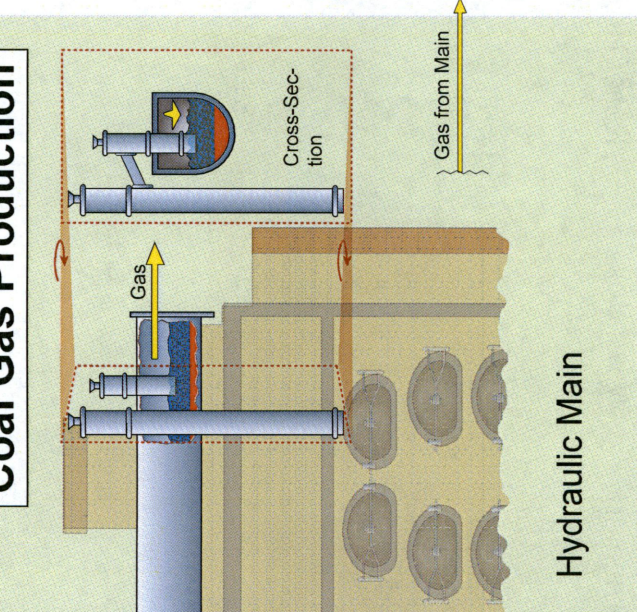
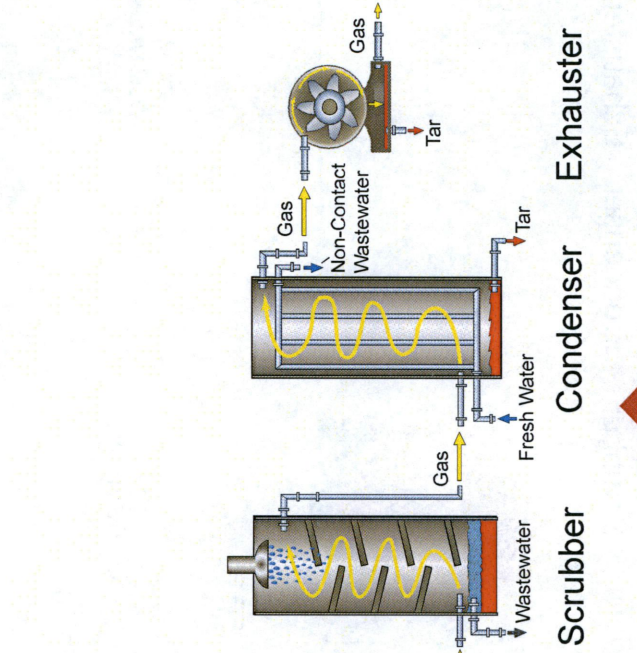
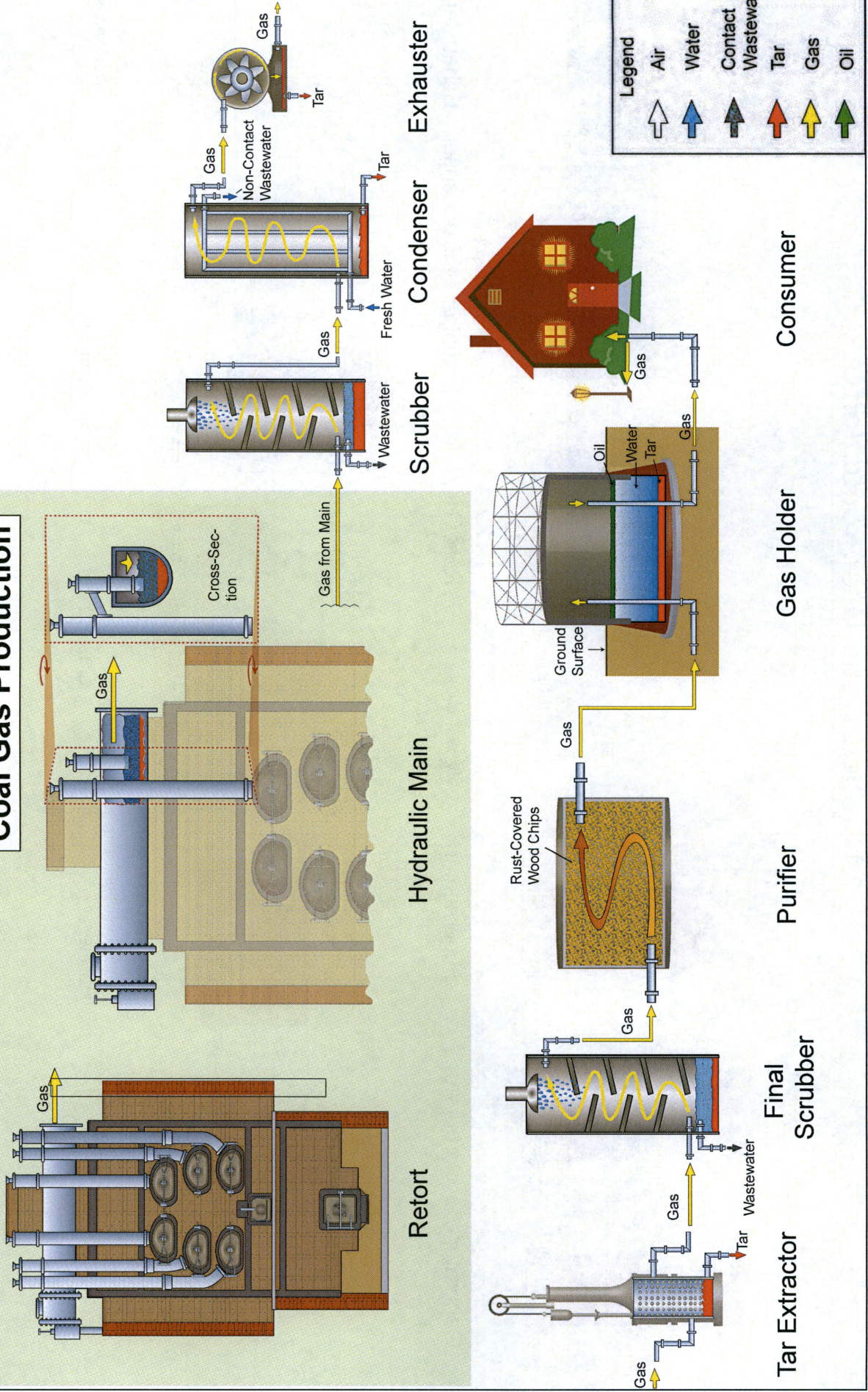
Carburetted Water Gas Production



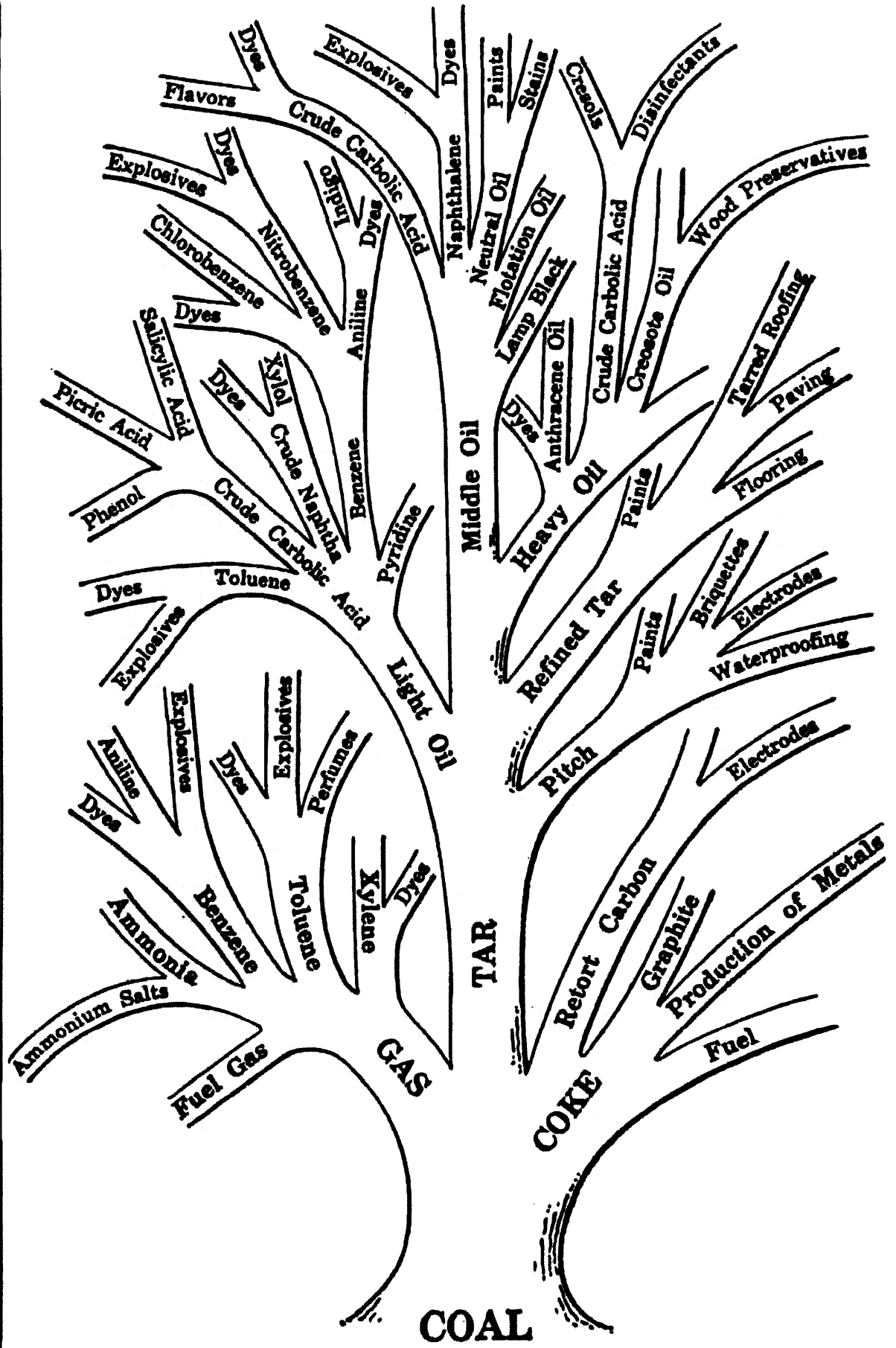
Legend

	Air
	Water
	Contact Wastewater
	Tar
	Gas
	Oil

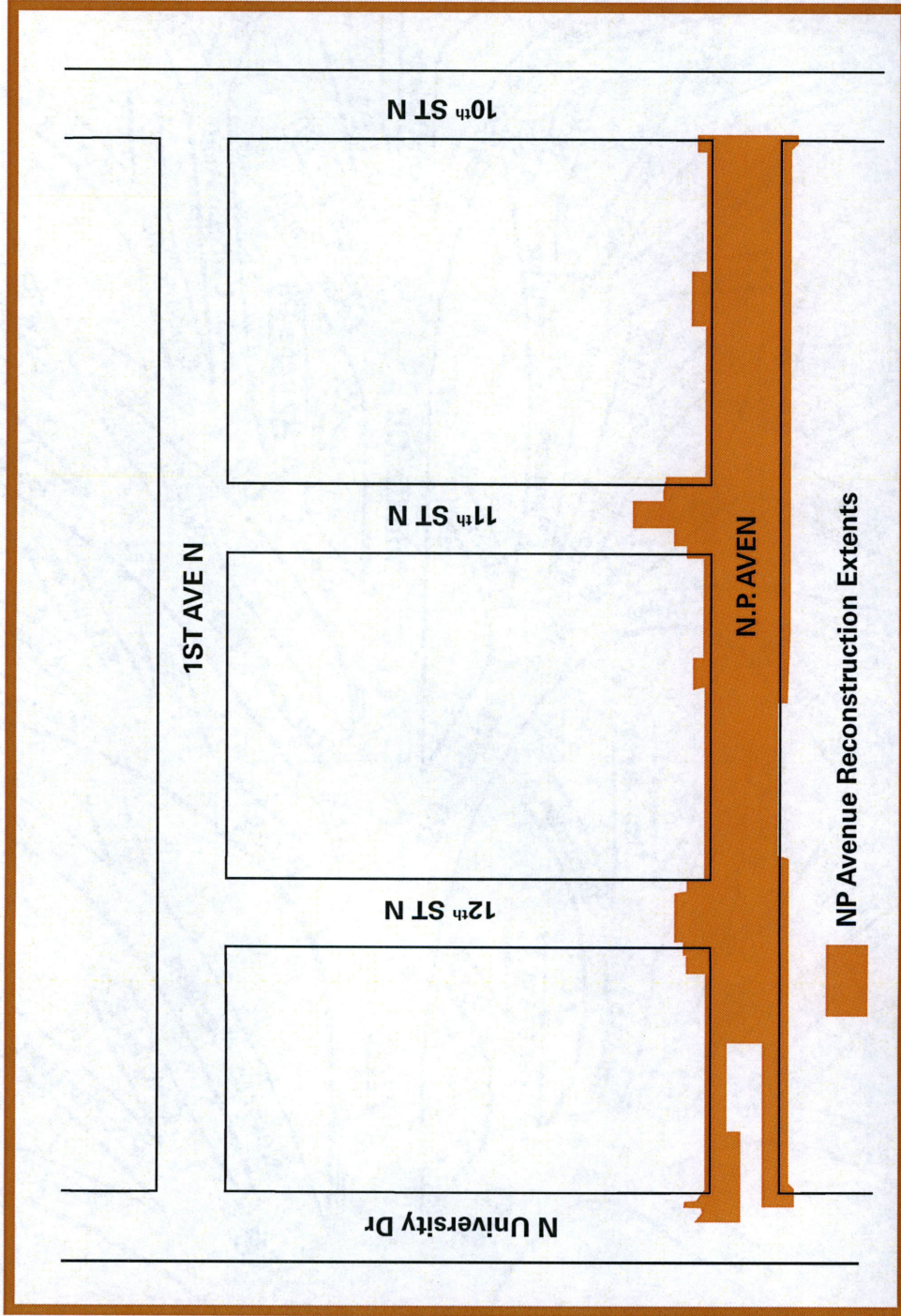
Coal Gas Production



Coal Byproducts



Project Area





- Street Boundaries
- Existing Buildings
- Historic MGP Plant Features
- Investigation Performed
- Investigation Pending

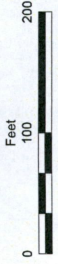


Figure 1
 PROJECT OVERVIEW
 Fargo, North Dakota
DRAFT

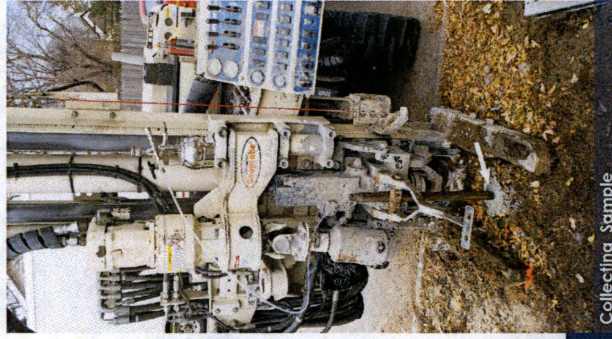
Exterior Sampling Process



1 Drilling Soil Boring

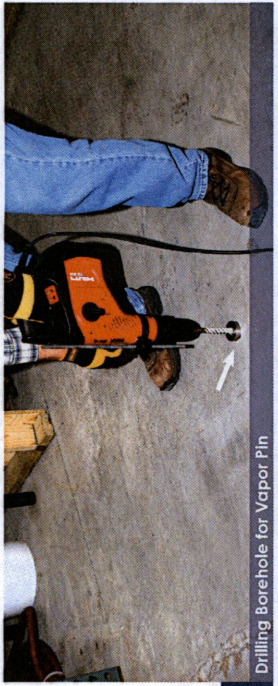


2 Installing a Monitoring Point



3 Collecting Sample

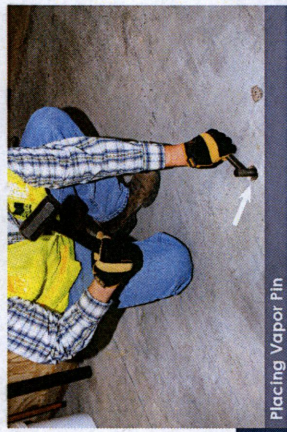
Sub-Slab Sampling Installation Process



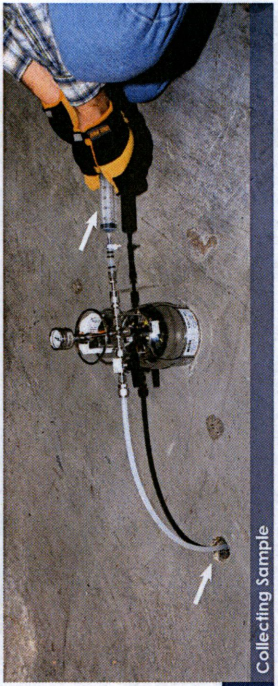
1 Drilling Borehole for Vapor Pin



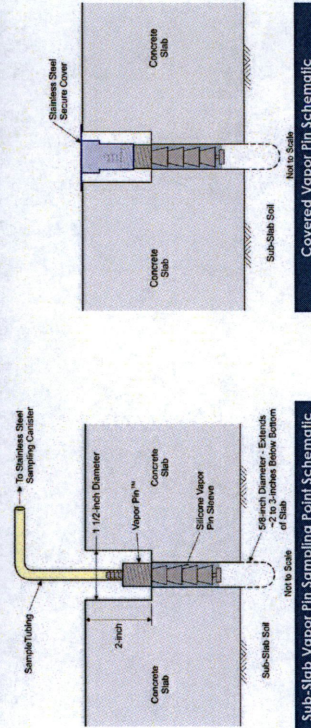
3 Covered Vapor Pin



2 Placing Vapor Pin



4 Collecting Sample



Covered Vapor Pin Schematic

Sub-Slab Vapor Pin Sampling Point Schematic