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July 14, 2017

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: QUARTERLY UPDATE OF INVESTIGATION AND REMEDIATION OF FORMER  
FARGO MANUFACTURED GAS PLANT SITE (CASE NO. PU-15-514)**

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy (“Xcel Energy”, or “the Company”), submits this 2nd quarter 2017 update of progress made in the investigation and clean-up of a former manufactured gas plant (MGP) and surrounding properties (the “Project Site”). The MGP was previously operated by the Company and/or prior companies in the city of Fargo, North Dakota. This project was approved for deferred accounting, pursuant to the Commission’s motion on December 18, 2015. We provide further information below as to the status of project activities.

***Investigation Results and Next Steps for Project Site Remediation***

We previously reported that in January 2017 the North Dakota Department of Health (NDDH) approved the remediation plan for the Project Site, which involves targeted source removal on discrete properties where MGP impacts have been identified, followed by restoration, post-removal groundwater and vapor monitoring, and the use of institutional controls<sup>1</sup> to address any residual impacts including those that are currently inaccessible.

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<sup>1</sup> Institutional controls are legal restrictions that are placed on uses of the property to minimize the potential for human exposure. For example, an institutional control might provide that “groundwater cannot be used for drinking water purposes” or that “any future occupied building on site must have a vapor mitigation system installed” or that “future construction must be slab on grade unless otherwise approved by the NDDH” etc.

#### *Historic Union and Culligan Properties*

In our last update we explained that we had submitted to the NDDH a Remedial Action Work Plan for the Historic Union and Culligan properties (Properties D and E on the attached Exhibit 1). That plan was approved by the NDDH on May 2, 2017. In June of 2017, we entered into final access agreements with the owners of the Historic Union and the Culligan properties. We are currently planning to implement the Remedial Action Work Plan for those two properties this Fall.

#### *Property Adjacent to the Historic Union and Culligan Properties*

Recently we received a new request from the prospective purchaser of property adjacent to the Culligan and Historic Union properties. (Property G on the attached Exhibit 1). The prospective purchaser has informed NSP that during its Phase II environmental due diligence investigation of the parcel, they discovered alleged MGP impacts to the site. The prospective purchaser is requesting that NSP remove a pipe and remediate soils at the site consistent with NSP's remediation plans for the Culligan/Historic Union properties. We are currently in discussions with the prospective purchaser about their request and, if we agree to perform this additional work, we will coordinate the pipe/soil removal on this additional property with the work planned for the Historic Union and Culligan properties.

#### *United Refrigeration Property*

Since our last update we also submitted to the NDDH a Remedial Action Work Plan for the United Refrigeration property (Property B on the attached Exhibit 1). NDDH approved the Work Plan on June 16. We also entered into an access agreement with the owner of the property in June of 2017. We are currently planning to implement the Remedial Action Work Plan for the United Refrigeration property in the summer of 2018.

#### *12<sup>th</sup> Street*

We also submitted to the NDDH a Remedial Action Work Plan for the remediation of 12<sup>th</sup> Street (Property C on the attached Exhibit 1). On June 12, 2017 NDDH approved this plan. In our last update, we explained that we also intended to perform additional investigation along 12<sup>th</sup> Street. The state approved our investigation plan, and the City agreed to provide us access to perform this additional work. The soil investigation work was performed in the field the week of June 5. The results of that investigation will be used to refine the June 12, 2017 approved Remedial Action Work Plan for 12<sup>th</sup> Street. We are currently planning to implement the 12<sup>th</sup> street remediation plan in the summer of 2018, at a time when it is anticipated the City will be performing its own street upgrades along 12<sup>th</sup> Street, subject to reaching a final access agreement with the City.

#### *Heartland Property*

Finally, with respect to the Heartland property (Property A on the attached Exhibit 1), as a result of recent access negotiations with the property owners, it now appears that we will likely move forward with the purchase of the Heartland property and demolition of

the existing structures at the site (rather than install and operate a long-term vapor mitigation system).

At this time we are in the process of negotiating a purchase and sale agreement with the Heartland owners. Closing is anticipated to occur on May 31, 2018 to allow Heartland time to wind down its operations and deliver a vacant building to NSP at closing. As such, we anticipate that the remediation of the property will be performed in the summer of 2018, subject to reaching a final purchase and sale agreement and closing on the transaction. We have submitted a Remedial Action Work Plan to the NDDH, which contemplates that we will finalize the purchase and sale agreement for Heartland and demolish the existing structures on the site prior to performing targeted source removal. The Work Plan is currently under review by the NDDH.

### ***Cost Summary***

With respect to actual costs incurred, as of June 30, 2017 about \$5,971,333 has been spent on the initial investigation, remediation, insurance recovery, and related legal defense work. Our forecast of future costs has become a little more certain due to the recent tentative purchase agreement for the Heartland property. That said, our current forecast is still generally within the cost range provided in our last report. We project an additional \$16,528,282 million in future project costs, based on the proposed remediation approach described in our RI/FFS and the current status of access negotiations. This would bring our projection of total project costs to approximately \$22.5 million, which may be offset by insurance recoveries as discussed further below. As stated in previous updates, 12.1 percent of the project costs will be allocated to our Minnesota jurisdiction, bringing the total estimated project costs for North Dakota to \$19.8 million subject to potential insurance recovery offsets. In addition, project costs could potentially be offset by insurance recoveries, as discussed further below.

The Commission should note that our current cost estimate is subject to change depending the result of: (1) access/settlement negotiations with the City, Heartland, and the prospective purchaser of Property G; (2) field conditions that may be encountered while performing the work; (3) the final approved remedial action work plan for the Heartland property; (4) receipt of formal bids to perform the work from potential subcontractors, and; (5) negotiations and potential litigation with the Company's insurers.

Ultimately, the Company will consult with Commission staff to develop and file an amortization schedule and recovery plan with the Commission that will mitigate the rate impacts to North Dakota customers and be efficient to administrate and monitor.

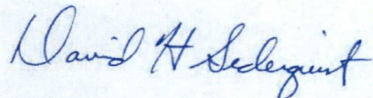
### ***Insurance Recovery***

We continue to seek insurance recovery for our investigation, remediation, restoration, and related legal defense costs. In 2015, the Company initiated insurance recovery litigation in state court in North Dakota against Associated Electric and Gas Insurance Service, Ltd. (AEGIS). AEGIS subsequently removed the litigation to federal court, in the United States District Court, District of North Dakota and cross-claimed against multiple additional insurance companies. The United States District Court granted an additional stay of the litigation at the request of the parties to allow time for potential settlement negotiations. The litigation stay is now currently in effect until September 4, 2017.

### ***Next Update***

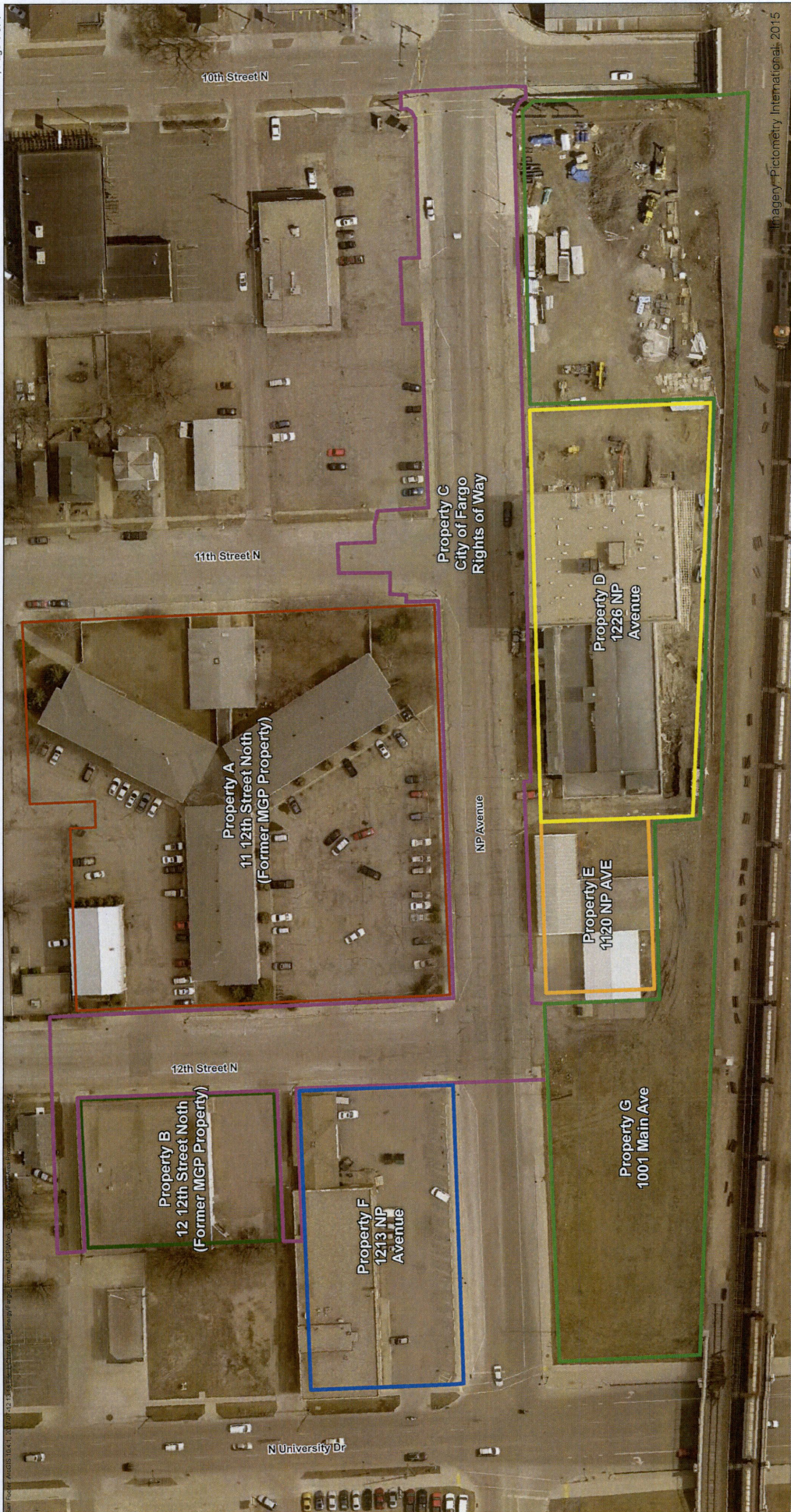
We are preparing to provide a verbal status report of this project to the Commission at our upcoming Periodic Information Exchange meeting on July 27. We also intend to continue to keep the Commission informed of the project status through these quarterly written reports. Thank you.

Sincerely,



David H. Sederquist  
Sr. Regulatory Consultant  
Northern States Power Company

Cc: Patrick Fahn  
Sara Cardwell



- Property A - 11 12th Street North (Former MGP Property)
- Property B - 12 12th Street North (Former MGP Property)
- Property C - City of Fargo Rights of Way
- Property D - 1226 NP Avenue
- Property E - 1120 NP AVE
- Property F - 1213 NP Avenue
- Property G - 1001 Main Ave

AREA PROPERTIES  
 Fargo, North Dakota

