



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

October 16, 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 3rd 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.

***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 involved targeted source removal on discrete properties where MGP impacts were identified. This will be 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 will be inaccessible. NDDH has approved the Remedial Action Work plans for all properties at the Project Site, including the Historic Union, Culligan, City right-of-way, United Refrigeration, and Heartland properties. (See Exhibit 1 showing properties at the Project Site). We have executed access agreements for three of the five properties, and are continuing to negotiate final agreements with the City of Fargo and the owners of the Heartland property. Access agreements will be entered with the City after it completes its

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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.

own internal planning process for the street improvement work the City anticipates undertaking in the project area in 2018. Access negotiations with Heartland have taken longer than expected in part because the owners of the Heartland property have recently engaged new legal counsel and technical consultants to assist with this matter, and they need time to come up to speed on the project. We are also in access negotiations with the current owner and prospective purchaser of Property G on the attached Exhibit 1, to perform additional MGP pipeline removal work on that property. Currently, our plan is to perform the remediation of the entire Project Site starting in the Spring of 2018.

### ***Cost Summary***

As of September 30, 2017 about \$6.2 million has been spent on the initial investigation, remediation, insurance recovery, and related legal defense work. We project an additional \$16.3 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 forecast of total project costs to approximately \$22.5 million, which may be partially offset by insurance recoveries as discussed further below. As stated in previous updates, with 12.1 percent of the project costs allocated to our Minnesota jurisdiction, the estimated project costs attributable to North Dakota are about \$19.8 million.

The Commission should note, however, that this 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) receipt of formal bids to perform the work from potential subcontractors, and; (4) negotiations and potential litigation with the Company's insurers.

Ultimately, the Company will consult with Commission staff to develop and file with the Commission a proposed cost-recovery plan for the North Dakota portion of the project costs. Our goal will be to mitigate the rate impact to North Dakota customers and propose an approach that will be efficient to administrate and monitor.

### ***Insurance Recovery***

While there is little new information since the last update to report on, 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 January 5, 2018.

*Next Update*

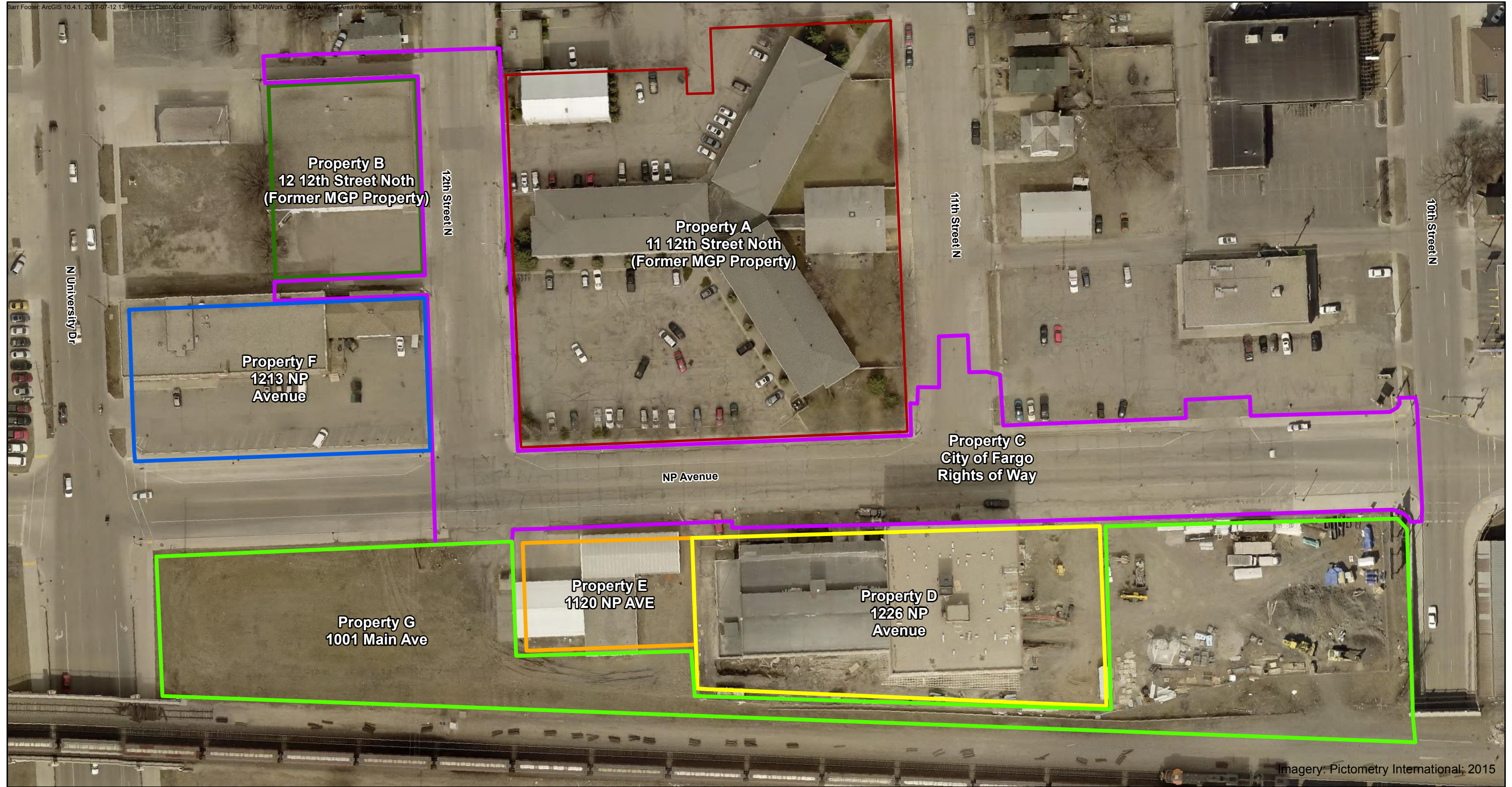
We intend to file our next quarterly project update in January 2018. Do not hesitate to contact me if you have any questions. Thank you.

Sincerely,

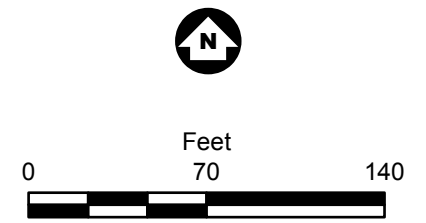


David H. Sederquist  
Sr. Regulatory Consultant  
Northern States Power Company

Cc: Patrick Fahn  
Sara Cardwell



- Property A - 11 12th Street Noth (Former MGP Property)
- Property B - 12 12th Street Noth (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



Imagery: Pictometry International; 2015

AREA PROPERTIES  
Fargo, North Dakota