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January 12, 2018

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 4th 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 and subsequently 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.¹ (See Exhibit 1 showing properties at the Project Site).

Notably, since our last quarterly update, we have finalized and executed the purchase and sale agreement for the Heartland property. We are scheduled to close on the purchase and sale agreement on May 31, 2018, after which time we will take possession of the property, demolish the existing above ground structures at the site, perform the NDDH approved remediation work plan for the site, and ultimately resell the property for future redevelopment. This means we have now obtained access agreements for all privately-

¹ The approved remediation plans involve targeted source removal where MGP impacts were identified, followed by restoration, post-removal groundwater and vapor monitoring, and the use of institutional controls to address any residual MGP impacts that are inaccessible.

owned properties at the Project Site.² We are initiating a competitive bid process to retain the sub-contractors that will perform the field-work. Currently, our plan is to remediate the entire Project Site starting in the summer of 2018.

Cost Summary

Our cost estimates have not changed since our last quarterly update. As of December 31, 2017, about \$6.8 million has been spent on the initial investigation, remediation, insurance recovery, and related legal defense work. We project an additional \$15.7 million in future project costs, based on the proposed remediation approach described in our Remedial Investigation/Focused Feasibility Study (RI/FFS) and approved Remediation Action Work Plans. This brings 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 our North Dakota jurisdiction are about \$19.8 million.

The Commission should note, however, that this current cost estimate is subject to change depending on 1) field conditions that may be encountered while performing the work; 2) receipt of formal bids to perform the work during the competitive bid process that we are now initiating; and 3) 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 goals in that effort will be to mitigate the rate impact to North Dakota customers and recover costs in a manner that is 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 has granted multiple stays of the litigation at the request of the parties to allow time for potential settlement negotiations and now a formal mediation process that we intend to undertake in the first half of 2018. The litigation stay is now currently in effect until May 31, 2018.

Next Update

We intend to file our next quarterly project update in April 2018. Do not hesitate to contact

² Access agreements will be entered into with the City after it completes its own internal planning process for the street improvement work the City anticipates undertaking in the project area in 2018. We are also in access negotiations with the current owner of Property G, which is adjacent to the Project Site, on the attached Exhibit 1, to extend the MGP pipeline removal work onto that property.

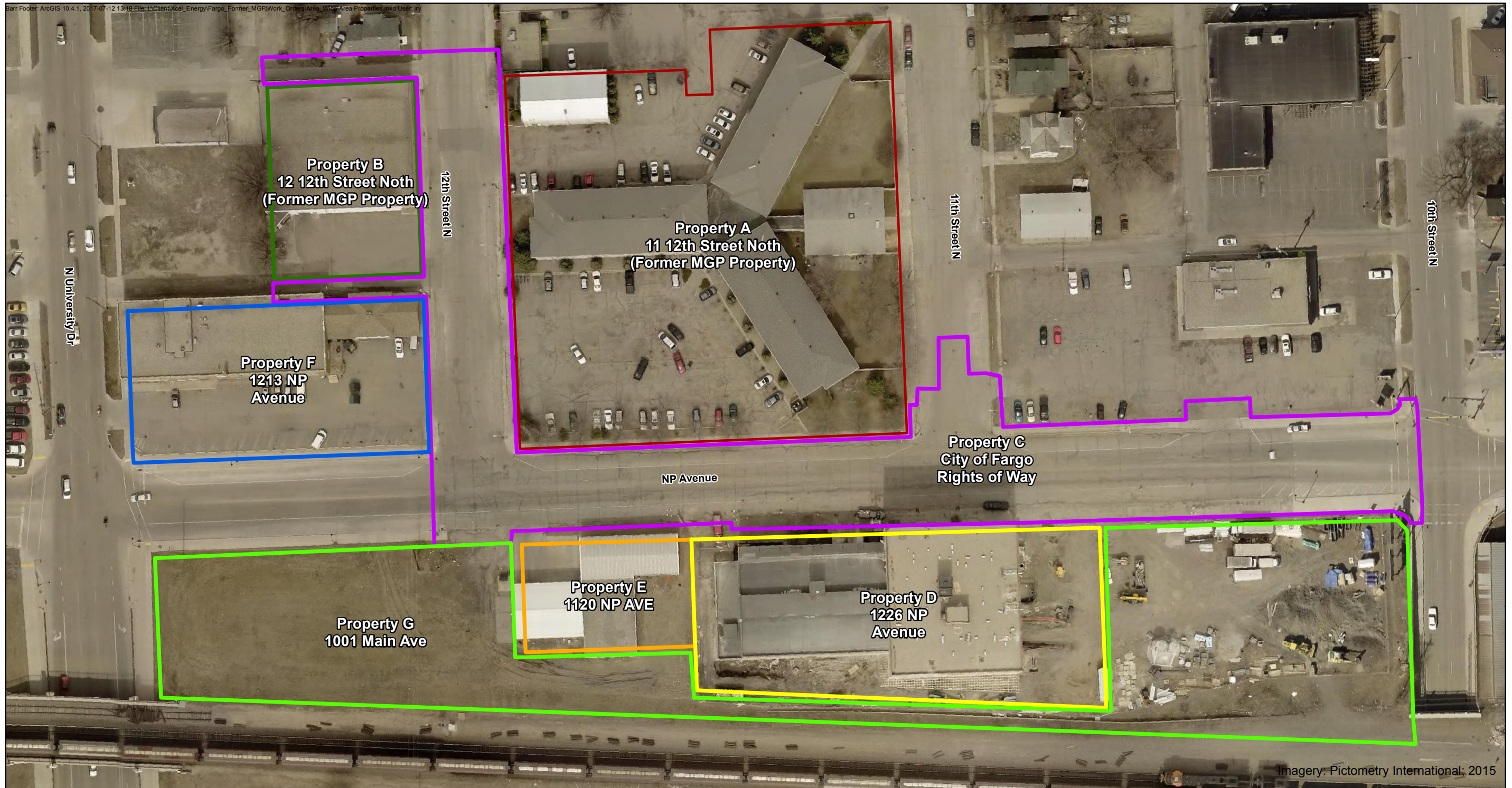
me if you have any questions. Thank you.

Sincerely,

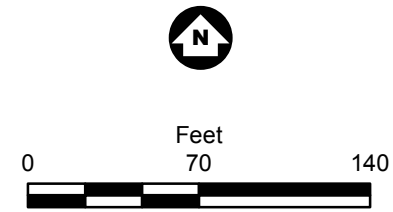
A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style and is set against a light gray rectangular background.

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

Cc: Patrick Fahn



- 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



AREA PROPERTIES
Fargo, North Dakota

Imagery: Pictometry International; 2015