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April 17, 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 1st quarter 2018 update of progress made in the investigation and clean-up of the former Fargo manufactured gas plant (MGP) and surrounding properties (the “Project Site”). The Commission approved deferred accounting for this project on December 18, 2015. We provide further information below as to the status of project activities.

Project Site Remediation

As previously reported, 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.

Notably, since our last quarterly update in January, we have undertaken a competitive bid process for the field implementation of the work and have selected a bidder. Our prior cost estimates were verified by the competitive bid process and our overall total cost estimates for the project remain essentially unchanged. We are now making preparations for field mobilization to perform the work in early summer of 2018. In addition, as reported in our last update, we are scheduled to close on the purchase and sale agreement with Heartland on May 31, 2018, after which time we will take possession of the property, perform the NDDH-approved remediation work plan for the site, and ultimately resell the property for future redevelopment.

Also, we note that during this last quarter we explored with the City of Fargo whether tax increment financing might be available to help mitigate some of our project costs. However, after initiating discussions with the City about this, we have determined that city financing is not a viable opportunity for this remediation project.

Cost Summary

Our cost estimates remain essentially unchanged since our January update. As of March 31, 2017, about \$7.2 million has been spent on the initial investigation, remediation, insurance recovery, and related legal defense work. We project an additional \$15.4 million in future project costs. This brings our forecast of total project costs to approximately \$22.6 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 \$19.9 million. Of course, this cost estimate is subject to change depending on 1) field conditions that may be encountered while performing the work; and 2) 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 the first quarter of 2018, we reached agreement with the insurers on the selection of a mediator and we intend to participate in a joint mediation session on May 16 and 17. The litigation stay is now currently in effect until May 31, 2018.

You may recall from previous updates that 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 mediation.

Next Update

We intend to file our next quarterly project update in July. 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