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June 21, 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 2nd 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”). Typically we would submit this report in early July, but given significant and recent developments at the Project Site, we are submitting this 2nd quarter report a few weeks early. 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 remedial action work plans for all properties at the Project Site.

Notably, since our last quarterly update in April 2018, we entered into a contract for the performance of the remediation work at the site with Veit & Company, Inc. We also closed on the purchase and sale of the Heartland property on May 31, 2018, at which time we took possession of the property. We are now mobilizing and expect to be in the field as early as June 25, 2018 to commence remediation work at the Project Site.

Cost Summary

As of May 31, 2017, about \$13.0 million has been spent on the initial investigation, remediation, insurance recovery, and related legal defense work. We are currently projecting an additional \$9.6 million in future project costs, bringing our forecast of total project costs to approximately \$22.6 million. This amount may be partially offset by additional insurance litigation costs and insurance recoveries as discussed further below. As stated in previous

updates, with 12.1 percent of the project costs allocated to our Minnesota natural gas 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.

Insurance Recovery

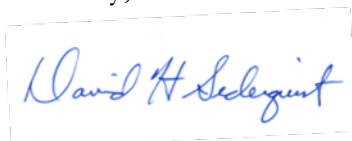
We continue to seek insurance recovery for our investigation, remediation, restoration, and related legal defense costs. You may recall from previous updates that in 2015, the Company initiated insurance recovery litigation in state court in North Dakota against Associated Electric and Gas Insurance Service, Ltd. (AEGIS). AEGIS subsequently removed the litigation to federal court, in the United States District Court, District of North Dakota and brought cross-claims (lawsuits) against multiple additional insurance companies.

We participated in a voluntary mediation with all of the insurers on May 16 and 17 with mediator Greg Weyandt. As a result of that mediation process, we anticipate finalizing settlement agreements with several insurers in the next few weeks. However, we were unable to reach settlement with all of the insurers. As a consequence, the stay of the litigation expired on May 31, 2018 at which time the Company brought cross-claims against all of the insurers in addition to AEGIS. A pre-trial scheduling and discovery conference will be held on July 6, 2018 at which time deadlines and a trial date will be set for the litigation of our claims. After the discovery conference, we anticipate we will be increasing the project budget to incorporate our anticipated future spend on the insurance litigation.

Next Update

We intend to file our 3rd quarter project update in October. However, we also plan to present a project update at the next Periodic Exchange and Information meeting on July 19, 2018. In the meantime, please feel free to contact me if you have any questions. Thank you.

Sincerely,



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

Cc: Patrick Fahn