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February 7, 2019

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VIA FEDERAL EXPRESS

Mr. Steve Kahl, Interim 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. Kahl:

Northern States Power Company, doing business as Xcel Energy (“Xcel Energy”, or “the Company”), submits this 4th 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 remedial action work plans for all properties at the Project Site. We completed the active construction work for the remediation by early November 2018. Additional landscaping, including stormwater compliance activities, will be performed in the Spring of 2019, and we will be performing groundwater and other monitoring activities at the Project Site for the next few years.

Since our last report we have submitted remedial action completion reports to the NDDH for the work performed at the Historic Union, Culligan, BNSF, United Refrigeration, and City right-of-way properties. We have requested NDDH issue “No Further Remediation” determinations for these properties in conjunction with the execution of any final letter agreements or covenants that will now formally establish

the institutional controls that have been agreed upon for those properties by the Company, NDDH, and the respective property owners. (As you may recall, institutional controls are ongoing requirements that the property owners must adhere to, and which ensure that MGP residuals that could potentially be encountered in the future are properly managed). NDDH’s review of those reports is currently ongoing. Further monitoring and reporting activities for the Heartland property are also underway.

Cost Summary

As of December 31, 2018, approximately \$19.9 million has been spent on the initial investigation, remediation, insurance recovery work, and related legal defense work. We are currently projecting total project costs to be approximately \$23.7 million, consistent with our prior updates. This cost estimate is subject to change depending on 1) the potential for field condition changes and future monitoring outcomes, and 2) negotiations and litigation with the Company’s insurers. As stated in previous updates, with 12.1 percent of the project costs allocated to our Minnesota natural gas jurisdiction, the estimated project cost attributable to our North Dakota jurisdiction is about \$20.8 million (see Table 1 below).

Table 1 – Forecasted Costs (000’s)

Cost Category	Fargo MGP	ND Jur. (87.9%)
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We anticipate the total costs will be offset by insurance recoveries as discussed below.

Insurance Recovery

We continue to aggressively pursue 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 brought cross-claims (lawsuits) against multiple additional insurance companies.

There has been much progress made in recent months, and we have finalized settlement agreements with many of the insurers. **[PROTECTED DATA BEGINS...**

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...PROTECTED DATA ENDS], and reduce the North Dakota share to approximately **[PROTECTED DATA BEGINS... ..PROTECTED DATA ENDS]** (see Table 2 below).

Table 2 – Project Cost Net of Insurance Proceeds (000's)

	Fargo MGP	ND Jur. (87.9%)
	[PROTECTED DATA BEGINS...	[PROTECTED DATA BEGINS...
Total Project Costs		
Insurance Proceeds		
Net Project Cost		

...PROTECTED DATA ENDS]

Because we have been unable to reach settlement with all of the insurers, litigation is proceeding against the other non-settling insurers. A trial date has been scheduled for Spring of 2020.

Amortization of MGP Clean-up Costs

On August 27, 2018 the Company reached a final Settlement Agreement in the Commission’s investigation into the impact of the 2017 Tax Cuts and Jobs Act on the Company’s natural gas rates (Case No. PU-18-156). The Settlement initiated a \$1.25 million annual amortization of the costs of the MGP clean-up beginning in 2018, and it did so without impacting North Dakota natural gas rates. The amortization amount was set to approximate the expected annual tax savings created by the TCJA. Thus, the Company is allowed to offset the MGP amortization by retaining the annual TCJA savings. Once the Company files and receives a Commission Order on its next natural gas general rate case proceeding, the annual TCJA savings will be incorporated into base rates and the amortization expense will be included in the Cost of Gas Rider until the remaining balance of clean-up costs have been expensed. The Commission approved the Settlement on November 8, 2018.

Next Update

We intend to file our 1st quarter 2019 project update in April of 2019. As always, please feel free to contact me at any time if you have questions. Thank you.

Sincerely,



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

cc: Pat Fahn