



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

May 1, 2019

**VIA EMAIL AND U.S. MAIL**

Mr. Steve Kahl, 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 1<sup>st</sup> quarter 2019 update of progress made in the remediation of the former Fargo manufactured gas plant (MGP) and surrounding properties (the “Project Site”). The Commission approved deferred accounting for this project in 2015<sup>1</sup>.

***Project Site Remediation***

As previously reported, in January 2017 the North Dakota Department of Health (NDDH) approved our remediation plan for the Project Site. We completed the active construction work for the remediation in November 2018. Additional landscaping, including storm water compliance activities, will be performed this spring. Groundwater and other monitoring activities at the Project Site will be performed by the Company for the next few years.

We recently received from NDDH “No Further Remediation” determinations for the Historic Union, Culligan United Refrigeration, and City right-of-way properties and a “No Further Action” letter for the BNSF property. Further monitoring and reporting activities for the Heartland property continue but NDDH also provided a letter confirming that the active remediation performed on the Heartland property was consistent with the approved work plan for the project.

---

<sup>1</sup> Case No. PU-15-514.

### ***Cost Summary***

As of March 31, 2019, approximately \$19.4 million was spent on the initial investigation of the Project Site, remediation activities, insurance recovery work, and related legal defense work. Since our last report, we have not changed our forecast of the total project costs, estimated to be \$23.7 million.

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 remains at \$20.8 million, which we reported last quarter.

These costs will be offset by insurance recoveries already realized and reported in our last update, as well as future proceeds we anticipate receiving.

### ***Insurance Recovery***

We continue our aggressive pursuit of insurance recovery for the costs of investigating, remediating, and restoring the Project Site, as well as the costs of our legal defense activity.

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 are no updates to the insurance amounts received and reported (under trade secret protection) in our last quarterly update on February 7, 2019.

Because we have been unable to reach settlement with all of the insurers, litigation continues against the other non-settling insurers. Trial is scheduled to commence in March 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<sup>2</sup>. 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

---

<sup>2</sup> Case No. PU-18-156, which was approved on Nov. 8, 2018.

determined to approximately offset the estimated annual tax savings created by the TCJA. Thus, at this time the Company is allowed to offset the MGP amortization expense by retaining the annual TCJA savings. Once the Company files a natural gas general rate case and receives a Commission Order, the annual TCJA savings will be incorporated into the establishment of base rates, and the amortization expense will then be included in the Cost of Gas Rider until the remaining balance of clean-up costs have been expensed.

*Next Update*

We intend to file our 2<sup>nd</sup> quarter 2019 project update in July of 2019. As always, please feel free to contact me at any time if you have questions. Thank you.

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive, flowing style.

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

cc: Pat Fahn