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July 15, 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 2nd quarter 2019 update of the remediation of the former Fargo manufactured gas plant (MGP) and surrounding properties (the “Project Site”).

Project Site Activities

Additional landscaping, including storm water compliance activities, was performed at the Project Site in the Spring of 2019. An amended long-term monitoring plan was approved by the North Dakota Department of Environmental Quality (DEQ) (formerly the North Dakota Department of Health) in June of 2019. Groundwater and other monitoring activities at the Project Site will be performed under the amended plan by the Company for the next few years.

Cost Summary

The Commission approved deferred accounting for this project in 2015¹. As of June 30, 2019, approximately \$20.2 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 substantially changed our forecast of the total project costs, estimated to be \$24 million. The slight adjustment in costs reflects increased costs for our insurance recovery efforts.

¹ Case No. PU-15-514.

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.

The estimated project cost attributable to our North Dakota jurisdiction remains at approximately \$21 million.

These costs will be offset by insurance recoveries already realized and reported previously, 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 in our quarterly update on May 1, 2019.

Because we have been unable to reach settlement with all of the insurers, litigation continues against the other non-settling insurers. Motions for partial summary judgement have been filed in the case and rulings are expected by end of 2019. Trial is scheduled to commence in March of 2020.

Amortization of MGP Clean-up Costs

The Settlement Agreement in the Commission's 2017 Tax Cuts and Jobs Act investigation on natural gas rates² initiated a \$1.25 million annual amortization of the costs of the MGP clean-up beginning in 2018 with the costs offset by the resulting TCJA tax savings. Thus, at this time there has been no adjustment to natural gas rates. 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 recovered through the Cost of Gas Rider until the remaining balance of clean-up costs have been expensed.

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

Wescott Facility Sale Proceeds

The company has also filed with the commission a proposal (Case No. PU-17-103) to apply the gain from a recent sale of two liquid propane fuel storage tanks, associated equipment, and real property towards reducing the deferred costs of the Fargo MGP remediation. If approved, the \$649,000 gain would reduce the overall deferral and help to mitigate future rate impacts. The company will continue to look for creative opportunities to further reduce MGP removal costs, and will work closely with commission staff to propose options that will benefit customers.

Next Update

We intend to file our 3rd quarter 2019 project update in October 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 style.

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

cc: Pat Fahn