



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

April 17, 2020

VIA EMAIL AND U.S. MAIL

Steven M. 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 1st quarter 2020 update of the remediation of the former Fargo manufactured gas plant (MGP) and surrounding properties (the “Project Site”).

Project Site Activities

Groundwater and other monitoring activities at the Project Site under the long-term monitoring plan approved by the North Dakota Department of Environmental Quality (NDDEQ) are ongoing and will likely continue for at least the next few quarters.

Cost Summary

The Commission approved deferred accounting for this project in 2015¹. As of March 31, 2020, approximately \$20.8 million was spent on the initial investigation of the Project Site, remediation activities, insurance recovery work, and related legal defense work. Our forecast of total project costs remains at \$24.2 million, the amount we indicated in our previous quarterly report submitted in January. 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.

33 PU-15-514 Filed 04/17/2020 Pages: 3
Compliance filing – 1st quarter 2020 investigation update re former Fargo Gas Plant
Northern States Power Company
David Sederquist

¹ Case No. PU-15-514.

The estimated project cost attributable to our North Dakota jurisdiction remains at about \$21.3 million.²

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 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. There have been no new insurance recoveries received since the amount reported in our quarterly update on May 1, 2019.

As previously reported, 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.

In our last report we indicated that motions had been filed for partial summary judgment in our Fargo MGP insurance case. We received several rulings from the Court on these motions in March and April that help clarify the issues for trial and for potential settlement. One key ruling from the Court was its decision regarding choice of law and the allocation methodology that will be applied to the case – in particular, the Court held that a pro rata time on the risk allocation methodology will be applied. As a result of this ruling, the Court concluded that NSP will not be able to reach the attachment points for TIG’s excess liability coverage. Another key conclusion, however, was that NSP has established the elements necessary to trigger the initial grant of coverage under St. Paul’s policies. The extent of coverage, the applicability of any exclusions, and the amount of any reimbursable damages under St. Paul’s policies are questions of fact for trial. In its rulings, the Court signaled that potential recoveries against St. Paul might potentially range between \$2.3 to \$9.7 million in recoverable damages depending on how certain issues left to trial and post-trial motions are ultimately determined.

We reported in our January update that our trial date had been pushed out to early 2021 due to a backlog in the courts. Given the COVID-19 pandemic, we anticipate the potential for further postponement of our trial date. We continue, however, to pursue opportunities for settlement.


² The remaining project costs are attributable to our Minnesota jurisdiction based on 12.1 percent of the plant’s historical manufactured gas sales being made in Minnesota

Next Update

We intend to file our 2nd quarter 2020 project update in June of 2020. 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 and is positioned above a dashed horizontal line.

DAVID H. SEDERQUIST
SR. REGULATORY CONSULTANT
NORTHERN STATES POWER COMPANY

cc: Pat Fahn