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July 22, 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 2nd 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 quarter. We are working with NDDEQ to evaluate whether ongoing groundwater monitoring will be required beyond 2020 or whether the project may soon qualify for No Further Action determinations from the State. We are also evaluating whether the Heartland property will potentially be available for purchase in 2020 if a No Further Action determination is provided by NDDEQ.

### **Cost Summary**

The Commission approved deferred accounting for this project in 2015<sup>1</sup>. As of June 30, 2020, approximately \$20.9 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 essentially the same at \$24.2 million. This cost estimate is subject to change depending on: 1) the potential for field

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

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 about \$21.3 million.<sup>2</sup>

These costs will be offset by insurance recoveries already realized and reported previously, as well as future proceeds we anticipate receiving. As previously reported, in its rulings on our insurance recovery litigation, the Court has signaled that potential recoveries against the remaining insurer in the case, 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.

### **Insurance Recovery**

Efforts for insurance recovery for the costs of investigating, remediating, and restoring the Project Site, as well as the costs of our legal defense activity are ongoing. 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 have now received rulings on all pending motions from the Court that clarify the issues for trial and for potential settlement. One key conclusion from the Court is that the remaining carrier in the case, St. Paul, cannot challenge the reasonableness of the damages at issue in the case.

The trial date is currently scheduled for January 25, 2021 and we are continuing to pursue opportunities for settlement.

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<sup>2</sup> 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 3rd quarter 2020 project update in October of 2020. 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