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January 20, 2021

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 4th quarter 2020 update of the remediation of the former Fargo manufactured gas plant (MGP) and surrounding properties (the “Project Site”).

Project Site Activities

As previously noted, the remediation, groundwater and other monitoring activities at the Project Site are now complete. While we anticipated closing on the buy-back of the Heartland property at the end of December, the prospective purchaser failed to close on the transaction and the option to buy-back the property expired.

The proceeds from the future sale will be credited back to the deferred asset but the timing of a future sale and purchase price is not currently known.

Cost Summary

The Commission approved deferred accounting for this project in 2015¹. As of December 31, 2020, approximately \$21.1 million was spent on the initial investigation of the Project Site, remediation activities, insurance recovery work, and related legal defense work. Because the closing of the buyback did not occur, our forecast of total project costs has been increased to recognize that the proceeds from the sale are not currently offsetting total project costs. The total projected costs are \$23.2, of which \$20.4 is attributable to the North Dakota jurisdiction.² This cost estimate is subject to change depending on negotiations and litigation with the Company’s insurers and the future sale of the property.

¹ Case No. PU-15-514.

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

These costs will be offset by insurance recoveries already realized and reported previously, as well as future proceeds from the sale of the property. 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.

We attempted to reach a settlement with St. Paul, the remaining insurer in the case, through a mediation process conducted in October of 2020 but were unsuccessful in reaching a settlement and therefore are now preparing for trial. The trial against St. Paul, has been postponed to June of 2021 due to COVID delays and criminal proceedings in other matters that take priority on the court's docket.

Next Update

We intend to file our 1st quarter 2021 project update in April of 2021. 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