



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

October 27, 2021

**PUBLIC DOCUMENT –
NOT PUBLIC DATA EXCISED**

VIA EMAIL AND U.S. MAIL

Steven M. Kahl, Executive Director
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 3rd quarter 2021 and final update of the remediation of the former Fargo manufactured gas plant (MGP) given that the remediation of the site is completed and we have exhausted all possibilities for insurance recovery, as further explained below. We do intend, however, to file one final report once the sale of the Heartland property occurs, potentially by the end of 2022.

Project Site Activities

With the completion of the work in 11th street, we believe all remedial work at the site is now complete. While it is possible that new discoveries during redevelopment activities in the area, or changing science or regulatory standards, could cause the need for further activities at the site in the future, at this time, we do not reasonably anticipate any significant additional remedial activities will be necessary.

As previously noted, while we anticipated closing on the buy-back of the Heartland property, the prospective purchaser failed to close on the transaction and the option to buy back the property expired. After months of negotiations, we recently discontinued further discussions with the former owners about a potential buy-back of the property and instead will begin to market the property for sale to other third parties in 2022. Any proceeds from a future sale will be credited back to the deferred asset, but the timing of a future sale and purchase price is not currently known. Until the sale of the property is complete, carrying costs will continue to be incurred to maintain the property (e.g., snow removal, lawncare, and taxes and assessments). Those costs will be partially offset by a license agreement for the property (as previously reported), under which the Heartland property is being used temporarily as a

staging area for a nearby construction/redevelopment project. Legal costs may also continue to be incurred with respect to our interactions with the former Heartland owners who have been unable to close on the purchase of the property but who continue to threaten frivolous litigation over the option agreement to buy back the property.

Cost and Insurance Recovery Summary

The Commission approved deferred accounting for this project in 2015¹. As of September 30, 2021, approximately \$21.5 million was spent on the investigation of the Project Site, remediation activities, insurance recovery work, and related legal defense work.

These costs have been offset by the insurance recoveries we achieved for the project. 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 reached several settlements over the last 6 years with the insurers, including a final settlement in July of 2021. **[PROTECTED DATA BEGINS...
... PROTECTED DATA ENDS]**

This completes our insurance recovery efforts. All the insurance recoveries have been used to offset the costs attributable to both the North Dakota and Minnesota jurisdictions.

The remaining deferred balance will be further offset once the final sale of the Heartland property is completed (minus the carrying costs for the property, and any remaining legal costs related to the final disposition of the property). Once the final sale occurs, we will apply the proceeds to the deferral and provide a further update to the Commission. But for those proceeds and the amortization expense for October 2021, we expect the remaining MGP project deferral to be similar to the estimate provided in Table 1 below.

¹ Case No. PU-15-514.

Table 1

Remaining MGP Remediation Project Deferral as of 9/30/2021

Incurred Remediation & Legal Costs	\$21,457,391
Forecast of Remaining Remediation & Legal Costs	\$73,585
Total MGP Project Cost	\$21,530,976
[PROTECTED DATA BEGINS...	
... PROTECTED DATA ENDS]	
Remaining MGP Project Deferral ²	\$4,675,482

The amortization of the MGP remediation deferral will be suspended beginning November 1, 2021 per the Commission’s recent Order approving interim rates in the Company’s pending natural gas rate proceeding.³ The amortization will commence again upon implementation of final base rates in that case and be recovered through the Cost of Gas Rider at a rate of \$1.25 million per year (unless the amortization is revised through Settlement and/or Commission Order in the pending rate case).

Next Update

As previously stated, we intend to file one final update once the sale of the Heartland property is transacted, potentially by the end of 2022. We do not intend to continue to submit quarterly updates unless otherwise requested by the Commission. As always, please feel free to contact me at any time if you have questions.

Sincerely,



DAVID H. SEDERQUIST
 SR. REGULATORY CONSULTANT
 NORTHERN STATES POWER COMPANY
 cc: Pat Fahn

² This amount will be decreased by the net proceeds from the future sale of the Heartland property and the MGP amortization for October 2021.

³ Case No. PU-21-441.

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Northern States Power Company
Deferred Accounting - Fargo MGP Project
Application**

Case No. PU-15-514

STAFF RESPONSE TO APPLICATIONS FOR PROTECTION OF INFORMATION

On 6 November 2018 and 7 February 2019, Northern States Power Company (NSP) filed Applications for Protection of Information (Applications) to protect certain information in the captioned case.

In NSP's Applications, NSP seeks protection for information related to confidential settlement agreements with the NSP's insurers and a confidential settlement and purchase agreement with Heartland, Inc.

NSP's application states that this information is trade secret because it is information that "(1) [d]erives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons that can obtain economic value from its disclosure or use; and (2) [i]s the subject of efforts that are reasonable under the circumstances to maintain the secrecy of the information," as provided in North Dakota Century Code Section 44-04-18.4(2)(d).

NSP claims the information could have economic value to other entities, including insurance companies, with whom the company is involved in litigation or other transactions, by using the information against the company. The confidentiality of this information has been maintained by NSP and the company has requested protection of information for all its regulatory filings.

Staff has reviewed the information and recommends that the Commission approve the Applications.

Dated this 17th day of May, 2019.




John Schuh
Legal Counsel
North Dakota Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing **STAFF RESPONSE TO APPLICATION FOR PROTECTION OF INFORMATION** was, on 20 May 2019, served on the following by email:

Dave Sederquist (dave.sederquist@xcelenergy.com)

Dated this 20th day of May 2019.



John Schuh
Legal Counsel