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December 8, 2017

–VIA EMAIL & U.S. MAIL–

Darrell Nitschke, Executive Director  
North Dakota Public Service Commission  
State Capitol Building, Dept. 408  
600 East Boulevard  
Bismarck, ND 59505-0480

RE: NOTICE OF EXTENDED DOE NUCLEAR FUEL SETTLEMENT  
COMPLIANCE FILING  
CASE NO. PU-16-019

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, submits to the North Dakota Public Service Commission this informational update with regard to the Company's continued claims against the United States Department of Energy (DOE) seeking recovery of damages associated with the DOE's failure to take and dispose of spent nuclear fuel at our Prairie Island and Monticello nuclear generating plants. For your reference, a background summary detailing the DOE settlement payments, history and commission action is included as Attachment A.

On February 23, 2017, the Company and the U.S. Government agreed to extend the Settlement Agreement (2017 Settlement Agreement) to allow for the recovery of spent fuel storage damages for an additional three years through December 31, 2019 (Payments 9-11). We expect the next payment (Payment 9) under this extension to be received in late 2018 for damages in 2017, with the subsequent payments following a similar schedule. The Company will deposit the funds into a segregated bank account established specifically and solely for the settlement proceeds similar to the Company's treatment of past payments under the previous settlement agreements.

Darrell Nitschke  
December 8, 2017  
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Please contact me at 701-241-8632 with any questions regarding this matter.

Sincerely,



DAVID H. SEDERQUIST  
SR. REGULATORY CONSULTANT

Enclosure  
cc: Pat Fahn

## **DOE SETTLEMENT PAYMENTS – BACKGROUND AND SUMMARY OF ND COMMISSION ACTION**

In 1998, Northern States Power Company, doing business as Xcel Energy, or the Company, filed the first of two suits against the United States Department of Energy (DOE) seeking to recover damages associated with storage of spent nuclear fuel at our Prairie Island and Monticello nuclear generating plants. The Company's claims were for partial breach of the Standard Contract for Disposal of Spent Nuclear Fuel for failing to take title to, transport, and dispose of spent nuclear fuel beginning no later than January 31, 1998. The first lawsuit sought damages through 2004; the second sought damages through 2008.

The Company reached a settlement with the U.S. Government on these suits on July 7, 2011. The 2011 Settlement Agreement provided a mechanism for the Company to recover its spent nuclear fuel storage damages through December 31, 2013 (Payments 1-5).

On February 29, 2012 the Commission issued an Order Adopting Settlement<sup>1</sup> and directed the Company to issue bill credits to North Dakota customers for the first settlement payment (less legal fees, plus interest) along with the 2011 interim rate refund. Per the Settlement Agreement, \$4,668,000 plus interest was credited to customers via a one-time bill credit. The credit was posted to customer bills in June 2012.

On March 15, 2012, Xcel Energy received the second settlement payment from the

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<sup>1</sup> *In the Matter of the Application of Northern States Power Company to Increase Rates for Electric Service* (Dec. 20, 2010), Case No. PU-10-657, *In the Matter of the Application of Northern States Power Company to Increase Rates for Electric Service* (Feb. 7, 2011), Case No. PU-11-55 and *In the Matter of a Petition by Xcel Energy for Approval of a Credit Mechanism for a Department of Energy Settlement Payment*, (Aug. 11, 2011) Case No. PU-11-557.

DOE in the amount of \$18,646,577 and on October 16, 2012 we received the third settlement payment in the amount of \$20,689,752. The North Dakota jurisdictional shares of those payments were \$878,748 and 997,149 respectively. Pursuant to the December 13, 2013 Settlement Agreement between the Company and North Dakota Public Service Commission,<sup>2</sup> the Parties agreed that the Company would retain the DOE payments received since the first payment and would record the proceeds as income in 2013 and 2014 to accommodate a lower base rate increase in these two years. The proceeds were applied as follows under the rate case Settlement:

2013: \$3.9 million (from payments received in 2012 and 2013); and

2014: \$1.3 million (from payments received in 2013 and expected in 2014).<sup>3</sup>

On January 24, 2014, the Company and the U.S. Government agreed to extend the Settlement Agreement to allow for the recovery of spent fuel storage damages through December 31, 2016 (Payments 6-8). The Commission subsequently directed that the funds received under this 2014 Settlement Agreement extension be returned to customers through a direct bill credit.<sup>4</sup> On November 13, 2017, the Company received the eighth payment totaling \$15,180,484.80 and in our recent Compliance filing<sup>5</sup> we are seeking Commission approval to pass the North Dakota portion of those proceeds on to its North Dakota customers via another bill credit sometime in early 2018.

On February 23, 2017, the Company and the U.S. Government agreed to again extend the Settlement Agreement to allow for the recovery of spent fuel storage damages

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<sup>2</sup> See Case Nos. PU-12-813, PU-13-706, PU-13-707, PU-13-708, PU-13-743, PU-13-194 and PU-13-195.

<sup>3</sup> Actual amount received on December 18, 2014 and allocated to ND jurisdiction was \$1,742,907.

<sup>4</sup> *In the Matter of a Petition by Xcel Energy for Approval of a Credit Mechanism for a Department of Energy Settlement Payment*, Orders on Customer Credits (Mar. 9, 2016 and Jan. 31, 2017), Case No. PU-16-019.

<sup>5</sup> Id. Compliance Filing (Dec. 8, 2017).

through December 31, 2019 (Payments 9-11), resolving the issues of damages for spent nuclear fuel storage through 2019. We expect the first payment (Payment 9) under this extension to be received in late 2018 for damages in 2017, with the subsequent payments following a similar schedule.