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July 28, 2023

Mr. Cru Stublely
Secretary to the Commission
Public Service Commission of Wisconsin
4822 Madison Yards Way
Madison, WI 53705-9100

**Cardinal-Hickory Creek Transmission Line Project
PSCW Docket No. 05-CE-146
Quarterly Progress Report for 2nd Quarter of 2023**

Dear Mr. Stublely:

In accordance with Condition 39 of the Commission's *Final Decision and Order* in this docket, served September 26, 2019 (the Order), American Transmission Company (ATC) and ITC Midwest LLC (ITC Midwest), as the project's construction managers, on behalf of themselves and co-permittee, Dairyland Power Cooperative, submit this progress report for the period April 1, 2023, through June 30, 2023.

ATC is managing the construction of the Hill Valley Substation, and the transmission line between the Hill Valley and Cardinal substations. Construction segments are designated E-1, Hill Valley Substation to Dodgeville; E-2, Dodgeville to Mt. Horeb; and E-3, Mt. Horeb to the Cardinal Substation.

ITC Midwest is managing the transmission line construction between the Hickory Creek Substation in Iowa and the Hill Valley Substation. Construction segments in Wisconsin are designated W-1, Nelson Dewey to Lancaster, and W-2, Lancaster to the Hill Valley Substation.

Schedule

Substation

ATC substantially completed the Hill Valley Substation. Site grading was substantially completed. The remaining portion of the grading outside the station fenced area will be complete after the existing 138 kV line is removed. Site restoration continues and might require additional work due to the ongoing drought conditions. Commissioning activities have been completed until the 138 kV and 345 kV jumpers and fiber optic connections are completed by the transmission lines crews.

ATC completed construction of substation upgrades at the Nelson Dewey Substation in the 4th Quarter of 2021, with the exception of the 161 kV jumpers and fiber optic connections, which are pending and scheduled to be completed concurrently with ITC Midwest's portion of the project construction.

ATC substantially completed upgrades at the Cardinal Substation in December 2022. The remaining work is pending completion of the 345 kV transmission line and includes the 345 kV jumpers and fiber optic connections.

Transmission Line

ATC substantially completed vegetation clearing in all segments (E-3, E-2, and E-1) except for follow-up herbicide applications that will occur during the 2023 growing season.

Mat placement activities remain on schedule supporting construction activities in Segment E-1. Mat removals are complete in Segment E-3 and are substantially completed in Segment E-2. Restoration activities continued in Segments E-2 and E-3.

On Segment E-3, ATC has substantially completed foundations, structures and wire work. The remaining work in Segment E-3 is near Stagecoach Road. Additional work includes a span of wire outside of Cardinal Substation and fiber splicing.

On Segment E-2, ATC has substantially completed foundations, structures and wire work. Remaining work is related to restoration activities.

On Segment E-1, ATC has installed approximately 99% of foundations, set 88% of structures and completed 16% of the wire work.

ATC has substantially completed receiving project materials. Remaining back-ordered materials are scheduled for delivery in September 2023.

On Segment W-1, ITC Midwest has completed construction of the new double-circuit line. The 138 kV portion between the Nelson Dewey and Lancaster substations is energized. Mat removal

is in progress and should be completed by the end of 3rd Quarter of 2023. Retirement of the old ATC 138 kV circuit is 100% complete.

On Segment W-2, ITC Midwest has completed construction of the new double-circuit line. The 138 kV portion between the Hill Valley and Lancaster substations is energized. Retirement of the old ATC 138 kV circuit is 70% complete. Construction mat removal and restoration activities are ongoing and should be completed by the end of 3rd Quarter of 2023.

ITC Midwest's Iowa Segment 2 also includes installing foundations and setting three structures on the Wisconsin side of the Mississippi River at the Nelson Dewey Substation; this work is 100% complete. Also included with the Iowa Segment 2 scope of work is stringing conductor across the Mississippi River, which is anticipated to take place in the 4th Quarter of 2023.

Real Estate Activities

ATC has secured land rights for construction on 100% of parcels in Segment E-3, Segment E-2, and Segment E-1.

ATC will be acquiring land rights from 15 landowners to remove hazard trees. This will not affect construction.

ATC has received WisDOT permits for Dane and Iowa counties.

ITC Midwest has made easement offers on 100% of the parcels. ITC Midwest has secured easements on 100% of the parcels on Segment W-1 and has secured easements on 100% of Segment W-2.

ITC Midwest has received all State, County, and Township permitting.

Engineering and Construction

Substation

Hill Valley Substation:
Engineering and design are complete.

Nelson Dewey Substation:
Engineering and design are complete.

Cardinal Substation:
Engineering and design are complete.

Eden and other related substations:
Engineering and design are complete.

Dairyland has completed engineering analysis of the Stoneman Substation. The scope of construction work is being completed.

Transmission Line

Mississippi River Crossing to Hill Valley:

Physical construction of this transmission line segment is 100% complete.

Hill Valley to Cardinal:

The physical construction of this portion of the transmission line is approximately 80% complete based on the completion of wiring stringing activities.

Project Expenditures

Project costs through June 30, 2023, are provided in the attached table.

As reported in the attached table, the Project expenditures through June 30, 2023, are \$582,028,027 and exceed the total estimated cost of \$492,216,000 approved in the Commission's Final Decision. The Co-Owners previously notified the Commission in a May 20, 2022, letter (PSC REF#:438410) that the cost for the Project may exceed the estimated costs by more than 10% and provided the reasons for the cost increase. As discussed in this May 20, 2022, letter, the increase in Project costs as compared to the cost estimates prepared in the first quarter of 2018 are primarily due to inflationary cost increases and on-going legal expenses related to multiple legal challenges to the Project's federal and state authorizations. Inflationary pressures have resulted in increases in construction material costs, labor costs, and land acquisition costs since the Project cost estimates were developed in 2018.

To construct the Project, the Co-Owners have used approximately 32 million pounds of steel, meaning increases in steel commodity prices had a large impact on the overall Project's costs. The increase in steel prices resulted in a weighted average increase of approximately 112% for both ATC and ITC in steel poles as compared to the estimated cost. In addition, as aluminum and steel are the primary components of the Project's conductors, increases in commodity pricing for aluminum and steel greatly impacted the cost for conductor wires. This increase in aluminum and steel commodity prices resulted in a weighted average increase of approximately 59% for both ATC and ITC in conductor compared to the estimated cost. Increases in labor costs also led to higher than estimated Project costs. ATC's construction labor costs increased approximately 12% from 2018 and ITC experienced an increase of approximately 32% from 2018. Regarding land acquisition costs, the costs for easements were 95 percent higher in Dane and Iowa counties than the estimated costs from 2018 due largely to increases in land values.

The Project costs are also higher on ITC Midwest's portion of the Project due to more extensive construction matting being required for construction than was anticipated at the time the cost

estimates were prepared. ITC Midwest estimated its construction matting needs for this Project based on the actual matting costs for other similar transmission projects. The amount of construction matting for this Project has been higher than previous ITC Midwest projects due to soil conditions, permitting requirements, terrain, and weather.

Another driver of cost increases for the Project is the legal costs associated with the multiple legal challenges to the federal and state authorizations for the Project that have been ongoing since 2019. There were two federal court cases and one state court case involving the Project; these cases have involved multiple appeals to the U.S. Seventh Circuit Court of Appeals, the Wisconsin Court of Appeals, and the Wisconsin Supreme Court. The state court case is currently on appeal to the Wisconsin Court of Appeals.

The Co-Owners are actively working on determining a total project cost estimate now that the Seventh Circuit issued a decision on the Co-Owners' appeal. On July 19, 2023, the Seventh Circuit reversed and vacated the judgment of the Federal District Court. The federal agencies and the Co-Owners prevailed on all key points. The Co-Owners' are working with the federal agencies to expeditiously complete their decision making. Once the timing of the decision making is established, the Co-Owners can set a schedule for construction of the Project near the Mississippi River and within the Upper Mississippi River National Wildlife and Fish Refuge ("Refuge"). Once the schedule for the federal agency decisions on the Refuge are finalized, we will be able to finalize the full project cost estimate and submit that information to the Commission.

The Co-Owners will continue to provide further information regarding any updates to the cost of the Project in future quarterly progress reports.

If you have any questions concerning this report, please contact me at (262) 506-6169, or ctanchester@atcllc.com.

Sincerely,

/s/ Carolyn Tanchester

Carolyn Tanchester
Regulatory Project Manager
ATC Management Inc., corporate manager of American Transmission Company LLC

Mr. Stublely
 July 28, 2023
 Attachment

PROJECT COST CATEGORY	Approved	As of June 30, 2023
Transmission Lines		
Mississippi River Crossing to Hill Valley Substation	\$133,697,000	\$160,425,076
Hill Valley Substation to Cardinal Substation	\$191,851,000	\$222,343,888
TRANSMISSION LINES TOTAL	\$325,548,000	\$382,768,964
Substations		
All Substation Costs	\$38,274,000	\$33,642,242
SUBSTATIONS TOTAL	\$38,274,000	\$33,642,242
Other Project Costs		
One-time Environmental Impact Fee	\$14,082,000	\$14,082,000
Annual Impact Fee (during construction)	\$1,914,000	\$1,425,036
Pre-certification Costs - ATC	\$16,000,000	\$18,628,000
Pre-WI Order Costs - ITC	\$10,490,000	\$4,059,400
Pre-WI Order Costs - DPC	\$1,577,000	\$1,864,808
AFUDC-ITC	\$18,779,000	\$26,955,722
AFUDC-DPC	\$626,000	\$1,251,300
Post-WI Order Costs - DPC	\$2,035,000	\$3,693,122
OTHER PROJECT COSTS TOTAL	\$65,503,000	\$71,959,388
PROJECT COST - WISCONSIN	\$429,325,000	\$488,370,594
PROJECT COST - IOWA	\$62,891,000	\$93,657,433
TOTAL PROJECT COST	\$492,216,000	\$582,028,027