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October 27, 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 3rd 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 July 1, 2023, through September 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 has substantially completed the Hill Valley Substation. Site restoration is substantially complete. Additional restoration or reseeding maybe required in spring of 2024. Commissioning activities have been completed, pending the installation of the 345 kV jumpers and fiber optic connections. ATC expects to energize the transformer and reactor in December 2023.

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 scheduled to be completed concurrently with ITC Midwest's portion of the project crossing the Mississippi River.

ATC has substantially completed upgrades at the Cardinal Substation. The remaining work is pending completion of the 345 kV transmission line and includes the 345 kV jumpers and fiber optic connections, which are schedule to be completed in December 2023.

### 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 removals began in Segment E-1. Mat removals are complete in Segment E-3 and Segment E-2. Restoration activities continued in Segments E-1, 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 completed all foundations, set all structures and completed 95% of the wire work.

ATC has completed receiving project materials.

On Segment W-1, ITC Midwest has completed all construction related activities and continues with minor restoration activities.

On Segment W-2, ITC Midwest has completed all construction related activities and continues with minor restoration activities.

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 second quarter of 2024.

### **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 has acquired land rights from 3 out of 15 landowners to remove hazard trees. This will not affect construction or energization of the transmission line.

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 95% complete based on the completion of wiring stringing activities.

### **Project Expenditures**

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

As reported in the attached table, the Project expenditures through September 30, 2023, are \$625,218,849 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 the 2018 estimate. 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;

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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. Additionally, the federal agencies recently updated their schedule for completion of their environmental review. Under this schedule, the construction on the eastern half of the project – from the Hill Valley Substation to the Cardinal Substation – is expected to be completed in December 2023, allowing that section of the line to be placed into service this year. The Co-Owners expect the western half of the project – from the Hickory Creek Substation to the Hill Valley Substation – will be completed and placed into service by June 28, 2024. The Co-Owners' are working with the federal agencies to expeditiously complete their decision making. Once a more detailed schedule for 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"). At that time, 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](mailto:ctanchester@atcllc.com).

Sincerely,

*/s/ Carolyn Tanchester*

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

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 Attachment

<b>PROJECT COST CATEGORY</b>	<b>Approved</b>	<b>As of September 30, 2023</b>
<b>Transmission Lines</b>		
Mississippi River Crossing to Hill Valley Substation	\$133,697,000	\$180,614,243
Hill Valley Substation to Cardinal Substation	\$191,851,000	\$233,688,028
<b>TRANSMISSION LINES TOTAL</b>	<b>\$325,548,000</b>	<b>\$414,302,271</b>
<b>Substations</b>		
All Substation Costs	\$38,274,000	\$33,891,876
<b>SUBSTATIONS TOTAL</b>	<b>\$38,274,000</b>	<b>\$33,891,876</b>
<b>Other Project Costs</b>		
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	\$30,708,246
AFUDC-DPC	\$626,000	\$1,517,300
Post-WI Order Costs - DPC	\$2,035,000	\$3,820,828
<b>OTHER PROJECT COSTS TOTAL</b>	<b>\$65,503,000</b>	<b>\$76,105,618</b>
<b>PROJECT COST - WISCONSIN</b>	<b>\$429,325,000</b>	<b>\$524,299,765</b>
<b>PROJECT COST - IOWA</b>	<b>\$62,891,000</b>	<b>\$100,919,084</b>
<b>TOTAL PROJECT COST</b>	<b>\$492,216,000</b>	<b>\$625,218,849</b>