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January 30, 2024

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 4th 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 October 1, 2023, through December 31, 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 fully energized the Hill Valley Substation on December 7, 2023. Site restoration is substantially complete. Additional restoration or reseeding maybe required in spring of 2024.

ATC completed upgrades at the Cardinal Substation and energized the transmission line on December 7, 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.

Transmission Line

ATC energized the 345 kV line from the Cardinal Substation to the Hill Valley Substation on December 7, 2023.

ATC completed vegetation clearing in all segments. Mat removals continued in Segments E-1 and E-3. Remaining work on all ATC transmission line segments is related to restoration activities in 2024.

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 10 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. ATC fully energized the Hill Valley Substation on December 7, 2023.

Nelson Dewey Substation:

Engineering and design are complete.

Cardinal Substation:

Engineering and design are complete. ATC completed upgrades at the Cardinal Substation and energized the transmission line on December 7, 2023.

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 and the 345 kV line was energized on December 7, 2023.

Hill Valley to Cardinal:

The physical construction of this portion of the transmission line is 100% complete.

Project Expenditures

Project costs through December 31, 2023, are provided in the attached table.

As reported in the attached table, the Project expenditures through December 31, 2023, are \$649,061,042 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 due in part 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% 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 was dismissed in November of 2023. The only open litigation is a motion by ATC and Dairyland before the United States District Court in the Western District of Wisconsin. As the prevailing defendants in the case alleging unconstitutional bias, ATC and Dairyland are seeking to recover attorney fees and costs based on their duty to protect their ratepayers from incurring unjust and unreasonable costs. If this motion is successful, the recovered costs will lower the Project's total expenditures.

The Co-Owners are actively working on determining a total project cost estimate. On the ATC portion of the project, future expenditures are limited to mainly restoration and completion of land acquisition litigation. ITC Midwest expects the western half of the project – from the Hickory Creek Substation in Iowa to the Hill Valley Substation in Wisconsin – will be completed

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and placed into service by June 28, 2024. ITC Midwest and Dairyland are working with the federal agencies to expeditiously complete their decision making, but are currently still awaiting the approval and completion of the remaining federal approvals from the Rural Utility Service and the U.S. Fish and Wildlife Service. Once a more detailed schedule for the decision making is established or the approvals are completed, ITC Midwest 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”). ITC Midwest notes, however, that parties in past litigation have signaled they may attempt to litigate the proposed land exchange. If so, that could further delay the project, impacting costs, and limit clarity on final project cost estimates.

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

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 Attachment

PROJECT COST CATEGORY	Approved	As of December 31, 2023
Transmission Lines		
Mississippi River Crossing to Hill Valley Substation	\$133,697,000	\$189,496,884
Hill Valley Substation to Cardinal Substation	\$191,851,000	\$240,532,169
TRANSMISSION LINES TOTAL	\$325,548,000	\$430,029,053
Substations		
All Substation Costs	\$38,274,000	\$34,502,052
SUBSTATIONS TOTAL	\$38,274,000	\$34,502,052
Other Project Costs		
One-time Environmental Impact Fee	\$14,082,000	\$14,082,000
Annual Impact Fee (during construction)	\$1,914,000	\$1,830,500
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	\$34,676,111
AFUDC-DPC	\$626,000	\$1,975,059
Post-WI Order Costs - DPC	\$2,035,000	\$3,955,229
OTHER PROJECT COSTS TOTAL	\$65,503,000	\$81,071,307
PROJECT COST - WISCONSIN	\$429,325,000	\$545,602,412
PROJECT COST - IOWA	\$62,891,000	\$103,458,630
TOTAL PROJECT COST	\$492,216,000	\$649,061,042