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Information Request No. 14

Docket No.:	E002/CN-25-117
Response To:	Minnesota Department of Commerce
Requestor:	Logan Hicks, Rock Park, Forest Eidbo
Date Received:	August 5, 2026

Question:

Applicants stated, "MISO inquired about the updated costs for LRTP 24, and the Applicants responded on June 19, 2026."

a) Please provide a copy of MISO's inquiry regarding the updated costs.

b) Please provide a copy of the Applicants' June 19, 2026 response, including all referenced schedules, supporting workpapers, and attachments in their native format (except for macro-enabled Microsoft Excel files; please convert any such files to standard .xslx format). Please preserve and provide the underlying calculations, formulas, and links, if any, for documents responsive to this subpart. For any hyperlinks to any outside file, please provide the file. Please identify the testimony or attachment to which each document/file produced applies.

Response:

A copy of MISO's inquiry on the updated costs for LRTP 24 and the Applicants' June 19, 2026 response are attached as Exhibit DOC IR No. 14A and Exhibit DOC IR No. 14B. To date, there have been no further MISO inquiries or Applicant responses.

Preparer:	Matt Ellis
Title:	Director, Transmission Planning & Compliance
Department:	Great River Energy
Date:	August 19, 2026

May 29, 2026

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RE: Initial Inquiry for Variance Analysis on MTEP24 LRTP Project 24 Lakefield Junction – Pleasant Valley – North Rochester

Dear Ms. Barthel, Mr. Campbell, and Mr. Wendland,

Please be advised that the Midcontinent Independent System Operator, Inc. ("MISO") has made an initial determination that reasonable grounds for Variance Analysis may exist in relation to the MTEP24 Long Range Transmission Planning ("LRTP") Tranche 2.1 Project 24 Lakefield Junction – Pleasant Valley – North Rochester (hereinafter referred to as the "Project") designated to GRE, ITCM, and Xcel. This notice shall serve as the initial inquiry of the Variance Analysis process[1] for the Project.[2] For clarity, MISO has not yet determined whether to commence the Variance Analysis process for this Project.

Background and Description of MISO's Concerns

On July 25, 2022, MISO's Board of Directors approved the LRTP Tranche 2.1 portfolio for inclusion in the MTEP24. Tranche 2.1 was made up of 24 discrete Eligible Projects, including the Project. In accordance with the Tariff, following Board approval, MISO determined that all four facilities included in the Project were not eligible for the MISO Competitive Transmission Process and were therefore designated to the relevant incumbent Transmission Owners, GRE, ITCM, and Xcel.

Based on GRE, ITCM, and Xcel's recent submittal of information to the Eligible Project Quarterly Status Reports portal for the first quarter of 2026, MISO believes that grounds

[1] Pursuant to Attachment FF, Section IX.D.1 of the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff").
[2] In Appendix A of the 2024 MISO Transmission Expansion Plan ("MTEP24") Report, the Project is referred to as Project ID 50557.

exist for initiating the information gathering phase (Phase 1 of graphic on page 3) related to the Variance Analysis process. Specifically, MISO believes that the cost increases reported by GRE, ITCM, and Xcel exceed the Tariff-provided 25% variance threshold allowed in relation to the original MTEP24 project Baseline Cost Estimate (BCE) (in 2024$) listed in Appendix A for the Project.

Cost Increase in Excess of 25% of BCE

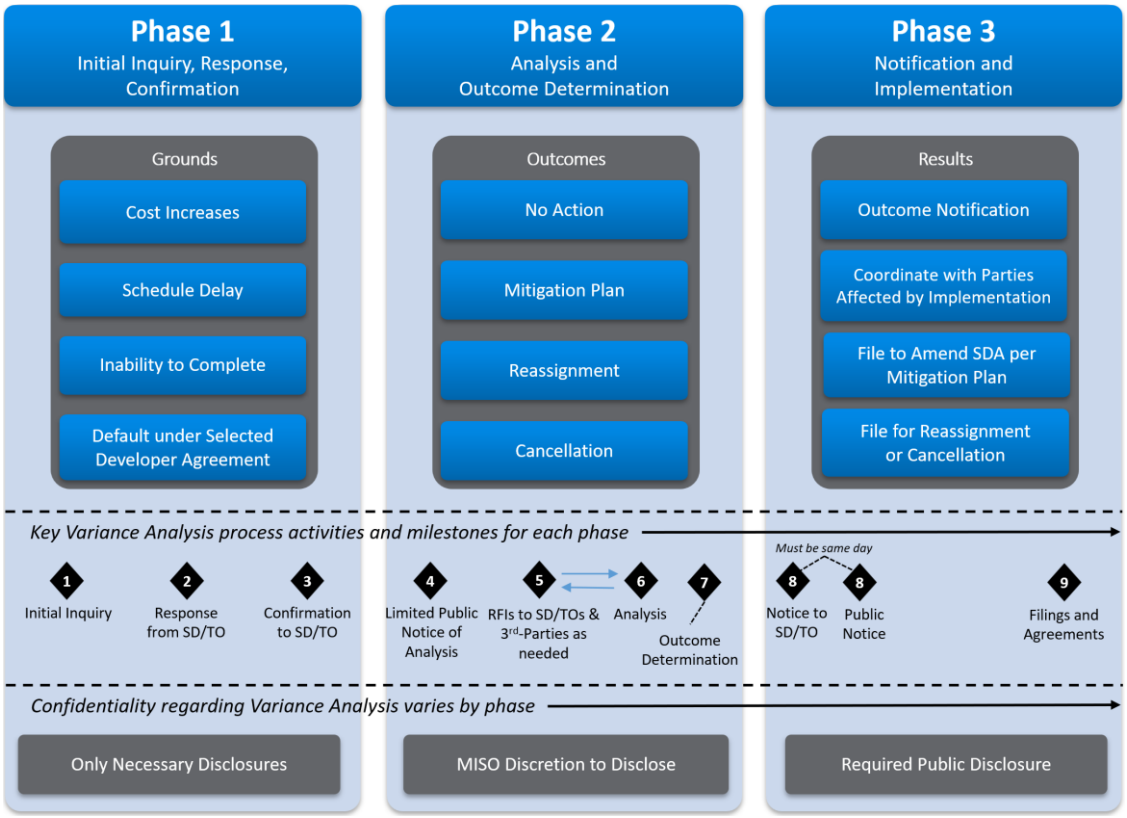
Collectively, the original BCE from MTEP24 Appendix A[3] for all of the Project's facilities was $1,194,800,000. The updated cost estimate reported by GRE, ITCM, and Xcel for all of the Project's facilities was $1,955,000,000. This represents a cost variance of $760,200,000 (*i.e.*, an increase of approximately 64%). As such, MISO has made the initial determination that the estimated costs of the facilities within the Project have exceeded, or are projected to exceed, the Tariff's permitted threshold of no more than a 25% increase in a Project's estimated costs, which is grounds for triggering MISO's Variance Analysis process. [4]

Variance Analysis Process Overview

Variance Analysis, which is set forth within Attachment FF, Section IX of the MISO Tariff, is MISO's process for addressing challenges that arise during project development. As defined in the Tariff and illustrated in the graphic below, the process consists of three phases:

[3] The Baseline Cost Estimate (BCE) of each facility of the Project was set at the time of Board approval of LRTP Tranche 2.1 and was expressed in 2024 dollars (2024$). The LRTP Tranche 1 BCEs can be located in Appendix A of the MTEP24 report. This is the BCE upon which all initial Variance Analysis determinations for cost increases are based.

[4] See Tariff, Attachment FF, Section IX.C.1 (Cost Increase).



GRE, ITCM, and Xcel's response (*i.e.*, Phase 1, Milestone 2 in the above graphic) to this initial inquiry is the next step. Once MISO has received the response, MISO will provide confirmation (*i.e.*, Phase 1, Milestone 3) whether grounds for Variance Analysis exist and either proceed to Phase 2 or terminate this particular instance of Variance Analysis. If MISO confirms that grounds to proceed with commencing Variance Analysis exist, Phase 2 will promptly begin, which will involve further discussions with, and additional requests for, information from GRE, ITCM, and Xcel.

During Phase 1 of Variance Analysis, information about Variance Analysis will not be publicly discussed and third-party disclosures will be limited to those necessary to enable MISO to obtain needed information to evaluate the existence of applicable grounds for Variance Analysis.[5] During Phase 2, MISO shall publicly state that Variance Analysis has commenced on the Project in the interest of transparency related to the process. At the beginning of Phase 3, MISO is required to notify GRE, ITCM, and Xcel of the outcome determination, as well as publicly post information about the determination on its website.

[5] The rules applicable to confidentiality in the Variance Analysis process are contained in Attachment FF, Section IX.F of the MISO Tariff.

Please note that MISO aims to conduct Variance Analysis in a thorough and expeditious manner, but the length of each phase of Variance Analysis is not restricted by MISO's Tariff nor by applicable sections of MISO's Business Practices Manual.

Response Requested from GRE, ITCM, and Xcel

MISO requests that GRE, ITCM, and Xcel collectively present their position on 1) whether the identified ground(s) for Variance Analysis exists and 2) what the appropriate Variance Analysis outcome should be. Again, MISO will not formally commence Variance Analysis or publicly disclose the existence of this Variance Analysis process unless and until a determination is made to proceed past Phase 1.

Please respond to the following questions (a–h):

Do the identified ground(s) for Variance Analysis exist?

a) Do you agree that the ground of cost increases exists (or may exist) because the most recent estimated costs for the facilities assigned to your company have increased in relation to the BCE (in 2024$) for the facilities assigned to your company in MTEP24 Appendix A?

b) Are the updated estimated costs provided through the Eligible Project Quarterly Status Reports portal for the facilities assigned to your company in 2024 dollars (aka, 2024$), a different year's dollars, or in nominal dollars (*i.e.*, the actual spend in nominal dollars by year)?

c) MISO's BCE includes allowance for funds used during construction (AFUDC). Does the cost estimate you provided through the Eligible Project Quarterly Status Reports portal include AFUDC?

d) If you performed a conversion of any type from your company's internal estimating or forecasting software to provide the cost estimate for MISO's required quarterly reporting in 2024$ (or other dollar type, if applicable), please briefly explain: (i) how your internal software records the estimated or forecasted cost; and (ii) how you performed the conversion to arrive at the updated estimated costs you provided to MISO for the first quarter of 2026 through the Eligible Project Quarterly Status Reports portal.

e) Based on the provided overview of the Variance Analysis process within this letter, do you believe any grounds for Variance Analysis other than cost increases are known to exist at this time? (You are not required to speculate if there is no current empirical basis for certainty.)

f) Whether you believe at least one ground for Variance Analysis exists, would you like to provide MISO additional information or context about the situation? If so, please attach additional written comments or materials for MISO's review to your response. Alternatively, feel free to request a meeting between MISO and your company.

What is the appropriate Variance Analysis outcome?

g) Describe which Variance Analysis outcome (*i.e.*, No Action, Mitigation Plan, Reassignment, or Cancellation)[6] you think would be appropriate, given the context of this particular variance.

h) If you selected Mitigation Plan, please provide a high-level summary of an appropriate Mitigation Plan.

Administrative Instructions

1) Carefully review this initial inquiry letter and contact the MISO Competitive Transmission Administration for any clarifications.

2) Perform any additional analysis and gather any facts and documentation that will be necessary to respond to the questions posed.

3) Within 21 Calendar Days of receipt of this letter (no later than **June 19, 2026**), send a formal written response to MISO via email (CTA@misoenergy.org) answering the questions posed in the Initial Inquiry.

Respectfully submitted,

Midcontinent Independent System Operator, Inc.

By */s/ Alex Monn*
Alex Monn
Manager, Competitive Transmission Administration

[6] *See* MISO Tariff, Attachment FF, Section IX.E.

June 19, 2026

Alex Monn
Manager, Competitive Transmission Administration
Midcontinent Independent System Operator, Inc.
2985 Ames Crossing Road
Eagan, Minnesota 55121

RE: Initial Inquiry for Variance Analysis on MTEP24 LRTP Project 24 Lakefield Junction – Pleasant Valley – North Rochester

Dear Mr. Monn:

Please find below Great River Energy (GRE), Xcel Energy (Xcel) and ITC Midwest's (ITCM) responses to MISO's initial inquiry for Variance Analysis on LRTP Project 24 Lakefield Junction – Pleasant Valley – North Rochester (the "Project").

Do the identified ground(s) for Variance Analysis exist?

a) Do you agree that the ground of cost increases exists (or may exist) because the most recent estimated costs for the facilities assigned to your company have increased in relation to the BCE (in 2024$) for the facilities assigned to your company in MTEP24 Appendix A?

Response: GRE, Xcel, and ITCM agree based on MISO's interpretation of the Tariff. The current baseline cost estimate for the Project is $1,955 million ($-2024) based on the best available information available to GRE, Xcel and ITCM at the time of the Certificate of Need application filing as updated in the quarterly Appendix A submission to MISO and should constitute the new BCE in accordance with the Tariff and Business Practice Manuals.

b) Are the updated estimated costs provided through the Eligible Project Quarterly Status Reports portal for the facilities assigned to your company in 2024 dollars (aka, 2024$), a different year's dollars, or in nominal dollars (*i.e.*, the actual spend in nominal dollars by year)?

Response: GRE, Xcel and ITCM confirm that the updated estimated costs are provided in 2024 dollars.

c) MISO's BCE includes allowance for funds used during construction (AFUDC). Does the cost estimate you provided through the Eligible Project Quarterly Status Reports portal include AFUDC?

Response: GRE, Xcel, and ITCM confirm that the updated costs are all-inclusive, including AFUDC as appropriate for the Project.

d) If you performed a conversion of any type from your company's internal estimating or forecasting software to provide the cost estimate for MISO's required quarterly reporting in 2024$ (or other dollar type, if applicable), please briefly explain: (i) how your internal software records the estimated or forecasted cost; and (ii) how you performed the conversion to arrive at the updated estimated costs you provided to MISO for the first quarter of 2026 through the Eligible Project Quarterly Status Reports portal.

Response: Updated estimated costs are provided in 2024 dollars. Project cost estimates in terms other than real $-2024 have been de-escalated to 2024 using 4% assumed inflation rate for labor, external contractor costs, and materials. The amount of de-escalation per estimate line item is dependent on the Project schedule's delivery or end date for that item.

e) Based on the provided overview of the Variance Analysis process within this letter, do you believe any grounds for Variance Analysis other than cost increases are known to exist at this time? (You are not required to speculate if there is no current empirical basis for certainty.)

Response: Additional substation equipment has been identified to meet MISO's reliability need through detailed engineering (scoping-level). GRE, Xcel, and ITCM have prepared a detailed explanation of all changes, including changes to equipment and costs, that have taken place since MISO's original approval of the Project, and we will provide a detailed explanation to MISO if and when MISO formally initiates Variance Analysis.

f) Whether you believe at least one ground for Variance Analysis exists, would you like to provide MISO additional information or context about the situation? If so, please attach additional written comments or materials for MISO's review to your response. Alternatively, feel free to request a meeting between MISO and your company.

Response: Project costs have increased by approximately 64 percent, mainly due to the detailed design for the substations, with three main drivers:

- **27% - Equipment market and design impacts**
  Inflation, rising construction labor costs, supply chain pressures, trade-related impacts and strong demand for transmission and substation components have all contributed to higher costs across the Project. In addition, detailed substation design identified more precise equipment for reactive power and ampacity needs necessary to meet performance and reliability standards.

- **19% - Land and site work impacts**
  Increased costs for the substations include higher land value costs for expansion areas driven by market conditions, additional grading needed due to challenging topography, and additional physical security requirements.
- **18% - Preconstruction, indirect costs, and other impacts**
  Preconstruction costs have increased as a direct result of overall project cost growth. As total project costs rise, so do related preconstruction expenses—such as project management, engineering and other professional services. In addition, the regulatory process for projects of this scale is comprehensive, requiring detailed analysis, expert support and extensive engagement with landowners and the public. Higher borrowing costs like rising interest rates have increased the cost of financing.

All equipment changes are electrically equivalent to MISO's approved Project and are necessary to develop a constructable project that meets MISO's identified Project needs.

However LRTP 24 is part of a broader, coordinated portfolio consisting of LRTP Projects 22–25 (known as "PowerOn Midwest"), which are being permitted collectively in Minnesota. The Minnesota portions of PowerOn Midwest costs have increased by approximately 48 percent due to equipment market and design factors (24%), land and site work impacts (12%), and preconstruction, indirect costs, and other impacts (12%).

GRE, Xcel and ITCM hereby request a meeting with MISO to further discuss the answers provided herein.

What is the appropriate Variance Analysis outcome?

g) Describe which Variance Analysis outcome (*i.e.*, No Action, Mitigation Plan, Reassignment, or Cancellation) you think would be appropriate, given the context of this particular variance.

Response: No action. GRE, Xcel, and ITCM believe in the importance of delivering cost-effective transmission solutions to provide safe, reliable, and affordable service to our customers and members. The cost increases are justified and reasonable based on the refined design and market forces.

As discussed above, the reasons for the cost increases for the Project relative to MISO's BCE are due to factors outside the control of GRE, Xcel and ITCM. Reassignment is not an option under the Tariff for projects that have been assigned to incumbent transmission owners in recognition of state right of first refusal laws. Cancellation of the Project is also not a reasonable or viable option, as the Project is an essential component of the overall LRTP Tranche 2.1 portfolio.

GRE, Xcel, and ITCM respectfully request MISO to find that these equipment and cost updates are reasonable, prudent, and necessary for the Project, and to incorporate them into the MISO-approved scope of LRTP Project 24. In addition, GRE, Xcel and ITCM request that MISO set the Project baseline cost at $1,955 million ($-2024).

h) If you selected Mitigation Plan, please provide a high-level summary of an appropriate Mitigation Plan.

Response: N/A

Respectfully submitted,

/s/ Tosha Barthel
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