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New environmental safeguards, construction enhancements, higher material and labor costs drive up transmission line cost
Total cost translates to about 1 percent hike on monthly electric bills

WAUKESHA, Wis. – Sponsors of the Arrowhead-Weston transmission line project said today that the projected cost of building the 210-mile line has increased to approximately \$396 million. The increased costs are attributed to more aggressive environmental safeguards, increased payments to landowners, new construction materials and a more than two-year delay.

Building the Arrowhead-Weston line will add an important element to Wisconsin's transmission infrastructure, which will bring much-needed reliability to a seriously constrained system. According to a study issued this year by the US Department of Energy, Wisconsin's transmission system has one of the most congested interfaces in the country.

The sponsors of this project are American Transmission Company of Waukesha, Wis., Minnesota Power of Duluth, Minn., and Wisconsin Public Service Corp. of Green Bay, Wis.

"A number of issues have increased the cost of the project," said ATC Vice President Mark Williamson, who is overseeing the Arrowhead-Weston project. "Clearly the two-year delay is a factor. Additionally, the revised estimate is based on the selection of a final route and hard engineering of what will be required to build the line on the route selected by the state Public Service Commission.

"In comparing today's costs with the original estimate, the cost increased about \$80 million. There's also an additional \$67 million, which was not included in the original estimate. That cost covers improved farm disease prevention, environmental impact fees, wetlands preservation techniques, the development and implementation of the Construction and Mitigation Plan, as well as project licensing fees."

Finally, the cost of money spent to build the project before it becomes operational – allowance for funds used during construction or AFUDC – had been excluded from project costs because it was to have been collected through the applicant's Wisconsin retail rates. This \$37 million cost is now included within the project estimate.

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“While admittedly this represents a significant cost increase for the project, the total project cost translates to approximately 1 percent across all consumers, including residential, manufacturing and industrial,” said Williamson. “That means the line will now cost the average residential consumer about 50 cents a month or \$6 annually, based on an average monthly electric bill of \$50.”

The increased cost of the project also means that communities directly affected by the line will receive larger annual payments based on the current formula of compensation.

The new estimated cost of the Wisconsin portion of the project, which is \$349 million, must be approved by the PSC, a requirement ATC believes is important to the project’s success.

“In response to public and regulatory input, we have proposed significant improvements to the line,” Williamson said. “We believe heading back to the PSC is the best way to assure the public has ample opportunity to evaluate the changes and the benefits those changes bring to this project. This line is an investment in reliability and in keeping the lights on. We want consumers to know what they’re getting.”

A key element of this filing is that it’s being done in advance of any construction dollars being spent. “We’re coming forward and looking for input in advance of any construction cost overruns that would adversely affect the project. The Commission and the public have a legitimate opportunity to review the benefits of this project compared with other possible solutions. We’re prepared to show why Arrowhead-Weston remains the best choice of all projects that have been considered,” said Williamson.

As part of its application, ATC will request that the Commission hold hearings on this matter. Additionally, ATC will host a series of public information meetings in the communities along the Arrowhead-Weston corridor.

A decision from the Commission on this matter is anticipated sometime early next summer.

ATC plans, constructs, operates and maintains transmission facilities in portions of Wisconsin, Michigan and Illinois. It provides non-discriminatory service to all customers, supporting effective competition in energy markets without favoring any market participant. A member of the Midwest ISO regional transmission organization, ATC owns more than 8,600 miles of transmission lines with a total investment of approximately \$640 million in transmission facilities. Visit our Web site at www.atcllc.com for more information.

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