

Pursuant to Attachment FF, Section IX of the MISO Tariff, MISO has initiated Variance Analysis for the Iron Range-Benton County-Big Oaks Long Range Transmission Planning (LRTP) Tranche 1 project (Project) upon MISO's initial determination that the estimated costs of the facilities within the Project have exceeded, or are projected to exceed, the MISO Tariff's permitted cost increase threshold (defined herein) for a transmission project.<sup>1</sup> The purpose of Variance Analysis is for MISO to review the reasons and potential impacts of such increased costs and determine an outcome to resolve and conclude the Variance Analysis process for this Project. This communication constitutes MISO's public notice that it has initiated the Variance Analysis procedures contained in Attachment FF, Section IX of the MISO Tariff.

## BACKGROUND

On July 25, 2022, MISO's Board of Directors approved the LRTP Tranche 1 portfolio for inclusion in the MTEP21. Tranche 1 was made up of 18 discrete Eligible Projects, including the Project.<sup>2</sup> In accordance with the Tariff, following Board approval, MISO determined the facilities included in the Project were not eligible for the MISO Competitive Transmission Process and were therefore designated to the relevant incumbent Transmission Owners, Great River Energy (GRE) and Minnesota Power (MP). GRE was designated to construct five facilities of the Project, and MP was designated to construct six facilities of the Project.

At the time the Board approved the LRTP Tranche 1 portfolio, MISO estimated the Project cost to be \$969,900,000 (in 2022 dollars). As part of the Q2 2025 MTEP Quarterly Project updates, GRE and MP's combined estimated costs for the Project are projected to be \$1,389,895,000 (in 2022 dollars, an increase of approximately 43%).

GRE and MP attribute the 43% cost increase to three factors:

- 25% - Material and construction cost escalations
  - Initial estimated costs for the project were developed in 2022. Since then, there has been an increase in electrical component costs such as substation equipment, steel, and labor causing an increase to the project cost.
- 18% - Routing and engineering design refinements
  - Transmission line routing is determined by the Minnesota Public Utilities Commission which has the authority to select the route that best aligns with state statute, balancing land, environmental, and community impacts with costs. The Commission's approved route increased the overall Project costs.
  - Substation facilities' scopes of work were refined upon further engineering design.

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<sup>1</sup> See MISO Tariff, Attachment FF, § IX.C.I.

<sup>2</sup> The Project includes eleven facilities identified in MTEP21 as Facility ID Nos. 27051–27061. GRE was assigned five facilities of the Project: 27051, 27052, 27053, 27054, and 27055. MP was assigned six facilities of the Project: 27056, 27057, 27058, 27059, 27060, and 27061.

## **INITIATION OF VARIANCE ANALYSIS**

In accordance with Attachment FF, Section IX.C.I of the Tariff, if MISO determines that the estimated costs of the facilities in an MTEP project have exceeded, or are projected to exceed, the project's Baseline Cost Estimate by 25% or more, MISO shall initiate Variance Analysis. In light of the forecasted project cost increases submitted by both GRE and MP for the Project, MISO is initiating the Variance Analysis process.

This public notice shall denote the commencement of Variance Analysis for the Project. MISO will adhere to the applicable Tariff processes, including the Variance Analysis procedures set forth within Attachment FF, Section IX, as well as the confidentiality restrictions contained within the Tariff. MISO will publish on its website a description of, and rationale for, its Variance Analysis determination in due course.