

On November 1, 2024, MISO publicly posted that it had initiated Variance Analysis for the Morrison Ditch – Reynolds – Burr Oak – Leesburg – Hiple Transmission Long Range Transmission Plan (LRTP) Tranche 1 project (Project), pursuant to Attachment FF, Section IX of the MISO Tariff, on the grounds that the estimated costs of the facilities within the Project were forecasted to exceed the MISO Tariff’s permitted cost increase threshold of 25%.¹ This communication constitutes MISO’s public notice that it has determined that the most suitable outcome to address the projected cost increase on the Project is a Variance Analysis mitigation plan in accordance with the procedures contained in Attachment FF, Section IX of the MISO Tariff.

BACKGROUND

On July 25, 2022, MISO’s Board of Directors (Board) approved the LRTP Tranche 1 portfolio for inclusion in the 2021 MISO Transmission Expansion Plan (MTEP21). The Tranche 1 portfolio includes the Project. Following Board approval, pursuant to the Tariff, MISO determined that the Project did not contain any Competitive Transmission Facilities and therefore assigned all of its facilities to Northern Indiana Public Service Company (NIPSCO).² At the time the Board approved the LRTP Tranche 1 portfolio, MISO estimated the Project cost to be \$260.9 million (2022\$) which is considered the Project’s Baseline Cost Estimate (BCE). MISO later converted the Project’s BCE to an equivalent value of \$340 million (nominal\$).³

As part of its required Q2 2024 MTEP Quarterly Project update, NIPSCO informed MISO that the estimated costs for the assigned Project were forecasted to be \$675.4 million (nominal\$). Following multiple discussions with NIPSCO and after reviewing the information and documentation provided by NIPSCO, MISO determined that the estimated costs of the facilities designated to NIPSCO within the Project have exceeded, or were projected to exceed, the Tariff’s permitted threshold of no more than 25% increase in a Project’s estimated costs, and therefore, commenced MISO’s Variance Analysis process for the Project.

VARIANCE ANALYSIS

As a result of the Variance Analysis investigation, MISO observed higher estimated costs for construction matting, technical services, and contingency, as well as additional costs associated with securing and permitting the transmission-line right-of-way.

Collaborating further, MISO and NIPSCO leadership identified cost savings and efficiencies that would lower the estimated projected cost of the Project. As a result of those discussions, MISO and NIPSCO agreed to a mitigation plan that resets the BCE to \$477.8 million (nominal\$). Cost optimizations include refined scopes of work, reductions in construction costs as discrete

¹ The Tariff provides that a forecasted or actual cost increase of 25% or more relative to the Baseline Cost Estimate is grounds for the commencement of Variance Analysis. See Tariff, Attachment FF, § IX.C.1.

² The facilities that are relevant to this notice were assigned to NIPSCO and are, specifically, MTEP21 Facility IDs 27178-27190. All future references to facilities in this document will be to the MTEP Facility IDs referenced in this footnote.

³ For purposes of Variance Analysis, the term “nominal\$” refers to the actual dollars spent in each year.

contracts are executed, and reductions in contingency costs as the project was further developed with fewer unknowns.

MISO also considered other Variance Analysis outcomes for the Project. No action was considered as a possible outcome but was eliminated due to the scale of the initial estimated cost increase. Reassignment was not an applicable variance analysis outcome because none of the facilities in the Project were eligible for the competitive transmission process. Cancellation was considered as a possible outcome, but due to the interconnectedness of the Project with the rest of the Tranche 1 portfolio, the mitigation plan developed between MISO and NIPSCO was the preferred outcome.

OUTCOME DETERMINATION: MITIGATION PLAN

Upon the execution of the agreed-upon mitigation plan between NIPSCO and MISO, the new BCE will be reflected in the Eligible Projects Quarterly Status Report database and will serve as the reference point for any future instance(s) of Variance Analysis for the Project. The Variance Analysis process that was initiated and publicly posted on November 1, 2024, for this Project is hereby concluded.

Key Provisions of Mitigation Plan for Morrison Ditch – Reynolds – Burr Oak – Leesburg – Hiple Transmission Project	
Provision	Explanation
Reset Baseline Cost Estimate to \$477.8 million (nominal\$)	The outcome of the mitigation plan developed between MISO and NIPSCO included a revised baseline cost estimate of \$477.8 million (nominal\$), which is a reduction of \$197.6 million (nominal\$)
Reopen Variance Analysis if estimated Project costs increase by $\geq 10\%$	Without a mitigation plan, opening a second Variance Analysis would require a further cost increase of $\geq 25\%$. This mitigation plan enables a timelier and more stringent reexamination of the business case, if costs further escalate.
Increased frequency and granularity of Project reporting / engagement to MISO to monitor costs, risks, and mitigation	Enhances ability of the MISO and NIPSCO to proactively identify and cooperatively respond to any future risks to Project cost. Prior to the execution of this mitigation plan, meetings were to take place “as needed.” Following execution of the mitigation plan, meetings with MISO and NIPSCO shall take place on a regular basis.