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Xcel Energy

Case No.: EL14-016

Response To: South Dakota Public Utilities Data Request No. 1-4
Commission

Requestor: Kristin Edwards

Date Received: March 7, 2014

Question:

Refer to Attachment 3 to the petition. Please explain the increases to the capital expenditure forecasts as compared to those provided in the EL13-006 settlement for the following projects: CapX2020 – La Crosse Local, Sioux Falls Northern, Hollydale, Chaska – Hwy 212 Conversion, and Lake Marion – Burnsville.

Response:

CapX2020 – La Crosse Local

CapX2020 – La Crosse MISO

CapX2020 – La Crosse WI

For construction planning purposes, the CapX2020 – La Crosse projects (Local, MISO and WI) are treated as a combined group. We have increased the forecasted cost of the CapX2020 – La Crosse project group by 1% since it was provided in Docket No. EL13-006. Since receiving the final orders for this project, the project has experienced higher than estimated “Buy the Farm” acquisitions in the Minnesota portion of the project, which has increased the total estimated cost at completion. Similarly, in Wisconsin, the current estimates for easement acquisition have increased due the increased number of land owners pursuing trial court acquisition than originally estimated for this type of project. Also, the project is experiencing a greater amount of solid rock excavation for pole foundations than originally estimated.

Sioux Falls Northern

In our previous petition in Docket No. EL13-006, we noted that there had been a mistake in how the Sioux Falls Northern project costs were forecasted and stated that the project costs (at the time of the Docket No. EL13-006 filing) were estimated to exceed \$29 million. The total project cost is currently forecasted to be approximately \$33 million, a total increase of approximately 13% (when referencing the previously stated \$29 million). The project is currently under construction, and the cost increase

is driven by more difficult than anticipated subsurface rock excavation conditions. Many of the foundation excavations in the corridor need to be blasted with explosives in order to complete the work. We first noted these changes in our response to Data Request No. 1-4 in Docket No. EL13-006.

Hollydale

The forecasted cost of the Hollydale project has increased by 106% from the forecasted project cost provided in Docket EL13-006. As noted in our response to Data Request No. 1-4 in Docket No. EL13-006, “due to the statutory changes regarding siting of transmission lines, there are 36 route alternates that are under consideration by the Minnesota Public Utilities Commission (MPUC). Due to the urbanized nature of the construction area and the prolonged permitting activities, the total cost estimate could potentially increase further. These changes in project cost estimates will be reflected in the Company’s next TCR filing.”

As noted in our response to Data Request No 1-3 in this docket, we have filed to withdraw our existing site permit and certificate of need petitions with the MPUC. However, we continue to forecast a need for additional transmission infrastructure in the Hollydale area to maintain system reliability and we are evaluating what will be the appropriate project characteristics and routing to meet this need. We will resubmit a request for approval with the MPUC when the specific project is selected. The Company has estimated and forecasted the total cost of the project to be more costly than the initial proposal that has been withdrawn. This estimate is based on our expectation that the routing of the transmission facilities will be longer, any transmission construction approved will require greater mitigation efforts, including the possibility of some underground transmission construction, and the permitting process will continue to be extensive. It should be noted that once the final approvals are received from the MPUC, the total estimated cost of the project will likely reflect additional change depending on what route and type of construction is ultimately permitted.

Chaska – Hwy 212 Conversion

The forecasted cost of the Chaska – Hwy 212 Conversion project increased by approximately 24% from our forecasted estimate provided in Docket No. EL13-006. During the project’s state review process, engineers with Xcel Energy determined that the scope of work estimate required the Scott County substation to be converted to a Breaker and a Half bus configuration due the number of elements terminating at that substation. This change is now required as a part of our current design substation standards, and subsequently increased the project’s cost.

Lake Marion – Burnsville

The Lake Marion – Burnsville forecasted project costs increased by approximately 22% (\$2.2 million) from our forecasted estimate provided in Docket No. EL13-006.

This cost increase is because the line construction proposals/bids were higher than the originally estimated cost of construction labor. There are two contributing factors to the labor cost delta now being estimated: 1) The original cost estimate for this project was estimated at internal (Xcel Energy) labor rates, which is often less expensive than contract labor; and 2) Construction contract labor is heavily influenced by the economy of the construction market. Specifically, as the region continues to see major transmission infrastructure investment (i.e. the CapX2020 portfolio) the local sources for construction contract labor becomes strained. Contractors are forced to reallocate or draw labor resources from other regions of the country which increases their labor overhead costs that must be then included in project proposals.

Preparer: Chris Buboltz
Title: Transmission Project Manager
Department: Project Management North
Telephone: 612-330-1921
Date: March 21, 2014