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MINNESOTA PUBLIC UTILITIES COMMISSION

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**SUPPLEMENTAL TESTIMONY IN RESPONSE TO APPENDIX A QUESTIONS
TO THE FIFTH PREHEARING ORDER**

**OF
ZHENG ZHOU**

**Submitted on Behalf
of
MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC. (MISO)**

March 7, 2019

Exhibit MISO - 2

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1 **I. INTRODUCTION AND PURPOSE**

2 **Q. ARE YOU THE ZHENG ZHOU WHO SUBMITTED DIRECT**
3 **TESTIMONY IN THIS CASE ON BEHALF OF THE MIDCONTINENT**
4 **INDEPENDENT SYSTEM OPERATOR, INC. (“MISO”)?**

5 A. Yes.

6

7 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

8 A. My testimony responds to one of the questions contained in Appendix A to the Fifth
9 Prehearing Order in this case. One of the questions appears to be directed towards
10 MISO. I will generally use terms as they are defined in my Direct Testimony.¹

11

12 **II. RESPONSE TO MATTERS RAISED IN APPENDIX A**

13 **Q. WHAT QUESTION IN APPENDIX A TO THE FIFTH PREHEARING**
14 **ORDER DO YOU BELIEVE IS DIRECTED TOWARDS MISO?**

15 A. The second question in Appendix A, which states:

16 2) Are MISO’s cost estimates based upon a standard set of costs
17 that it applies to all projects, or does it utilize cost estimates from
18 project proposals submitted by member parties?

¹ While page 4 of my Direct Testimony refers to “NSP,” this Supplemental Testimony will refer to the Company as “Xcel Energy.”

1 The introductory paragraph in Appendix A also mentions MISO's "variance
2 procedure," which is also related to a cost estimate and is addressed in this
3 Supplemental Testimony.

4

5 **Q. DOES MISO "UTILIZE COST ESTIMATES FROM PROJECT**
6 **PROPOSALS SUBMITTED BY MEMBER PARTIES?"**

7 A. Yes, as deemed appropriate under the circumstances. This is illustrated by
8 the process for cost estimation as it progressed for the Proposed
9 Transmission Project, which is a cost shared project that requires the
10 construction of new facilities.

11

12 MISO received a proposed project and a related cost estimate early in the
13 MTEP16 planning process that was used by MISO to screen projects that
14 addressed and identified transmission issue. A project solution can be
15 proposed by a member or a non-member of MISO.

16

17 Next, MISO developed a planning cost estimate to evaluate project
18 alternatives on a common basis. Specialized personnel used the cost
19 database for cost assumption information and estimated the line length to
20 be the straight-line distance between the Wilmarth and Huntley substations
21 multiplied by twenty percent. A planning cost estimate allowed MISO to
22 initially evaluate and study project feasibility for providing the benefit-to-

1 cost ratio required for regional cost sharing (in this case, a Market
2 Efficiency Project).

3

4 Since the Proposed Transmission Project continued to show potential as part
5 of the planning process, MISO used its cost database to develop a scoping
6 cost estimate. A scoping cost estimate provides a desktop analysis using
7 Google Earth to determine a possible route as the basis for cost assumptions,
8 type and cost of land, number of structures, conductor length, wetland
9 mitigation, etc. MISO posted its initial scoping cost estimate in June 2016
10 for stakeholder review, which included its assumptions and stated a cost
11 estimate of \$80.9 million.²

12

13 **Q. HOW DID MISO ARRIVE AT ITS FINAL COST ESTIMATE FOR THE**
14 **PROPOSED TRANSMISSION PROJECT?**

15 A. Xcel Energy input regarding the line routing supported a likely increase in
16 estimated line length towards the end of the MTEP evaluation process.
17 MISO evaluation of the new line length increased MISO's cost estimate,
18 which was substantially the same as the estimate supported by Xcel Energy
19 in its input that was provided to MISO. This resulted in an increased

² All dollar values used in this testimony are in 2016 dollars, consistent with the MTEP16 studies and reports.

1 estimated project cost range from \$88 to \$108 million, which MISO staff
2 used to recommend the project to the MISO Board of Directors.

3

4 **Q. THE OPENING PARAGRAPH ON APPENDIX A TO THE FIFTH**
5 **PREHEARING ORDER REFERS TO MISO’S “VARIANCE**
6 **PROCEDURE.” HOW IS THAT PROCEDURE APPLIED TO A COST**
7 **ESTIMATE FOR THE PROPOSED PROJECT?**

8 A. The testimony in this case discusses provisions in the MISO Tariff that apply under
9 circumstances that include an increase in cost to complete a transmission system
10 upgrade. The procedure stated in the Tariff is as follows:³

11 If the Transmission Provider [*i.e.* MISO] determines that the
12 estimated cost to complete an entity’s portion of an approved
13 Eligible Project . . . either has exceeded or is projected to exceed the
14 Baseline Cost Estimate . . . by twenty-five percent (25%) or more,
15 the Transmission Provider shall initiate a Variance Analysis.

16 The “Baseline Cost Estimate” is the “project cost estimate provided by the . . .
17 Transmission Owner through their status update”⁴ that is tied to the “Pre-project
18 approval” milestone in the planning process.⁵ The cost estimate used for this

³ MISO Tariff, Attachment FF, Section IX.C.1 (“Cost Increase”).

⁴ *Id.*, Section IX.C.1.1. (“Baseline Cost Estimate”).

⁵ MISO Business Practices Manual, Transmission Planning (BPM-020-r17),
Section 4.2.3.1.3 (“Milestones”).

1 purpose in the Tariff comes from the MISO transmission planning process, and is
2 \$108 for the Proposed Transmission Project.

3

4 **III. CONCLUSION**

5 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

6 A. Yes, it does.

CERTIFICATE OF SERVICE

I, JoAnna Joachim, do hereby certify that a copy of the foregoing document was served upon each person designated on the official service list in these proceedings.

Dated this 7th day of March 2019.

/s/ JoAnna Joachim

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