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May 8, 2012

The Honorable Ron Kind  
United States Congress  
House of Representatives  
1406 Longworth House Office Building  
Washington, DC 20515

**Re: Hampton-Rochester-La Crosse 345 kV project  
Wisconsin Public Service Commission Docket No. 05-CE-136**

Dear Representative Kind:

Thank you for your April 20 letter regarding the CapX2020 Hampton-Rochester-La Crosse project. Below are responses to your insightful questions. For convenience and further reading, I have included several references to case testimony.

***1. If the PSCW finds that the La Crosse area is not found to require an increase in supply or reliability, will the CapX2020 Hampton-Rochester-La Crosse project move forward?***

The Wisconsin portion of the CapX2020 project will be constructed only if the Public Service Commission of Wisconsin (PSCW) grants a Certificate of Public Convenience and Necessity (CPCN). The project is proposed to correct deficiencies in the existing electric system to serve electric customers in the greater La Crosse and Winona areas, including customers in rural Buffalo, Trempealeau and La Crosse counties. The project will also enhance regional reliability, reduce regional wholesale prices and facilitate acquisition of lower cost renewable generation by Wisconsin utilities by providing a critical 345 kV connection across the constrained Wisconsin and Minnesota interface.

During the PSCW's technical public hearings on the project, there was broad consensus that transmission line upgrades are needed to meet the La Crosse area's local electrical needs. While the public was aware of statements in the environmental review documents and early PSCW testimony that questioned the need for transmission to serve the La Crosse area, they were less aware that PSCW staff, Citizens Utility Board (CUB) and Midwest Independent Transmission System Operator, Inc. (MISO) witnesses all agreed at the technical hearing that a transmission deficit exists in the La Crosse area and that transmission line construction is necessary to satisfy this need.

PSCW witness Udaivir Sirohi initially supported running existing generation at French Island instead of building transmission. However, after reviewing all testimony, he concluded that French Island generation is not a reasonable alternative. Mr. Sirohi testified that Jeff Webb, MISO's senior director of expansion planning, "provides the clinching evidence that operation of French Island Unit 4 does not solve all of the transmission system violations"<sup>1</sup> under certain contingency conditions.

If only local load serving needs were considered, Mr. Sirohi recommends the 345 kV project as the least cost alternative for local load annual growth rates at 1.28 percent or above. At lower growth levels, he concluded that a rebuild of 200 miles of local area transmission lines is the least cost option.<sup>2</sup>

***2. How will the proposed project provide usage, service or increased regional reliability benefits to wholesale and retail customers in Wisconsin that are reasonable in relation to its cost?***

To grant a CPCN for the project, the Commission must find that it "provides usage, service or increased regional reliability benefits to the wholesale and retail customers or members in this state and the benefits of the high-voltage transmission line are reasonable in relation to the cost of the high-voltage transmission line" Wis. Stat. § 196.491(3t). The record before the PSCW fully supports a finding that this requirement has been met. The following items highlight the benefits.

- Local reliability benefits: As discussed in question one, the 345 kV project satisfies a recognized local need in the La Crosse and Winona areas, including the rural areas of Buffalo, Trempealeau and La Crosse counties. This local need was confirmed by PSCW, MISO and CUB witnesses.
- Regional reliability benefits: The project will address regional deficiencies identified by MISO. MISO concluded that if the project is not constructed, there will be substantial overloading of existing transmission facilities in Wisconsin, Iowa and Minnesota. MISO's Jeff Webb testified that absent the project, "23 different transmission facilities would be overloaded or loaded to within a few percent of emergency capability"<sup>3</sup> under scenarios for which the utilities are mandated to plan the transmission system. The project will prevent these overloading conditions.<sup>4</sup>
- Reduced system losses: The 345 kV project introduces network efficiencies that will reduce electrical system losses by 10 MW<sup>5</sup>, which is approximately the electric demand of all the facilities at Fort McCoy. This represents a present value of capacity and energy cost savings of approximately \$45 million.<sup>6</sup>
- Economic benefits from reduced production costs: The project will increase transfer capability between Wisconsin and Minnesota, which is currently constrained. When delivery

options are constrained, overall prices are higher than they would be in absence of congestion. New transmission capacity will reduce energy production costs and provide opportunities for Wisconsin utilities to obtain lower cost generation resources from points west, including renewable-based generation.<sup>7</sup>

The applicants' production cost analysis (PROMOD) shows that the project would lower production costs in the MISO region, including Wisconsin. The output from the PROMOD cases confirmed the superior performance of a 345 kV solution. Over 20 to 40 years, the project will provide electric customers approximately \$354 to \$445 million in present value benefits relative to smaller 161 kV alternatives.<sup>8</sup> The efficiencies also result in a corresponding reduction in CO<sub>2</sub> emissions.

PSCW staff confirmed that increased transfer capability will also positively impact wholesale and retail prices. As PSCW senior financial analyst Julie Urban noted: "A transmission line that expands transfer capability will facilitate commerce and promote, not adversely affect, competition in electric markets in Wisconsin."<sup>9</sup> Similarly, PSCW engineer Donald Neumeyer reviewed all of this evidence and concluded that the project was not unreasonably sized given existing load and probable futures.<sup>10</sup>

Based on the variety of needs served by the project, the CapX2020 utilities believe that \$512 million for the entire project is reasonable.

***3. To what extent have the proposed routes for the CapX2020 Hampton-Rochester-La Crosse project line taken into consideration the use of existing utility, highway and railroad corridors?***

In developing potential routes, we were guided by Wisconsin Statute 1.12 part 6, which identifies transmission siting priorities. In order of priority, the statute requires consideration of the following corridors: existing utility corridors, highway and railroad corridors, and recreational trails. All routes proposed by the applicants follow existing corridors for 78 to 93 percent of their length. Alternatives proposed by the Wisconsin Department of Transportation (utilizing Wisconsin Highway 88) and by the Wisconsin Department of Natural Resources (Ettrick) follow existing corridors for 67 to 90 percent of their length.<sup>11</sup> A map of these routes is attached.

We have emphasized throughout the route evaluation process the importance of examining the corridor sharing data, which is presented in various tables in both the CPCN application and the environmental impact studies. Of all the routes being considered in Wisconsin, we prefer the Q1-Highway 35 route because it's the shortest and it follows the most existing transmission, road and railroad corridor (93 percent) of any of the routes being considered.

***4. If Xcel is ultimately found not to prevail in its dispute with ATC over the line connecting the La Crosse substation to Madison (referred to as the "Badger Coulee" line), will Xcel still move forward with the CapX2020 Hampton-Rochester-La Crosse project?***

If the PSCW grants a CPCN for the CapX2020 345 kV project, the utilities will construct it regardless of the outcome of the La Crosse-Madison 345 kV line. As the record shows, the CapX2020 project provides significant benefits independent of the La Crosse-Madison line.

In closing, I wish to add the following additional comments:

- We understand that people do not want to live near transmission lines and we take the responsibility to reduce impacts seriously. Our project team has taken great care to gather and use public input as part of our route development process and continued to answer questions during the state's review process. We've made a point to meet with anyone at any time; we've met with state and federal agencies, held public open houses, participated in informational meetings requested by local governments and have met one-on-one with multiple individuals in their homes to understand the impacts that various routes might have on their property. We made changes to our project proposal based on this input. If the project is approved, our outreach efforts will not end; we will continue to work with landowners to reduce impacts to their properties.
- The difficult job of reducing impacts is made even more difficult because of the area's topography – a beautiful area between the Mississippi River and the wooded coulees that leaves a narrow corridor for people and the infrastructure necessary to serve them.
- Some of the public anger you referenced is undoubtedly from people who believe this project will not serve them. The public record demonstrates there are recognized local needs; the CapX2020 proposal will satisfy these needs for decades, providing the electric infrastructure necessary for reliable electric service. It will also support economic development and job growth in the area. To realize the local benefits, the 345 kV line needs to connect into the lower voltage transmission grid serving La Crosse. Simply routing a line from the Twin Cities to Madison, as some have suggested, does not solve the local La Crosse area need.
- A 345 kV line is the right voltage to serve the La Crosse area. Of the 17 Wisconsin communities with populations between 25,000 and 100,000, La Crosse is the only one that does not have at least one 345 kV transmission line source.<sup>12</sup> Further, I strongly believe that the 345 kV project, because of its capacity, will result in fewer transmission lines being constructed in western Wisconsin and across the Mississippi River over time.

Thank you for the opportunity to address these questions.

Rep. Kind  
April 24, 2012  
Page 5

Sincerely,



Grant Stevenson  
Senior Project Manager  
Xcel Energy

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In the PDF version of this document, click the hyperlinks below to review the individual documents cited, or visit [http://psc.wi.gov/apps40/dockets/content/detail.aspx?dockt\\_id=5-CE-136](http://psc.wi.gov/apps40/dockets/content/detail.aspx?dockt_id=5-CE-136)

- <sup>1</sup> [Sirohi Surrebuttal page 2](#)
- <sup>2</sup> [Sirohi Surrebuttal pages 7-8](#)
- <sup>3</sup> [Webb Corrected Direct at 19:9-11](#); Webb Transcript pages 169 and 179.
- <sup>4</sup> [Webb Direct pages 15-16.](#)
- <sup>5</sup> [Hillstrom Exhibit 1 \(CPCN application\) page 2-50](#); Hahn Transcript page 35.
- <sup>6</sup> [King Exhibit 2 page 50](#); [Beuning Transcript pages 123-124.](#)
- <sup>7</sup> [Hahn Surrebuttal page 8](#)
- <sup>8</sup> [Beuning Direct page 10](#)
- <sup>9</sup> [Urban Direct page 8](#)
- <sup>10</sup> [Neumeyer Direct, page 5](#)
- <sup>11</sup> [Hillstrom Exhibit 7](#)
- <sup>12</sup> [King Exhibit 11, Appendix E](#)