

Rebuttal Testimony and Schedule

David B. Grover

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Application of
ITC Midwest LLC for a Certificate of
Need for the Minnesota-Iowa 345 kV
Transmission Line Project in Jackson,
Martin, and Faribault Counties

PUC Docket No. ET6675/CN-12-1053
OAH Docket No. 60-2500-30782

In the Matter of the Application of
ITC Midwest LLC for a Route Permit
for the Minnesota-Iowa 345 kV
Transmission Project and Associated
Facilities in Jackson, Martin, and
Faribault Counties

PUC Docket No. ET6675/TL-12-1337
OAH Docket No. 60-2500-30782

REBUTTAL TESTIMONY OF

DAVID B. GROVER

On Behalf of

ITC MIDWEST LLC

April 25, 2014

Exhibit _____

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2
3 **Q. PLEASE STATE YOUR NAME AND EMPLOYMENT ADDRESS.**

4 A. My name is David B. Grover.

5
6 **Q. DID YOU PROVIDE DIRECT TESTIMONY IN THIS DOCKET ON FEBRUARY 24,**
7 **2014?**

8 A. Yes. I provided testimony regarding ITC Midwest LLC’s (“ITC Midwest”)
9 witnesses, certain sections of the Certificate of Need and Route Permit
10 applications (“Applications”), cost recovery, and ITC Midwest’s system
11 configuration and route preferences.

12
13 **Q. DO YOU HAVE ANY UPDATES TO YOUR DIRECT TESTIMONY?**

14 A. Yes. ITC Midwest has relocated my office from St. Paul to Minneapolis.
15 My business address is 901 Marquette Avenue, Suite 1950, Minneapolis,
16 MN 55402.

17
18 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY PROVIDED BY OTHER**
19 **PARTIES?**

20 A. Yes. I have reviewed the direct testimony filed by other parties.

21
22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

23 A. The purpose of my testimony is to respond to the direct testimony of the
24 Department of Commerce Division of Energy Resources (the “DOC-DER”)

1 witness Mark Johnson. Specifically, I address Mr. Johnson's testimony
2 regarding cost recovery for Multi-Value Project ("MVP") 3 and ITC
3 Midwest's operations and maintenance and fixed rate charges. I also
4 respond to Mr. Johnson's testimony regarding commitments ITC Midwest
5 made when it acquired the transmission assets of Interstate Power & Light
6 Co. ("IP&L") in 2007.

7
8 **Q. WHAT SCHEDULES ARE ATTACHED TO YOUR REBUTTAL TESTIMONY?**

9 A. Schedule 2: ITC Midwest Response to DOC-DER Information Request
10 No. 31.

11
12 **II. MVP PROJECT 3 COST RECOVERY**

13
14 **Q. IN THE CERTIFICATE OF NEED APPLICATION, APPENDIX E, ITC MIDWEST**
15 **PROVIDED COST ALLOCATION CALCULATIONS FOR ITC MIDWEST'S PORTION**
16 **OF MVP PROJECT 3. MR. JOHNSON NOTES THAT MINNESOTA RATEPAYERS**
17 **WILL ALSO PAY 13.3 PERCENT OF THE COSTS FOR THE SEGMENTS OF MVP**
18 **PROJECT 3 THAT MIDAMERICAN ENERGY CORPORATION ("MIDAM") WILL**
19 **CONSTRUCT. DO YOU AGREE WITH HIS CONCLUSION?**

20 A. Yes. I agree that Minnesota ratepayers will pay for a portion of MidAm's
21 MVP Project 3 segments. Similarly, Minnesota ratepayers will pay for its
22 allocated share of all of the MVP Portfolio projects through Schedule 26A
23 charges.

1 **Q. WHAT IS MINNESOTA’S ALLOCATION FOR THE MVP PORTFOLIO PROJECTS?**

2 A. Minnesota customer load will pay approximately 13.3 percent of all MVP
3 project costs.

4

5 **Q. DO YOU AGREE THAT IT IS IMPORTANT FOR THE MINNESOTA PUBLIC**
6 **UTILITIES COMMISSION (“COMMISSION”) TO CONSIDER MIDAMERICAN’S**
7 **COSTS FOR MVP PROJECT 3 IN THIS PROCEEDING?**

8 A. Yes, but attention should not be limited to only those facilities. The
9 Commission should consider all of the costs and benefits of the MISO 17-
10 project MVP Portfolio as part of this proceeding, since MVP Project 3 was
11 studied by MISO as part of the larger portfolio of projects. In those studies,
12 MISO found benefits to be 1.6 to 2.9 times costs in Resource Zone 1, which
13 includes most load in Minnesota and western Wisconsin, and 1.6 to 2.8
14 times costs in Resource Zone 3, which includes southern Minnesota and
15 Iowa.

16

17 **Q. MR. JOHNSON TESTIFIES THAT MINNESOTA UTILITIES ARE SEEKING**
18 **RECOVERY FOR THE “PROJECT’S” COST IN CURRENT TRANSMISSION COST**
19 **RECOVERY RIDER FILINGS. IS THERE ANY CLARIFICATION YOU WOULD LIKE**
20 **TO MAKE?**

21 A. Yes. None of the ITC Midwest costs for MVP Project 3 are currently being
22 recovered under either the 2013 Schedule 26A or 2014 Schedule 26A
23 charges. See **Schedule 2**. To the extent Minnesota utilities are seeking
24 recovery of MVP Project 3 costs charged through Schedule 26A, the costs

1 are related to MidAm's share of MVP Project 3. This difference in the
2 timing of cost recovery through Schedule 26A for the same project results
3 from the fact that MidAm's MISO formula rate includes Construction
4 Work in Progress ("CWIP") in ratebase for the MVP projects, while ITC
5 Midwest's MISO formula rate does not. Therefore, ITC Midwest will not
6 begin to recover costs for MVP Project 3 until the Minnesota - Iowa 345 kV
7 Transmission Project ("Project") facilities are placed into service.

8
9 **Q. YOUR TESTIMONY AND MR. JOHNSON'S TESTIMONY ALSO DISCUSS THE**
10 **DIFFERENCE IN COST RECOVERY MECHANISMS ASSOCIATED WITH MVP**
11 **PROJECT 3 AND THE 161 kV REBUILD ALTERNATIVE. WHAT ARE THOSE**
12 **DIFFERENCES?**

13 A. MVP Project 3 and the other MVP projects are projects with regional
14 benefits and therefore their entire cost is allocated across the MISO
15 Midwest footprint. Of those costs, approximately 13.3 percent will be
16 recovered from Minnesota network load under MISO's allocation formula.
17 In contrast, the 161 kV Rebuild Alternative would be a baseline reliability
18 project. Costs for baseline reliability projects are assigned 100 percent to
19 ITC Midwest's customers and recovered under MISO's Schedule 9
20 pursuant to ITC Midwest's Attachment O formula rate.

1 **Q. HOW WOULD MINNESOTA RATEPAYERS BE IMPACTED FOR EACH**
2 **ALTERNATIVE?**

3 A. Overall, there would be a significant cost shift. Minnesota ratepayers
4 would pay less for the 161 kV Rebuild Alternative than the Project.
5 However, ITC Midwest customers would pay more for the 161 kV Rebuild
6 Alternative than the Project.

7
8 **Q. PLEASE EXPLAIN.**

9 A. The approximately \$6.8 million estimated annual revenue requirement for
10 the Minnesota MVP Project 3 costs listed in Appendix E would be spread
11 across the entire Minnesota MISO load. ITC Midwest zonal network
12 customers in Minnesota would pay four percent of the Minnesota portion,
13 approximately \$279,000. ITC Midwest's zonal network customers in
14 Minnesota would also pay 14 percent of the associated zonal revenue
15 requirement, an additional \$169,000 for the associated facilities.¹
16 Approximately \$6.5 million would be spread in the other Minnesota zones.
17 For example, Northern States Power Company ("NSP") customers would
18 pay about 54 percent of the MVP Project 3 costs (\$3.7 million).

19
20 For the 161 kV Rebuild Alternative, the ITC Midwest zonal network
21 customers would pay the entire \$8.5 million annual revenue requirement.

¹ These include the 69 kV facilities that will be constructed to 161 kV specifications. On page 8 and 9 of his direct testimony, Mr. Johnson refers to these "non-MVP or 69 kV" portion of the Project.

1 Approximately 14 percent of this amount, or \$1.2 million annually, would
2 be recovered from ITC Midwest network load in Minnesota.

3
4 **Table 1** summarizes the cost shifting impacts of MVP Project 3 and the 161
5 kV Rebuild Alternative to Minnesota ratepayers:
6

Table 1: Cost Shifting Impacts to Minnesota Ratepayers
MVP Project 3 vs. 161 kV Rebuild Alternative

	MVP Project 3	161 kV Rebuild Alternative
Total Project Revenue Requirement	\$52.4 million	\$8.5 million
Minnesota Ratepayers	\$7.0 million	\$1.2 million
ITC Midwest Zonal Network Customers	\$3.2 million	\$8.5 million
ITC Midwest Zonal Network Customers in Minnesota	\$448,000	\$1.2 million

7
8
9 **III. O&M CHARGES**

10
11 **Q. ITC MIDWEST’S TRANSMISSION OPERATION AND MAINTENANCE (“O&M”)**
12 **COSTS FOR MVP PROJECTS COMPARED TO OTHER UTILITIES WAS A CONCERN**
13 **FOR MR. JOHNSON. WHAT IS YOUR RESPONSE?**

14 **A.** Mr. Johnson is correct that the allocation factor for ITC Midwest’s O&M
15 costs is higher than those of certain other regional utilities, but only
16 slightly higher in some cases. In addition, Great River Energy (“GRE”),

1 which was not mentioned, has an O&M allocation factor of 13.65 percent,
2 significantly higher than ITC Midwest's 9.4 percent. Note that because the
3 transmission O&M annual allocation factor is based on a project's
4 accumulated depreciation (not transmission plant), the initial contribution
5 of this factor to the overall project Attachment MM revenue requirement is
6 less than one half of one percent of the Project's total annual revenue
7 requirement. Therefore, today, these differences among utilities' factors do
8 not have a significant effect on transmission owners' overall relative
9 revenue requirements.

10
11 Notwithstanding that the differences in transmission O&M cost noted by
12 Mr. Johnson do not have a significant effect on overall relative first year
13 Attachment MM revenue requirements among regional transmission
14 owners, these O&M allocation factors only reflect the relationship between
15 an owner's total transmission O&M expense and the total accumulated
16 depreciation recorded for their transmission system. Because ITC Midwest
17 has made significant investments since it purchased the former IP&L
18 transmission system, its accumulated depreciation is less than 17 percent
19 of gross plant. In contrast, NSP's accumulated depreciation is over 26
20 percent of gross plant, Otter Tail Power Company's ("OTP") is 28 percent,
21 and GRE's is 29 percent.

22
23 **Table 2** compares each of these regional utilities' relative allocation factors
24 for transmission O&M compared to gross plant:

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Table 2: Relative Allocation Factors

	Allocation Factor
ITC Midwest	1.56%
NSP	1.49%
OTP	2.44%
GRE	3.96%

When viewed on this basis, ITC Midwest’s transmission O&M costs are on the low end of the range among Minnesota transmission owners. I note also that the O&M allocation factors only indicate how a transmission owner’s transmission O&M compares to another financial parameter of that transmission owner’s system, not the overall level of cost.

IV. FIXED RATE CHARGES

- Q. IN YOUR CALCULATIONS, YOU APPLIED A FIXED RATE CHARGE FOR MVP PROJECT 3 OF 19.1 PERCENT. MR. JOHNSON SUGGESTS THAT FURTHER CLARIFICATION IS NEEDED. WHAT IS YOUR RESPONSE?**
- A. I explained the difference between the 18.62 percent factor used in the Certificate of Need Application and the 19.1 percent factor shown in the illustrative example provided in the response to DOC-DER Information

1 Request No. 3. To recap that answer, in one case, the 18.62 percent factor
2 was based on ITC Midwest's posted 2013 Attachment MM template; the
3 19.1 percent factor was calculated as the first year impact using more
4 generic simplifying assumptions. Mr. Johnson notes that the MISO
5 estimate for the ITC Midwest first year annual charge rate is 19.51 percent.
6 However, Mr. Johnson also notes that MISO calculated the rates assuming
7 a 40-year straight-line depreciation for all projects. As explained in the
8 response to DOC-DER Information Request No. 3, (Johnson Ex __ MA5-4,
9 ITC Midwest assumed a 60-year Project life in its calculation, consistent
10 with our actual depreciation rates. Therefore, the MISO calculation should
11 not be relied upon as accurate. The actual first year annual charge rate for
12 the Project will be in the range discussed in DOC-DER Information
13 Request No. 3, with the actual charge depending on then-current
14 Attachment O parameters and the month during which the project is
15 placed into service.

16
17 **Q. MR. JOHNSON ALSO TESTIFIES THAT ITC MIDWEST'S ANNUAL FIXED**
18 **CHARGE RATES FOR MVP PROJECTS ARE HIGHER THAN THOSE OF OTHER,**
19 **SIMILARLY SITUATED UTILITIES. WHAT IS YOUR RESPONSE?**

20 **A.** As the Attachment MM data posted by MISO and summarized by Mr.
21 Johnson shows, ITC Midwest fixed charge rates are higher than those
22 shown for other utilities. However, one reason for this is that ITC Midwest
23 is not similarly situated to other utilities.

1 ITC Midwest is an independent, publicly-owned, transmission-only
2 company; all of the other entities referenced in Table 2 of Mr. Johnson's
3 testimony, with the exception of American Transmission Company, LLC
4 ("ATC"), are vertically-integrated utilities. Even ATC has a different
5 business model than ITC Midwest, since it is owned by the formerly
6 vertically-integrated utilities that contributed their assets to form ATC. The
7 two primary factors that cause ITC Midwest's fixed charge rate to be
8 higher are its capital structure, and administrative and general expenses.

9
10 The 60 percent equity and 40 percent debt capital structure included in
11 ITC Midwest's Attachment MM Fixed Charge Rate is consistent with the
12 target capital structure used in developing the network revenue
13 requirements for all of ITC's operating companies. This capital structure
14 helps to create high credit quality operating companies with steady cash
15 flows, strong liquidity and access to capital needed to make transmission
16 investments. A target capital structure of 60 percent equity and 40 percent
17 debt presents acceptable risk to ITC's shareholders while protecting the
18 interests of transmission customers. It is important to note that ITC's
19 operating companies are dedicated exclusively to constructing, owning,
20 operating, and maintaining transmission infrastructure, with no other
21 revenue-generating activities. As such, a capital structure with less debt is
22 appropriate for non-diversified companies with a singular focus on
23 transmission because they are less able to withstand disruptions in their
24 revenue stream than are companies with more varied revenue sources.

1 Less debt also leads to lower fixed interest payments, preserves investor
2 confidence and allows for more predictable and cost-effective access to
3 capital to support investment requirement.

4
5 ITC Midwest's administrative and general ("A&G") costs reflect the actual
6 overheads necessary to run an independent, stand-alone transmission
7 company. ITC Midwest's A&G expense is 100 percent due its sole
8 business, transmission. In contrast, the A&G component of transmission
9 rates for vertically integrated utilities is based on a wages and salaries-
10 based allocation of total corporate A&G, regardless of how much A&G is
11 actually caused by the transmission function. Because the transmission
12 business is not as labor intensive as the generation and distribution
13 functions, the allocation factor used may understate the actual A&G
14 associated with transmission. For example, NSP's formula rate allocates
15 only 6.34 percent of corporate electric A&G to transmission, even though
16 transmission accounts for nearly 20 percent of electric plant.

17
18 Thus, while it is true that ITC Midwest's Attachment MM fixed charge
19 rates are higher than some other companies, the reasons are explainable
20 and transparent due to our business structure as a stand-alone
21 independent transmission-owning company, and this fact does not justify
22 concern about ITC Midwest's capital cost estimates. ITC Midwest believes
23 its capital costs are competitive with, or even lower than similar costs from
24 other transmission owners due to efficiencies and economies of scale we

1 enjoy as one of the largest transmission-owning utilities in the United
2 States.

3
4 **V. CONTROL OF CAPITAL COSTS**

5
6 **Q. DO YOU AGREE WITH MR. JOHNSON’S CHARACTERIZATION OF A FINAL**
7 **PROJECT CAPITAL COST GREATER THAN THE MIDPOINT COST ESTIMATE FOR**
8 **ROUTE A AND THE IOWA SEGMENTS AS A “COST OVERRUN”?**

9 A. No. Use of the word “overrun” implies that if costs are greater than \$283
10 million² that the costs exceeded what they should be for the Project. We
11 have placed a reasonable band of uncertainty around cost estimates
12 because of the many uncertainties that exist today regarding the Project.
13 As detailed in ITC Midwest witness Amy Ashbacker’s rebuttal testimony,
14 these include, but are not limited to, uncertainties with soil conditions,
15 material and labor costs, and real estate costs.

16
17 **Q. DOES ITC MIDWEST BELIEVE ITS COST ESTIMATES ARE REASONABLE?**

18 A. Yes. The +/- 30 percent cost bandwidth included in Project cost estimates
19 is not unusual for a large infrastructure project at an early stage of
20 development and ITC Midwest cannot commit that final project costs will
21 not exceed the midpoint estimate for a single route.

22

² Note that Mr. Johnson uses the estimate from the Certificate of Need Application and does not include the additional \$2 million identified in ITC Midwest's direct testimony for reactors at the Huntley Substation.

1 **Q. IS ITC MIDWEST WILLING TO VOLUNTARY ACCEPT A COST CAP OF \$283**
2 **MILLION FOR THE PROJECT, AS MR. JOHNSON RECOMMENDS?**

3 **A. No.**

4
5 **Q. MR. JOHNSON STATES THAT A COST CAP IS NECESSARY OTHERWISE,**
6 **“UTILITIES HAVE LITTLE INCENTIVE TO EXPEND THE EFFORT NEEDED TO**
7 **ACCURATELY REPORT PROJECT COSTS IN REGULATORY PROCEEDINGS, NOR**
8 **TO ENSURE THAT THE ACTUAL COSTS ARE AS REASONABLE AS POSSIBLE.” P.**
9 **10. WHAT IS YOUR RESPONSE?**

10 **A. ITC Midwest disagrees with Mr. Johnson’s assertions. As Ms. Ashbacker**
11 **testifies in her rebuttal testimony, ITC Midwest has multiple incentives for**
12 **staying on budget.**

13
14 Additionally, the transmission business is becoming increasingly
15 competitive because of initiatives related to FERC Order 1000, which
16 largely eliminated incumbent transmission owners’ right of first refusal to
17 build projects connecting to their systems. While each region of the
18 country has implemented unique new processes to choose developers for
19 new large transmission projects, competition on cost is always a factor in
20 the process. Thus, it is important for a growth-oriented transmission
21 company like ITC Midwest and other ITC Holdings Corp. subsidiaries to
22 be able to demonstrate that its costs are competitive and that costs are
23 well-managed.

24

1 In 2012, for example, an ITC Holdings Corp. operating company, ITC
2 Great Plains, completed the KETA project, a 174-mile 345 kV line in
3 Kansas, five months ahead of schedule and under budget. This experience
4 demonstrates favorable cost variances can occur, as well as unexpected
5 cost increases. Admittedly, there are other projects where cost increases
6 lead to final project costs being over budget. Both situations occur, simply
7 because large infrastructure project costs are dependent on many factors
8 that are outside a utility's control. However, in an increasingly competitive
9 world, a company like ITC Midwest, which derives 100 percent of its
10 earnings from infrastructure investment, has strong incentives to
11 accurately predict and manage costs in order to be competitive and
12 continue to grow.

13 14 VI. IP&L TRANSACTION

15
16 **Q. IN YOUR DIRECT TESTIMONY, YOU NOTED THAT ITC MIDWEST ACQUIRED**
17 **THE TRANSMISSION ASSETS OF IP&L IN A TRANSACTION THAT CLOSED IN**
18 **DECEMBER 2007. WHAT ASSETS DID ITC MIDWEST PURCHASE?**

19 **A.** ITC Midwest purchased more than 6,600 miles of transmission lines and
20 208 substations, including lines in Iowa, Minnesota, Illinois, and Missouri
21 that carry electricity at 34,500 volts (34.5 kilovolts) to 345 kV.
22

1 Q. WHAT COMMISSION APPROVAL DID ITC MIDWEST AND IP&L OBTAIN FOR
2 THE TRANSACTION?

3 A. ITC Midwest and IP&L made a joint petition for approval of the
4 transaction in Docket No. E0001/PA-07-540. The Commission approved
5 the sale by Order dated February 7, 2008.

6
7 Q. MR. JOHNSON STATES THAT ITC MIDWEST "ESTIMATED THAT MINNESOTA
8 RATEPAYERS WOULD PAY LOWER RATES DUE TO THE SALE OF IP&L'S
9 TRANSMISSION ASSETS TO ITCM." HE FURTHER STATES THAT "ITCM'S
10 COSTS INCREASED BY OVER 300 PERCENT FROM THE AMOUNTS REPRESENTED
11 IN THE TRANSMISSION SALE PROCEEDING." PP. 16-17. WHAT IS YOUR
12 RESPONSE?

13 A. I disagree with Mr. Johnson's characterization of ITC Midwest's estimates
14 during the transaction and also the amount of ITC Midwest's actual cost
15 increases. First, in the state proceedings to approve the IP&L/ITC Midwest
16 transaction, ITC Midwest provided the analysis cited by Mr. Johnson using
17 IP&L's data to show an "apples to apples" comparison of how rates would
18 generally look under Attachment O if IP&L's costs were used. Mr. Johnson
19 appears to interpret the analysis as a representation that Minnesota
20 ratepayers would pay lower rates due to the sale of IP&L's transmission
21 assets to ITC Midwest. Such an interpretation is inconsistent with the other
22 commitments to construct new capital projects and implement a
23 preventative maintenance program, all of which required significant
24 expense.

25

1 ITC Midwest never represented that its actual O&M and A&G projections,
2 expenditures, or cost allocations would be the same as IP&L's.

3
4 Further, Mr. Johnson asserts that based on a comparison of IP&L's
5 transmission revenue requirement proposed for inclusion in their 2010
6 retail rate case with the amount previously approved for inclusion in state
7 rates that ITC Midwest's costs increased over 300 percent from the
8 amounts represented in the transaction. Mr. Johnson compares changes in
9 amounts proposed to be recovered in IP&L's state rates and represents this
10 increase as the change in ITC Midwest's FERC transmission rates as well.

11
12 However, even today, in 2014, ITC Midwest's transmission rate is not 300
13 percent higher (*i.e.*, quadruple) than IP&L's rate was in 2007 (based on
14 their 2006 costs as reported in FERC Form 1). Comparing ITC Midwest's
15 2010 projected rate (which would have been in effect during the 2010 retail
16 rate case) to the IP&L transmission rate in effect immediately preceding
17 the transaction, the per unit cost increase was 168 percent. The increase in
18 ITC Midwest rates over this period would be less yet, comparing 2010 or
19 2014 rates to our actual rate for 2008, our initial year of operation.

20
21 While it is true that transmission rates have increased substantially, there
22 have also been substantial improvements and additions to the
23 transmission system, and system performance is also much improved. This
24 increase in transmission costs (which is a small part of the total customer

1 bill) is also offset by lower energy costs that result from congestion relief
2 and reductions in losses due to capital additions.

3

4

VII. CONCLUSION

5

6 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

7 **A. Yes.**

8

9

6107141

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: ET6675/CN-12-1053

Date of Request: February 19, 2014

Requested From: David Grover, Mgr. Regulatory Strategy

Response Due: March 3, 2014

Analyst Requesting Information: Steve Rakow and Mark Johnson

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
30	<p>The DOC understands that ITC Midwest jointly owns Multi-Value Project #3 with MidAmerican Energy Company on approximately a 50/50 basis. Please explain why MidAmerican Energy Company's 2014 Attachment MM shows MVP 3 (project no. 3205) capital costs to date of \$48,795,409 and 2014 annual revenue requirements of \$6,491,708, while ITC Midwest's 2014 Attachment MM shows \$0 capital costs to date and \$0 2014 annual revenue requirements for the same project. In addition, please fully explain how Multi-Value Project #3's capital costs and annual revenue requirements will be split between ITC Midwest and MidAmerican Energy Company.</p>
Response:	<p>ITC Midwest and MidAmerican Energy Company are jointly developing MVP Project 3 and MVP Project 4 in Minnesota and Iowa on an approximately 50/50 basis. However, each company will own already-determined, separate discrete facilities in each project and recover the costs of those facilities under their respective formula rates. Figure 1 on page 3 of the Certificate of Need Application shows the portions of MVP Project 3 each company is developing and there is more specific discussion of these facilities in Section 1.2 of the Application.</p> <p>The MidAmerican Energy Company formula rates (Attachment O and Attachment MM) include CWIP in ratebase for both MVP projects. Therefore, the amounts shown in MidAmerican's Attachment MM for 2014 are based on the average CWIP balance projected for MVP Project 3 in 2014. ITC Midwest's formula rates do not include CWIP in ratebase, therefore costs for a project only show up in rates when facilities are placed into service. ITC Midwest does not expect any of the MVP 3 facilities that it is constructing in Minnesota and Iowa to go into service in 2014. Therefore, there are no costs projected for this project in Attachment MM for 2014.</p>

Response by: David B. Grover List sources of information: _____
Title: Manager, Regulatory Strategy _____
Department: _____
Telephone: 651-222-1000; ext. 2308 _____