

Public Service Commission of Wisconsin

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Public Service Commission of Wisconsin
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July 10, 2020

Mr. Scott R. Smith, Assistant Vice President–Business and Regulatory Strategy
Madison Gas and Electric Company
P.O. Box 1231
Madison, WI 53701

Mr. Theodore Eidukas, Vice President–State Regulatory Affairs
Wisconsin Electric Power Company
231 West Michigan Street
Milwaukee, WI 53203

RE: Joint Application of Madison Gas and Electric Company and Wisconsin Electric Power Company for Approval to Acquire Ownership Interests in the Badger Hollow II Solar Electric Generating Facility 5-BS-234

Dear Messrs. Smith and Eidukas:

The Public Service Commission of Wisconsin (Commission) acknowledges receipt of the Madison Gas and Electric Company (MGE) and Wisconsin Electric Power Company (WEPCO) (together, applicants) notification letter dated June 25, 2020 regarding the updated schedule in project construction for the proposed construction of the second phase of the Badger Hollow solar photovoltaic generating facility, to be known as Badger Hollow II. ([PSC REF#: 392703.](#))

The applicants filed the notification letter pursuant to Order Conditions 5, 7, and 9 of the Final Decision in docket 5-BS-234 and Order Condition 2 of the Certificate of Public Convenience and Necessity (CPCN) 9697-CE-100. ([PSC REF#: 385279](#), [PSC REF#: 364425.](#)) The applicants anticipate a delay in construction of approximately one year through December 2022, in certain construction activities, and the likely extension of the in-service date of the Badger Hollow II project.

The applicants state the change is due to the imposition of federal tariffs on the type of solar panels that will be used for the project. The tariffs will significantly increase the cost of the Badger Hollow II project if the current construction schedule were maintained. Extending the project completion date by one year will allow Badger Hollow Solar Farm LLC to manage the acquisition of the needed panels without an increase to the project acquisition cost paid by applicants. With the extension, applicants anticipate an increase in Allowance for Funds Used During Construction (AFUDC) to the extent that project assets are held longer before project completion and potentially increased fuel costs associated with replacement power purchased to replace the anticipated output of the Badger Hollow II project. However, the applicants expect that those cost increases will be less than the increased cost to acquire the project if the construction schedule was not extended.

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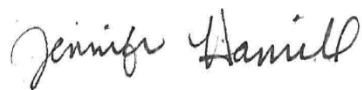
The applicants anticipate that the total acquisition cost will not exceed \$194.9 million (excluding AFUDC).

The applicants have negotiated an amendment to the engineering, procurement, and construction (EPC) agreement to provide for the agreed extension of the Badger Hollow II Guaranteed Substantial Completion Date (i.e., COD). This amended EPC will be executed when the applicants close on the Badger Hollow II project. In accordance with the docket 5-BS-234 Final Decision, the applicants will provide the Commission with a confidential copy of the amendment for informational purposes within 30 days of this closing.

Commission staff accepts the applicants' notification as compliance with Order Conditions 5, 7, and 9 of the Commission's Final Decision for docket 5-BS-234 dated March 6, 2020, and Order Condition 2 of the Certificate of Public Convenience and Necessity, docket 9697-CE-100. This acknowledgement is based on Commission staff's understanding of the current project as described in the notification letter. This acknowledgement is not precedential, applies only to the current project, and does not bind the Commission in any matter. Any determination would be made based on the circumstances at the time.

Please continue to keep the Commission informed of any further changes in cost, design, location, size, or construction schedule of the project. The Commission retains jurisdiction for any final regulatory action based on the detailed review of the final project upon completion. If you have any questions, please contact me at (608) 266-2072 or Jennifer2.Hamill@wisconsin.gov.

Sincerely,



Jennifer Hamill
Docket Coordinator
Division of Energy Regulation and Analysis

JLH:dsa:jlt:DL: 01751026