UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Interstate Power and Light Company,	)	**Docket No. EL09-_____**
Complainant,	)	
v.	)	
ITC Midwest, LLC,	)	
Respondent.	)	

COMPLAINT OF INTERSTATE POWER AND LIGHT COMPANY

Interstate Power and Light Company ("IPL") complains to the Federal Energy Regulatory Commission ("FERC") against ITC Midwest, LLC ("ITCM"), to seek relief from ITCM's improper implementation of its formula rate for FERC-jurisdictional transmission service for 2009 and beyond.[1] Through the implementation of its rate formula, ITCM proposes to assess transmission service charges beginning January 1, 2009, that IPL believes will collect several million dollars in excess costs from IPL. ITCM's unjust and unreasonable charges will harm IPL and its customers.

ITCM has a formula transmission rate on file with FERC in Docket No. ER07-887 that allows ITCM to recover its transmission revenue requirement on a forward-looking basis. ITCM's transmission formula rate is consistent with the Attachment O rate methodology under the Transmission and Energy Markets Tariff ("EMT") of Midwest Independent Transmission System Operator, Inc. ("MISO"). IPL does not object to ITCM's formula rate itself or ITCM's

1. IPL submits this complaint pursuant to Section 206 of the Federal Power Act, 16 U.S.C. § 824e, and Section 206 of FERC's Rules of Practice and Procedure, 18 C.F.R. § 385.206.

application of its formula rate on a forward-looking basis. IPL is compelled to file this complaint, however, because ITCM's formula rate implementation is improper. ITCM has included millions of dollars in excess projected operations and maintenance ("O&M") and administrative and general ("A&G") expenses in its transmission service charges for 2009. IPL also understands that ITCM is booking extraordinary cost increases to its O&M and A&G accounts in 2008 that it will charge to customers in 2010 through the true-up component of its formula rate construct. The inclusion of those excess expenses will cause ITCM to assess unjust and unreasonable transmission service charges in 2009 and later years. ITCM has failed to satisfy its obligations under its annual rate calculation and true-up procedures to provide adequate information to IPL about its expenditures and rate calculations, giving IPL further need to complain to FERC under FPA § 206.

IPL requests FERC to grant the following relief: (1) set for investigation ITCM's transmission service charges established under its MISO EMT Attachment O formula rate; (2) establish a refund effective date of January 1, 2009, with respect to ITCM's transmission service charges for service in 2009 and beyond; and (3) establish hearing procedures on the issue of the justness and reasonableness of ITCM's transmission service charges under its Attachment O formula rate. ITCM will begin assessing its inflated transmission service charges beginning on January 1, 2009, so IPL urges FERC to act on this complaint without delay to mitigate the burden on IPL and its customers from payment of ITCM's excessive charges. IPL has an obligation to itself and its customers to make sure that it does not allow itself to be subject to ITCM's unjust and unreasonable charges. FERC should grant this complaint and commence an investigation to ensure that ITCM is implementing its formula rate correctly and not charging unjust and unreasonable rates.

I. SUMMARY OF COMPLAINT

ITCM's charges for transmission service on its system in 2009, as established under its MISO EMT Attachment O formula rate on file with FERC, appear to be greatly excessive with respect to ITCM's recovery of O&M and A&G expenses and therefore unjust and unreasonable. ITCM's plans to recover O&M expenses in 2009 that are 213% greater than the O&M expenses that ITCM projected just eighteen months ago and A&G expenses that are 309% greater than ITCM projected eighteen months ago. Moreover, IPL understands that ITCM is booking extraordinary cost increases to its O&M and A&G accounts in 2008 that it will charge to customers in 2010 through the true-up component of its formula rate construct. The information ITCM has provided to IPL has failed to counter IPL's belief that ITCM's intended recovery of O&M and A&G expenses through its Attachment O formula rate is greatly excessive and will cause ITCM's 2009 transmission services charges to be unjust and unreasonable.

While IPL does not object to ITCM's formula rate on file with FERC, IPL is forced to complain about ITCM's implementation of its formula rate. ITCM bears an on-going burden to demonstrate that its formula rate produces just and reasonable transmission service charges. FERC should investigate ITCM's implementation of its formula rate to determine if its transmission service charges for 2009 and beyond are just and reasonable.

FERC will serve the public interest by investigating ITCM's transmission service charges. FERC has encouraged the formation of independent transmission companies ("Transcos") and the divesture of transmission facilities by vertically-integrated public utilities to Transcos.[2] IPL believes in the Transco model and sold its transmission system to ITCM in

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2. See, e.g., Promoting Transmission Investment Through Pricing Reform, Order No. 679, 71 Fed. Reg. 43,294 at P 224 (July 31, 2006), *order on reh'g* 72 Fed. Reg. 1152 ("By eliminating competition for capital between generation and transmission functions and thereby maintaining a singular focus on transmission investment, the Transco model responds more rapidly and precisely to market signals indicating when and where transmission

furtherance of that model. Having encouraged the formation of Transcos, FERC has an obligation to ensure that Transcos operate in accordance with the requirements of the Federal Power Act and FERC's regulations and that their rates are just and reasonable. FERC must carry out that obligation here and investigate ITCM's implementation of its formula rate to ensure that ITCM's transmission service charges are just and reasonable. If FERC fails to do so, it will discourage vertically-integrated utilities from transferring their systems to Transcos out of concern that they will put themselves and their customers at a disadvantage arising from inattentive regulatory oversight.

II. PARTIES AND BACKGROUND

A. ITCM and IPL

ITCM is an independent transmission company that owns and operates the transmission system formerly owned by IPL. ITCM is a subsidiary of ITC Holdings Corp. ("ITC Holdings"), a public company that also owns two other Transcos, International Transmission Company d/b/a ITC*Transmission* ("ITC*Transmission*"), and Michigan Electric Transmission Company ("METC"). ITCM was formed to purchase and operate IPL's transmission system.

IPL is a public utility that serves approximately 700,000 electric retail customers in Iowa and Minnesota. IPL is a wholly-owned subsidiary of Alliant Energy Corporation, a holding company that also owns Wisconsin Power and Light Company, an electric and gas public utility in Wisconsin.

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investment is needed. We agree that Transcos have no incentive to maintain congestion in order to protect their owned generation. Moreover, Transcos' for-profit nature, combined with a transmission-only business model, enhances asset management and access to capital markets and provides greater incentives to develop innovative services. By virtue of their stand-alone nature, Transcos also provide non-discriminatory access to all grid users.")

B. Background

IPL formerly owned the transmission system now owned and operated by ITCM. In January 2007, IPL entered into an asset sale agreement with ITCM under which IPL agreed to sell its transmission system to ITCM. IPL completed the sale of its transmission system to ITCM on December 20, 2007, following receipt of FERC approval under FPA § 203,[3] approvals from the Illinois Commerce Commission ("ICC"), the Iowa Utilities Board ("IUB"), the Minnesota Public Utilities Commission ("MPUC"), and the Missouri Public Service Commission ("MoPSC"), and satisfaction of other conditions. When IPL owned the system, it comprised approximately 6,800 miles of transmission lines and associated substations and infrastructure located in Iowa, Minnesota, Missouri, and Illinois. On IPL's information and belief, ITCM has since made additions to the former IPL system.

ITCM is a transmission-owning member of MISO and has adopted MISO's Attachment O formula rate methodology to recover its transmission revenue requirement.[4] Under ITCM's formula rate, ITCM annually projects its transmission revenue requirement and establishes charges for transmission service on the basis of its projections, then it trues-up its actual revenue collection with its actual cost of service and collects or refunds the difference in the following year with interest.[5]

Before it sold its transmission system to ITCM in 2007, IPL was a transmission-owning member of MISO and established its rates for transmission service through the MISO EMT Attachment O methodology.[6] In connection with its acquisition of the IPL system, ITCM agreed to maintain through 2008 the charges for transmission service on the former IPL system in effect

3. ITC Holdings Corp., et al., 121 FERC ¶ 61,229 (2007) ("ITC Holdings").
4. Id.
5. ITCM's Attachment O is part of the MISO EMT at pages 1365Z.16C-16I.
6. ITC Holdings at P 50.

through MISO EMT Attachment O as of June 1, 2007. Starting January 1, 2008, ITCM's transmission service charges became subject to true-up in the year following the filing of ITCM's FERC Form 1 with information as to its actual revenue requirement for 2008.[7] Starting January 1, 2009, ITCM's charges for transmission service will change to reflect its projected revenue requirement for 2009.[8]

IPL and ITCM jointly filed an application with FERC on May 11, 2007, in Docket Nos. EC07-89 and ER07-887, requesting FPA § 203 authorization for IPL's sale of its transmission system to ITCM and FERC acceptance under FPA § 205 of ITCM's rate construct under MISO EMT Attachment O. In that filing and in responsive pleadings in the dockets considering the joint application, ITCM proffered brief prepared testimony and narrative explanation about its proposed rate methodology; it did not provide evidence concerning the projected impacts of its proposed rate structure. IPL supported ITCM's rate filing at the time and still does not object to ITCM's formula rate methodology itself.

While the evidence in the FERC proceeding in Docket Nos. EC07-89 and ER07-887 did not provide a forecast of ITCM's future transmission service charges under its Attachment O formula, ITCM did proffer evidence about future rate impacts in the IPL/ITCM joint applications to the IUB and MPUC for Iowa and Minnesota regulatory approvals for the IPL/ITCM transaction. In those proceedings, ITCM submitted extensive prepared testimony by Edward M. Rahill, ITC Holdings' Chief Financial Officer, and Charles P. Neff, ITC Holdings' Supervisor for Regulatory Accounting and Analysis, in which those witnesses made representations about expected rate impacts.

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7. Id.
8. Id.

Consistent with IPL's understanding of ITCM's plans to invest in capital improvements for the former IPL transmission system after ITCM's acquisition, the evidence in the IUB and MPUC proceedings made clear that transmission service rates would increase under ITCM's ownership on account of those investments. ITCM's proffered evidence suggested, however, that its O&M cost would remain effectively the same as IPL's O&M cost,[9] which at the time was approximately $6.15 million.[10] In addition, ITCM's witnesses testified about how ITCM would develop its projected A&G expenses for collection under the ITCM formula: by aggregating A&G expenses among the three operating subsidiaries of ITC Holdings (ITC*Transmission*, METC, and ITCM), then allocating that pool of A&G dollars among those operating subsidiaries on a load ratio share basis.[11]

Under ITCM's Annual Rate Calculation and True-Up Procedures that are part of MISO EMT Attachment O, ITCM was required to make its transmission service charges for 2009 available to customers not later than September 30, 2008.[12] ITCM posted its MISO EMT Attachment O charges for 2009 on its Internet website on September 1, 2008.[13] On October 24, 2008, ITCM posted revised MISO EMT Attachment O charges for 2009 on its Internet website.[14] The following table summarizes ITCM's Attachment O charges for 2009. For comparison

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9. See Direct Testimony of Edward M. Rahill, dated March 30, 2007, in IPL/ITCM joint application in IUB Docket No. SPU-07-11 at 8 ("Rahill IUB Direct Testimony") ("The revenue requirement analysis sponsored by Mr. Neff assumes that ITC Midwest would continue the same level of capital investment and the same level of O&M activity as IPL, and at effectively the same cost."). A copy of Mr. Rahill's IUB testimony is provided as Attachment A. On June 22, 2007, Mr. Rahill filed comparable testimony in support of the IPL/ITCM joint application in MPUC Docket No. E001/PA-07-540. A copy of Mr. Rahill's MPUC testimony is provided as Attachment B.

10. See Direct Testimony of Charles P. Neff, dated March 30, 2007, in IPL/ITCM joint application in IUB Docket No. SPU-07-11 at Exhibit CPN-1, Schedule B (2008) ("Neff IUB Direct Testimony"). A copy of Mr. Neff's IUB testimony is provided as Attachment C. On June 22, 2007, Mr. Neff filed comparable testimony in support of the IPL/ITCM joint application in MPUC Docket No. E001/PA-07-540. A copy of Mr. Neff's MPUC testimony is provided as Attachment D.

11. Id. at 9.

12. MISO EMT at 1365A.16I.

13. A copy of ITCM's September 1, 2008, Attachment O posting is provided as Attachment E.

14. A copy of ITCM's October 24, 2008, revised Attachment O posting is provided as Attachment F.

purposes, the table also summarizes ITCM's projected 2009 Attachment O charges as represented to the IUB and MPUC in 2007 and ITCM's current transmission service charges applicable during 2008:

	in thousands						
	ITCM Attachment O Charges for 2009 from Attachment O Posting (10/24/2008 OASIS Posting)			**ITCM Projected Attachment O Charges for 2009 from IUB/MPUC Cases (2007)**			**ITCM Current Transmission Charges**
	ITCM Attachment O for 2009 [15]	**Change from ITCM Current Charges for 2008**		**ITCM Projected Attachment O for 2009**[16]	**Change from ITCM Current Charges for 2008**		**ITCM Current Charges for 2008**[17]
Net Revenue Requirement	$151,509	$69,323	84.3%	$105,903	$3,717	28.9%	$82,186
Schedule 1 Rev.	1,968	(27.8)	(1.4)%	2,072	76	3.8%	1,995
Total Rev. Req.	**$153,477**	**$69,295**	**82.3%**	**$107,974**	**$23,793**	**28.3%**	**$84,181**
IPL Share (92%)	$141,199	$63,752	82.3%	$99,336	$21,890	**28.3%**	$77,447
Others (8%)	$12,278	$5,543	82.3%	$8,638	$1,903	**28.3%**	$6,734
Total Net Plant	$579,075	$171,214	42.0%	$458,287	$50,426	12.4%	$407,861
O&M	$19,233	$12,850	201.3%	$6,147	$236	3.7%	$6,383
Total O&M	**$19,233**	**$12,850**	**201.3%**	**$6,147**	**$236**	**3.7%**	**$6,383**
IPL Share (92%)	$17,694	$11,822	201.3%	$5,655	$217	3.7%	$5,872
Others (8%)	$1,539	$968	201.3%	$492	$19	3.7%	$511
A&G	$24,438	$19,525	397.4%	$5,977	$1,065	21.7%	$4,913
A&G deductions	28.7	(171.3)		0	0	(200)	(200)
Total A&G	**$24,409**	**$19,697**	**418.0%**	**$5,977**	**$1,265**	**26.9%**	**$4,713**
IPL Share (92%)	$22,457	$18,121	418.0%	$5,499	$1,164	26.9%	$4,335
Others (8%)	1,952	1,576	418.0%	478	102	26.9%	377
Total O&M + A&G	**$43,642**	**$32,547**	**293.3%**	**$12,124**	**$1,029**	**9.3%**	**$11,095**
IPL Share (92%)	$40,150	$29,943	293.3%	$12,124	$1,029	9.3%	$10,207
Others (8%)	3,492	2,604	293.2%	970	82	9.3%	888

ITCM's Attachment O charges would impose a transmission charge on IPL of approximately $141.2 million in 2009, representing a $63.8 million cost increase in comparison

15. Data Source: Attachment F, ITCM's October 24, 2008, revised Attachment O posting.

16. Data Source: Neff IUB Direct Testimony at Exhibit CPN-1, Schedule B (2009). A copy is provided as Attachment C.

17. Data Source: IPL 2007 MISO Attachment O cost of service. A copy is provided as Attachment G.

with IPL's current transmission rates of $77.4 million, a total increase of approximately 82%.[18] A portion of that cost increase is attributable to new transmission investment and is not objectionable to IPL. However, ITCM projects 2009 total O&M and A&G expenses of approximately $19.2 million and $24.4 million, respectively, for a total O&M and A&G expense of approximately $43.6 million. Those figures represent increases from 2008 to 2009 of approximately $12.9 million in O&M expense (201%) and $19.7 million in A&G expense (418%), for a total increase in O&M and A&G expense of approximately $32.5 million, or (293%). Assuming that IPL would bear 92% of that total increase based on its share of the load on the ITCM system,[19] IPL would bear approximately $29.9 million of the increase in ITCM's O&M and A&G expense ($40.2 million in 2009 vs. $10.2 million in 2008). Upon reviewing ITCM's 2009 charges in its Attachment O postings, those amounts appeared to IPL to be substantially excessive and greatly higher than the projected total levels of O&M and A&G expense of $12.1 million that ITCM had represented in its state regulatory filings in 2007.

IPL sought additional information from ITCM regarding its 2009 transmission service charges, particularly with respect to its projected O&M and A&G expenses. ITCM has not provided IPL detailed information about 2009 O&M and A&G expenses that would allow IPL to make an informed assessment whether ITCM's projected O&M and A&G spending levels are prudent or reasonable or whether ITCM is providing value to its customers commensurate with the level of its spending.

In addition, information that ITCM provided to IPL shows that ITCM adopted an A&G expense allocation methodology for 2009 that is very different from the methodology that ITCM's Mr. Neff explained in his testimony before the IUB and MPUC in 2007. Upon

18. IPL's share of ITCM's total transmission revenue requirement is approximately 92%, based on its load ratio share. See Attachment C at Schedule A-2.

19. Id.

information and belief, ITCM's new methodology will shift approximately $5 million more A&G expense to IPL than IPL would have borne had ITCM utilized the A&G expense allocation methodology it represented to state regulators.

IPL also is concerned with the level of ITCM's O&M and A&G spending in 2008. ITCM's MISO EMT Attachment O charges for 2008 were based upon IPL's MISO EMT Attachment O charges, as established on June 1, 2007.[20] Under its Attachment O true-up mechanism, ITCM will be able to collect dollar-for-dollar (with interest) the shortfall between its actual revenues under its 2008 Attachment O charges and its actual cost of service as determined by inputting into ITCM's Attachment O formula its actual costs incurred during 2008, as accounted for in its FERC Form 1 annual report for 2008. ITCM will collect any 2008 revenue shortfall, as calculated under its true-up mechanism, through ITCM's 2010 Attachment O charges. IPL understands that ITCM currently projects that its 2010 true-up adjustment will be roughly $50 million. IPL's concerns are not limited to ITCM's forward-looking 2009 Attachment O charges, but to its true-up as well. Accordingly, FERC should investigate ITCM's current O&M and A&G spending to prevent ITCM's from collecting unjust and unreasonable transmission service charges in 2010 through its Attachment O true-up mechanism.

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20. See Attachment G.

III. COMPLAINT

It is settled law that a public utility may recover only prudently-incurred costs of serving its customers,[21] and a public utility filing rates with FERC must establish that its proposed rates are just and reasonable.[22] Once FERC accepts a public utility's formula rate, that public utility retains the burden of demonstrating that its rate formula results in just and reasonable charges.[23] FERC has accepted ITCM's formula rate for filing as part of MISO EMT Attachment O, and IPL does not allege here that ITCM's formula rate itself is unjust and unreasonable. But because ITCM projects O&M and A&G expenses in 2009 for collection through its formula rate that far exceed its recently-projected cost levels for those expenses and which appear to be greatly excessive, and also because ITCM apparently is booking extraordinary cost increases to its O&M and A&G accounts that it will charge to customers in the future, FERC should grant this complaint and investigate whether ITCM satisfies its on-going burden of demonstrating that the application of its formula rate results in just and reasonable charges.

IPL reiterates that it supported ITCM's MISO EMT Attachment O rate filing at the time ITCM filed it with FERC in 2007, and IPL still does not object to ITCM's forward-looking formula rate methodology. IPL complains here about ITCM's implementation of its formula rate. In particular, ITCM's projected O&M and A&G expenses far exceed the projected cost levels for O&M and A&G expense that ITCM had represented in its state regulatory filings in 2007, and ITCM's projected 2009 O&M and A&G expenses appear to be excessive and unjust and unreasonable. Moreover, IPL understands that ITCM is booking extraordinary cost

21. See, e.g., Connecticut Yankee Atomic Power Co., 108 FERC ¶ 61,212 at P 42 (2004) (under FERC's prudence test, a utility "is entitled to recover its costs from consumers if it acted 'prudently' in incurring those costs, or stated conversely, [a utility] may not recover its costs if those costs were incurred 'imprudently.'"

22. See, e.g., Allegheny Energy, Inc., et al., 118 FERC ¶ 61,042 (2006).

23. Virginia Electric and Power Co., 123 FERC ¶ 61,098 at P 47 (2008) ("VEPCO continues to bear the burden of demonstrating the justness and reasonableness of the rate resulting from its application of the formula [approved by the Commission]").

increases to its O&M and A&G accounts in 2008 that it will charge to customers in 2010 through the true-up component of its formula rate construct, leading to IPL's concern that ITCM is imprudently overspending on O&M and A&G activities and will pass those excess costs to IPL and other customers through ITCM's true-up mechanism. IPL therefore brings this complaint and requests FERC to investigate whether ITCM's formula rate produces just and reasonable charges for transmission service.

As shown in the table in Section II.B, above, in the 2007 applications to the IUB and MPUC for transaction approvals, ITCM proffered Mr. Neff's testimony sponsoring a cost of service study that included transmission service charges under ITCM's transmission rate formula in the years 2008 through 2012.[24] ITCM's O&M and A&G cost recovery under its Attachment O for 2009 differs radically from Mr. Neff's cost of service projections for 2009 as represented to the IUB and MPUC. The following table summarizes ITCM's forward-looking cost of service for 2009 at issue in this complaint as compared with ITCM's O&M and A&G cost of service for ITCM for 2009, as presented by Mr. Neff to the IUB and MPUC in 2007:

		in thousands			
		ITCM Attachment O Recovery for 2009[25]	**ITCM Attachment O Recovery for 2009 in IUB/MPUC Cases[26]**	**Difference: Projected vs. Attachment O Recovery**	**% Change**
1	Total Net Plant	$579,075	$458,287	$120,788	26.4%
2	O&M	$19,233	$6,146	$13,087	212.9%
3	A&G	$24,438	$5,977	$18,461	308.9%
4	A&G deductions	$(28.7)	$0	$ (28.7)	
5	**Total O&M and A&G**	$43,642	$12,123	$31,519	260.6%

24. See Attachment C (Neff IUB Direct Testimony).

25. See ITCM 2009 Attachment O Rate Presentation. As noted, a copy is provided as Attachment E.

26. Attachment C (Neff IUB Direct Testimony), Exhibit CPN-1, Schedule B (2009).

A. ITCM's O&M Expense Collection for 2009 Appears to be Unjust and Unreasonable

In his testimony to the IUB and the MPUC, ITCM witness Rahill explained that the revenue requirement analysis sponsored by Mr. Neff assumed that ITCM "would continue the same level of capital investment and the same level of O&M activity as IPL, and at effectively the same cost."[27] As shown in the table above, Mr. Neff projected ITCM's 2009 O&M expense to be approximately $6.1 million.

IPL had reason to expect that ITCM's actual O&M expense would exceed, to some extent, the expense Mr. Neff projected in his 2007 IUB testimony because IPL understood that ITCM planned to make investments in transmission infrastructure. True to that understanding, ITCM's total net plant for 2009 is projected to be approximately 26% greater than Mr. Neff projected in his 2007 IUB testimony. IPL further understood that with the additional facilities associated with ITCM's investment would come increased O&M work and expense. To IPL's shock, however, ITCM's O&M expense recovery for 2009 is approximately $19.2 million, or 213%, greater than projected by Mr. Neff in 2007.

On the basis of the available information, ITCM's 2009 O&M cost recovery appears to be unjust and unreasonable. ITCM's 2009 O&M recovery is 213% higher than ITCM projected just eighteen months ago in testimony to the IUB. In comparison, ITCM's total net plant is 26% higher than projected in 2007.

Because ITCM has not provided information that would allow IPL to assess whether ITCM's 2009 O&M cost recovery is within the realm of reason, IPL is forced to assert its rights under FPA § 206 to complain to FERC and request an investigation of ITCM's charges. The 213% disparity between ITCM's projection of $6.1 million in 2009 O&M expense made just

27. Rahill IUB Direct Testimony at 8.

eighteen months ago to the IUB and ITCM's proposal to collect $19.2 million in O&M expense in 2009 under Attachment O is enough to trigger the need for an investigation by FERC of the justness and reasonableness of ITCM's 2009 Attachment O charges. Similarly, ITCM's extraordinary O&M cost increases in 2008 trigger the need for investigation. FERC should grant this complaint and investigate whether ITCM's O&M spending is prudent and its Attachment O charges are just and reasonable.

B. ITCM's A&G Expense Collection for 2009 Appears to be Unjust and Unreasonable

An analysis similar to the foregoing applies to ITCM's recovery of 2009 A&G expenses. In his 2007 cost of service analysis provided to the IUB and the MPUC, Mr. Neff projected 2009 A&G expenses of approximately $5.98 million. Again to IPL's shock, ITCM's A&G expense recovery for 2009 is approximately $24.4 million, or 309%, greater than projected by Mr. Neff in 2007.

ITCM again provided IPL only a brief explanation of the costs that underlie its proposal to recover approximately $24.4 million in A&G expense during 2009. In its initial customer presentation, ITCM provided brief overview materials,[28] and at a follow up meeting between ITCM and IPL, ITCM provided a few additional details that broke down some of the expenses within each category of A&G expense.[29] IPL was not able to conclude on the basis of that information that ITCM's projected A&G expenditures are prudent and resulting charges are just and reasonable.

While the cursory information that ITCM provided to customers and IPL does not provide a basis to draw any definitive conclusions about the prudence of ITCM's projected 2009

28. ITCM 2009 Attachment O Rate Presentation at 16.

29. ITCM provided additional information to IPL during a meeting between ITCM and IPL on September 26, 2008, and posted a portion of that information on its website. A copy of the information provided by ITCM is provided as Attachment H.

A&G expenditures or the justness and reasonableness of ITCM's Attachment O charges arising out its A&G expenses, ITCM has provided IPL with information that does make clear that ITCM unilaterally changed its methodology for allocating A&G expenses among the operating subsidiaries of ITC Holdings. The effect of ITCM's unilateral methodology change is to shift approximately $4.5 million in additional A&G expenses to IPL and other ITCM customers.

In Mr. Rahill's 2007 testimony to the IUB and the MPUC, he explained the cost allocation process that ITCM intended to undertake to allocate A&G expense and payroll taxes to each of ITC Holdings' operating subsidiaries. Mr. Rahill testified that "A&G expense and payroll taxes are allocated to each regulated subsidiary based on load ratio share. Load ratio share is the load as shown by the divisor on the first page of Attachment O of each regulated subsidiary expressed as a percentage of the total load for all of the regulated subsidiaries."[30]

Notwithstanding Mr. Rahill's 2007 testimony to the IUB and MPUC, IPL has recently learned that ITC Holdings has unilaterally, and without prior notice to IPL, abandoned its A&G expense load ratio share allocation methodology. Rather, ITCM has adopted a methodology under which it allocates certain A&G expenses that are not directly assignable to specific ITC Holdings operating subsidiaries using a method ITCM refers to as the "Massachusetts formula."[31] The Massachusetts formula apparently allocates 50% of all allocable A&G expenses on a load ratio share and the remaining 50% of all allocable A&G expenses on a plant, property, and equipment basis.[32] ITCM's 2009 Attachment O rate proposal provides no information regarding exactly how ITC Holdings allocated projected A&G expenses to ITCM and its affiliated operating companies. Accepting for purposes of analysis ITC Holdings' company-

30. Rahill IUB Direct Testimony at 8.

31. See Attachment H.

32. Id.

wide total A&G expense, IPL calculated the A&G expense that would have been allocated to ITCM under the A&G expense allocation methodology that ITCM represented to the IUB and MPUC in 2007: $11.23 million. ITC Holdings' unilateral decision to allocate A&G expenses among its operating subsidiaries using the Massachusetts method has the effect of increasing the percentage of A&G expense allocated to ITCM for 15.3% to 21.5%, which yields an increase of over $4.5 million on an annual basis. Because of ITCM's aggressive capital budget in coming years, IPL expects that ITC Holdings will only increase the percentage of A&G expense it allocates to ITCM in future years, thereby imposing additional costs in IPL and its customers.

In his testimony filed in the IUB and MPUC proceedings seeking approval of IPL's sale of its transmission system to ITCM, ITCM's Mr. Rahill stated as follows with respect to A&G expense allocations:

> The expenses used are based on the 2005, Attachment O of each regulated subsidiary. ITC believes that these historical A&G expense and payroll expenses are a reasonable proxy for future A&G expense and payroll taxes that will be needed to support the collective level of investment activity for all three regulated subsidiaries.[33]

The A&G expenses for the 2005 Attachment O for ITC*Transmission*, METC, and IPL were $23.7 million, $9 million, and $4.2 million, respectively for a total A&G expense of $36.9 million. The projected A&G expenses in the 2009 Attachment O for the ITC Holdings operating subsidiaries, ITC*Transmission*, METC, and ITCM, is $38.2 million, $45.1 million, and $24.4 million, respectively, for a total A&G expense of $107.7 million. ITC Holdings' projected A&G expense for 2009 of $107.7 million, for its operating companies, are nearly three times the "reasonable proxy" of $36.9 million that Mr. Rahill presented to the IUB and MPUC eighteen months ago.

33. See Rahill IUB Direct Testimony at 8-9.

Just as is the case with ITCM's 2009 O&M cost recovery, ITCM's 2009 A&G cost recovery appears, on the basis of the limited information ITCM has provided to IPL and its other customers, to be unjust and unreasonable. ITCM's 2009 A&G recovery is 309% higher than ITCM projected just eighteen months ago in testimony to the IUB. In comparison, ITCM's total net plant is 26% higher than projected to the IUB. Moreover, ITC Holdings' unilateral decision to change its methodology for allocating A&G expenses among its operating subsidiaries pushes more costs to ITCM and, by operation of ITCM's rate construct, to IPL.

Again, because ITCM has not provided information that would allow IPL to assess whether ITCM's projected 2009 A&G cost recovery is within the realm of reason, IPL is forced to assert its rights under FPA § 206 to complain to FERC and request an investigation of ITCM's Attachment O charges. The 309% disparity between ITCM's projection of $5.98 million in 2009 A&G expense made just two years ago to the IUB and MPUC and ITCM's plan to collect $24.4 million in A&G expense in 2009 under Attachment O is enough to trigger the need for an investigation by FERC of the prudence of ITCM's expenditures and the justness and reasonableness of ITCM's 2009 Attachment O charges. Similarly, ITCM's extraordinary A&G cost increases in 2008 trigger the need for investigation. FERC should grant this complaint and investigate whether ITCM's planned A&G activities are prudent, its A&G expense allocation is appropriate, and its Attachment O charges are just and reasonable.

C. ITCM Has Failed to Satisfy Its Tariff Obligations to Provide Adequate Information to IPL About Its Rate Calculations

FERC has made clear that public utilities with formula rates must follow implementation procedures that provide interested parties the ability to review and challenge the formula rate inputs.[34] As noted, public utilities with formula rates have an on-going burden of demonstrating

34. See, e.g., Idaho Power Co., 115 FERC ¶ 61,281 (2006).

the justness and reasonableness of the rate resulting from its application of the formula,[35] and FERC has noted that without adequate formula implementation procedures and follow through, customers and FERC lack the ability to assess whether the utility has carried its burden of demonstrating the justness and reasonableness of its transmission charges.

ITCM has adopted formula implementation protocols that are not objectionable on their face, but ITCM has failed to carry out those protocols in a manner that has given IPL the information it needs to assess the justness and reasonableness of ITCM's Attachment O transmission charges. Specifically, ITCM has not provided IPL with sufficient detailed information about ITCM's 2009 O&M and A&G expense projections. As a result, IPL is compelled to file this complaint to seek FERC's investigation of ITCM's Attachment O transmission charges.

IV. REQUIREMENTS UNDER 18 C.F.R. § 385.206

A. Communications

IPL requests that service be made upon, and communications be directed to, the persons below:

Kent M. Ragsdale
Alliant Energy Corporate Services, Inc.
200 First Street, S.E., P.O. Box 351
Cedar Rapids, IA 52406-0351
T: (319) 786-7765
kentragsdale@alliantenergy.com

Michael C. Griffen
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
T: (202) 739-5257
F: (202) 739-3001
mgriffen@morganlewis.com

35. Virginia Electric at P 47.

B. Other Proceedings

The matters in this complaint are not the subject of any other proceedings before FERC or any other judicial or administrative body to which IPL is a party.

C. Negotiations Among Parties

The matters in this complaint are not currently the subject of active negotiations between IPL and ITCM. IPL met with ITCM on several occasions to convey its concerns with ITCM's 2009 Attachment O charges and to discuss possible means to resolve those concerns, but IPL's negotiating efforts were unsuccessful. IPL therefore is compelled to commence this proceeding. IPL does not believe that it would be an efficient use of FERC's or the parties' resources for FERC to direct the parties to attempt the resolve the issues in this complaint through further negotiations or FERC's alternative dispute resolution processes.

D. Financial Impact

IPL is unable to estimate the financial impact of ITCM's excessive 2009 Attachment O charges because it lacks the information needed to determine the amount by which those charges are excessive. A FERC investigation of ITCM's Attachment O charges is necessary to permit a determination of just and reasonable charges.

E. Service and Form of Notice

Contemporaneous with filing, IPL is serving by e-mail and first class mail a copy of this complaint upon ITCM and the individuals identified on the attached certificate of service. A proposed form of notice of complaint suitable for publication in the Federal Register is provided.

V. CONCLUSION

Through the implementation of its rate formula, ITCM proposes to assess transmission service charges beginning January 1, 2009, that IPL believes will impose several million dollars in excess costs on IPL, causing ITCM's transmission service charges to be unjust and unreasonable. ITCM's excessive charges will harm IPL and its customers. FERC therefore should grant this complaint and (1) set for investigation ITCM's transmission service charges established under its MISO EMT Attachment O formula rate; (2) establish a refund effective date of January 1, 2009, with respect to ITCM's transmission service charges for service in 2009 and beyond; and (3) establish hearing procedures on the issue of the justness and reasonableness of ITCM's transmission service charges under its Attachment O formula rate.

Respectfully submitted,

Michael C. Griffen
Attorney for Interstate Power and Light Company

November 18, 2008

ATTACHMENT A

Direct Testimony of Edward M. Rahill
March 30, 2007
IPL/ITCM Joint Application in IUB Docket No. SPU-07-11

STATE OF IOWA

BEFORE THE IOWA UTILITIES BOARD

IN RE: **INTERSTATE POWER AND LIGHT COMPANY AND ITC MIDWEST LLC**	**DOCKET NO. SPU-07-**

DIRECT TESTIMONY OF EDWARD M. RAHILL

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Edward M. Rahill. My business address is 39500 Orchard Hill Place, Suite 200, Novi, Michigan 48375.

Q. By whom are you presently employed and in what capacity?

A. I am employed by ITC Holdings Corp. ("ITC"), a publicly traded independent electric transmission company. My job title is Senior Vice President and Chief Financial Officer. In this position, I have responsibility for financial operations and oversee accounting, financial reporting, treasury management, tax, and planning and analysis functions for ITC and its subsidiaries, including International Transmission Company ("ITC*Transmission*") and Michigan Electric Transmission Company, LLC ("METC").

Q. What is your educational background?

A. I received a Bachelor of Business Administration degree from the University of Notre Dame in 1975 and a Master of Business Administration degree, with a Certification in Finance in 1978 and an additional Certification in Managerial Economics in 1980, from the State University of New York at Buffalo.

Q. Please describe your professional experience.

A. Prior to my current position with ITC, I headed the Planning and Corporate Development functions for DTE Energy Company and engaged in the development and management of energy-related businesses and services in Michigan including the electric utility, gas utility, and non-utility operations.

My professional experience includes over 22 years in finance and accounting with leading energy and Fortune 500 companies. In 1976, I was employed by Carborundum Corporation in Niagara Falls, New York, as a Corporate Accountant. I was responsible for the monthly close of that company's financial statements and analysis of accounts. In 1978, I joined McGraw-Edison-Worthington Group in Buffalo, New York as a Financial Analyst. From 1981-1985, I was employed at Atlantic Richfield Company located in Rolling Meadows, Illinois, and held various positions including Senior Financial Analyst, Integrated Planning Manager, and Technology and Market Forecasting Specialist. From 1985 to 1990, I was employed at Bell & Howell Company in Evanston, Illinois, and served as Vice President of Planning and Development where I was responsible for developing and executing a comprehensive growth strategy for that company. This included managing acquisitions, joint ventures, and the strategic and planning functions. From 1990 to 1996, I was employed by EMR Enterprises, an advisory firm whose major client was the Atlanta Chamber of Commerce, and served as Program Director of the 1996 Centennial Olympic Park Project until 1996. In 1996, I was employed by Equitable Resources located in Pittsburg, Pennsylvania, where I served as Director of Mergers and Acquisitions. My primary responsibilities included investment banking relationship management, acquisition target identification, deal valuations, negotiations, legal, tax, transaction structure, and due diligence.

Q. What is the purpose of your testimony?

A. On January 18, 2007, ITC Midwest LLC ("ITC Midwest"), a newly formed subsidiary of ITC, entered into an Asset Sale Agreement ("ASA") with Interstate Power and Light ("IPL") to acquire all of IPL's transmission assets in Iowa, Minnesota, Illinois, and Missouri. I will generally refer to the transmission sale as the "Transmission Transaction" or "Reorganization." In support of this Transmission Transaction, IPL and ITC Midwest are filing a Joint Application for Reorganization ("Joint Application") to address the findings required by Iowa Code §§ 476.76 and 476.77. The purpose of my testimony is to provide the Iowa Utilities Board ("Board") with financial information relating to the Reorganization (including the accounting policies and procedures for the subsequent operation of ITC Midwest), a description of the financing components of the proposed reorganization, information concerning the funding provided to ITC Midwest, and support for key assumptions used in calculating ITC Midwest's projected revenue requirement.

Q. What filing requirements contained in 199 Iowa Administrative Code 32.4 does your testimony address?

A. My testimony addresses, in whole or in part, the following requirements as found in 199 IAC 32.4:

32.4(2)"a" - Written accounting polices and procedures for the subsequent operation, including the type of system of accounts to be used.

32.4(3)"b" - Financial Details – A description of the financing components of the proposed reorganization.

32.4(3)"c" - Financial Details – Information concerning the funding provided to any new entity created by the proposed reorganization.

32.4(3)"e" - Financial Details – Stockholder annual report of two years preceding the year of filing for all affected companies.

32.4(3)"f" - Financial Details – Stockholder quarterly reports for the two quarters just prior to the date of the filing and any subsequent reports as they become available during the proceeding, for all affected companies.

32.4(3)"g" - Financial Details – The major credit rating agencies' reports for two years preceding the filing date of the merger and updates as they become available during the proceeding, for all affected companies.

Q. Are you sponsoring ITC's financial information as required to be filed under 199 IAC 32.4(3)"e", 32.4(3)"f", and 32.4(3)"g"?

A. Yes, I am sponsoring the following reports as found in Volume III, Book 2, of the Joint Application:

- Securities and Exchange Commission ("SEC") Form 10-K, 2006 Annual Report for ITC.
- The 2005 Annual Report to Stockholders
- SEC Form 10-Q, Quarterly Report for ITC for the quarter ended September 30, 2006
- SEC Form 10-QA, Amended Quarterly Report for ITC for the quarter ended September 30, 2006.
- Credit agency reports for ITC for 2005 and 2006 produced by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Services ("S&P").

Q. Since 199 IAC 32.4(3)"e" requires filing of stockholder annual reports for the past two years, why have you provided ITC's annual report for only a single year (2005)?

A. ITC became a publicly traded company on July 26, 2005, and therefore does not have a stockholder annual report for any prior years. The stockholder annual report for 2006 is not yet available.

II. ACCOUNTING POLICY AND FINANCIAL DETAILS

Q. Please describe the accounting policies and procedures ITC Midwest intends to use for subsequent operation of the transmission assets in IPL's service territory, including the system of accounts to be used.

A. As an electric transmission company, ITC Midwest will be regulated by the Federal Energy Regulatory Commission ("FERC") with respect to rates, terms, and conditions of service, and will maintain its books and records in accordance with the FERC's promulgated version of the Uniform System of Accounts ("USOA"), as published in the Code of Federal Regulations ("CFR"). 18 C.F.R. Part 101, *et. seq.* The accounting policies and procedures will also be maintained in compliance with the regulations and USOA set forth in the CFR. In addition, ITC Midwest will conform to generally accepted accounting principles and, as a consolidated subsidiary of the publicly traded entity ITC, will also comply with the regulations and reporting requirements established by the SEC.

Q. How is ITC paying for the acquisition of IPL's transmission assets?

A. ITC will deliver the purchase price in cash at closing.

Q. What is the source of funds to be used to purchase the assets?

A. ITC Midwest and ITC are planning to issue long-term debt, and ITC will also issue new equity securities. The new debt and equity issuances are expected to occur simultaneously with the closing of the Transmission Transaction.

Q. Please discuss ITC's credit ratings over the last two years.

A. As of the date of this testimony, ITC's and its subsidiaries' credit ratings are as follows:

Company	Moody's	S&P

ITC Holdings Corp. Corporate Credit Rating	Baa3 (Stable)	BBB (Positive)
ITC Holdings Senior Unsecured	Baa3 (Stable)	BBB- (Positive)
ITC*Transmission* Senior Secured	A3 (Stable)	BBB+ (Positive)
METC Senior Secured	A3 (Stable)	BBB (Positive)

In March of 2006 Moody's upgraded ITC*Transmission's* credit rating from Baa1 to A3. In May of 2006, subsequent to the announcement of the acquisition of METC, S&P put ITC and ITC*Transmission* on negative watch. In November of 2006, following a successful closing of the METC acquisition as well as successful debt and equity offerings used to fund the METC acquisition, S&P removed ITC and ITC*Transmission* from negative watch and changed the outlook to positive. In that same month, S&P also assigned a BBB rating to METC, which had not previously been rated by S&P.

Q. Please discuss ITC's access to the capital markets.

A. The debt and equity offerings of ITC*Transmission* and ITC have been well received in the investment community. ITC believes that the rate constructs in place at ITC*Transmission* and METC played a significant role in the results of the offerings. A similar rate construct is being sought for ITC Midwest as both new debt and equity will be needed to complete the Transmission Transaction.

III. REVENUE REQUIREMENT MODELING ASSUMPTIONS

Q. Are you sponsoring certain modeling assumptions used by ITC Midwest witness Charles Neff in his revenue requirement analysis?

A. Yes. I am sponsoring assumptions related to capital investment, operations and maintenance ("O&M") expenses, administrative and general ("A&G") expenses, payroll taxes and interest rates for new debt issuance at ITC Midwest.

Q. What is the basis for your capital investment and O&M assumptions used in Mr. Neff's revenue requirement model?

A. The revenue requirement analysis sponsored by Mr. Neff assumes that ITC Midwest would continue the same level of capital investment and the same level of O&M activity as IPL, and at effectively the same cost. ITC believes that IPL's estimates for costs associated with capital investments and O&M are a reasonable basis to make the "apples to apples" comparison of revenue requirements which as explained later is required by this filing. We are relying on this information as they have the historical experience of investing and maintaining the IPL transmission system.

Q. What is the basis for your assumption for A&G expenses and payroll taxes used in Mr. Neff's revenue requirement model?

A. For purposes of the projections A&G expense and payroll taxes for the three regulated subsidiaries, ITC*Transmission*, METC, and ITC Midwest, are allocated from separate pools of A&G expense and payroll taxes. Each pool consists of common costs for A&G expense or payroll taxes that are not otherwise directly assigned. Expenses for non-regulated activities are directly assigned. The expenses used are based on the 2005, Attachment O of each regulated subsidiary. ITC believes that these historical A&G and payroll expenses are a reasonable proxy for future A&G expense and payroll taxes that will be needed to support the collective level of investment activity for all three regulated subsidiaries.

Q. How does the cost allocation process work?

A. A&G expense and payroll taxes are allocated to each regulated subsidiary based on load ratio share. Load ratio share is the load as shown by the divisor on the first page of Attachment O of each regulated subsidiary expressed as a percentage of the total load for all of the regulated subsidiaries. Pending further experience operating the ITC Midwest transmission system, ITC believes that over the long term, the total load on each system is a reasonable proxy for the activity on the system and therefore reflective of the associated cost that should be allocated to each regulated subsidiary.

Q. Will ITC Midwest's capital investment, O&M, A&G and payroll tax cost estimates change as a result of its commitment to build needed transmission in IPL's service territory?

A. Yes. As discussed by ITC Midwest witnesses Joseph Welch and Richard Schultz, it is expected that ITC Midwest will make capital investments in Iowa beyond what was anticipated in IPL's investment plans, and these investments will likely increase ITC Midwest's projected revenue requirements as presented by Mr. Neff.

Q. Why did ITC Midwest not include this expected investment in its revenue requirement projection?

A. A comparison of ITC Midwest's revenue requirement projection and IPL's revenue requirement projection (as presented by IPL witness Christopher Hampsher) is included as part of the overall cost benefit analysis (also sponsored by Mr. Hampsher). In order for this to be an "apples-to-apples" comparison, ITC Midwest's revenue requirement must reflect the same capital investment and O&M used by IPL in its revenue requirement projection.

Q. What is the basis for the interest rate assumption used in computing the ITC Midwest revenue requirement projection?

A. In the absence of actual interest rate data for ITC Midwest, ITC has assumed a proxy interest rate of 5.563%. This rate reflects indicative pricing provided by Lehman Brothers as of February 21, 2007, for new debt issues including the cost of upfront underwriter fees. The interest rate is based on pricing for 10-year first mortgage bonds that have secured debt ratings of A3 (Moody's) and BBB+ (S&P). These debt ratings are consistent with ITC*Transmission's* and IPL's current credit ratings. The assumption of the 10-year maturity is based on current market conditions. At the time of the actual debt issuance, ITC Midwest will consider current market conditions to make the most economic decision with respect to the actual form and term of the debt, taking into account all relevant facts and circumstances. The interest rates used in the revenue requirement reflect a proxy and should not be considered a forecast of interest rates.

Q. Does this conclude your prepared direct testimony?

A. Yes it does.

ATTACHMENT B

Direct Testimony of Edward M. Rahill
March 30, 2007
IPL/ITCM Joint Application in MPUC Docket No. E001/PA-07-540

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer	**Chair**
Marshall Johnson	**Commissioner**
Thomas Pugh	**Commissioner**
Phyllis Reha	**Commissioner**

In the Matter of the Joint Petition for Approval of Transfer of Transmission Assets of Interstate Power and Light Company and ITC Midwest LLC	**DOCKET NO. E001/PA-07-540**

DIRECT TESTIMONY OF EDWARD M. RAHILL

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Edward M. Rahill. My business address is 39500 Orchard Hill Place, Suite 200, Novi, Michigan 48375.

Q. By whom are you presently employed and in what capacity?

A. I am employed by ITC Holdings Corp. ("ITC"), a publicly traded independent electric transmission company. My job title is Senior Vice President and Chief Financial Officer. In this position, I have responsibility for financial operations and oversee accounting, financial reporting, treasury management, tax, and planning and analysis functions for ITC and its subsidiaries, including International Transmission Company ("ITC*Transmission*") and Michigan Electric Transmission Company, LLC ("METC").

Q. What is your educational background?

A. I received a Bachelor of Business Administration degree from the University of Notre Dame in 1975 and a Master of Business Administration degree, with a Certification in Finance in 1978 and an additional Certification in Managerial Economics in 1980, from the State University of New York at Buffalo.

Q. Please describe your professional experience.

A. Prior to my current position with ITC, I headed the Planning and Corporate Development functions for DTE Energy Company and engaged in the development and management of energy-related businesses and services in Michigan including the electric utility, gas utility, and non-utility operations.

My professional experience includes over 22 years in finance and accounting with leading energy and Fortune 500 companies. In 1976, I was employed by Carborundum Corporation in Niagara Falls, New York, as a Corporate Accountant. I was responsible for the monthly close of that company's financial statements and analysis of accounts. In 1978, I joined McGraw-Edison-Worthington Group in Buffalo, New York as a Financial Analyst. From 1981-1985, I was employed at Atlantic Richfield Company located in Rolling Meadows, Illinois, and held various positions including Senior Financial Analyst, Integrated Planning Manager, and Technology and Market Forecasting Specialist. From 1985 to 1990, I was employed at Bell & Howell Company in Evanston, Illinois, and served as Vice President of Planning and Development where I was responsible for developing and executing a comprehensive growth strategy for that company. This included managing acquisitions, joint ventures, and the strategic and planning functions. From 1990 to 1996, I was employed by EMR Enterprises, an advisory firm whose major client was the Atlanta Chamber of Commerce, and served as Program Director of the 1996 Centennial Olympic Park Project until 1996. In 1996, I was employed by Equitable Resources located in Pittsburg, Pennsylvania, where I served as Director of Mergers and Acquisitions. My primary responsibilities included investment banking relationship management, acquisition target identification, deal valuations, negotiations, legal, tax, transaction structure, and due diligence.

Q. What is the purpose of your testimony?

A. On January 18, 2007, ITC Midwest LLC ("ITC Midwest"), a newly formed subsidiary of ITC, entered into an Asset Sale Agreement ("ASA") with Interstate Power and Light Company ("IPL") to acquire all of IPL's transmission assets in Minnesota, Iowa, Illinois, and Missouri. I will generally refer to the transmission sale as the "Transmission Transaction" or "Transaction." In support of this Transmission Transaction, IPL and ITC Midwest filed a Joint Petition for the Approval and Consent of the Commission on April 27, 2007 to address the findings required by Minn. Stat. § 216B.50 and Minn. Stat. § 216B.16, subd. 7c. The purpose of my testimony is to provide the Minnesota Public Utilities Commission ("Commission") with financial information relating to the Transmission

Transaction (including the accounting policies and procedures for the subsequent operation of ITC Midwest), a description of the financing components of the proposed Transaction, information concerning the funding provided to ITC Midwest, and support for key assumptions used in calculating ITC Midwest's projected revenue requirement.

Q. What requirements contained in applicable Minnesota Statutes does your testimony address?

A. My testimony addresses, in whole or in part, the general public interest requirements as set forth in Minn. Stat. § 216B.50. In addition, I am sponsoring certain modeling assumptions used by ITC Midwest witness Charles Neff in his revenue requirement analysis. The revenue requirement analysis supports the requirements of the fourth factor set forth in Minn. Stat. § 216B.16, subd. 7c, which requires an analysis of the Transaction's impact on Minnesota retail rates.

II. ACCOUNTING POLICY AND FINANCIAL DETAILS

Q. Please describe the accounting policies and procedures ITC Midwest intends to use for subsequent operation of the transmission assets in IPL's service territory, including the system of accounts to be used.

A. As an electric transmission company, ITC Midwest will be regulated by the Federal Energy Regulatory Commission ("FERC") with respect to rates, terms, and conditions of service, and will maintain its books and records in accordance with the FERC's promulgated version of the Uniform System of Accounts ("USOA"), as published in the Code of Federal Regulations ("C.F.R."). 18 C.F.R. Part 101, *et. seq.* The accounting policies and procedures will also be maintained in compliance with the regulations and USOA set forth in the CFR. In addition, ITC Midwest will conform to generally accepted accounting principles and, as a consolidated subsidiary of the publicly traded entity ITC, will also comply with the regulations and reporting requirements established by the SEC.

Q. How is ITC paying for the acquisition of IPL's transmission assets?

A. ITC will deliver the purchase price in cash at closing.

Q. What is the source of funds to be used to purchase the assets?

A. ITC Midwest and ITC are planning to issue long-term debt, and ITC will also issue new equity securities. The new debt and equity issuances are expected to occur simultaneously with the closing of the Transmission Transaction.

Q. Please discuss ITC's credit ratings over the last two years.

A. As of the date of this testimony, ITC's and its subsidiaries' credit ratings are as follows:

Company	Moody's	S&P
ITC Holdings Corp. Corporate Credit Rating	Baa3 (Stable)	BBB (Positive)
ITC Holdings Senior Unsecured	Baa3 (Stable)	BBB- (Positive)
ITC*Transmission* Senior Secured	A3 (Stable)	BBB+ (Positive)
METC Senior Secured	A3 (Stable)	BBB (Positive)

In March of 2006 Moody's upgraded ITC*Transmission*'s credit rating from Baa1 to A3. In May of 2006, subsequent to the announcement of the acquisition of METC, S&P put ITC and ITC*Transmission* on negative watch. In November of 2006, following a successful closing of the METC acquisition as well as successful debt and equity offerings used to fund the METC acquisition, S&P removed ITC and ITC*Transmission* from negative watch and changed the outlook to positive. In that same month, S&P also assigned a BBB rating to METC, which had not previously been rated by S&P.

Q. Please discuss ITC's access to the capital markets.

A. The debt and equity offerings of ITC*Transmission* and ITC have been well received in the investment community. ITC believes that the rate constructs in place at ITC*Transmission* and METC played a significant role in the results of the offerings. A similar rate construct is being sought for

ITC Midwest as both new debt and equity will be needed to complete the Transmission Transaction.

III. REVENUE REQUIREMENT MODELING ASSUMPTIONS

Q. Are you sponsoring certain modeling assumptions used by ITC Midwest witness Charles Neff in his revenue requirement analysis?

A. Yes. I am sponsoring assumptions related to capital investment, operations and maintenance ("O&M") expenses, administrative and general ("A&G") expenses, payroll taxes and interest rates for new debt issuance at ITC Midwest.

Q. What is the basis for your capital investment and O&M assumptions used in Mr. Neff's revenue requirement model?

A. The revenue requirement analysis sponsored by Mr. Neff assumes that ITC Midwest would continue the same level of capital investment and the same level of O&M activity as IPL, and at effectively the same cost. ITC believes that IPL's estimates for costs associated with capital investments and O&M are a reasonable basis to make the "apples to apples" comparison of revenue requirements. We are relying on this information as IPL has the historical experience of investing and maintaining the IPL transmission system.

Q. What is the basis for your assumption for A&G expenses and payroll taxes used in Mr. Neff's revenue requirement model?

A. For purposes of the projections A&G expense and payroll taxes for the three regulated subsidiaries, ITC*Transmission*, METC, and ITC Midwest, are allocated from separate pools of A&G expense and payroll taxes. Each pool consists of common costs for A&G expense or payroll taxes that are not otherwise directly assigned. Expenses for non-regulated activities are directly assigned. The expenses used are based on the 2005, Attachment O of each regulated subsidiary. ITC believes that these historical A&G and payroll expenses are a reasonable proxy for future A&G expense and payroll taxes that will be needed to support the collective level of investment activity for all three regulated subsidiaries.

Q. How does the cost allocation process work?

A. A&G expense and payroll taxes are allocated to each regulated subsidiary based on load ratio share. Load ratio share is the load as shown by the divisor on the first page of Attachment O of each regulated subsidiary expressed as a percentage of the total load for all of the regulated subsidiaries. Pending further experience operating the ITC Midwest transmission system, ITC believes that over the long term, the total load on each system is a reasonable proxy for the activity on the system and therefore reflective of the associated cost that should be allocated to each regulated subsidiary.

Q. Will ITC Midwest's capital investment, O&M, A&G and payroll tax cost estimates change as a result of its commitment to build needed transmission in IPL's service territory?

A. Yes. As discussed by ITC Midwest witnesses Joseph Welch and Richard Schultz, it is expected that ITC Midwest will make capital investments in IPL's transmission system beyond what was anticipated in IPL's investment plans, and these investments will likely increase ITC Midwest's projected revenue requirements as presented by Mr. Neff.

Q. Why did ITC Midwest not include this expected investment in its revenue requirement projection?

A. A comparison of ITC Midwest's revenue requirement projection and IPL's revenue requirement projection (as presented by IPL witness Christopher Hampsher) is included as part of the overall cost benefit analysis (also sponsored by Mr. Hampsher). In order for this to be an "apples-to-apples" comparison, ITC Midwest's revenue requirement must reflect the same capital investment and O&M used by IPL in its revenue requirement projection.

Q. What is the basis for the interest rate assumption used in computing the ITC Midwest revenue requirement projection?

A. In the absence of actual interest rate data for ITC Midwest, ITC has assumed a proxy interest rate of 5.563%. This rate reflects indicative pricing provided by Lehman Brothers as of February 21, 2007, for new debt issues including the cost of upfront underwriter fees. The interest rate is based on pricing for 10-year first mortgage bonds that have secured debt ratings of A3 (Moody's) and BBB+ (S&P). These debt ratings are consistent with ITC*Transmission's* and IPL's current credit ratings.

The assumption of the 10-year maturity is based on current market conditions. At the time of the actual debt issuance, ITC Midwest will consider current market conditions to make the most economic decision with respect to the actual form and term of the debt, taking into account all relevant facts and circumstances. The interest rates used in the revenue requirement reflect a proxy and should not be considered a forecast of interest rates.

Q. Does this conclude your prepared direct testimony?

A. Yes it does.

ATTACHMENT C

Direct Testimony of Charles P. Neff
March 30, 2007
IPL/ITCM Joint Application in IUB Docket No. SPU-07-11

STATE OF IOWA

BEFORE THE IOWA UTILITIES BOARD

IN RE: **INTERSTATE POWER AND LIGHT COMPANY AND ITC MIDWEST LLC**	**DOCKET NO. SPU-07-**

DIRECT TESTIMONY OF CHARLES P. NEFF

Q. Please state your name and business address.

A. My name is Charles P. Neff. My business address is 39500 Orchard Hill Place, Suite 200, Novi, Michigan 48375.

Q. By whom are you presently employed and in what capacity?

A. I am employed by ITC Holdings Corp. ("ITC"). My job title is Supervisor, Regulatory Accounting and Analysis. I am testifying on behalf of ITC Midwest LLC ("ITC Midwest") in this proceeding.

Q. What is your educational background?

A. I graduated from Northwestern University in 1978 with a Master of Management degree with a major in finance and accounting and, from Youngstown State University in 1972 with a Bachelor of Engineering degree with a major in electrical engineering.

Q. Have you taken any courses in utility analysis?

A. Yes. I have taken "Public Utility Accounting", "Power Systems Engineering", "Fundamentals of Economic Analysis", and "General

Finance", during prior employment with The Detroit Edison Company ("Detroit Edison").

Q. What other professional courses have you taken?

A. I have taken "Utility Resource Planning: Supply-Side and Demand-Side Analysis Techniques" at the University of California in Berkely. I have also taken "Fundamentals of Service Life Forecasting", "Dynamics of Life Estimation", and "Making a Depreciation Study" at Western Michigan University and I attended the "Study Seminar for Financial Analysts" at the University of Windsor, Ontario, Canada.

Q. Have you taught any college-level courses?

A. Yes. I taught "Introduction to Engineering Experimentation" and "Engineering Cost Analysis" at Lawrence Technological University, and "Network Analysis I", "Electromagnetic Fundamentals and Design", "Energy and Electrical Machines", "Advanced Network Analysis", and "Engineering Economics" at Wayne State University.

Q. Please describe your professional experience.

A. I am currently Supervisor, Regulatory Accounting and Analysis. In that position I am involved in revenue requirement studies, preparation of the Federal Energy Regulatory Commission ("FERC") Form 1 for ITC's operating subsidiary International Transmission Company ("ITC*Transmission*"), regulatory reporting, assisting in the preparation of regulatory filings for the formula rate mechanism known as Attachment O, completing the formula rate itself using Form 1 data, and responding to various FERC orders.

From 1978 through 2001, I was employed by Detroit Edison in the Revenue Requirement organizational unit of Regulatory Affairs. Subsequently, I joined the ITC*Transmission* predecessor corporation in 2002 as a contractor while the corporation was owned by Detroit Edison's parent company, DTE Energy. When ITC*Transmission* was divested to ITC in 2003, I became a full-time employee.

Q. What were your responsibilities in the Regulatory Affairs area at Detroit Edison?

A. I was responsible for book depreciation studies, economic studies, revenue requirement analysis, various analyses related to restructuring and stranded investment, and various cases associated with Detroit Edison's Power Supply Cost Recovery plan and reconciliation cases. I also backed up witnesses in the area of revenue requirement.

Q. Are you a member of any professional organizations?

A. Yes. I am a member of the Engineering Society of Detroit, the National Association of Professional Engineers, the Michigan Association of Professional Engineers, and the CFA Institute (previously known as the Association for Investment Management and Research and Financial Analyst Federation).

I am a member of the Edison Electric Institute Property Accounting and Valuation Committee. In connection with my service on that committee, I presented a paper on "Using Iowa Curves to Age and Price Retirements of Mass Property."

I am a licensed professional engineer ("PE") by examination in the State of Michigan. I am also a Chartered Financial Analyst ("CFA") which is a designation earned by an examination given by the CFA Institute.

Q. Have you provided testimony in prior regulatory proceedings?

A. Yes, I submitted pre-filed testimony in various Detroit Edison's depreciation cases and Power Supply Cost Recovery cases.

The depreciation cases include Michigan Public Service Commission ("MPSC") Case Nos. U-11722, U-10342, U-10348, U-9149, U-7706, and U-8225. My testimony regarding depreciation rates for nuclear production plant was later incorporated into FERC Docket No. ER84-418 which established electric wholesale rates.

I testified in Detroit Edison's Power Supply Cost Recovery plan cases (MPSC Case Nos. U-7775 and U-8020), and reconciliation cases (U-7775-R, U-8020-R, U-8291-R, and U-8578-R). Before the Power Supply Cost Recovery system was established, I was responsible for calculating the fuel and purchased power adjustments in accordance with Detroit Edison's prior cost recovery mechanism. I testified in MPSC Case No. U-6103, the first annual reconciliation of fuel revenues and expenses for the Thermal Energy System, and I have been responsible for calculating the wholesale for resale fuel adjustment for FERC jurisdictional customers.

Q. What is the purpose of your testimony?

A. On January 18, 2007, Interstate Power and Light ("IPL") entered into an Asset Sale Agreement ("ASA") with ITC Midwest, a newly formed subsidiary of ITC for the sale of IPL's transmission assets in Iowa, Minnesota, Illinois, and Missouri. I will generally refer to the transmission sale as the "Transmission Transaction" or "Reorganization." In support this Transmission Transaction, IPL and ITC Midwest are filing a Joint Application for Reorganization ("Joint Application") to address the findings required by Iowa Code §§ 476.76 and 476.77. I am responsible for the submission of testimony and schedules related to the development of ITC Midwest's revenue requirement.

Q. What filing requirements contained in 199 Iowa Administrative Code 32.4 does your testimony seek to address?

A. My testimony seeks to address, in part, the following requirements as found in 199 IAC 32.4:

32.4(4)"a" – Impact of the Reorganization – A cost-benefit analysis which describes the projected benefits and costs of reorganizing. The benefits and costs should be quantified in terms of present value. The sources of such benefits and costs shall be identified; and

32.4(4)"b" – Impact of the Reorganization – An analysis of the projected financial impact of the proposed reorganization on the ratepayers of the affected public utilities for the first five years after reorganization.

Q. Did you develop or cause to be developed certain information used by IPL witness Christopher Hampsher in his cost/benefit analysis of the Transmission Transaction?

A. Yes. Mr. Hampsher analyzes the financial impact on ratepayers by comparing the revenue requirement of ITC Midwest to that of IPL. In making that comparison, Mr. Hampsher utilizes ITC Midwest's revenue requirement from my Exhibit____(CPN-1), Schedules A and A-1.

Q. Are you sponsoring an exhibit in this filing?

A. Yes. I am sponsoring Exhibit___(CPN-1) which includes the following schedules:

Schedule A: ITC Midwest Total Revenue Requirement
Schedule A-1: ITC Midwest Gross Revenue Requirement
Schedule A-2: IPL vs Total Network Load

Schedule B: ITC Midwest Attachment O (2008)
Schedule B: ITC Midwest Attachment O (2009)
Schedule B: ITC Midwest Attachment O (2010)
Schedule B: ITC Midwest Attachment O (2011)
Schedule B: ITC Midwest Attachment O (2012)

Schedule B-1: Attmnt O Support--Plant in Service and Depreciation
Schedule B-2: Attmnt O Support--Tax Depreciation
Schedule B-3: Attmnt O Support--Deferred Taxes
Schedule B-4: Attmnt O Support--Materials & Supplies
Schedule B-5: Attmnt O Support--Operations & Maintenance Expense
Schedule B-6: Attmnt O Support--A&G Expense and Payroll Taxes
Schedule B-7: Attmnt O Support--Taxes Other Than Income Taxes
Schedule B-8: Attmnt O Support--Revenue Credits
Schedule B-9: Attmnt O Support--Income Taxes
Schedule B-10: Attmnt O Support--Capitalization & Interest
Schedule B-11: Attmnt O Support--Wages & Salary Allocator
Schedule B-12: Attmnt O Support--Network Load

Schedule C: Cost of Capital for Years 2008 - 2012

Schedule D: Schedule 1 Revenues

Schedule E: Tax Rates

Schedule F: Attachment O Summary

Schedule G: True-Up Procedures

Q. How is your testimony organized?

A. My testimony is organized around my schedules. I first explain Exhibit___(CPN-1), Schedule A, which supports ITC Midwest's total revenue requirement. I then explain Exhibit___(CPN-1), Schedule B, which shows the derivation of the revenue requirement for network service, which it is assumed will become the Attachment O for ITC Midwest upon approval of the FERC. As will be explained later, Attachment O is a formulaic cost-of-service model that is completed annually by most transmission owning members of the Midwest Independent Transmission System Operator, Inc ("Midwest ISO") with the resulting rates posted on the Midwest ISO Open Access Same-Time Information System ("OASIS") each year. In the context of my testimony, network load generally refers to load shown by the divisor shown on the first page of Attachment O, which could include long term firm point-to-point load.

The inputs to the assumed ITC Midwest Attachment O are derived on supporting Schedules B-1 through B-12.

Exhibit___(CPN-1), Schedule C, shows the derivation of the weighted average cost of capital for years 2008 through 2012.

Exhibit___(CPN-1), Schedule D, shows the derivation of revenues for load dispatching, which is an ancillary service different from network service.

Exhibit___(CPN-1), Schedule E, shows the derivation of the composite tax rates used in Attachment O.

Exhibit___(CPN-1), Schedule F, summarizes the ITC Midwest Attachment O for the various years.

Exhibit___(CPN-1), Schedule G, describes the true-up procedures which ITC Midwest will use if FERC approval is obtained.

Q. How is rounding handled in and between schedules?

A. Figures both within a schedule and between schedules may be off by rounding because Attachment O itself carries calculations out to several decimal points, and parallel calculations that would be internal to Attachment O are explained step by step in my exhibits. The fact that the parallel step by step calculation results in exactly the same answer as more complex algebraic equations within the template itself except for rounding demonstrates the validity of the step by step calculation.

Q. Please explain Exhibit_____(CPN-1), Schedule A.

A. Exhibit___(CPN-1), Schedule A, shows the development of ITC Midwest's total revenue requirement and the amount that would be charged to IPL for transmission service based on the assumptions used in the revenue requirement analysis.

This total revenue requirement is the sum of two components: (1) net revenue requirement for network transmission service derived from Exhibit___(CPN-1), Schedule B, and (2) Midwest ISO Schedule 1 revenues derived on Exhibit___(CPN-1), Schedule D.

Q. Please explain Exhibit___(CPN-1), Schedule A-1.

A. Schedule A-1 shows the Total Gross Revenue Requirement for Network Service. It itemizes the cost components of revenue requirement before revenue credits from the ITC Midwest Attachment O found in Exhibit___(CPN-1), Schedule B, and then adds to it Schedule 1 revenues.

Q. Please explain Exhibit___(CPN-1), Schedule A-2.

A. Schedule A-2 shows the ratio of IPL load to total load for the purpose of determining the portion of the revenue requirement that applies to IPL ratepayers. It will be discussed later together with Schedule B-12.

Q. Please explain Exhibit___(CPN-1), Schedule B(2008) through Schedule B(2012).

A. Schedule B is what would be known as the "ITC Midwest Attachment O". Attachment O, is a formulaic cost-of-service model that is completed annually by most transmission owning members of the Midwest ISO with the resulting rates posted on the Midwest ISO OASIS each year. Attachment O and company-specific variations to Attachment O, are specified on tariff sheets in the Midwest ISO's Open Access Transmission and Energy Markets Tariff ("TEMT") and completed based primarily on data from the FERC Form 1.

Completion of Attachment O results in the development of the network transmission service revenue requirement for any particular calendar year. This allows for adjustment of transmission rates to reflect changing operational data and financial performance, including the amount of network load on the transmission system, operating expenses and capital expenditures.

Attachment O is a detailed formulaic calculation which can be generally summarized and understood as follows:

Rate Base
x Rate of Return
= Return Requirement
\+ Operations & Maintenance Expenses
\+ Depreciation
\+ Taxes Other than Income Taxes
\+ Income Taxes
= Gross Revenue Requirement for Network Transmission Service
\- Rent Credits
\- Point-to-Point Revenue Credits
= Net Revenue Requirement for Network Transmission Service
÷ Load
= Rate for Network Transmission Service

In addition to the rate for network transmission service, there is also a rate for load dispatching and control services, known as Schedule 1. Schedule 1 is an ancillary service and is not part of the rate for network transmission service. Schedule 1 is discussed later in my testimony.

Exhibit___(CPN-1), Schedule B, shows the template populated with figures as if they were actually taken from the FERC Form 1 for the various years. It results in the gross revenue requirement and net revenue requirement for network service.

Q. Please explain what is meant by "gross revenue requirement" and "net revenue requirement".

A. "Gross revenue requirement" is the revenue requirement for network service before revenue requirement offsets for rent revenue credits and point to point revenue credits.

"Net revenue requirement" is the revenue requirement for network service after those offsets.

In my exhibits, "total revenue requirement" refers to the net revenue requirement for network service plus the revenue requirement for Schedule 1 and "total gross revenue requirement" refers to the gross revenue requirement for network service plus the revenue requirement for Schedule 1.

Q. Please explain the development of the revenue requirement for years 2008 through 2012.

A. The revenue requirement for these years is shown on my Schedule B, which are the Attachment O's for the various years. Each Attachment O consists of 6 pages.

The inputs to Attachment O are given in my supporting Schedules B-1 through B-12.

In explaining the inputs, I will generally follow the order of the stylized computation given earlier, starting with rate base, and then progressing to operating expenses. However, I will explain rate of return and taxes separately, when I explain Exhibit___(CPN-1), Schedules C and E.

Q. Please explain the development of rate base in ITC Midwest Attachment O.

A. Rate base is shown on page 2 of 6 of each template, and consists of the following cost components:

\+ Gross Plant in Service
\- Accumulated Depreciation
= Net Plant
\+ Adjustments to Rate Base
\+ Land Held for Future Use
\+ Computed Working Capital
\+ Materials & Supplies
\+ Prepayments
= Rate Base

Q. Please explain the derivation of Gross Plant in Service and Accumulated Depreciation included in rate base.

A Gross Plant in Service and Accumulated Depreciation are the average balances shown on my supporting Schedule B-1. The balances themselves are largely taken directly from Mr. Hampsher's schedules using ITC Midwest's Allowance for Funds Used During Construction ("AFUDC") computation and reflect IPL's current capital expansion plan. As explained by ITC Midwest witness Edward Rahill, using the same level of capital investment ensures an "apples-to-apples" comparison of IPL's and ITC Midwest's revenue requirements.

Q. Please explain Adjustments to Rate Base.

A. Adjustments to Rate Base are reductions in rate base attributed to accumulated deferred income taxes. Accumulated deferred income taxes are based on the difference between tax depreciation and book depreciation. Tax depreciation is shown on Schedule B-2 and book depreciation is shown on Schedule B-1. The difference and the resulting accumulated deferred income taxes are shown on my Schedule B-3. For simplicity, capital additions for tax purposes are treated the same way as capital additions for book purposes although there would be slight differences when the actual tax return is filed.

Q. Will the existing accumulated deferred income taxes associated with the IPL transmission assets transfer over to ITC Midwest at the time of sale?

A. No. This is in accordance with Section 7.6(b) of the ASA:

> Seller will elect to treat the transaction as a taxable asset sale. As a result of this election, Buyer will increase its basis in the assets for tax purposes, and Seller is recognizing a taxable gain on the assets. The tax basis and book basis are expected to be equal after the election is made, which would result in no recognition of deferred taxes on the Closing Date.

Q. Will there be Land Held for Future Use?

A. In this calculation, there is no Land Held for Future Use because all of the land being acquired has already been placed in-service.

Q. Please explain Computed Working Capital.

A. Computed Working Capital in ITC Midwest Attachment O is the allowance for working capital calculated using the FERC's standard formula approach, which sets Computed Working Capital equal to 1/8 (45 days divided by 360 days) of operations and maintenance ("O&M") expense. I will explain the development of O&M expense later in my testimony.

Q. Please explain Materials & Supplies and Prepayments included in rate base.

A. Materials and Supplies is the average balance developed on my supporting Schedule B-4. It is based on information supplied by Mr.

Hampsher. There is an allocation factor applied in the ITC Midwest Attachment O which is part of the template. I will explain this allocation factor later in my testimony when I discuss O&M expense.

Since prepayments are not separately identified in IPL's baseline revenue requirements and are not part of the ASA, they are not included here for comparison purposes. In general, however, prepayments would be included in rate base.

Q. Please summarize the rate base components for the various years.

A. Rate base components for the various years are summarized in the top section of Exhibit___(CPN-1), Schedule F, which I will discuss later.

Q. Please explain the development of operating expenses included in the ITC Midwest Attachment O.

A. Operating expenses consist of the following cost components:

Transmission Operating & Maintenance Expenses
Administrative & General Expenses
Depreciation Expense
Taxes Other than Income Taxes

Q. Please explain the development of O&M expense.

A. Transmission O&M expense is developed on supporting Schedule B-5 based on information supplied by IPL and included on schedules supported by Mr. Hampsher or IPL witness Douglas Collins.

The basic calculation is as follows:

\+ IPL Total O&M expense
\- IPL O&M expense that will be retained by IPL
\- IPL payroll related benefits included in Total O&M expense
= IPL reduction in Transmission O&M expense

- IPL Schedule 1 expense

= Transmission O&M expense recoverable in network service rate

IPL's transmission expenses are used for purposes of an "apples-to-apples" comparison of IPL's baseline revenue requirement derived by Mr. Hampsher to ITC Midwest's revenue requirement. To effect this comparison, costs are kept constant between the two companies except for certain specified changes. The changes reflect costs that would be retained by IPL, costs that would factor into ITC Midwest's Schedule 1 rate (and are excluded from the Attachment O calculation) or costs that are included in ITC Midwest's A&G expenses.

Q. Please explain the Transmission Expense "TE" allocator shown on line 1, page 3 of 6, of Schedule B.

A. The "TE" allocator is part of the FERC approved Attachment O formula contained in the TEMT. It is developed on page 4 of 6, lines 6-8, of the ITC Midwest Attachment O. It is made pursuant to Note L shown on page 6 of 6, to remove transmission expenses included for Accounts 561.1, 561.2, and 561.3 which are associated with ancillary services.

The TE allocator is the ratio of total transmission expenses included in accounts 560 through 573 excluding expenses in the designated Account 561.1, 561.2, and 561.3, to total transmission expenses.. The recovery of Account 561.1, 561.2, and 561.3 costs are explained later in my testimony as part of my discussion of Schedule 1.

The TE allocator is applied to total transmission expenses as well as to Materials & Supplies cost in the rate base calculation. This allocation process is all part of the FERC-approved formula.

Q. Please explain the development of Administrative and General ("A&G") Expense?

A. A&G Expense is developed on supporting Schedule B-6. For purposes of doing the baseline comparison, A&G costs are considered to be the allocated portion of pooled A&G expenses for the three operating companies, ITC*Transmission*, Michigan Electric Transmission Company, LLC ("METC"), and ITC Midwest. They are based on 2005 actual A&G expenses as reported in the Attachment O for each company for 2005.

Q. How are these costs escalated to test years 2008 through 2012?

A. The costs are escalated at 2.7% which is the Consumers Price Index, All Urban, annual growth rate for years 2004-2030 taken from the Energy Information Administration, Annual Energy Outlook 2006, Table A19, Macroeconomic Indicators. This is the same figure used as a cost escalator by Mr. Hampsher in his Exhibits.

Q. How are the costs allocated between operating subsidiaries?

A. As explained by Mr. Rahill, A&G expense and payroll tax expense for ITC*Transmission*, METC, and ITC Midwest are totaled, and then allocated back to each operating subsidiary based on the ratio of the operating company's load to total load for all three operating companies using their divisors shown on page 1 of Attachment O for each company.

Q. Please explain the development of depreciation expense.

A. Depreciation expense is developed on supporting Schedule B-1, which is the same schedule that develops the depreciation reserve. It is based on IPL's composite depreciation rate of 2.3% as supported by Mr. Hampsher.

Q. Please explain the development of Taxes Other than Income Taxes ("TOIT").

A. TOIT is developed on supporting Schedule B-7. For purposes of this analysis, it consists of property taxes and payroll taxes. Property taxes are taken from figures supported by Mr. Hampsher. Payroll taxes are allocated as discussed above.

Q. Please explain the development of rent credits.

A. Amounts received for rents are used to offset the revenue requirement for network transmission service. These are taken from Mr. Hampsher Exhibit___(CAH-1), Schedule F(a), Line 8.

Q. Please explain the development of point-to-point ("PTP") revenue credits.

A. The development of PTP revenue credits is shown on my supporting Schedule B-8. The unit price for PTP scheduled rates is based on the unit price for network service. As a result, if the rate for network service increases, the rate for PTP similarly increases. Therefore, to recognize the increased revenue credits that would result from the increased rate for network service, the PTP revenue credits are initially based on projections provided by IPL and supported by Mr. Hampsher, but then escalated based on the ratio of ITC Midwest gross network revenue requirement to the comparable figure for IPL's gross network revenue requirement.

The PTP revenue credits are shown on line 37 of page 4 of 5 of the template on my Exhibit___(CPN-1), Schedule B. Line 37 is the difference between Line 35 and Line 36. Line 35, transmission charges for all transmission transactions, is the sum of network, PTP, and Schedule 1. Line 36, transmission charges for all transmission transactions included in divisor on the front page of the template, is the sum of network and Schedule 1. The difference between these two lines are the revenue credits shown on line 37.

Q. Please explain the development of income taxes.

A. Income taxes in the Attachment O formula are computed using some concise but cryptic mathematical formulations shown on page 3 of 6 of Exhibit___(CPN-1), Schedule B. Since the mathematical formulas may not be intuitively obvious, I present the calculation in a more conventional manner on my supporting Schedule B-9. The basic calculation can be understood as follows:

\+ Taxable Revenues
\- Tax deductible expenses
= Taxable Income
x Tax Rate
= Income Taxes

The tax computation may appear to be circular because of the inter-deductibility of state taxes in the federal computation, and a 50% credit for federal taxes and a credit for Minnesota taxes in the Iowa tax calculation.

The equivalence between the results of the conventional calculation I use and that of the mathematical formulae in the Attachment O template can be demonstrated by noting that the income tax amount shown on supporting Schedule B-9 is the same as the amount shown on ITC Midwest Attachment O for the various years. Both approaches derive the same amount for income taxes. It should also be noted that the Transmission Transaction has not been completed, all items of property have not been individually identified, and all tax nuances have not been identified or researched. As a result, a portion of taxes may somehow differently or be included in TOIT, and to the extent they are, they would not be included in the template income tax calculation.

The tax rates themselves will be explained below in my discussion of Exhibit___(CPN-1), Schedule E.

Q. Please explain the capitalization and interest inputs to ITC Midwest Attachment O.

A. These inputs are developed on my supporting Schedule B-10. The cost rates for debt and capitalization ratios are explained later in connection with the Cost of Capital, Exhibit___(CPN-1), Schedule C. Construction Work in Progress ("CWIP") is not part of rate base but would be part of capitalization.

Q. Please explain the load shown on supporting Schedule B-12.

A. The projected load is based on IPL 2005 Attachment O actual transmission load, as escalated.

The load for IPL itself and other load are individually identified in this schedule to be able to compute the revenue requirement effects on IPL ratepayers. The ratio of IPL load to total load is shown on supporting Schedule A-2.

Q. Please explain the Wages and Salary input to ITC Midwest Attachment O.

A. Attachment O contemplates the development of a wages and salary allocator ("W&S") for companies that are vertically integrated. Since ITC Midwest is transmission-only, wages and salaries are recovered (just as are other expenses) as part of transmission or A&G expenses. Nevertheless, for the purpose of populating the Attachment O template, a W&S allocator has been identified. It is based on the W&S amount shown in the IPL 2005 Attachment O as appropriately escalated. The amounts are shown on my supporting Schedule B-11.

Q. Please explain Exhibit___(CPN-1), Schedule C, Cost of Capital.

A. Exhibit___(CPN-1), Schedule C, shows the development of the weighted average cost of capital for ITC Midwest. The weighted average cost of capital is commonly known as the rate of return. The equity capitalization ratio used in the calculation is 60% and the authorized return on common equity ("ROE") used is 13.88%. This equity ratio and this cost rate are used because the Transmission Transaction is conditioned on ITC Midwest receiving regulatory approvals substantially equivalent to those that will be requested from FERC. As explained by ITC Midwest witness

Joseph Welch in his testimony, ITC Midwest anticipates filing with FERC for approval to use a projected test period with a true-up mechanism, an authorized ROE of 13.88%, and an actual capital structure targeting 60% equity. The transmission rates ultimately charged to IPL will be based upon ITC Midwest's actual capital structure.

Q. How was the cost rate for debt derived?

A. The cost rate for debt of 5.563% is based on Mr. Rahill's testimony. He explains that this is a proxy for the actual interest rates that would be incurred in each projected year. As can be seen from page 5 of 6 of the ITC Midwest Attachment O template, the interest rate used to compute the rate of return in the template would be actual interest expense for the calendar year divided by the average balance of long term debt.

Q. Please explain the development of Schedule 1 revenues.

A. Schedule 1 revenues are developed on Exhibit___(CPN-1), Schedule D. They are for what are known as ancillary services. Ancillary services are those services necessary to support the transmission of capacity and energy from resources to load while maintaining reliable operation of the transmission system. There are several ancillary services contained in the TEMT. Scheduling, System Control, and Dispatch Service must be purchased from the transmission service provider under the Midwest ISO Schedule 1. While the network transmission service rate is based on the Attachment O rate for the pricing zone where the load is located, the Midwest ISO Schedule 1 rate is a single, system-wide average rate. The rate that was used in computing revenues was based on the rate effective beginning January 2007 which was $55.5824/MW-month or $666.9892/MW-year, and then escalated thereafter. Midwest ISO Schedule 1 revenues are the escalated rate applied to load. For purposes of making a comparison with IPL's baseline revenue requirement, and deriving the portion of revenue requirement applicable to IPL's own customers, my calculation only uses load as shown on page 1 of Attachment O. There would be Schedule 1 revenues from non-network transmission services, but these would not be from IPL customers.

Q. Please explain the applicable tax rates.

A. The applicable tax rates are the composite effective federal and state tax rates that are developed on Exhibit___(CPN-1), Schedule E. Based on information supplied by IPL, the Iowa tax rate is 12% and the Minnesota tax rate is 9.8%. Iowa allows a deduction of 50% of federal taxes on the state return and a deduction for other state's taxes, and there is 100% deduction for state taxes on the federal return. To be comparable with the development of IPL's baseline revenue requirement, income before tax has been allocated based on system coincident peak as provided by Mr. Hampsher as follows: 93% for Iowa and 7% to Minnesota. The revenue requirement model assumes full normalization of all book tax differences using the effective tax rates shown on the exhibit.

Q. What do you mean by effective tax rate?

A. Effective tax rate is the ratio of income tax to net income before tax.

Q. What tax rates would be used in Attachment O?

A. Since there are multiple state jurisdictions, the composite income tax rates would be used as developed on Schedule E.

Q. Please explain Exhibit___(CPN-1), Schedule F.

A. Schedule F summarizes the ITC Midwest Attachment O revenue requirement by year. The rate base figures correspond to the figures shown on page 2 of the Attachment O, the operating expenses correspond to the figures on page 3 of the template, and the revenue credits correspond with the figures on page 4 of the template.

Q. Since the FERC Form 1 actual results will not be known until after the completion of the calendar year, how will the ITC Midwest Attachment O rates be applied?

A. A projected rate will be charged each year commencing on January 1, and then a true-up component of the rate will be charged commencing on January 1 of the first calendar year following the filing of the Form 1 for the projected rate period.

Q. Please give an example using a cost year of, say, 2009.

A. Exhibit___(CPN-1), Schedule G, which shows the general form of the true-up procedure, also includes a specific example for cost year 2009.

In September 2008, ITC Midwest will post on the OASIS the projected rate it will charge on January 1, 2009. The projected revenue requirement and rate will be computed using projected cost components in the ITC Midwest Attachment O. Throughout calendar year 2009, ITC

Midwest will provide transmission services. In April 2010, ITC Midwest will file the FERC Form 1 for calendar year 2009. Using the 2009 FERC Form 1, the actual revenue requirement will be computed for calendar year 2009. The FERC Form 1 will also report actual 2009 revenues for network transmission service. Any true-up for calendar year 2009 will be included in the rate charged beginning January 1, 2011.

Q. How will the true-up adjustment be computed?

A. The true-up adjustment will be computed as the difference between actual revenue requirement for transmission service and actual revenues for transmission services for load associated with transactions included in the divisor of Attachment O, as follows:

\+ Actual Revenue Requirement
\- Actual Revenues
= True-Up Adjustment for Under- (Over-) Recovery of revenue requirement

The true-up adjustment will then be included as a component of the projected rate that will be charged commencing January 1, 2011.

Q. Has use of a mechanism involving the use of a projected rate with a true-up adjustment been approved by FERC?

A. Yes. This a similar method was approved by FERC for ITC*Transmission* in Docket No. ER06-1006 on July 14, 2006, and for METC in Docket No. ER07-95 on December 21, 2006.

Q. Will there be interest on the true-up adjustment?

A. Yes, the computation of interest on the true-up adjustment was approved by FERC in the above dockets. Interest will be computed using the FERC refund interest rate on over recoveries and the cost of short-term debt for under-recoveries.

Q. What will be the projected rate that will be charged commencing January 2008?

A. The projected rate that ITC Midwest will charge in calendar year 2008 will be the same rate that will be in effect from June through December 2007. It will be trued-up to the 2008 actual revenue requirement in the rate charged beginning January 1, 2010.

Q. Does this complete your prepared direct testimony?

A. Yes, it does.

ITC Midwest
Transmission Transaction

Index to Charles P. Neff's Schedules

Exhibit___(CPN-1)

Schedule A

ITC Midwest Total Revenue Requirement

Exhibit___(CPN-1)
Schedule A

ITC Midwest Total Revenue Requirement

ITC Midwest
Transmission Assets Sale

Line. No.				2008	2009	2010	2011	2012
1	Network Gross Revenue Requirement	Note 1		$ 105,717,604	$ 110,733,215	$ 115,312,249	$ 119,927,687	$ 127,513,736
2								
3	Rent Credits	Note 2		400,000	400,000	400,000	400,000	400,000
4	Revenue Credits	Note 3		4,342,278	4,430,703	4,506,748	4,578,201	4,538,817
5								
6	Network Net Revenue Requirement			$ 100,975,326	$ 105,902,512	$ 110,405,501	$ 114,949,486	$ 122,574,919
7								
8	Schedule 1 Revenues	Note 4		1,995,435	2,071,854	2,151,200	2,233,584	2,319,124
9								
10	ITC Midwest Total Revenue Requirement			$ 102,970,761	$ 107,974,366	$ 112,556,701	$ 117,183,070	$ 124,894,043
11								
12	Amount Billed to IPL	Note 5	92%	94,733,100	99,336,417	103,552,165	107,808,424	114,902,520
13	Amount billed to other network users	Note 5	8%	8,237,661	8,637,949	9,004,536	9,374,646	9,991,523
14								
15	ITC Midwest Total Revenue Requirement			$ 102,970,761	$ 107,974,366	$ 112,556,701	$ 117,183,070	$ 124,894,043
16								
17								
18								
19	Note 1: Exhibit___(CPN-1), Sch A-1, line 1							
20	Note 2: Exhibit___(CAH-1), Sch F(a), p 1 of 1, line 3							
21	Note 3: Exhibit___(CPN-1), Sch B-8, line 13							
22	Note 4: Exhibit___(CPN-1), Sch D, line 5							
23	Note 5: Exhibit___(CPN-1), Sch A-2							
24								

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Exhibit___(CPN-1)
Schedule A-1

ITC Midwest Total Gross Revenue Requirement

ITC Midwest
Transmission Assets Sale

Line No.			2008	2009	2010	2011	2012
1	Gross Revenue Requirement for Network Load--Attachment O		$105,717,604	$110,733,215	$115,312,249	$119,927,687	$127,513,736
2							
3	Operating Expenses for Network Transmission Service:						
4	Transmission O&M Expenses	Note 1	6,001,234	6,146,880	6,334,289	6,527,535	6,726,807
5	Administrative & General Expenses	Note 2	5,819,786	5,976,920	6,138,297	6,304,031	6,474,240
6	Depreciation and Amortization	Note 3	16,141,595	17,062,348	18,013,258	18,989,060	20,315,825
7	Property Taxes	Note 4	6,197,305	6,209,805	6,222,005	6,236,305	6,400,005
8	Payroll Taxes	Note 5	203,806	209,309	214,960	220,764	226,725
9	Income Taxes	Note 6	25,614,213	26,969,009	28,139,799	29,310,254	31,363,638
10							
11	Operating Expenses included in Network Revenue Requirement		$ 59,977,939	$ 62,574,271	$ 65,062,608	$ 67,587,949	$ 71,507,240
12							
13	Operating Income imputed to Network Revenue Requirement		$ 45,739,665	$ 48,158,944	$ 50,249,641	$ 52,339,738	$ 56,006,496
14							
15	Rate Base	Note 7	$433,419,859	$456,344,467	$476,155,488	$495,960,827	$530,706,292
16							
17	Cost of Capital	Note 8	10.5532%	10.5532%	10.5532%	10.5532%	10.5532%
18							
19	Schedule 1 Revenues	Note 9	1,995,435	2,071,854	2,151,200	2,233,584	2,319,124
20							
21	ITC Midwest Total Gross Revenue Requirement		$107,713,039	$112,805,069	$117,463,449	$122,161,271	$129,832,860
22							
23							
24							
25	Note 1: Exhibit___(CPN-1), Sch B-5, line 22						
26	Note 2: Exhibit___(CPN-1), Sch B-6, line 3						
27	Note 3: Exhibit___(CPN-1), Sch B-1, line 29						
28	Note 4: Exhibit___(CPN-1), Sch B-7, line 1						
29	Note 5: Exhibit___(CPN-1), Sch B-7, line 2						
30	Note 6: Exhibit___(CPN-1), Sch B-9, line 51						
31	Note 7: Exhibit___(CPN-1), Sch F, line 13						
32	Note 8: Exhibit___(CPN-1), Sch C, line 5, column (c)						
33	Note 9: Exhibit___(CPN-1), Sch D, line 5						
34							
35							

File Name: ITC Midwest 4 Exh CPN-1
Sheet Name: 2ExhSchA-1
3/28/2007 2:08 PM

IPL vs Total Network Load

ITC Midwest
Transmission Assets Sale

			Load	
1	IPL 2005 Load (MW)	Note 1	2,594	92%
2				
3	Other 2005 Load (MW)	Note 2	225	8%
4				
5	Total (MW)		2,819	100%
6				
7	Note 1: IPL 2005 Attachment O, page 1 of 5, line 8			
8				
9	Note 2: IPL 2005 Attachment O, page 1 of 5, line 10.			
10				
11				

Exhibit___(CPN-1)

Schedule B

Attachment O (2008)

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2008

Line No.			(1)		(2)	(3) Allocated Amount	(4) Adjustments	(5) Adjusted Allocated Amount
1	GROSS REVENUE REQUIREMENT	(page 3, line 29)			12 months	$105,717,603	0	$105,717,603
	REVENUE CREDITS	(Note T)	Total		Allocator			
2	Account No. 454	(page 4, line 34)	400,000	TP	1.00000	400,000	0	400,000
3	Account No. 456.1	(page 4, line 37)	4,342,278	TP	1.00000	4,342,278		4,342,278
4	Revenues from Grandfathered Interzonal Transactions		0	TP	1.00000	0		0
5	Revenues from service provided by the ISO at a discount		0	TP	1.00000	0		0
6	TOTAL REVENUE CREDITS (sum lines 2-5)					4,742,278	0	4,742,278
6A	True-up Adjustment	[See Note 1.]						
7	NET REVENUE REQUIREMENT	(line 1 minus line 6 plus line 6				$100,975,325	$ -	$100,975,325
	DIVISOR							
8	Average of 12 coincident system peaks for requirements (RQ) service				(Note A)	2,680,547		2,680,547
9	Plus 12 CP of firm bundled sales over one year not in line 8				(Note B)			0
10	Plus 12 CP of Network Load not in line 8				(Note C)	232,507		232,507
11	Less 12 CP of firm P-T-P over one year (enter negative)				(Note D)			0
12	Plus Contract Demand of firm P-T-P over one year							0
13	Less Contract Demand from Grandfathered Interzonal Transactions over one year (enter negative) (Note S)							0
14	Less Contract Demands from service over one year provided by ISO at a discount (enter negative)							0
15	Divisor (sum lines 8-14)					2,913,054	0	2,913,054
16	Annual Cost ($/kW/Yr)	(line 7 / line 15)	34.663					
17	Network & P-to-P Rate ($/kW/Mo)	(line 16 / 12)	2.889					
			Peak Rate			Off-Peak Rate		
18	Point-To-Point Rate ($/kW/Wk)	(line 16 / 52; line 16 / 52)	0.667			$0.667		
19	Point-To-Point Rate ($/kW/Day)	(line 18 / 5; line 18 / 7)	0.133	Capped at weekly rate		$0.095		
20	Point-To-Point Rate ($/MWh)	(line 19 / 16; line 19 / 24 times 1,000)	8.332	Capped at weekly and daily rates		$3.968		
21	FERC Annual Charge($/MWh)	(Note E)		Short Term		$0.000 Short Term		
22				Long Term		$0.000 Long Term		

NOTES

Note 1. Calculated in accordance with the Annual Rate Calculation and True-up Procedures on pages ______ and ______ of this Tariff.

Issued by:
Issued on:

Effective: January 1, 2008

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2008

ITC Midwest LLC

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount	
	RATE BASE:								
	GROSS PLANT IN SERVICE								
1	Production	205.46.g		NA				0	
2	Transmission - (Note U)	207.58.g	722,554,484	TP	1.00000	722,554,484		722,554,484	
3	Distribution	207.75.g		NA					
4	General & Intangible - (Note U)	205.5.g & 207.99.g		W/S	1.00000	0		0	
5	Common	356.1		CE	0.00000	0		0	
6	TOTAL GROSS PLANT (sum lines 1-5)		722,554,484	GP=	100.000%	722,554,484	0	722,554,484	
	ACCUMULATED DEPRECIATION								
7	Production	219.20-24.c		NA					
8	Transmission - (Note U)	219.25.c	290,944,218	TP	1.00000	290,944,218		290,944,218	
9	Distribution	219.26.c		NA					
10	General & Intangible - (Note U)	219.28.c		W/S	1.00000	0		0	
11	Common	356.1		CE	0.00000	0		0	
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)		290,944,218			290,944,218	0	290,944,218	
	NET PLANT IN SERVICE								
13	Production	(line 1- line 7)	0						
14	Transmission	(line 2- line 8)	431,610,266			431,610,266		431,610,266	
15	Distribution	(line 3 - line 9)							
16	General & Intangible	(line 4 - line 10)				0		0	
17	Common	(line 5 - line 11)	0			0		0	
18	TOTAL NET PLANT (sum lines 13-17)		431,610,266	NP=	100.000%	431,610,266	0	431,610,266	
	ADJUSTMENTS TO RATE BASE (Note F)								
19	Account No. 281 (enter negative) - (Note V	273.8.k		NA	zero	0			
20	Account No. 282 (enter negative) - (Note \	275.2.k	-158,455	NP	1.00000	-158,455		-158,455	
21	Account No. 283 (enter negative) - (Note \	277.9.k		NP	1.00000	0		0	[See Note 2.]
22	Account No. 190 - (Note V)	234.8.c		NP	1.00000	0		0	[See Note 2.]
23	Account No. 255 (enter negative) - (Note \	267.8.h		NP	1.00000	0		0	
24	TOTAL ADJUSTMENTS (sum lines 19-23B)		-158,455			-158,455	0	-158,455	
25	LAND HELD FOR FUTURE USE - (Note V)	214.x.d (Note G)		TP	1.00000	0		0	
	WORKING CAPITAL (Note H)								
26	CWC	calculated	1,911,028			1,477,628	0	1,477,628	
27	Materials & Supplies (Note G) - (Note V)	227.8.c & .16.c	773,759	TE	0.63381	490,420		490,420	
28	Prepayments (Account 165) - (Note V)	111.57.c		GP	1.00000	0		0	
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)		2,684,787			1,968,047	0	1,968,047	
30	RATE BASE (sum lines 18, 24, 25, & 29)		434,136,598			433,419,858	0	433,419,858	

Note 2. Excludes deferred taxes associated with the True-up Adjustment that are not otherwise included in rate base.

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2008

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount	
	O&M								
1	Transmission	321.112.b	9,468,438	TE	0.63381	6,001,234		6,001,234	[See Note 3.]
2	Less Account 565	321.96.b			1.00000	0		0	
3	A&G	323.197.b	5,819,786	W/S	1.00000	5,819,786		5,819,786	
4	Less FERC Annual Fees			W/S	1.00000	0		0	
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)			W/S	1.00000	0		0	
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)			TE	0.63381	0		0	
6	Common	356.1		CE	0.00000	0		0	
7	Transmission Lease Payments				1.00000	0			
8	TOTAL O&M (sum lines 1, 3, 5a, 6, 7 less lines 2, 4, 5)		15,288,224			11,821,020	0	11,821,020	
	DEPRECIATION EXPENSE								
9	Transmission	336.7.b & c	16,141,595	TP	1.00000	16,141,595		16,141,595	
10	General	336.10.b & c		W/S	1.00000	0		0	
11	Common	336.11.b & c		CE	0.00000	0		0	
12	TOTAL DEPRECIATION (Sum lines 9 - 11)		16,141,595			16,141,595	0	16,141,595	
	TAXES OTHER THAN INCOME TAXES (Note J)								
	LABOR RELATED								
13	Payroll	263i	203,806	W/S	1.00000	203,806		203,806	
14	Highway and vehicle	263i		W/S	1.00000	0		0	
15	PLANT RELATED								
16	Property	263i	6,197,305	GP	1.00000	6,197,305		6,197,305	
17	Gross Receipts	263i		NA	zero	0			
18	Other	263i		GP	1.00000	0		0	
19	Payments in lieu of taxes			GP	1.00000	0		0	
20	TOTAL OTHER TAXES (sum lines 13 - 19)		6,401,111			6,401,111	0	6,401,111	
	INCOME TAXES	(Note K)							
21	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		41.51%						
22	CIT=(T/1-T) * (1-(WCLTD/R)) =		56.00%						
	where WCLTD=(page 4, line 27) and R= (page 4, line30) and FIT, SIT & p are as given in footnote K.								
23	1 / (1 - T) = (from line 21)		1.7098						
24	Amortized Investment Tax Credit (266.8f) (enter negative)								
25	Income Tax Calculation = line 22 * line 28		25,656,570	NA		25,614,212	0	25,614,212	
26	ITC adjustment (line 23 * line 24)			NP	1.00000	0		0	
27	Total Income Taxes	(line 25 plus line 26)	25,656,570			25,614,212	0	25,614,212	
28	RETURN [Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		45,815,304	NA		45,739,665	0	45,739,665	
29	REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)		109,302,804			105,717,603	0	105,717,603	

Note 3. Adjustments to Line 1 will equal the sum of the amounts on ITC's Report on FERC Form No. 1 for
Customer Accounts Expenses [FERC Form No. 1, 323.164.b], Customer Service and Informational Expenses [FERC Form No. 1, 323.171.b], and
Sales Expenses [FERC Form No. 1, 323.178.b] that are not otherwise recoverable through some other tariff.
Adjustments to be made before calculation of allocator for Line 1, Column (4).

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2008

ITC Midwest LLC
SUPPORTING CALCULATIONS AND NOTES

Line No.									
	TRANSMISSION PLANT INCLUDED IN ISO RATES								
1	Total transmission plant (page 2, line 2, column 3)						722,554,484		
2	Less transmission plant excluded from ISO rates (Note M)								
3	Less transmission plant included in OATT Ancillary Services (Note N)								
4	Transmission plant included in ISO rates (line 1 less lines 2 & 3)						722,554,484		
5	Percentage of transmission plant included in ISO Rates (line 4 divided by line 1)					TP=	1.00000		
	TRANSMISSION EXPENSES								
6	Total transmission expenses (page 3, line 1, column 3)						9,468,438		
7	Less transmission expenses included in OATT Ancillary Services (Note L)						3,467,204		
8	Included transmission expenses (line 6 less line 7)						6,001,234		
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)						0.63381		
10	Percentage of transmission plant included in ISO Rates (line 5)					TP	1.00000		
11	Percentage of transmission expenses included in ISO Rates (line 9 times line 10)					TE=	0.63381		
	WAGES & SALARY ALLOCATOR (W&S)	Form 1 Reference	$	TP	Allocation				
12	Production	354.20.b		0.00	0				
13	Transmission	354.21.b	2,680,563	1.00	2,680,563				
14	Distribution	354.23.b		0.00	0		W&S Allocator		
15	Other	354.24,25,26.b		0.00	0		($ / Allocation)		
16	Total (sum lines 12-15)		2,680,563		2,680,563	=	1.00000	=	WS
	COMMON PLANT ALLOCATOR (CE) (Note O)		$		% Electric (line 17 / line 20)		W&S Allocator (line 16)		CE
17	Electric	200.3.c							
18	Gas	201.3.d	741,850,968		0.00000	*	1.00000	=	0.00000
19	Water	201.3.e							
20	Total (sum lines 17 - 19)		741,850,968						

Line No.			(5) $	(6) Adjustments	(7) Adjusted Amount
	RETURN (R)				
21		Long Term Interest (117, sum of 62c through 67c)	$10,068,938		10,068,938
22		Preferred Dividends (118.29c) (positive number)			0
	Development of Common Stock:				
23		Proprietary Capital (112.16c) - (Note U)	271,497,515		271,497,515
24		Less Preferred Stock (line 28) - (Note U)	0		0
25		Less Account 216.1 (112.12c) (enter negative) - (Note U)			0
26		Common Stock (sum lines 23-25)	271,497,515	0	271,497,515

Line No.		$	%	Cost (Note P)	Weighted		
27	Long Term Debt (112, sum of 18c through 21c) - (Note U)	180,998,344	40%	0.0556	0.0223	=WCLTD	
28	Preferred Stock (112.3c) - (Note U)		0%	0.0000	0.0000		
29	Common Stock (line 26)	271,497,515	60%	0.1388	0.0833		[See Note 4.]
30	Total (sum lines 27-29)	452,495,859			0.1055	=R	

Line No.				Load	
	REVENUE CREDITS				
	ACCOUNT 447 (SALES FOR RESALE)	(310-311)	(Note Q)		
31	a. Bundled Non-RQ Sales for Resale (311.x.h)				
32	b. Bundled Sales for Resale included in Divisor on page 1				
33	Total of (a)-(b)			0	
34	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (Note R)			$400,000	400,000
	ACCOUNT 456.1 (OTHER ELECTRIC REVENUES)	(330.x.n)			
35	a. Transmission charges for all transmission transactions			$107,313,039	
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1			$102,970,761	
37	Total of (a)-(b)			$4,342,278	

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2008

SUPPORTING CALCULATIONS AND NOTES

Note 4. Allowed ROE set to 13.88%

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2008

ITC Midwest LLC

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)
References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note Letter	
A	Peak as would be reported on page 401, column d of Form 1 at the time of the ISO coincident monthly peaks.
B	Labeled LF, LU, IF, IU on pages 310-311 of Form 1at the time of the ISO coincident monthly peaks.
C	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
D	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
E	The FERC's annual charges for the year assessed the Transmission Owner for service under this tariff.
F	The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income as discussed in Note K. Account 281 is not allocated.
G	Identified in Form 1 as being only transmission related.
H	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at page 3, line 8, column 5. Prepayments are the electric related prepayments booked to Account No. 165 and reported on Pages 110-111 line 57 in the Form 1.
I	Line 5 - EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1. Line 5a - Regulatory Commission Expenses directly related to transmission service, ISO filings, or transmission siting itemized at 351.h.
J	Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
K	The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 3, line 26).

Inputs Required:			
	FIT =	35.00%	
	SIT=	11.77%	(State Income Tax Rate or Composite SIT)
	p =	47.41%	(percent of federal income tax deductible for state purposes)

L	Removes dollar amount of transmission expenses included in the OATT ancillary services rates, including all of Account Nos. 561.1, 561.2, 561.3, and 561.BA.
M	Removes transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until Form 1 balances are adjusted to reflect application of seven-factor test).
N	Removes dollar amount of transmission plant included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed to included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
O	Enter dollar amounts
P	Debt cost rate = long-term interest (line 21) / long term debt (line 27). Preferred cost rate = preferred dividends (line 22) / preferred outstanding (line 28). ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
Q	Line 33 must equal zero since all short-term power sales must be unbundled and the transmission component reflected in Account No. 456.1 and all other uses are to be included in the divisor.
R	Includes income related only to transmission facilities, such as pole attachments, rentals and special use.
S	Grandfathered agreements whose rates have been changed to eliminate or mitigate pancaking - the revenues are included in line 4 page 1 and the loads are included in line 13, page 1. Grandfathered agreements whose rates have <u>not</u> been changed to eliminate or mitigate pancaking - the revenues are not included in line 4, page 1 nor are the loads included in line 13, page 1.
T	The revenues credited on page 1 lines 2-5 shall include only the amounts received directly (in the case of grandfathered agreements) or from the ISO (for service under this tariff) reflecting the Transmission Owner's integrated transmission facilities. They do not include revenues associated with FERC annual charges, gross receipts taxes, ancillary services, facilities not included in this template (e.g., direct assignment facilities and GSUs) which are not recovered under this Rate Formula Template.
U	Calculate using 13 month average balance.
V	Calculate using average of beginning and end of year balances.

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Exhibit___(CPN-1)

Schedule B

Attachment O (2009)

Original Sheet No.______
page 1 of 6

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2009

Line No.			(1)		(2)	(3) Allocated Amount	(4) Adjustments	(5) Adjusted Allocated Amount
1	GROSS REVENUE REQUIREMENT	(page 3, line 29)			12 months	$110,733,215	0	$110,733,215
	REVENUE CREDITS	(Note T)	Total		Allocator			
2	Account No. 454	(page 4, line 34)	400,000	TP	1.00000	400,000	0	400,000
3	Account No. 456.1	(page 4, line 37)	4,430,703	TP	1.00000	4,430,703		4,430,703
4	Revenues from Grandfathered Interzonal Transactions		0	TP	1.00000	0		0
5	Revenues from service provided by the ISO at a discount		0	TP	1.00000	0		0
6	TOTAL REVENUE CREDITS (sum lines 2-5)					4,830,703	0	4,830,703
6A	True-up Adjustment	[See Note 1.]						
7	NET REVENUE REQUIREMENT	(line 1 minus line 6 plus line 6				$105,902,512	$ -	$105,902,512
	DIVISOR							
8	Average of 12 coincident system peaks for requirements (RQ) service				(Note A)	2,710,033		2,710,033
9	Plus 12 CP of firm bundled sales over one year not in line 8				(Note B)			0
10	Plus 12 CP of Network Load not in line 8				(Note C)	235,065		235,065
11	Less 12 CP of firm P-T-P over one year (enter negative)				(Note D)			0
12	Plus Contract Demand of firm P-T-P over one year							0
13	Less Contract Demand from Grandfathered Interzonal Transactions over one year (enter negative) (Note S)							0
14	Less Contract Demands from service over one year provided by ISO at a discount (enter negative)							0
15	Divisor (sum lines 8-14)					2,945,098	0	2,945,098
16	Annual Cost ($/kW/Yr)	(line 7 / line 15)	35.959					
17	Network & P-to-P Rate ($/kW/Mo)	(line 16 / 12)	2.997					

Line No.			Peak Rate		Off-Peak Rate
18	Point-To-Point Rate ($/kW/Wk)	(line 16 / 52; line 16 / 52)	0.692		$0.692
19	Point-To-Point Rate ($/kW/Day)	(line 18 / 5; line 18 / 7)	0.138	Capped at weekly rate	$0.099
20	Point-To-Point Rate ($/MWh)	(line 19 / 16; line 19 / 24 times 1,000)	8.644	Capped at weekly and daily rates	$4.116
21	FERC Annual Charge($/MWh)	(Note E)		Short Term	$0.000 Short Term
22				Long Term	$0.000 Long Term

NOTES

Note 1. Calculated in accordance with the Annual Rate Calculation and True-up Procedures on pages ______ and ______ of this Tariff.

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2009

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount	
	RATE BASE:								
	GROSS PLANT IN SERVICE								
1	Production	205.46.g		NA				0	
2	Transmission - (Note U)	207.58.g	762,587,215	TP	1.00000	762,587,215		762,587,215	
3	Distribution	207.75.g		NA					
4	General & Intangible - (Note U)	205.5.g & 207.99.g		W/S	1.00000	0		0	
5	Common	356.1		CE	1.00000	0		0	
6	TOTAL GROSS PLANT (sum lines 1-5)		762,587,215	GP=	100.000%	762,587,215	0	762,587,215	
	ACCUMULATED DEPRECIATION								
7	Production	219.20-24.c		NA					
8	Transmission - (Note U)	219.25.c	304,300,292	TP	1.00000	304,300,292		304,300,292	
9	Distribution	219.26.c		NA					
10	General & Intangible - (Note U)	219.28.c		W/S	1.00000	0		0	
11	Common	356.1		CE	1.00000	0		0	
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)		304,300,292			304,300,292	0	304,300,292	
	NET PLANT IN SERVICE								
13	Production	(line 1- line 7)	0						
14	Transmission	(line 2- line 8)	458,286,923			458,286,923		458,286,923	
15	Distribution	(line 3 - line 9)							
16	General & Intangible	(line 4 - line 10)	0			0		0	
17	Common	(line 5 - line 11)	0			0		0	
18	TOTAL NET PLANT (sum lines 13-17)		458,286,923	NP=	100.000%	458,286,923	0	458,286,923	
	ADJUSTMENTS TO RATE BASE (Note F)								
19	Account No. 281 (enter negative) - (Note V	273.8.k		NA	zero	0			
20	Account No. 282 (enter negative) - (Note \	275.2.k	-3,959,073	NP	1.00000	-3,959,073		-3,959,073	
21	Account No. 283 (enter negative) - (Note \	277.9.k		NP	1.00000	0		0	[See Note 2.]
22	Account No. 190 - (Note V)	234.8.c		NP	1.00000	0		0	[See Note 2.]
23	Account No. 255 (enter negative) - (Note \	267.8.h		NP	1.00000	0		0	
24	TOTAL ADJUSTMENTS (sum lines 19-23B)		-3,959,073			-3,959,073	0	-3,959,073	
25	LAND HELD FOR FUTURE USE - (Note V) 214.x.d (Note G)			TP	1.00000	0		0	
	WORKING CAPITAL (Note H)								
26	CWC	calculated	1,964,302			1,515,475	0	1,515,475	
27	Materials & Supplies (Note G) - (Note V)	227.8.c & .16.c	793,877	TE	0.63126	501,142		501,142	
28	Prepayments (Account 165) - (Note V)	111.57.c	0	GP	1.00000	0		0	
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)		2,758,179			2,016,617	0	2,016,617	
30	RATE BASE (sum lines 18, 24, 25, & 29)		457,086,029			456,344,467	0	456,344,467	

Note 2. Excludes deferred taxes associated with the True-up Adjustment that are not otherwise included in rate base.

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2008

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount	
	O&M								
1	Transmission	321.112.b	9,737,499	TE	0.63126	6,146,880		6,146,880	[See Note 3.]
2	Less Account 565	321.96.b			1.00000	0		0	
3	A&G	323.197.b	5,976,920	W/S	1.00000	5,976,920		5,976,920	
4	Less FERC Annual Fees			W/S	1.00000	0		0	
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)			W/S	1.00000	0		0	
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)			TE	0.63126	0		0	
6	Common	356.1		CE	1.00000	0		0	
7	Transmission Lease Payments				1.00000	0			
8	TOTAL O&M (sum lines 1, 3, 5a, 6, 7 less lines 2, 4, 5)		15,714,419			12,123,800	0	12,123,800	
	DEPRECIATION EXPENSE								
9	Transmission	336.7.b & c	17,062,348	TP	1.00000	17,062,348		17,062,348	
10	General	336.10.b & c		W/S	1.00000	0		0	
11	Common	336.11.b & c		CE	1.00000	0		0	
12	TOTAL DEPRECIATION (Sum lines 9 - 11)		17,062,348			17,062,348	0	17,062,348	
	TAXES OTHER THAN INCOME TAXES (Note J)								
	LABOR RELATED								
13	Payroll	263i	209,309	W/S	1.00000	209,309		209,309	
14	Highway and vehicle	263i		W/S	1.00000	0		0	
15	PLANT RELATED								
16	Property	263i	6,209,805	GP	1.00000	6,209,805		6,209,805	
17	Gross Receipts	263i		NA	zero	0			
18	Other	263i		GP	1.00000	0		0	
19	Payments in lieu of taxes			GP	1.00000	0		0	
20	TOTAL OTHER TAXES (sum lines 13 - 19)		6,419,114			6,419,114	0	6,419,114	
	INCOME TAXES	(Note K)							
21	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		41.51%						
22	CIT=(T/1-T) * (1-(WCLTD/R)) = where WCLTD=(page 4, line 27) and R= (page 4, line30) and FIT, SIT & p are as given in footnote K.		58.00%						
23	1 / (1 - T) = (from line 21)		1.7096						
24	Amortized Investment Tax Credit (266.8f) (enter negative)								
25	Income Tax Calculation = line 22 * line 28		27,012,834	NA		26,969,009	0	26,969,009	
26	ITC adjustment (line 23 * line 24)			NP	1.00000	0		0	
27	Total Income Taxes	(line 25 plus line 26)	27,012,834			26,969,009	0	26,969,009	
28	RETURN [Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		48,237,203	NA		48,158,944	0	48,158,944	
29	REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)		114,445,917			110,733,215	0	110,733,215	

Note 3. Adjustments to Line 1 will equal the sum of the amounts on ITC's Report on FERC Form No. 1 for
Customer Accounts Expenses [FERC Form No. 1, 323.164.b], Customer Service and Informational Expenses [FERC Form No. 1, 323.171.b], and Sales Expenses [FERC Form No. 1, 323.178.b] that are not otherwise recoverable through some other tariff.
Adjustments to be made before calculation of allocator for Line 1, Column (4).

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Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009

ITC Midwest LLC
SUPPORTING CALCULATIONS AND NOTES

Line No.										
	TRANSMISSION PLANT INCLUDED IN ISO RATES									
1	Total transmission plant (page 2, line 2, column 3)						762,587,215			
2	Less transmission plant excluded from ISO rates (Note M)									
3	Less transmission plant included in OATT Ancillary Services (Note N)									
4	Transmission plant included in ISO rates (line 1 less lines 2 & 3)						762,587,215			
5	Percentage of transmission plant included in ISO Rates (line 4 divided by line 1)					TP=	1.00000			
	TRANSMISSION EXPENSES									
6	Total transmission expenses (page 3, line 1, column 3)						9,737,499			
7	Less transmission expenses included in OATT Ancillary Services (Note L)						3,590,619			
8	Included transmission expenses (line 6 less line 7)						6,146,880			
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)						0.63126			
10	Percentage of transmission plant included in ISO Rates (line 5)					TP	1.00000			
11	Percentage of transmission expenses included in ISO Rates (line 9 times line 10)					TE=	0.63126			
	WAGES & SALARY ALLOCATOR (W&S)	Form 1 Reference	$	TP	Allocation					
12	Production	354.20.b		0.00	0					
13	Transmission	354.21.b	2,752,938	1.00	2,752,938					
14	Distribution	354.23.b		0.00	0		W&S Allocator			
15	Other	354.24,25,26.b		0.00	0		($ / Allocation)			
16	Total (sum lines 12-15)		2,752,938		2,752,938	=	1.00000	=	WS	
	COMMON PLANT ALLOCATOR (CE) (Note O)		$		% Electric (line 17 / line 20)		W&S Allocator (line 16)		CE	
17	Electric	200.3.c	783,323,461							
18	Gas	201.3.d			1.00000	*	1.00000	=	1.00000	
19	Water	201.3.e								
20	Total (sum lines 17 - 19)		783,323,461				(5)		(6)	(7)
	RETURN (R)						$		Adjustments	Adjusted Amount
21		Long Term Interest (117, sum of 62c through 67c)					$10,579,056			10,579,056
22		Preferred Dividends (118.29c) (positive number)								0
	Development of Common Stock:									
23		Proprietary Capital (112.16c) - (Note U)					285,252,280			285,252,280
24		Less Preferred Stock (line 28) - (Note U)					0			0
25		Less Account 216.1 (112.12c) (enter negative) - (Note U)								0
26		Common Stock	(sum lines 23-25)				285,252,280		0	285,252,280
			$	%	Cost (Note P)		Weighted			
27	Long Term Debt (112, sum of 18c through 21c) - (Note U)		190,168,187	40%	0.0556		0.0223 =WCLTD			
28	Preferred Stock (112.3c)- (Note U)			0%	0.0000		0.0000			
29	Common Stock (line 26)		285,252,280	60%	0.1388		0.0833			[See Note 4.]
30	Total (sum lines 27-29)		475,420,467				0.1055 =R			
	REVENUE CREDITS						Load			
	ACCOUNT 447 (SALES FOR RESALE)		(310-311)	(Note Q)						
31	a. Bundled Non-RQ Sales for Resale (311.x.h)									
32	b. Bundled Sales for Resale included in Divisor on page 1									
33	Total of (a)-(b)						0			
34	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (Note R)						$400,000			400,000
	ACCOUNT 456.1 (OTHER ELECTRIC REVENUES)		(330.x.n)							
35	a. Transmission charges for all transmission transactions						$112,405,069			
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1						$107,974,366			
37	Total of (a)-(b)						$4,430,703			

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009

SUPPORTING CALCULATIONS AND NOTES

Note 4. Allowed ROE set to 13.88%

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2009

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)
References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note Letter	
A	Peak as would be reported on page 401, column d of Form 1 at the time of the ISO coincident monthly peaks.
B	Labeled LF, LU, IF, IU on pages 310-311 of Form 1at the time of the ISO coincident monthly peaks.
C	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
D	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
E	The FERC's annual charges for the year assessed the Transmission Owner for service under this tariff.
F	The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income as discussed in Note K. Account 281 is not allocated.
G	Identified in Form 1 as being only transmission related.
H	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at page 3, line 8, column 5. Prepayments are the electric related prepayments booked to Account No. 165 and reported on Pages 110-111 line 57 in the Form 1.
I	Line 5 - EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1. Line 5a - Regulatory Commission Expenses directly related to transmission service, ISO filings, or transmission siting itemized at 351.h.
J	Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
K	The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 3, line 26).

Inputs Required:			
	FIT =	35.00%	
	SIT=	11.77%	(State Income Tax Rate or Composite SIT)
	p =	47.41%	(percent of federal income tax deductible for state purposes)

L	Removes dollar amount of transmission expenses included in the OATT ancillary services rates, including all of Account Nos. 561.1, 561.2, 561.3, and 561.BA.
M	Removes transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until Form 1 balances are adjusted to reflect application of seven-factor test).
N	Removes dollar amount of transmission plant included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed to included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
O	Enter dollar amounts
P	Debt cost rate = long-term interest (line 21) / long term debt (line 27). Preferred cost rate = preferred dividends (line 22) / preferred outstanding (line 28). ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
Q	Line 33 must equal zero since all short-term power sales must be unbundled and the transmission component reflected in Account No. 456.1 and all other uses are to be included in the divisor.
R	Includes income related only to transmission facilities, such as pole attachments, rentals and special use.
S	Grandfathered agreements whose rates have been changed to eliminate or mitigate pancaking - the revenues are included in line 4 page 1 and the loads are included in line 13, page 1. Grandfathered agreements whose rates have <u>not</u> been changed to eliminate or mitigate pancaking - the revenues are not included in line 4, page 1 nor are the loads included in line 13, page 1.
T	The revenues credited on page 1 lines 2-5 shall include only the amounts received directly (in the case of grandfathered agreements) or from the ISO (for service under this tariff) reflecting the Transmission Owner's integrated transmission facilities. They do not include revenues associated with FERC annual charges, gross receipts taxes, ancillary services, facilities not included in this template (e.g., direct assignment facilities and GSUs) which are not recovered under this Rate Formula Template.
U	Calculate using 13 month average balance.
V	Calculate using average of beginning and end of year balances.

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Exhibit___(CPN-1)

Schedule B

Attachment O (2010)

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2010

Line No.			(1)	(2)		(3) Allocated Amount	(4) Adjustments	(5) Adjusted Allocated Amount
1	GROSS REVENUE REQUIREMENT (page 3, line 29)				12 months	$115,312,249	0	$115,312,249
	REVENUE CREDITS	(Note T)	Total	Allocator				
2	Account No. 454	(page 4, line 34)	400,000	TP	1.00000	400,000	0	400,000
3	Account No. 456.1	(page 4, line 37)	4,506,748	TP	1.00000	4,506,748		4,506,748
4	Revenues from Grandfathered Interzonal Transactions		0	TP	1.00000	0		0
5	Revenues from service provided by the ISO at a discount		0	TP	1.00000	0		0
6	TOTAL REVENUE CREDITS (sum lines 2-5)					4,906,748	0	4,906,748
6A	True-up Adjustment	[See Note 1.]						
7	NET REVENUE REQUIREMENT	(line 1 minus line 6 plus line 6				$110,405,501	$ -	$110,405,501
	DIVISOR							
8	Average of 12 coincident system peaks for requirements (RQ) service				(Note A)	2,739,843		2,739,843
9	Plus 12 CP of firm bundled sales over one year not in line 8				(Note B)			0
10	Plus 12 CP of Network Load not in line 8				(Note C)	237,651		237,651
11	Less 12 CP of firm P-T-P over one year (enter negative)				(Note D)			0
12	Plus Contract Demand of firm P-T-P over one year							0
13	Less Contract Demand from Grandfathered Interzonal Transactions over one year (enter negative) (Note S)							0
14	Less Contract Demands from service over one year provided by ISO at a discount (enter negative)							0
15	Divisor (sum lines 8-14)					2,977,494	0	2,977,494
16	Annual Cost ($/kW/Yr)	(line 7 / line 15)	37.080					
17	Network & P-to-P Rate ($/kW/Mo)	(line 16 / 12)	3.090					

Line No.			Peak Rate		Off-Peak Rate	
18	Point-To-Point Rate ($/kW/Wk)	(line 16 / 52; line 16 / 52)	0.713		$0.713	
19	Point-To-Point Rate ($/kW/Day)	(line 18 / 5; line 18 / 7)	0.143	Capped at weekly rate	$0.102	
20	Point-To-Point Rate ($/MWh)	(line 19 / 16; line 19 / 24 times 1,000)	8.913	Capped at weekly and daily rates	$4.245	
21	FERC Annual Charge($/MWh)	(Note E)		Short Term	$0.000	Short Term
22				Long Term	$0.000	Long Term

NOTES

Note 1. Calculated in accordance with the Annual Rate Calculation and True-up Procedures on pages ______ and ______ of this Tariff.

Issued by:
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Original Sheet No.______
page 2 of 6

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2010

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount	
	RATE BASE:								
	GROSS PLANT IN SERVICE								
1	Production	205.46.g		NA				0	
2	Transmission - (Note U)	207.58.g	803,931,133	TP	1.00000	803,931,133		803,931,133	
3	Distribution	207.75.g		NA					
4	General & Intangible - (Note U)	205.5.g & 207.99.g		W/S	1.00000	0		0	
5	Common	356.1		CE	1.00000	0		0	
6	TOTAL GROSS PLANT (sum lines 1-5)		803,931,133	GP=	100.000%	803,931,133	0	803,931,133	
	ACCUMULATED DEPRECIATION								
7	Production	219.20-24.c		NA					
8	Transmission - (Note U)	219.25.c	318,485,885	TP	1.00000	318,485,885		318,485,885	
9	Distribution	219.26.c		NA					
10	General & Intangible - (Note U)	219.28.c		W/S	1.00000	0		0	
11	Common	356.1		CE	1.00000	0		0	
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)		318,485,885			318,485,885	0	318,485,885	
	NET PLANT IN SERVICE								
13	Production	(line 1- line 7)	0						
14	Transmission	(line 2- line 8)	485,445,248			485,445,248		485,445,248	
15	Distribution	(line 3 - line 9)							
16	General & Intangible	(line 4 - line 10)	0			0		0	
17	Common	(line 5 - line 11)	0			0		0	
18	TOTAL NET PLANT (sum lines 13-17)		485,445,248	NP=	100.000%	485,445,248	0	485,445,248	
	ADJUSTMENTS TO RATE BASE (Note F)								
19	Account No. 281 (enter negative) - (Note V	273.8.k		NA	zero	0			
20	Account No. 282 (enter negative) - (Note \	275.2.k	-11,363,646	NP	1.00000	-11,363,646		-11,363,646	
21	Account No. 283 (enter negative) - (Note \	277.9.k		NP	1.00000	0		0	[See Note 2.]
22	Account No. 190 - (Note V)	234.8.c		NP	1.00000	0		0	[See Note 2.]
23	Account No. 255 (enter negative) - (Note \	267.8.h		NP	1.00000	0		0	
24	TOTAL ADJUSTMENTS (sum lines 19-23B)		-11,363,646			-11,363,646	0	-11,363,646	
25	LAND HELD FOR FUTURE USE - (Note V)	214.x.d (Note G)	0	TP	1.00000	0		0	
	WORKING CAPITAL (Note H)								
26	CWC	calculated	2,020,020			1,559,073	0	1,559,073	
27	Materials & Supplies (Note G) - (Note V)	227.8.c & .16.c	814,517	TE	0.63205	514,813		514,813	
28	Prepayments (Account 165) - (Note V)	111.57.c	0	GP	1.00000	0		0	
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)		2,834,537			2,073,886	0	2,073,886	
30	RATE BASE (sum lines 18, 24, 25, & 29)		476,916,139			476,155,488	0	476,155,488	

Note 2. Excludes deferred taxes associated with the True-up Adjustment that are not otherwise included in rate base.

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2010

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount	
	O&M								
1	Transmission	321.112.b	10,021,863	TE	0.63205	6,334,289		6,334,289	[See Note 3.]
2	Less Account 565	321.96.b			1.00000	0		0	
3	A&G	323.197.b	6,138,297	W/S	1.00000	6,138,297		6,138,297	
4	Less FERC Annual Fees			W/S	1.00000	0		0	
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)			W/S	1.00000	0		0	
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)			TE	0.63205	0		0	
6	Common	356.1		CE	1.00000	0		0	
7	Transmission Lease Payments				1.00000	0			
8	TOTAL O&M (sum lines 1, 3, 5a, 6, 7 less lines 2, 4, 5)		16,160,160			12,472,586	0	12,472,586	
	DEPRECIATION EXPENSE								
9	Transmission	336.7.b & c	18,013,258	TP	1.00000	18,013,258		18,013,258	
10	General	336.10.b & c		W/S	1.00000	0		0	
11	Common	336.11.b & c		CE	1.00000	0		0	
12	TOTAL DEPRECIATION (Sum lines 9 - 11)		18,013,258			18,013,258	0	18,013,258	
	TAXES OTHER THAN INCOME TAXES (Note J)								
	LABOR RELATED								
13	Payroll	263i	214,960	W/S	1.00000	214,960		214,960	
14	Highway and vehicle	263i		W/S	1.00000	0		0	
15	PLANT RELATED								
16	Property	263i	6,222,005	GP	1.00000	6,222,005		6,222,005	
17	Gross Receipts	263i		NA	zero	0			
18	Other	263i		GP	1.00000	0		0	
19	Payments in lieu of taxes			GP	1.00000	0		0	
20	TOTAL OTHER TAXES (sum lines 13 - 19)		6,436,965			6,436,965	0	6,436,965	
	INCOME TAXES	(Note K)							
21	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		41.51%						
22	CIT=(T/1-T) * (1-(WCLTD/R)) = where WCLTD=(page 4, line 27) and R= (page 4, line30) and FIT, SIT & p are as given in footnote K.		56.00%						
23	1 / (1 - T) = (from line 21)		1.7096						
24	Amortized Investment Tax Credit (266.8f) (enter negative)								
25	Income Tax Calculation = line 22 * line 28		28,184,752	NA		28,139,799	0	28,139,799	
26	ITC adjustment (line 23 * line 24)			NP	1.00000	0		0	
27	Total Income Taxes	(line 25 plus line 26)	28,184,752			28,139,799	0	28,139,799	
28	RETURN [Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		50,329,914	NA		50,249,641	0	50,249,641	
29	REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)		119,125,049			115,312,249	0	115,312,249	

Note 3. Adjustments to Line 1 will equal the sum of the amounts on ITC's Report on FERC Form No. 1 for Customer Accounts Expenses [FERC Form No. 1, 323.164.b], Customer Service and Informational Expenses [FERC Form No. 1, 323.171.b], and Sales Expenses [FERC Form No. 1, 323.178.b] that are not otherwise recoverable through some other tariff. Adjustments to be made before calculation of allocator for Line 1, Column (4).

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2010

ITC Midwest LLC
SUPPORTING CALCULATIONS AND NOTES

Line No.										
	TRANSMISSION PLANT INCLUDED IN ISO RATES									
1	Total transmission plant (page 2, line 2, column 3)						803,931,133			
2	Less transmission plant excluded from ISO rates (Note M)									
3	Less transmission plant included in OATT Ancillary Services (Note N)									
4	Transmission plant included in ISO rates (line 1 less lines 2 & 3)						803,931,133			
5	Percentage of transmission plant included in ISO Rates (line 4 divided by line 1)					TP=	1.00000			
	TRANSMISSION EXPENSES									
6	Total transmission expenses (page 3, line 1, column 3)						10,021,863			
7	Less transmission expenses included in OATT Ancillary Services (Note L)						3,687,574			
8	Included transmission expenses (line 6 less line 7)						6,334,289			
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)						0.63205			
10	Percentage of transmission plant included in ISO Rates (line 5)					TP	1.00000			
11	Percentage of transmission expenses included in ISO Rates (line 9 times line 10)					TE=	0.63205			
	WAGES & SALARY ALLOCATOR (W&S)	Form 1 Reference	$	TP	Allocation					
12	Production	354.20.b		0.00	0					
13	Transmission	354.21.b	2,827,267	1.00	2,827,267		W&S Allocator			
14	Distribution	354.23.b		0.00	0		($ / Allocation)			
15	Other	354.24,25,26.b		0.00	0					
16	Total (sum lines 12-15)		2,827,267		2,827,267	=	1.00000	=	WS	
	COMMON PLANT ALLOCATOR (CE) (Note O)		$		% Electric (line 17 / line 20)		W&S Allocator (line 16)		CE	
17	Electric	200.3.c	824,538,804		1.00000	*	1.00000	=	1.00000	
18	Gas	201.3.d								
19	Water	201.3.e								
20	Total (sum lines 17 - 19)		824,538,804				(5)		(6)	(7)
	RETURN (R)						$		Adjustments	Adjusted Amount
21		Long Term Interest (117, sum of 62c through 67c)					$11,019,891			11,019,891
22		Preferred Dividends (118.29c) (positive number)								0
	Development of Common Stock:									
23		Proprietary Capital (112.16c) - (Note U)					297,138,893			297,138,893
24		Less Preferred Stock (line 28) - (Note U)					0			0
25		Less Account 216.1 (112.12c) (enter negative) - (Note U)								0
26		Common Stock (sum lines 23-25)					297,138,893		0	297,138,893
			$	%	Cost (Note P)		Weighted			
27	Long Term Debt (112, sum of 18c through 21c) - (Note U)		198,092,595	40%	0.0556		0.0223 =WCLTD			
28	Preferred Stock (112.3c)- (Note U)			0%	0.0000		0.0000			
29	Common Stock (line 26)		297,138,893	60%	0.1388		0.0833			[See Note 4.]
30	Total (sum lines 27-29)		495,231,488				0.1055 =R			
	REVENUE CREDITS						Load			
	ACCOUNT 447 (SALES FOR RESALE)		(310-311)	(Note Q)						
31	a. Bundled Non-RQ Sales for Resale (311.x.h)									
32	b. Bundled Sales for Resale included in Divisor on page 1									
33	Total of (a)-(b)						0			
34	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (Note R)						$400,000			400,000
	ACCOUNT 456.1 (OTHER ELECTRIC REVENUES)		(330.x.n)							
35	a. Transmission charges for all transmission transactions						$117,063,449			
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1						$112,556,701			
37	Total of (a)-(b)						$4,506,748			

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2010

SUPPORTING CALCULATIONS AND NOTES

Note 4. Allowed ROE set to 13.88%

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2010

ITC Midwest LLC

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)
References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note Letter	
A	Peak as would be reported on page 401, column d of Form 1 at the time of the ISO coincident monthly peaks.
B	Labeled LF, LU, IF, IU on pages 310-311 of Form 1at the time of the ISO coincident monthly peaks.
C	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
D	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
E	The FERC's annual charges for the year assessed the Transmission Owner for service under this tariff.
F	The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income as discussed in Note K. Account 281 is not allocated.
G	Identified in Form 1 as being only transmission related.
H	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at page 3, line 8, column 5. Prepayments are the electric related prepayments booked to Account No. 165 and reported on Pages 110-111 line 57 in the Form 1.
I	Line 5 - EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1. Line 5a - Regulatory Commission Expenses directly related to transmission service, ISO filings, or transmission siting itemized at 351.h.
J	Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
K	The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 3, line 26).

Inputs Required:			
	FIT =	35.00%	
	SIT=	11.77%	(State Income Tax Rate or Composite SIT)
	p =	47.41%	(percent of federal income tax deductible for state purposes)

L	Removes dollar amount of transmission expenses included in the OATT ancillary services rates, including all of Account Nos. 561.1, 561.2, 561.3, and 561.BA.
M	Removes transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until Form 1 balances are adjusted to reflect application of seven-factor test).
N	Removes dollar amount of transmission plant included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed to included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
O	Enter dollar amounts
P	Debt cost rate = long-term interest (line 21) / long term debt (line 27). Preferred cost rate = preferred dividends (line 22) / preferred outstanding (line 28). ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
Q	Line 33 must equal zero since all short-term power sales must be unbundled and the transmission component reflected in Account No. 456.1 and all other uses are to be included in the divisor.
R	Includes income related only to transmission facilities, such as pole attachments, rentals and special use.
S	Grandfathered agreements whose rates have been changed to eliminate or mitigate pancaking - the revenues are included in line 4 page 1 and the loads are included in line 13, page 1. Grandfathered agreements whose rates have not been changed to eliminate or mitigate pancaking - the revenues are not included in line 4, page 1 nor are the loads included in line 13, page 1.
T	The revenues credited on page 1 lines 2-5 shall include only the amounts received directly (in the case of grandfathered agreements) or from the ISO (for service under this tariff) reflecting the Transmission Owner's integrated transmission facilities. They do not include revenues associated with FERC annual charges, gross receipts taxes, ancillary services, facilities not included in this template (e.g., direct assignment facilities and GSUs) which are not recovered under this Rate Formula Template.
U	Calculate using 13 month average balance.
V	Calculate using average of beginning and end of year balances.

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Exhibit___(CPN-1)

Schedule B

Attachment O (2011)

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2011

Line No.			(1)		(2)	(3) Allocated Amount	(4) Adjustments	(5) Adjusted Allocated Amount
1	GROSS REVENUE REQUIREMENT	(page 3, line 29)			12 months	$119,927,686	0	$119,927,686
	REVENUE CREDITS	(Note T)	Total	Allocator				
2	Account No. 454	(page 4, line 34)	400,000	TP	1.00000	400,000	0	400,000
3	Account No. 456.1	(page 4, line 37)	4,578,201	TP	1.00000	4,578,201		4,578,201
4	Revenues from Grandfathered Interzonal Transactions		0	TP	1.00000	0		0
5	Revenues from service provided by the ISO at a discount		0	TP	1.00000	0		0
6	TOTAL REVENUE CREDITS (sum lines 2-5)					4,978,201	0	4,978,201
6A	True-up Adjustment	[See Note 1.]						
7	NET REVENUE REQUIREMENT	(line 1 minus line 6 plus line 6				$114,949,485	$ -	$114,949,485
	DIVISOR							
8	Average of 12 coincident system peaks for requirements (RQ) service				(Note A)	2,769,981		2,769,981
9	Plus 12 CP of firm bundled sales over one year not in line 8				(Note B)			0
10	Plus 12 CP of Network Load not in line 8				(Note C)	240,265		240,265
11	Less 12 CP of firm P-T-P over one year (enter negative)				(Note D)			0
12	Plus Contract Demand of firm P-T-P over one year							0
13	Less Contract Demand from Grandfathered Interzonal Transactions over one year (enter negative) (Note S)							0
14	Less Contract Demands from service over one year provided by ISO at a discount (enter negative)							0
15	Divisor (sum lines 8-14)					3,010,246	0	3,010,246
16	Annual Cost ($/kW/Yr)	(line 7 / line 15)	38.186					
17	Network & P-to-P Rate ($/kW/Mo)	(line 16 / 12)	3.182					
			Peak Rate			Off-Peak Rate		
18	Point-To-Point Rate ($/kW/Wk)	(line 16 / 52; line 16 / 52)	0.734			$0.734		
19	Point-To-Point Rate ($/kW/Day)	(line 18 / 5; line 18 / 7)	0.147	Capped at weekly rate		$0.105		
20	Point-To-Point Rate ($/MWh)	(line 19 / 16; line 19 / 24 times 1,000)	9.179	Capped at weekly and daily rates		$4.371		
21	FERC Annual Charge($/MWh)	(Note E)		Short Term		$0.000 Short Term		
22				Long Term		$0.000 Long Term		

NOTES

Note 1. Calculated in accordance with the Annual Rate Calculation and True-up Procedures on pages ______ and ______ of this Tariff.

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2011

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount	
	RATE BASE:								
	GROSS PLANT IN SERVICE								
1	Production	205.46.g		NA				0	
2	Transmission - (Note U)	207.58.g	846,357,301	TP	1.00000	846,357,301		846,357,301	
3	Distribution	207.75.g		NA					
4	General & Intangible - (Note U)	205.5.g & 207.99.g		W/S	1.00000	0		0	
5	Common	356.1		CE	1.00000	0		0	
6	TOTAL GROSS PLANT (sum lines 1-5)		846,357,301	GP=	100.000%	846,357,301	0	846,357,301	
	ACCUMULATED DEPRECIATION								
7	Production	219.20-24.c		NA					
8	Transmission - (Note U)	219.25.c	333,547,084	TP	1.00000	333,547,084		333,547,084	
9	Distribution	219.26.c		NA					
10	General & Intangible - (Note U)	219.28.c		W/S	1.00000	0		0	
11	Common	356.1		CE	1.00000	0		0	
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)		333,547,084			333,547,084	0	333,547,084	
	NET PLANT IN SERVICE								
13	Production	(line 1- line 7)	0						
14	Transmission	(line 2- line 8)	512,810,217			512,810,217		512,810,217	
15	Distribution	(line 3 - line 9)							
16	General & Intangible	(line 4 - line 10)				0		0	
17	Common	(line 5 - line 11)	0			0		0	
18	TOTAL NET PLANT (sum lines 13-17)		512,810,217	NP=	100.000%	512,810,217	0	512,810,217	
	ADJUSTMENTS TO RATE BASE (Note F)								
19	Account No. 281 (enter negative) - (Note V	273.8.k		NA	zero	0			
20	Account No. 282 (enter negative) - (Note V	275.2.k	-18,982,195	NP	1.00000	-18,982,195		-18,982,195	
21	Account No. 283 (enter negative) - (Note V	277.9.k		NP	1.00000	0		0	[See Note 2.]
22	Account No. 190 - (Note V)	234.8.c		NP	1.00000	0		0	[See Note 2.]
23	Account No. 255 (enter negative) - (Note V	267.8.h		NP	1.00000	0		0	
24	TOTAL ADJUSTMENTS (sum lines 19- 23B)		-18,982,195			-18,982,195	0	-18,982,195	
25	LAND HELD FOR FUTURE USE - (Note V)	214.x.d (Note G)	0	TP	1.00000	0		0	
	WORKING CAPITAL (Note H)								
26	CWC	calculated	2,077,343			1,603,946	0	1,603,946	
27	Materials & Supplies (Note G) - (Note V)	227.8.c & .16.c	835,695	TE	0.63284	528,859		528,859	
28	Prepayments (Account 165) - (Note V)	111.57.c	0	GP	1.00000	0		0	
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)		2,913,038			2,132,805	0	2,132,805	
30	RATE BASE (sum lines 18, 24, 25, & 29)		496,741,060			495,960,827	0	495,960,827	

Note 2. Excludes deferred taxes associated with the True-up Adjustment that are not otherwise included in rate base.

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2011

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount	
	O&M								
1	Transmission	321.112.b	10,314,710	TE	0.63284	6,527,535		6,527,535	[See Note 3.]
2	Less Account 565	321.96.b			1.00000	0		0	
3	A&G	323.197.b	6,304,031	W/S	1.00000	6,304,031		6,304,031	
4	Less FERC Annual Fees			W/S	1.00000	0		0	
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)			W/S	1.00000	0		0	
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)			TE	0.63284	0		0	
6	Common	356.1		CE	1.00000	0		0	
7	Transmission Lease Payments				1.00000	0			
8	TOTAL O&M (sum lines 1, 3, 5a, 6, 7 less lines 2, 4, 5)		16,618,741			12,831,566	0	12,831,566	
	DEPRECIATION EXPENSE								
9	Transmission	336.7.b & c	18,989,060	TP	1.00000	18,989,060		18,989,060	
10	General	336.10.b & c		W/S	1.00000	0		0	
11	Common	336.11.b & c		CE	1.00000	0		0	
12	TOTAL DEPRECIATION (Sum lines 9 - 11)		18,989,060			18,989,060	0	18,989,060	
	TAXES OTHER THAN INCOME TAXES (Note J)								
	LABOR RELATED								
13	Payroll	263i	220,764	W/S	1.00000	220,764		220,764	
14	Highway and vehicle	263i		W/S	1.00000	0		0	
15	PLANT RELATED								
16	Property	263i	6,236,305	GP	1.00000	6,236,305		6,236,305	
17	Gross Receipts	263i		NA	zero	0			
18	Other	263i		GP	1.00000	0		0	
19	Payments in lieu of taxes			GP	1.00000	0		0	
20	TOTAL OTHER TAXES (sum lines 13 - 19)		6,457,069			6,457,069	0	6,457,069	
	INCOME TAXES	(Note K)							
21	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		41.51%						
22	CIT=(T/1-T) * (1-(WCLTD/R)) = where WCLTD=(page 4, line 27) and R= (page 4, line30) and FIT, SIT & p are as given in footnote K.		56.00%						
23	1 / (1 - T) = (from line 21)		1.7095						
24	Amortized Investment Tax Credit (266.8f) (enter negative)								
5	Income Tax Calculation = line 22 * line 28		29,356,364	NA		29,310,254	0	29,310,254	
26	ITC adjustment (line 23 * line 24)			NP	1.00000	0		0	
27	Total Income Taxes	(line 25 plus line 26)	29,356,364			29,310,254	0	29,310,254	
28	RETURN [Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		52,422,077	NA		52,339,737	0	52,339,737	
29	REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)		123,843,311			119,927,686	0	119,927,686	

Note 3. Adjustments to Line 1 will equal the sum of the amounts on ITC's Report on FERC Form No. 1 for
Customer Accounts Expenses [FERC Form No. 1, 323.164.b], Customer Service and Informational Expenses [FERC Form No. 1, 323.171.b], and Sales Expenses [FERC Form No. 1, 323.178.b] that are not otherwise recoverable through some other tariff.
Adjustments to be made before calculation of allocator for Line 1, Column (4).

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2011

ITC Midwest LLC
SUPPORTING CALCULATIONS AND NOTES

Line No.	TRANSMISSION PLANT INCLUDED IN ISO RATES		
1	Total transmission plant (page 2, line 2, column 3)		846,357,301
2	Less transmission plant excluded from ISO rates (Note M)		
3	Less transmission plant included in OATT Ancillary Services (Note N)		
4	Transmission plant included in ISO rates (line 1 less lines 2 & 3)		846,357,301
5	Percentage of transmission plant included in ISO Rates (line 4 divided by line 1)	TP=	1.00000
	TRANSMISSION EXPENSES		
6	Total transmission expenses (page 3, line 1, column 3)		10,314,710
7	Less transmission expenses included in OATT Ancillary Services (Note L)		3,787,175
8	Included transmission expenses (line 6 less line 7)		6,527,535
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)		0.63284
10	Percentage of transmission plant included in ISO Rates (line 5)	TP	1.00000
11	Percentage of transmission expenses included in ISO Rates (line 9 times line 10)	TE=	0.63284

WAGES & SALARY ALLOCATOR (W&S)

Line		Form 1 Reference	$	TP	Allocation		W&S Allocator ($ / Allocation)		
12	Production	354.20.b		0.00	0				
13	Transmission	354.21.b	2,903,603	1.00	2,903,603				
14	Distribution	354.23.b		0.00	0				
15	Other	354.24,25,26.b		0.00	0				
16	Total (sum lines 12-15)		2,903,603		2,903,603	=	1.00000	=	WS

COMMON PLANT ALLOCATOR (CE) (Note O)

Line			$	% Electric (line 17 / line 20)		W&S Allocator (line 16)		CE
17	Electric	200.3.c	868,175,797					
18	Gas	201.3.d		1.00000	*	1.00000	=	1.00000
19	Water	201.3.e						
20	Total (sum lines 17 - 19)		868,175,797					

Line	RETURN (R)		(5) $	(6) Adjustments	(7) Adjusted Amount
21	Long Term Interest (117, sum of 62c through 67c)		$11,460,599		11,460,599
22	Preferred Dividends (118.29c) (positive number)				0
	Development of Common Stock:				
23	Proprietary Capital (112.16c) - (Note U)		309,022,096		309,022,096
24	Less Preferred Stock (line 28) - (Note U)		0		0
25	Less Account 216.1 (112.12c) (enter negative) - (Note U)				0
26	Common Stock	(sum lines 23-25)	309,022,096	0	309,022,096

Line		$	%	Cost (Note P)	Weighted		
27	Long Term Debt (112, sum of 18c through 21c) - (Note U)	206,014,731	40%	0.0556	0.0223	=WCLTD	
28	Preferred Stock (112.3c) - (Note U)		0%	0.0000	0.0000		
29	Common Stock (line 26)	309,022,096	60%	0.1388	0.0833		[See Note 4.]
30	Total (sum lines 27-29)	515,036,827			0.1055	=R	

REVENUE CREDITS

Line				Load	
	ACCOUNT 447 (SALES FOR RESALE)	(310-311)	(Note Q)		
31	a. Bundled Non-RQ Sales for Resale (311.x.h)				
32	b. Bundled Sales for Resale included in Divisor on page 1				
33	Total of (a)-(b)			0	
34	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (Note R)			$400,000	400,000
	ACCOUNT 456.1 (OTHER ELECTRIC REVENUES)	(330.x.n)			
35	a. Transmission charges for all transmission transactions			$121,761,271	
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1			$117,183,070	
37	Total of (a)-(b)			$4,578,201	

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2011

SUPPORTING CALCULATIONS AND NOTES

Note 4. Allowed ROE set to 13.88%

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Formula Rate - Non-Levelized

Rate Formula Template
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For the 12 months ended 12/31/2011

ITC Midwest LLC

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)
References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note Letter	
A	Peak as would be reported on page 401, column d of Form 1 at the time of the ISO coincident monthly peaks.
B	Labeled LF, LU, IF, IU on pages 310-311 of Form 1at the time of the ISO coincident monthly peaks.
C	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
D	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
E	The FERC's annual charges for the year assessed the Transmission Owner for service under this tariff.
F	The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income as discussed in Note K. Account 281 is not allocated.
G	Identified in Form 1 as being only transmission related.
H	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at page 3, line 8, column 5. Prepayments are the electric related prepayments booked to Account No. 165 and reported on Pages 110-111 line 57 in the Form 1.
I	Line 5 - EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1. Line 5a - Regulatory Commission Expenses directly related to transmission service, ISO filings, or transmission siting itemized at 351.h.
J	Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
K	The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 3, line 26).

Inputs Required:			
	FIT =	35.00%	
	SIT=	11.77%	(State Income Tax Rate or Composite SIT)
	p =	47.41%	(percent of federal income tax deductible for state purposes)

L	Removes dollar amount of transmission expenses included in the OATT ancillary services rates, including all of Account Nos. 561.1, 561.2, 561.3, and 561.BA. Removes transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until Form 1 balances are adjusted to reflect application of seven-factor test).
N	Removes dollar amount of transmission plant included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed to included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
O	Enter dollar amounts
P	Debt cost rate = long-term interest (line 21) / long term debt (line 27). Preferred cost rate = preferred dividends (line 22) / preferred outstanding (line 28). ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
Q	Line 33 must equal zero since all short-term power sales must be unbundled and the transmission component reflected in Account No. 456.1 and all other uses are to be included in the divisor.
R	Includes income related only to transmission facilities, such as pole attachments, rentals and special use.
S	Grandfathered agreements whose rates have been changed to eliminate or mitigate pancaking - the revenues are included in line 4 page 1 and the loads are included in line 13, page 1. Grandfathered agreements whose rates have <u>not</u> been changed to eliminate or mitigate pancaking - the revenues are not included in line 4, page 1 nor are the loads included in line 13, page 1.
T	The revenues credited on page 1 lines 2-5 shall include only the amounts received directly (in the case of grandfathered agreements) or from the ISO (for service under this tariff) reflecting the Transmission Owner's integrated transmission facilities. They do not include revenues associated with FERC annual charges, gross receipts taxes, ancillary services, facilities not included in this template (e.g., direct assignment facilities and GSUs) which are not recovered under this Rate Formula Template.
U	Calculate using 13 month average balance.
V	Calculate using average of beginning and end of year balances.

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Exhibit___(CPN-1)

Schedule B

Attachment O (2012)

Original Sheet No.______
page 1 of 6

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2012

Line No.			(1)	(2)		(3) Allocated Amount	(4) Adjustments	(5) Adjusted Allocated Amount
1	GROSS REVENUE REQUIREMENT	(page 3, line 29)		12 months		$127,513,737	0	$127,513,737
	REVENUE CREDITS	(Note T)	Total	Allocator				
2	Account No. 454	(page 4, line 34)	400,000	TP	1.00000	400,000	0	400,000
3	Account No. 456.1	(page 4, line 37)	4,538,817	TP	1.00000	4,538,817		4,538,817
4	Revenues from Grandfathered Interzonal Transactions		0	TP	1.00000	0		0
5	Revenues from service provided by the ISO at a discount		0	TP	1.00000	0		0
6	TOTAL REVENUE CREDITS (sum lines 2-5)					4,938,817	0	4,938,817
6A	True-up Adjustment	[See Note 1.]						
7	NET REVENUE REQUIREMENT	(line 1 minus line 6 plus line 6				$122,574,920	$ -	$122,574,920
	DIVISOR							
8	Average of 12 coincident system peaks for requirements (RQ) service			(Note A)		2,800,451		2,800,451
9	Plus 12 CP of firm bundled sales over one year not in line 8			(Note B)				0
10	Plus 12 CP of Network Load not in line 8			(Note C)		242,908		242,908
11	Less 12 CP of firm P-T-P over one year (enter negative)			(Note D)				0
12	Plus Contract Demand of firm P-T-P over one year							0
13	Less Contract Demand from Grandfathered Interzonal Transactions over one year (enter negative) (Note S)							0
14	Less Contract Demands from service over one year provided by ISO at a discount (enter negative)							0
15	Divisor (sum lines 8-14)					3,043,359	0	3,043,359

Line No.					
16	Annual Cost ($/kW/Yr)	(line 7 / line 15)	40.276		
17	Network & P-to-P Rate ($/kW/Mo)	(line 16 / 12)	3.356		
			Peak Rate		Off-Peak Rate
18	Point-To-Point Rate ($/kW/Wk)	(line 16 / 52; line 16 / 52)	0.775		$0.775
19	Point-To-Point Rate ($/kW/Day)	(line 18 / 5; line 18 / 7)	0.155	Capped at weekly rate	$0.111
20	Point-To-Point Rate ($/MWh)	(line 19 / 16; line 19 / 24 times 1,000)	9.682	Capped at weekly and daily rates	$4.610
21	FERC Annual Charge($/MWh)	(Note E)		Short Term	$0.000 Short Term
22				Long Term	$0.000 Long Term

NOTES

Note 1. Calculated in accordance with the Annual Rate Calculation and True-up Procedures on pages ______ and ______ of this Tariff.

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Effective: January 1, 2012

Original Sheet No.______
page 2 of 6

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2009

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount	
	RATE BASE:								
	GROSS PLANT IN SERVICE								
1	Production	205.46.g		NA				0	
2	Transmission - (Note U)	207.58.g	904,042,731	TP	1.00000	904,042,731		904,042,731	
3	Distribution	207.75.g		NA					
4	General & Intangible - (Note U)	205.5.g & 207.99.g		W/S	1.00000	0		0	
5	Common	356.1		CE	1.00000	0		0	
6	TOTAL GROSS PLANT (sum lines 1-5)		904,042,731	GP=	100.000%	904,042,731	0	904,042,731	
	ACCUMULATED DEPRECIATION								
7	Production	219.20-24.c		NA					
8	Transmission - (Note U)	219.25.c	348,522,329	TP	1.00000	348,522,329		348,522,329	
9	Distribution	219.26.c		NA					
10	General & Intangible - (Note U)	219.28.c		W/S	1.00000	0		0	
11	Common	356.1		CE	1.00000	0		0	
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)		348,522,329			348,522,329	0	348,522,329	
	NET PLANT IN SERVICE								
13	Production	(line 1- line 7)	0						
14	Transmission	(line 2- line 8)	555,520,402			555,520,402		555,520,402	
15	Distribution	(line 3 - line 9)							
16	General & Intangible	(line 4 - line 10)	0			0		0	
17	Common	(line 5 - line 11)	0			0		0	
18	TOTAL NET PLANT (sum lines 13-17)		555,520,402	NP=	100.000%	555,520,402	0	555,520,402	
	ADJUSTMENTS TO RATE BASE (Note F)								
19	Account No. 281 (enter negative) - (Note V	273.8.k		NA	zero	0			
20	Account No. 282 (enter negative) - (Note \	275.2.k	-27,007,530	NP	1.00000	-27,007,530		-27,007,530	
21	Account No. 283 (enter negative) - (Note \	277.9.k		NP	1.00000	0		0	[See Note 2.]
22	Account No. 190 - (Note V)	234.8.c		NP	1.00000	0		0	[See Note 2.]
23	Account No. 255 (enter negative) - (Note \	267.8.h		NP	1.00000	0		0	
24	TOTAL ADJUSTMENTS (sum lines 19- 23B)		-27,007,530			-27,007,530	0	-27,007,530	
25	LAND HELD FOR FUTURE USE - (Note V)	214.x.d (Note G)	0	TP	1.00000	0		0	
	WORKING CAPITAL (Note H)								
26	CWC	calculated	2,136,318			1,650,131	0	1,650,131	
27	Materials & Supplies (Note G) - (Note V)	227.8.c & .16.c	857,423	TE	0.63363	543,289		543,289	
28	Prepayments (Account 165) - (Note V)	111.57.c	0	GP	1.00000	0		0	
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)		2,993,741			2,193,420	0	2,193,420	
30	RATE BASE (sum lines 18, 24, 25, & 29)		531,506,613			530,706,292	0	530,706,292	

Note 2. Excludes deferred taxes associated with the True-up Adjustment that are not otherwise included in rate base.

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Original Sheet No.______
page 3 of 6

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

ITC Midwest LLC

For the 12 months ended 12/31/2012

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount	
	O&M								
1	Transmission	321.112.b	10,616,303	TE	0.63363	6,726,807		6,726,807	[See Note 3.]
2	Less Account 565	321.96.b			1.00000	0		0	
3	A&G	323.197.b	6,474,240	W/S	1.00000	6,474,240		6,474,240	
4	Less FERC Annual Fees			W/S	1.00000	0		0	
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)			W/S	1.00000	0		0	
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)			TE	0.63363	0		0	
6	Common	356.1		CE	1.00000	0		0	
7	Transmission Lease Payments				1.00000	0			
8	TOTAL O&M (sum lines 1, 3, 5a, 6, 7 less lines 2, 4, 5)		17,090,543			13,201,047	0	13,201,047	
	DEPRECIATION EXPENSE								
9	Transmission	336.7.b & c	20,315,825	TP	1.00000	20,315,825		20,315,825	
10	General	336.10.b & c		W/S	1.00000	0		0	
11	Common	336.11.b & c		CE	1.00000	0		0	
12	TOTAL DEPRECIATION (Sum lines 9 - 11)		20,315,825			20,315,825	0	20,315,825	
	TAXES OTHER THAN INCOME TAXES (Note J)								
	LABOR RELATED								
13	Payroll	263i	226,725	W/S	1.00000	226,725		226,725	
14	Highway and vehicle	263i		W/S	1.00000	0		0	
15	PLANT RELATED								
16	Property	263i	6,400,005	GP	1.00000	6,400,005		6,400,005	
17	Gross Receipts	263i		NA	zero	0			
18	Other	263i		GP	1.00000	0		0	
19	Payments in lieu of taxes			GP	1.00000	0		0	
20	TOTAL OTHER TAXES (sum lines 13 - 19)		6,626,730			6,626,730	0	6,626,730	
	INCOME TAXES (Note K)								
21	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		41.51%						
22	CIT=(T/1-T) * (1-(WCLTD/R)) = where WCLTD=(page 4, line 27) and R= (page 4, line30) and FIT, SIT & p are as given in footnote K.		56.00%						
23	1 / (1 - T) = (from line 21)		1.7096						
24	Amortized Investment Tax Credit (266.8f) (enter negative)								
25	Income Tax Calculation = line 22 * line 28		31,410,936	NA		31,363,638	0	31,363,638	
26	ITC adjustment (line 23 * line 24)			NP	1.00000	0		0	
27	Total Income Taxes	(line 25 plus line 26)	31,410,936			31,363,638	0	31,363,638	
28	RETURN [Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		56,090,956	NA		56,006,497	0	56,006,497	
29	REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)		131,534,990			127,513,737	0	127,513,737	

Note 3. Adjustments to Line 1 will equal the sum of the amounts on ITC's Report on FERC Form No. 1 for Customer Accounts Expenses [FERC Form No. 1, 323.164.b], Customer Service and Informational Expenses [FERC Form No. 1, 323.171.b], and Sales Expenses [FERC Form No. 1, 323.178.b] that are not otherwise recoverable through some other tariff. Adjustments to be made before calculation of allocator for Line 1, Column (4).

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2012

ITC Midwest LLC
SUPPORTING CALCULATIONS AND NOTES

Line No.									
	TRANSMISSION PLANT INCLUDED IN ISO RATES								
1	Total transmission plant (page 2, line 2, column 3)						904,042,731		
2	Less transmission plant excluded from ISO rates (Note M)								
3	Less transmission plant included in OATT Ancillary Services (Note N)								
4	Transmission plant included in ISO rates (line 1 less lines 2 & 3)						904,042,731		
5	Percentage of transmission plant included in ISO Rates (line 4 divided by line 1)					TP=	1.00000		
	TRANSMISSION EXPENSES								
6	Total transmission expenses (page 3, line 1, column 3)						10,616,303		
7	Less transmission expenses included in OATT Ancillary Services (Note L)						3,889,496		
8	Included transmission expenses (line 6 less line 7)						6,726,807		
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)						0.63363		
10	Percentage of transmission plant included in ISO Rates (line 5)					TP	1.00000		
11	Percentage of transmission expenses included in ISO Rates (line 9 times line 10)					TE=	0.63363		

Line No.	WAGES & SALARY ALLOCATOR (W&S)	Form 1 Reference	$	TP	Allocation				
12	Production	354.20.b		0.00	0				
13	Transmission	354.21.b	2,982,000	1.00	2,982,000				
14	Distribution	354.23.b		0.00	0		W&S Allocator		
15	Other	354.24,25,26.b		0.00	0		($ / Allocation)		
16	Total (sum lines 12-15)		2,982,000		2,982,000	=	1.00000	=	WS

Line No.	COMMON PLANT ALLOCATOR (CE) (Note O)		$	% Electric (line 17 / line 20)		W&S Allocator (line 16)		CE
17	Electric	200.3.c	939,909,665	1.00000	*	1.00000	=	1.00000
18	Gas	201.3.d						
19	Water	201.3.e						
20	Total (sum lines 17 - 19)		939,909,665					

Line No.	RETURN (R)		(5) $	(6) Adjustments	(7) Adjusted Amount
21		Long Term Interest (117, sum of 62c through 67c)	$12,233,756		12,233,756
22		Preferred Dividends (118.29c) (positive number)			0
	Development of Common Stock:				
23		Proprietary Capital (112.16c) - (Note U)	329,869,375		329,869,375
24		Less Preferred Stock (line 28) - (Note U)	0		0
25		Less Account 216.1 (112.12c) (enter negative) - (Note U)			0
26		Common Stock (sum lines 23-25)	329,869,375	0	329,869,375

Line No.		$	%	Cost (Note P)	Weighted	
27	Long Term Debt (112, sum of 18c through 21c) - (Note U)	219,912,917	40%	0.0556	0.0223 =WCLTD	
28	Preferred Stock (112.3c)- (Note U)		0%	0.0000	0.0000	
29	Common Stock (line 26)	329,869,375	60%	0.1388	0.0833	[See Note 4.]
30	Total (sum lines 27-29)	549,782,292			0.1055 =R	

Line No.	REVENUE CREDITS			Load	
	ACCOUNT 447 (SALES FOR RESALE)	(310-311)	(Note Q)		
31	a. Bundled Non-RQ Sales for Resale (311.x.h)				
32	b. Bundled Sales for Resale included in Divisor on page 1				
33	Total of (a)-(b)			0	
34	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (Note R)			$400,000	400,000
	ACCOUNT 456.1 (OTHER ELECTRIC REVENUES)	(330.x.n)			
35	a. Transmission charges for all transmission transactions			$129,432,860	
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1			$124,894,043	
37	Total of (a)-(b)			$4,538,817	

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2012

SUPPORTING CALCULATIONS AND NOTES

Note 4. Allowed ROE set to 13.88%

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Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2012

ITC Midwest LLC

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)
References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note Letter	
A	Peak as would be reported on page 401, column d of Form 1 at the time of the ISO coincident monthly peaks.
B	Labeled LF, LU, IF, IU on pages 310-311 of Form 1at the time of the ISO coincident monthly peaks.
C	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
D	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
E	The FERC's annual charges for the year assessed the Transmission Owner for service under this tariff.
F	The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income as discussed in Note K. Account 281 is not allocated.
G	Identified in Form 1 as being only transmission related.
H	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at page 3, line 8, column 5. Prepayments are the electric related prepayments booked to Account No. 165 and reported on Pages 110-111 line 57 in the Form 1.
I	Line 5 - EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1. Line 5a - Regulatory Commission Expenses directly related to transmission service, ISO filings, or transmission siting itemized at 351.h.
J	Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
K	The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 3, line 26).

Inputs Required:	FIT =	35.00%	
	SIT=	11.77%	(State Income Tax Rate or Composite SIT)
	p =	47.41%	(percent of federal income tax deductible for state purposes)

L	Removes dollar amount of transmission expenses included in the OATT ancillary services rates, including all of Account Nos. 561.1, 561.2, 561.3, and 561.BA.
M	Removes transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until Form 1 balances are adjusted to reflect application of seven-factor test).
N	Removes dollar amount of transmission plant included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed to included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
O	Enter dollar amounts
P	Debt cost rate = long-term interest (line 21) / long term debt (line 27). Preferred cost rate = preferred dividends (line 22) / preferred outstanding (line 28). ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
Q	Line 33 must equal zero since all short-term power sales must be unbundled and the transmission component reflected in Account No. 456.1 and all other uses are to be included in the divisor.
R	Includes income related only to transmission facilities, such as pole attachments, rentals and special use.
S	Grandfathered agreements whose rates have been changed to eliminate or mitigate pancaking - the revenues are included in line 4 page 1 and the loads are included in line 13, page 1. Grandfathered agreements whose rates have <u>not</u> been changed to eliminate or mitigate pancaking - the revenues are not included in line 4, page 1 nor are the loads included in line 13, page 1.
T	The revenues credited on page 1 lines 2-5 shall include only the amounts received directly (in the case of grandfathered agreements) or from the ISO (for service under this tariff) reflecting the Transmission Owner's integrated transmission facilities. They do not include revenues associated with FERC annual charges, gross receipts taxes, ancillary services, facilities not included in this template (e.g., direct assignment facilities and GSUs) which are not recovered under this Rate Formula Template.
U	Calculate using 13 month average balance.
V	Calculate using average of beginning and end of year balances.

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Exhibit___(CPN-1)

Schedules B-1 through B-12

Attachment O Support

Attachment O Support
Rate Base--Plant in Service and Depreciation

ITC Midwest
Transmission Assets Sale

Line	Description	Note	2007	2008	2009	2010	2011	2012
1	AFUDC							
2	CWIP ending balance	Note 1	19,076,000	19,076,000	19,076,000	19,076,000	19,076,000	19,076,000
3	Average CWIP balance			19,076,000	19,076,000	19,076,000	19,076,000	19,076,000
4	AFUDC Rate - Weighted Average Cost of	Note 2		10.5532%	10.5532%	10.5532%	10.5532%	10.5532%
5	AFUDC			2,013,128	2,013,128	2,013,128	2,013,128	2,013,128
6								
7								
8	Plant-In-Service Additions							
9	Total loaded capital additions before AFUI	Note 3		39,709,000	42,822,000	42,544,000	45,162,000	75,537,000
10	AFUDC			2,013,128	2,013,128	2,013,128	2,013,128	2,013,128
11	Additions with AFUDC			41,722,128	44,835,128	44,557,128	47,175,128	77,550,128
12								
13	Retirements as percentage of additions	Note 4		7.5%	7.5%	7.5%	7.5%	7.5%
14	Retirements			3,129,160	3,362,635	3,341,785	3,538,135	5,816,260
15								
16	Plant-In-Service Beginning Balance			703,258,000	741,850,968	783,323,461	824,538,804	868,175,797
17	Additions			41,722,128	44,835,128	44,557,128	47,175,128	77,550,128
18	Retirements			3,129,160	3,362,635	3,341,785	3,538,135	5,816,260
19	Plant-In-Service Ending Balance	Note 5	703,258,000	741,850,968	783,323,461	824,538,804	868,175,797	939,909,665
20								
21	Plant-In-Service Average Balance			722,554,484	762,587,215	803,931,133	846,357,301	904,042,731
22	Less: Land	Note 6		20,746,000	20,746,000	20,746,000	20,746,000	20,746,000
23	Plant-In-Service Average Balance Without Land			701,808,484	741,841,215	783,185,133	825,611,301	883,296,731
24								
25								
26	Book Depreciation							
27	Book Depreciation Rate	Note 7		2.3%	2.3%	2.3%	2.3%	2.3%
28								
29	Book Depreciation Expense			16,141,595	17,062,348	18,013,258	18,989,060	20,315,825
30								
31	Book Depreciation Reserve Beginning of Year			284,438,000	297,450,435	311,150,148	325,821,621	341,272,546
32	Current Year Book Depreciation Expense			16,141,595	17,062,348	18,013,258	18,989,060	20,315,825
33	Current Year Retirements			3,129,160	3,362,635	3,341,785	3,538,135	5,816,260
34	Book Depreciation Reserve End of Year	Note 8	284,438,000	297,450,435	311,150,148	325,821,621	341,272,546	355,772,111
35								
36	Book Depreciation Reserve Average			290,944,218	304,300,292	318,485,885	333,547,084	348,522,329
37								
38								
39								

40 Note 1: Exh___(CAH-1), Sch D(a), p 3 of 6, line 5 (CWIP)
41 Note 2: Exh___(CPN-1), Schedule C, line 5, column (c)
42 Note 3: Exh___(CAH-1), Sch D(a), p 1 of 6, line 23 (Additions)
43 Note 4: Exh___(CAH-1), Sch D(a), p 1 of 6, line 11 (Retirements %)
44 Note 5: Exh___(CAH-1), Sch D(a), p 1 of 6, line 4, for 2007 (PIS, 2007)
45 Note 6: Exh___(CAH-1), Sch D(a), p 4 of 6, line 4 (land)
46 Note 7: Exh___(CAH-1), Sch D(a), p 4 of 6, line 6 (depreciation rate)
47 Note 8: Exh___(CAH-1), Sch D(a), p 2 of 6, line 4 for 2007 (DeprRes)
48
49

Exhibit___(CPN-1)
Schedule B-2

ITC Midwest
Transmission Assets Sale

Attachment O Support
Rate Base--Tax Depreciation

Line	Description	Note	2007	2008	2009	2010	2011	2012
1	Tax Depreciation							
2	Additions Break-Down							
3	Percent of additions 34.5kV - 20 yr MACRS	Note 1		20.86%	23.58%	15.75%	28.27%	15.19%
4	Percent of additions 69kV and above - 15 yr MACRS	Note 1		79.14%	76.42%	84.25%	71.73%	84.81%
5	Total			100.00%	100.00%	100.00%	100.00%	100.00%
6								
7	MACRS Schedule							
8	MACRS 20 years - Current Net PP&E	Note 2		0.0375	0.07219	0.06677	0.06177	0.05713
9								
10	34.5kV Additions							
11	MACRS 20 years - 2008 Additions	Note 2		0.0375	0.07219	0.06677	0.06177	0.05713
12	MACRS 20 years - 2009 Additions	Note 2			0.0375	0.07219	0.06677	0.06177
13	MACRS 20 years - 2010 Additions	Note 2				0.0375	0.07219	0.06677
14	MACRS 20 years - 2011 Additions	Note 2					0.0375	0.07219
15	MACRS 20 years - 2012 Additions	Note 2						0.0375
16								
17	69kV+ Additions							
18	MACRS 15 years - 2008 Additions	Note 2		0.05	0.095	0.0855	0.077	0.0693
19	MACRS 15 years - 2009 Additions	Note 2			0.05	0.095	0.0855	0.077
20	MACRS 15 years - 2010 Additions	Note 2				0.05	0.095	0.0855
21	MACRS 15 years - 2011 Additions	Note 2					0.05	0.095
22	MACRS 15 years - 2012 Additions	Note 2						0.05
23								
24	Tax Base							
25	Tax Base 2008 20 year MACRS Vintage	Note 3		398,074,000	398,074,000	398,074,000	398,074,000	398,074,000
26								
27	Tax Base 2008 20 year MACRS Vintage			8,703,236	8,703,236	8,703,236	8,703,236	8,703,236
28	Tax Base 2009 20 year MACRS Vintage				10,572,123	10,572,123	10,572,123	10,572,123
29	Tax Base 2010 20 year MACRS Vintage					7,017,748	7,017,748	7,017,748
30	Tax Base 2011 20 year MACRS Vintage						13,336,409	13,336,409
31	Tax Base 2012 20 year MACRS Vintage							11,779,864
32								
33	Tax Base 2008 15 year MACRS Vintage			33,018,892	33,018,892	33,018,892	33,018,892	33,018,892
34	Tax Base 2009 15 year MACRS Vintage				34,263,005	34,263,005	34,263,005	34,263,005
35	Tax Base 2010 15 year MACRS Vintage					37,539,380	37,539,380	37,539,380
36	Tax Base 2011 15 year MACRS Vintage						33,838,719	33,838,719
37	Tax Base 2012 15 year MACRS Vintage							65,770,264
38								
39	Total Tax Base			439,796,128	484,631,256	529,188,384	576,363,512	653,913,640
40								
41	Tax Depreciation							
42	Tax Depr 2008 20yr MACRS vintage			14,927,775	28,736,962	26,579,401	24,589,031	22,741,968
43								
44	Tax Depr 2008 20 yr MACRS vintage			326,371	628,287	581,115	537,599	497,216
45	Tax Depr 2009 20 yr MACRS vintage				396,455	763,202	705,901	653,040
46	Tax Depr 2010 20 yr MACRS vintage					263,166	506,611	468,575
47	Tax Depr 2011 20 yr MACRS vintage						500,115	962,755
48	Tax Depr 2012 20 yr MACRS vintage							441,745
49								
50	Tax Depr 2008 15 yr MACRS vintage			1,650,945	3,136,795	2,823,115	2,542,455	2,288,209
51	Tax Depr 2009 15 yr MACRS vintage				1,713,150	3,254,985	2,929,487	2,638,251
52	Tax Depr 2010 15 yr MACRS vintage					1,876,969	3,566,241	3,209,617
53	Tax Depr 2011 15 yr MACRS vintage						1,691,936	3,214,678
54	Tax Depr 2012 15 yr MACRS vintage							3,288,513
55								
56	Total Tax Depreciation			16,905,091	34,611,649	36,141,953	37,569,376	40,404,567
57								
58								

59 Note 1: D. Collins (DDC-1), Schedule D, line 5 divided by line 11 (CONFIDENTIAL)

60

61 Note 2: Publication 519, 2005, Table A-1.

62

Note 3: Tax basis from Exhibit___(CPN-1), Schedule B-1: PIS-DeprRes-Land=
=703,258 - 284,438 - 20,746 = 398,074 ($000 omitted)

65

Exhibit___(CPN-1)
Schedule B-3

Attachment O Support
Rate Base--Deferred Taxes

ITC Midwest
Transmission Assets Sale

			2007	2008	2009	2010	2011	2012
1	Total Tax Depreciation	Note 1		16,905,091	34,611,649	36,141,953	37,569,376	40,404,567
2	Total Book Depreciation	Note 2		16,141,595	17,062,348	18,013,258	18,989,060	20,315,825
3	Difference			763,496	17,549,301	18,128,695	18,580,316	20,088,742
4								
5	Accumulated Deferred Income Taxes - Federal							
6	Federal Income Tax Federal Rate Effective	Note 3		31.4958%	31.4958%	31.4958%	31.4958%	31.4958%
7	Deferred Income Taxes Federal			240,469	5,527,294	5,709,779	5,852,021	6,327,112
8								
9	Accumulated Federal Deferred Income Taxes Beginning of Year			0	240,469	5,767,763	11,477,542	17,329,563
10	Current Year Federal Deferred Income Taxes			240,469	5,527,294	5,709,779	5,852,021	6,327,112
11	Accumulated Federal Deferred Income Taxes End of Year		0	240,469	5,767,763	11,477,542	17,329,563	23,656,675
12								
13	Iowa effective tax rate	Note 3		9.3260%	9.3260%	9.3260%	9.3260%	9.3260%
14	Deferred Income Taxes - Iowa			71,203	1,636,644	1,690,678	1,732,796	1,873,471
15								
16	Accumulated Deferred Income Taxes - Iowa							
17	Accumulated Deferred Income Taxes Beginning of Year			0	71,203	1,707,847	3,398,525	5,131,321
18	Current Year Deferred Income Taxes			71,203	1,636,644	1,690,678	1,732,796	1,873,471
19	Accumulated Iowa Deferred Income Taxes End of Year		0	71,203	1,707,847	3,398,525	5,131,321	7,004,792
20								
21								
22	Minnesota effective tax rate	Note 3		0.6860%	0.6860%	0.6860%	0.6860%	0.6860%
23	Deferred Income Taxes - Minnesota			5,238	120,388	124,363	127,461	137,809
24								
25	Accumulated Deferred Income Taxes - Minnesota							
26	Accumulated Deferred Income Taxes Beginning of Year			0	5,238	125,626	249,989	377,450
27	Current Year Deferred Income Taxes			5,238	120,388	124,363	127,461	137,809
28	Accumulated Minnesota Deferred Income Taxes End of Year		0	5,238	125,626	249,989	377,450	515,259
29								
30	Total Deferred Income Tax Expense			316,910	7,284,326	7,524,820	7,712,278	8,338,392
31								
32	Total Accumulated Deferred Income Taxes End of Year			316,910	7,601,236	15,126,056	22,838,334	31,176,726
33								
34	Total Accumulated Deferred Income Taxes Average			158,455	3,959,073	11,363,646	18,982,195	27,007,530
35								
36								
37	Note 1: Exhibit___(CPN-1), Sch B-2, line 56							
38	Note 2: Exhibit___(CPN-1), Sch B-1, line 29							
39	Note 3: Exhibit___(CPN-1), Sch E							
40								
41								
42								

Exhibit ___(CPN-1)
Schedule B-4

Attachment O Support
Rate Base--Materials and Supplies

ITC Midwest
Transmission Assets Sale

			2007	2008	2009	2010	2011	2012
1	Materials & Supplies	Note 1	763,829	783,689	804,064	824,970	846,419	868,426
2	Materials & Supplies Additions							
3	Materials & Supplies - Average			773,759	793,877	814,517	835,695	857,423
4	Attachment O Allocation Factor TE	Note 2		0.6338146	0.6312586	0.6320471	0.6328375	0.6336299
5	Materials & Supplies included in Rate Base			490,420	501,142	514,813	528,859	543,289
6								
7								
8								
9								
10	Note 1: Exh___(CAH-1), Sch D, p 3 of 3, line 73							
11								
12	Note 2: Exh___(CPN-1), Sch B-5, line 28							
13								

Exhibit___(CPN-1)
Schedule B-5

Attachment O Support
Operations and Maintenance Expense

ITC Midwest
Transmission Assets Sale

Line	Description	Note	2008	2009	2010	2011	2012
1	Operations & maintenance expense:						
2	IP&L operation expense	Note 1	20,573,202	21,125,359	21,711,729	22,314,642	22,949,188
3	IP&L maintenance expense	Note 2	3,570,589	3,689,224	3,799,453	3,913,049	4,030,117
4	Total IP&L operation & maintenance expense		24,143,791	24,814,583	25,511,182	26,227,691	26,979,305
5							
6	Reductions to IP&L's operations & maintenance expense:						
7	IP&L continued costs:						
8	Wheeling to others (FERC 565)	Note 3	11,233,200	11,525,263	11,824,920	12,132,368	12,447,809
9	Balancing activities(FERC 561)	Note 4	310,441	321,306	332,552	344,191	356,238
10	FERC admin fees (FERC 561400 and 561	Note 5	1,689,200	1,733,120	1,778,180	1,824,413	1,871,848
11	Uncollectable accounts (FERC 904)	Note 6	302,503	317,486	332,462	348,061	378,921
12	Total IP&L continued costs		13,535,344	13,897,175	14,268,114	14,649,033	15,054,816
13							
14	Account 561 expense	Note 7	3,777,645	3,911,925	4,020,126	4,131,366	4,245,734
15	Account 561 expense continuing	Note 8	310,441	321,306	332,552	344,191	356,238
16	ITC Midwest Load Dispatching Acct 561		3,467,204	3,590,619	3,687,574	3,787,175	3,889,496
17							
18	IP&L payroll related benefits (FERC 926)	Note 9	1,140,009	1,179,909	1,221,205	1,263,948	1,308,186
19							
20	Total reductions to IP&L's operations & maintenan		18,142,557	18,667,703	19,176,893	19,700,156	20,252,498
21							
22	ITC Midwest Attmnt O O&M		6,001,234	6,146,880	6,334,289	6,527,535	6,726,807
23							
24	ITC Midwest Operation & Maintenance		9,468,438	9,737,499	10,021,863	10,314,710	10,616,303
25	Less: ITC Midwest Load Dispatching Acct 561		3,467,204	3,590,619	3,687,574	3,787,175	3,889,496
26	Net Operation & Maintenance		6,001,234	6,146,880	6,334,289	6,527,535	6,726,807
27							
28	Allocation Factor (O&M as a % Net O&M)		0.63381457	0.6312586	0.63204706	0.63283747	0.6336299
29							
30							
31	Note 1: Exh___(CAH-1), Sch A, line 2						
32	Note 2: Exh___(CAH-1), Sch A, line 3						
33	Note 3: Exh___(CAH-1), Sch F-1, p 1 of 1, line 4						
34	Note 4: Exh___(CAH-1), Sch F-1, p 1 of 1, line 5						
35	Note 5: Exh___(CAH-1), Sch F-1, p 1 of 1, line 6						
36	Note 6: Exh___(CAH-1), Sch F-1, p 1 of 1, line 7						
37	Note 7: Exh___(DDC-1), Sch C, p 1 of 4, line 22						
38	Note 8: Exh___(CAH-1), Sch F-1, p 1 of 1, line 5						
39	Note 9: Exh___(CAH-1), Sch B, p 1 of 3, line 15						
40							
41							

Exhibit___(CPN-1)
Schedule B-6

ITC Midwest
Transmission Assets Sale

Administrative and General Expense
Payroll Taxes

Line		2005	2006	2007	2008	2009	2010	2011	2012
1	Administrative & General Expenses and Payroll Taxes:								
2									
3	A&G Expense	5,372,738	5,517,802	5,666,783	5,819,786	5,976,920	6,138,297	6,304,031	6,474,240
4									
5									
6	Payroll Tax Expense	188,151	193,231	198,448	203,806	209,309	214,960	220,764	226,725
7									
8									
9									
10									

Line				
11			Load	Allocation
12				Factor
13	Attachment O divisor kW:			
14	ITC	Note 1	9,238,083	0.48181308
15	METC	Note 2	7,116,500	0.37116172
16	IP&L	Note 3	2,819,000	0.14702521
17	Total kW		19,173,583	1
18				
19				
20				
21	2005 allocations:		Common	Allocated
22	A&G Costs not directly assig		Costs	Costs
23	ITC	Note 4	23,560,395	17,606,881
24	METC	Note 5	9,032,869	13,563,352
25	IP&L	Note 6	3,949,707	5,372,738
26	Total		36,542,971	36,542,971
27				
28	Payroll Taxes not directly assigned:			
29	ITC	Note 7	638,099	616,587
30	METC	Note 8	261,195	474,984
31	IP&L	Note 9	380,428	188,151
32	Total		1,279,722	1,279,722
33				
34				
35				
36	Cost Escalation Ra	Note 10	2.70%	
37				
38				
39				

40 Note 1: ITC 12/31/05 Attachment O, page 1, line 15
41 Note 2: METC 12/31/05 Attachment O, page 1, line 15
42 Note 3: IPL 12/31/05 Attachment O, page 1, line 15

43 Note 4: ITC 12/31/05 Attachment O, page 3, column 5, lines 3 - 5 + 5a [23,701,817 - 355,632 + 214,210 = 23,560,395]
44 Note 5: METC 12/31/05 Attachment O, page 3, column 5, lines 3 -5 + 5a [9,032,869]
45 Note 6: IPL 12/31/05 Attachment O, page 3, column 5, lines 3- 5 + 5a [4,239,088 - 289,381 = 3,949,707]

46 Note 7: ITC 12/31/05 Attachment O, page 3, column 5, line 13
47 Note 8: METC 12/31/05 Attachment O, page 3, column 5, line 13
48 Note 9: IPL 12/31/05 Attachment O, page 3, column 5, line 13

49 Note 10: Schedule F-1, page 1 of 1, note for Line 8

Exhibit___(CPN-1)
Schedule B-7

Attachment O Support
Taxes Other Than Income Taxes

ITC Midwest
Transmission Assets Sale

			2008	2009	2010	2011	2012
1	Property taxes	Note 1	6,197,305	6,209,805	6,222,005	6,236,305	6,400,005
2	Payroll taxes	Note 2	203,806	209,309	214,960	220,764	226,725
3	Total Taxes Other Than Income Taxes		6,401,111	6,419,114	6,436,965	6,457,069	6,626,730
4							
5							
6	Note 1: Property taxes Exh___(CAH-1), Sch B, p 2 of 3, line 32						
7	Note 2: Payroll taxes from Schedule B-6, line 6						
8							
9							
10							

Exhibit___(CPN-1)
Schedule B-8

Attachment O Support
Revenue Credits

ITC Midwest
Transmission Assets Sale

Line			2008	2009	2010	2011	2012
1	Revenue Credits						
2	Point to Point Revenue Credits--IPL	Note 1	3,113,000	3,197,000	3,284,000	3,372,000	3,463,000
3							
4	IPL Gross Baseline Revenue Requirement	Note 2	92,792,000	97,388,000	101,982,000	106,767,000	116,234,000
5	Costs retained by IPL	Note 3	13,535,344	13,897,175	14,268,115	14,649,033	15,054,816
6	Sch 1 costs	Note 4	3,467,204	3,590,619	3,687,574	3,787,175	3,889,496
7	IPL Network Revenue Requirement		75,789,452	79,900,206	84,026,311	88,330,792	97,289,688
8							
9	ITC Midwest Gross Network Revenue Requireme	Note 5	105,717,604	110,733,215	115,312,249	119,927,687	127,513,736
10							
11	Increase in Revenue Requirement over IP&L		0.39488545	0.38589399	0.37233502	0.35771099	0.31066034
12							
13	Point-to-Point Revenue Credits - ITC Midwest		4,342,278	4,430,703	4,506,748	4,578,201	4,538,817
14							
15							
16	Note 1: Exhibit___(CAH-1), Schedule F(a), page 1 of 1, line 2						
17	Note 2: Exhibit___(CAH-1), Sch F(a), p 1 of 1, line 1						
18	Note 3: Exhibit___(CAH-1), Sch F-1, p 1 of 1, sum of lines 4 through 7						
19	Note 4: Exhibit___(DDC-1), Sch C, p1 of 4, line 22 less Exhibit___(CAH-1), Sch F-1, line 5						
20	Note 5: Exhibit___(CPN-1), Sch A-1, line 1						
21							
22							

Exhibit___(CPN-1)
Schedule B-9

ITC Midwest
Transmission Assets Sale

Attachment O Support
Income Taxes

			2008	2009	2010	2011	2012
1	Rate Base	Note 1	433,419,859	456,344,467	476,155,488	495,960,827	530,706,292
2	Weight of Debt	Note 2	40%	40%	40%	40%	40%
3	Cost of Debt	Note 3	5.563%	5.563%	5.563%	5.563%	5.563%
4	Interest imputed in return on rate base		9,644,459	10,154,577	10,595,412	11,036,120	11,809,276
5							
6							
7							
8							
9	ITC Midwest Network Revenue Requirem	Note 4	100,975,326	105,902,512	110,405,501	114,949,486	122,574,919
10	+Rents	Note 5	400,000	400,000	400,000	400,000	400,000
11	+PTP revenues	Note 6	4,342,278	4,430,703	4,506,748	4,578,201	4,538,817
12	Subtotal Revenues		105,717,604	110,733,215	115,312,249	119,927,687	127,513,736
13	-Transmission O&M included in network r	Note 7	6,001,234	6,146,880	6,334,289	6,527,535	6,726,807
14	-A&G O&M	Note 8	5,819,786	5,976,920	6,138,297	6,304,031	6,474,240
15	-Property taxes	Note 9	6,197,305	6,209,805	6,222,005	6,236,305	6,400,005
16	-Miscellaneous taxes	Note 10	203,806	209,309	214,960	220,764	226,725
17	-Tax Depreciation	Note 11	16,905,091	34,611,649	36,141,953	37,569,376	40,404,567
18	-Interest	Note 12	9,644,459	10,154,577	10,595,412	11,036,120	11,809,276
19	Income before tax		60,945,923	47,424,075	49,665,333	52,033,556	55,472,116
20	-Iowa taxes		5,683,802	4,422,758	4,631,777	4,852,637	5,173,316
21	-Minnesota taxes		418,089	325,329	340,704	356,950	380,539
22	Federal Taxable Income		54,844,032	42,675,988	44,692,852	46,823,969	49,918,261
23	FIT rate	Note 13	35.00%	35.00%	35.00%	35.00%	35.00%
24	FIT		19,195,411	14,936,596	15,642,498	16,388,389	17,471,391
25							
26	FIT effective rate applicable to federal income before federal & state taxe		31.4958%	31.4958%	31.4958%	31.4958%	31.4958%
27							
28							
29	Income before tax		60,945,923	47,424,075	49,665,333	52,033,556	55,472,116
30	Minnesota proportion	Note 14	7%	7%	7%	7%	7%
31	Minnesota Taxable Income		4,266,215	3,319,685	3,476,573	3,642,349	3,883,048
32	Minnesota Gross tax rate	Note 13	9.80%	9.80%	9.80%	9.80%	9.80%
33	Minnesota taxes		418,089	325,329	340,704	356,950	380,539
4							
5	Minnesota effective rate applicable to federal income before federal & st		0.6860%	0.6860%	0.6860%	0.6860%	0.6860%
36							
37							
38	Income before tax		60,945,923	47,424,075	49,665,333	52,033,556	55,472,116
39	Iowa proportion	Note 14	93%	93%	93%	93%	93%
40	Iowa Taxable Income before FIT interdeductibility		56,679,708	44,104,390	46,188,760	48,391,207	51,589,068
41	Portion of FIT deductible for Iowa		8,925,866	6,945,517	7,273,762	7,620,601	8,124,197
42	Portion of MN taxes deductible for Iowa		388,823	302,556	316,855	331,964	353,901
43	Iowa taxable Income		47,365,019	36,856,317	38,598,143	40,438,642	43,110,970
44	Iowa Gross tax rate	Note 13	12.00%	12.00%	12.00%	12.00%	12.00%
45	Iowa taxes		5,683,802	4,422,758	4,631,777	4,852,637	5,173,316
46							
47	Iowa effective rate applicable to federal income before federal & state ta:		9.3260%	9.3260%	9.3260%	9.3260%	9.3260%
48							
49	Current Income Taxes		25,297,302	19,684,683	20,614,979	21,597,976	23,025,246
50	Deferred Income Taxes	Note 15	316,910	7,284,326	7,524,820	7,712,278	8,338,392
51	Total Income Taxes		25,614,212	26,969,009	28,139,799	29,310,254	31,363,638
52							
53							
54	Note 1: Exhibit___(CPN-1), Sch F, line13						
55	Note 2: Exhibit___(CPN-1), Sch C, line 1, column (b)						
56	Note 3: Exhibit___(CPN-1), Sch C, line 1, column (c)						
57	Note 4: Exhibit___(CPN-1), Sch A, line 6						
58	Note 5: Exhibit___(CPN-1), Sch A, line 3						
59	Note 6: Exhibit___(CPN-1), Sch A, line 4						
60	Note 7: Exhibit___(CPN-1), Sch A-1, line 4						
61	Note 8: Exhibit___(CPN-1), Sch A-1, line 5						
62	Note 9: Exhibit___(CPN-1), Sch B-7, line 1						
63	Note 10: Exhibit___(CPN-1), Sch B-7, line 2						
64	Note 11: Exhibit___(CPN-1), B-3, line 1						
65	Note 12: Exhibit___(CPN-1), B-9, line 4 this page						
66	Note 13: Exhibit___(CPN-1), Schedule E, line 1, line 13, or line 5						
67	Note 14: Exhibit___(CAH-1), Sch B-1, p 1 of 1, line 11 [1 or 1-0.93=0.07]						
68	Note 15: Exhibit___(CPN-1), Schedule B-3, line 30						

Exhibit___(CPN-1)
Schedule B-10

Attachment O Support
Capitalization and Interest

ITC Midwest
Transmission Assets Sale

			2008	2009	2010	2011	2012
1	Rate Base	Note 1	433,419,859	456,344,467	476,155,488	495,960,827	530,706,292
2	CWIP	Note 2	19,076,000	19,076,000	19,076,000	19,076,000	19,076,000
3	Imputed Capitalization		452,495,859	475,420,467	495,231,488	515,036,827	549,782,292
4							
5	Imputed Debt	Note 3	180,998,344	190,168,187	198,092,595	206,014,731	219,912,917
6	Imputed Equity	Note 4	271,497,515	285,252,280	297,138,893	309,022,096	329,869,375
7	Capitalization		452,495,859	475,420,467	495,231,488	515,036,827	549,782,292
8							
9	Imputed Interest	Note 5	10,068,938	10,579,056	11,019,891	11,460,599	12,233,756
10							
11							
12	Note 1: Exhibit___(CPN-1), Sch F, line 13						
13	Note 2: Exhibit___(CAH-1), Sch D(a), p 3 of 6, line 5						
14	Note 3: Exhibit___(CPN-1), Sch C, line 1, column (a)						
15	Note 4: Exhibit___(CPN-1), Sch C, line 3, column (a)						
16	Note 5: Exhibit___(CPN-1), Sch C, line 1, column (b)						
17							
18							

Exhibit___(CPN-1)
Schedule B-11

Wages and Salaries

ITC Midwest
Transmission Assets Sale

			2008	2009	2010	2011	2012
1	Wages & Salaries	Note 1	2,680,563	2,752,938	2,827,267	2,903,603	2,982,000
2							
3							
4							
5	Note 1: Wages & Salaries for purposes of computing Attachment O W&S allocator						
6	Base year 2005 W&S from IPL Att O, escalated at 2.7%						
7	[2008 amount = 2,474,655 x 1.027^3= 2,680,563]						
8							
9							
10							
11							

Exhibit___(CPN-1)
Schedule B-12

Attachment O Support
Network Load

ITC Midwest
Transmission Assets Sale

			2008	2009	2010	2011	2012
1	IPL Load kW	Note 1	2,680,547	2,710,033	2,739,843	2,769,981	2,800,451
2	Other Load kW	Note 1	232,507	235,065	237,651	240,265	242,908
3	Total Load		2,913,054	2,945,098	2,977,494	3,010,246	3,043,359
4							
5	Annual Load Growth Rat 1.10%	Note 2					

8 Note 1: 2008 IPL load based on 2005 load [2,594 MW x 1.011 x 1.011 x 1.011 = 2,680,547 kW]

10 Other Load = [(225 MW x 1.011 x 1.011 x 1.011 = 232,507 kW]

12 Note 2: From C. Hampsher workpaper WP-9.

Exhibit___(CPN-1)

Schedule C

Cost of Capital

Exhibit___(CPN-1)
Schedule C

Cost of Capital

ITC Midwest
Transmission Assets Sale

Line No.			(a) Capitalization Ratio	(b) Cost Rate	(c) Weighted Average Cost of Capital
1	Long-Term Debt	Note 1	40%	5.563%	2.2252%
2					
3	Common Equity	Note 2	60%	13.880%	8.3280%
4					
5	Total		100%		10.5532%
6					
7					
8					
9	Note 1: 5.563% cost of debt from Rahill testimony				
10					
11	Note 2: 60% weight of equity and 13.88% cost of equity from Welch testimony				
12					
13					
14					
15					

Exhibit___(CPN-1)

Schedule D

Schedule 1 Revenues

Exhibit___(CPN-1)
Schedule D

Schedule 1 Revenues

ITC Midwest
Transmission Assets Sale

Line No.			2007	2008	2009	2010	2011	2012
1	Attachment O Load kW	Note 1	2,881,359	2,913,054	2,945,098	2,977,494	3,010,246	3,043,359
2								
3	Schedule 1 Rate $/kW-month	Note 2	0.0555824	0.057083125	0.058624369	0.060207227	0.061832822	0.063502308
4								
5	Schedule 1 Revenues		$ 1,921,834	$ 1,995,435	$ 2,071,854	$ 2,151,200	$ 2,233,584	$ 2,319,124
6								
7	Escalation Factors:							
8	Annual Escalation rate for costs	Note 3	2.70%					
9	Annual Escalation for Load	Note 4	1.10%					
10								
11								
12								
13	Note 1: IPL 12/31/05 Attachment O, page 1, line 8, as escalated							
14								
15	Note 2: Scheduling, System Control & Dispatch Service 2006 rate of 0.0555824 $/kW-month, effective January 1, 2007.							
16								
17	Note 3: Exhibit___(CAH-1), Schedule F-1, page 1 of 1, note to Line 8							
18								
19	Note 4: Load growth from C. Hampsher workpaper WP-9							
20								

Exhibit___(CPN-1)

Schedule E

Tax Rates

Exhibit___(CPN-1)
Schedule E

ITC Midwest
Transmission Assets Sale

Tax Rates

Line	Description		(a) Composite	(b) Federal	(c) Iowa	(d) Minnesota	(e) Total
1	Federal Income Tax Rate (FITRate)		35.0%				
3	Iowa Income Tax Rate		12.0%				
5	Minnesota Income Tax Rate		9.8%				
8	Proportion of Income allocated to Iowa (x)	Note 1	93.0%				
10	Portion of FIT deductible in Iowa before state proration		50.0%				
13	Composite State Income Tax before MN deduction= [(Iowa*x)+(Minn*(1-x)]		11.8460%				
15	Minnesota effective rate=MnnEff=(MinnRate)(1-x)		0.6860%				
17	Composite State Income Tax after MN deduction=SIT= {[(Iowa*x)(1-MinnEff)]+(Minn*(1-x)}		11.7694%				
19	Portion of State Taxes Deductible for State=p=(Iowa rate)*(Iowa portion)(IowaInterd)/SIT		47.4109%				
21	Composite Tax Rate =T=1-{[(1-SIT)*(1-FIT)]/(1-(SIT*FIT*p))}=		41.5078%				
23	Net Income After Tax before state proration (assume $100)		$100.0000				
25	Federal Income Tax = FIT =(NIAT) [FITrate/(1-FITrate)]		$53.8462				
27	Net Income After Tax before state proration			$100.0000	$100.0000	$100.0000	$100.0000
29	Composite Tax Rate (T)			41.5078%	41.5078%	41.5078%	41.5078%
31	Net Income Before Tax before state proration=(NIAT)/(1-T)			$170.9629	$170.9629	$170.9629	$170.9629
	State proration factor	Note 1			93.0%	7.0%	
35	Income before taxes before interdeductibility of taxes			$170.9629	$158.9955	$11.9674	
37	Interdeductiblity of federal taxes				$25.0385		
39	Interdeductibility of Minn taxes			$1.1728	$1.0907		
41	Interdeductibility of Iowa taxes			$15.9440			
43	Taxable Income			$153.8462	$132.8663	$11.9674	
45	Tax Rates			35.0%	12.0%	9.8%	
47	Taxes			$53.8462	$15.9440	$1.1728	$70.9629
49	Effective Tax Rate			31.4958%	9.3260%	0.6860%	41.5078%

53 Note 1: Exhbit___(CAH-1), Sch B-1, p 1 of 1, line 11

Exhibit___(CPN-1)

Schedule F

Attachment O Summary

Exhibit___(CPN-1)
Schedule F

ITC Midwest
Transmission Assets Sale

Attachment O Summary

			2008	2009	2010	2011	2012
1	Plant-In-Service Average	Note 1	722,554,484	762,587,215	803,931,133	846,357,301	904,042,731
2	Depreciation Reserve Average	Note 2	290,944,218	304,300,292	318,485,885	333,547,084	348,522,329
3	Net Plant-In-Service Average		431,610,266	458,286,923	485,445,248	512,810,217	555,520,402
4							
5	Accumulated Deferred Income Taxes Ave	Note 3	(158,455)	(3,959,073)	(11,363,646)	(18,982,195)	(27,007,530)
6							
7	Land Held for Future Use Average		0	0	0	0	0
8							
9	Computed Working Capital	Note 4	1,477,628	1,515,475	1,559,073	1,603,946	1,650,131
10	Materials & Supplies Average	Note 5	490,420	501,142	514,813	528,859	543,289
11	Prepayments Average		0	0	0	0	0
12							
13	Rate Base		433,419,859	456,344,467	476,155,488	495,960,827	530,706,292
14							
15	Rate of Return	Note 6	10.5532%	10.5532%	10.5532%	10.5532%	10.5532%
16							
17	Return		45,739,665	48,158,944	50,249,641	52,339,738	56,006,496
18							
19	Network Operating Expenses						
20	Transmission O&M	Note 7	6,001,234	6,146,880	6,334,289	6,527,535	6,726,807
21	Transmission A&G	Note 8	5,819,786	5,976,920	6,138,297	6,304,031	6,474,240
22	Total Transmission O&M		11,821,020	12,123,800	12,472,586	12,831,566	13,201,047
23							
24	Current Year Depreciation	Note 9	16,141,595	17,062,348	18,013,258	18,989,060	20,315,825
25							
26	Taxes Other Than Income Taxes--Properi	Note 10	6,197,305	6,209,805	6,222,005	6,236,305	6,400,005
27	Taxes Other Than Income Taxes--Other	Note 11	203,806	209,309	214,960	220,764	226,725
28	Total Taxes Other than Income Taxes		6,401,111	6,419,114	6,436,965	6,457,069	6,626,730
29							
30	Income Taxes	Note 12	25,614,213	26,969,009	28,139,799	29,310,254	31,363,638
31							
32	ITC Midwest Gross Revenue Requirement		105,717,604	110,733,215	115,312,249	119,927,687	127,513,736
33							
34	Revenue Credits						
35	Rents	Note 13	400,000	400,000	400,000	400,000	400,000
36	Point-to-Point Revenue	Note 14	4,342,278	4,430,703	4,506,748	4,578,201	4,538,817
37	Total Revenue Credits		4,742,278	4,830,703	4,906,748	4,978,201	4,938,817
38							
39	ITC Midwest Net Revenue Requirement before Tr		100,975,326	105,902,512	110,405,501	114,949,486	122,574,919
40							
41	Schedule 1 Revenues	Note 15	1,995,435	2,071,854	2,151,200	2,233,584	2,319,124
42							
43	ITC Midwest Total Revenue Requirement		102,970,761	107,974,366	112,556,701	117,183,070	124,894,043
44							
45							

46 Note 1: Exhibit___(CPN-1), Sch B-1, line 21
47 Note 2: Exhibit___(CPN-1), Sch B-1, line 36
48 Note 3: Exhibit___(CPN-1), Sch B-3, line 34
49 Note 4: 1/8 of line 22
50 Note 5: Exhibit___(CPN-1), Sch B-4, line 5
51 Note 6: Exhibit___(CPN-1), Sch C, line 5, colunn (c)
52 Note 7: Exhibit___(CPN-1), Sch B-5, line 26
53 Note 8: Exhibit___(CPN-1), Sch B-6, line 3
54 Note 9: Exhibit___(CPN-1), Sch B-1, line 29
55 Note 10: Exhibit___(CPN-1), Sch B-7, line 1
56 Note 11: Exhibit___(CPN-1), Sch B-6, line 6
57 Note 12: Exhibit___(CPN-1), Sch B-9, line 51
58 Note 13: Exhibit___(CPN-1), Sch A, line 3
59 Note 14: Exhibit___(CPN-1), Sch A, line 4
60 Note 15: Exhibit___(CPN-1), Sch D, line 5
61
62

Exhibit___(CPN-1)

Schedule G

True Up Procedures

True-Up Procedures

ITC Midwest
Transmission Assets Sales

For Form Only
ITC Midwest
Attachment O - Midwest

ANNUAL RATE CALCULATION AND TRUE-UP PROCEDURES

No later than September 1 of the current year, Midwest shall determine its projected net revenue requirement and load for the following year, in accordance with the Midwest Attachment O . Midwest shall make available to customers its projected net revenue requirement, load and resultant rates incorporating a True-up Adjustment including all inputs in sufficient detail to identify the components of Midwest net revenue requirement. By October 30 of the current year, Midwest will hold a customer meeting to explain the formula rate input projections and cost detail. The True-up Adjustment will be determined in the following manner:

(1) Actual Transmission revenues associated with transactions included in the Divisor on page 1, line 15 of Attachment O for the previous year will be compared to Net Revenue Requirement (page 1, line 7, of Attachment O of this Tariff) calculated in accordance with Midwest's Attachment O for the previous year using Midwest's FERC Form No. 1 for that same year to determine any over or under recovery ("True-up Adjustment"). The True-up Adjustment and related calculations shall be posted to the Transmission Provider's OASIS no later than June 1 following the issuance of the FERC Form No. 1 for the previous year. Midwest will provide an explanation of the True-up Adjustment in response to customer inquiries and will post on the OASIS information regarding frequently asked questions.

(2) Interest on any over recovery of the net revenue requirement shall be determined based on the Commission's regulations at 18 C.F.R § 35.19a. Interest on any under recovery of the net revenue requirement shall be determined using the interest rate equal to Midwest's actual short-term debt costs capped at the applicable FERC refund interest rate. In either case, the interest payable shall be calculated using the average of the interest rates used to calculate the time value of money for the twenty-four (24) months during which the over or under recovery in the net revenue requirement exists. The

interest rate to be applied to the over or under recovery in the net revenue requirement will be determined using the average rate for the nineteen (19) months preceding August of the current year.

(3) The Net Revenue Requirement for transmission services for the following year shall be the sum of the projected revenue requirement for the following year and a True-up Adjustment (included on page 1, line 6A of the Midwest Attachment O for the previous year, including interest as explained above.

Example for 2009 Net Revenue Requirement

In September 2008, the 2009 net revenue requirement and load will be projected for the purpose of deriving projected 2009 rates. In May 2010, actual transmission revenues will be compared to the Net Revenue Requirement calculated using Midwest's 2009 FERC Form No. 1. If there is a difference, interest will be applied for the period July 1, 2009 until July 1, 2011 For any over recovery, the interest rate to be applied will be the average monthly FERC rate of return on refunds in effect from January 1, 2009 through July 31, 2010. For any under recovery, the interest rate to be applied will be equal to Midwest's actual short- term debt costs capped at the applicable FERC refund interest rate in effect from January 1, 2009 through July 31, 2010. Midwest will post all information relating to the True-up Adjustment for the 2009 net revenue requirement no later than June 1, 2010, affording all interested parties at least seven months to review these calculations in advance of the related rate charge. This True-up Adjustment will be included on page 1, line 6A of the Midwest Attachment O in the projected 2011 Net Revenue Requirement and estimated rates that will be made available to customers by September 1, 2010. New rates will take effect on January 1, 2011.

ATTACHMENT D

Direct Testimony of Charlest P. Neff
March 30, 2007
IPL/ITCM Joint Application in MPUC Docket No. E001/PA-07-540

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer	**Chair**
Marshall Johnson	**Commissioner**
Thomas Pugh	**Commissioner**
Phyllis Reha	**Commissioner**

In the Matter of the Joint Petition for Approval of Transfer of Transmission Assets of Interstate Power and Light Company and ITC Midwest LLC	**DOCKET NO. E001/PA-07-540**

DIRECT TESTIMONY OF CHARLES P. NEFF

Q. Please state your name and business address.

A. My name is Charles P. Neff. My business address is 39500 Orchard Hill Place, Suite 200, Novi, Michigan 48375.

Q. By whom are you presently employed and in what capacity?

A. I am employed by ITC Holdings Corp. ("ITC"). My job title is Supervisor, Regulatory Accounting and Analysis. I am testifying on behalf of ITC Midwest LLC ("ITC Midwest") in this proceeding.

Q. What is your educational background?

A. I graduated from Northwestern University in 1978 with a Master of Management degree with a major in finance and accounting and, from Youngstown State University in 1972 with a Bachelor of Engineering degree with a major in electrical engineering.

Q. Have you taken any courses in utility analysis?

A. Yes. I have taken "Public Utility Accounting", "Power Systems Engineering", "Fundamentals of Economic Analysis", and "General Finance", during prior employment with The Detroit Edison Company ("Detroit Edison").

Q. What other professional courses have you taken?

A. I have taken "Utility Resource Planning: Supply-Side and Demand-Side Analysis Techniques" at the University of California in Berkely. I have also taken "Fundamentals of Service Life Forecasting", "Dynamics of Life Estimation", and "Making a Depreciation Study" at Western Michigan University and I attended the "Study Seminar for Financial Analysts" at the University of Windsor, Ontario, Canada.

Q. Have you taught any college-level courses?

A. Yes. I taught "Introduction to Engineering Experimentation" and "Engineering Cost Analysis" at Lawrence Technological University, and "Network Analysis I", "Electromagnetic Fundamentals and Design", "Energy and Electrical Machines", "Advanced Network Analysis", and "Engineering Economics" at Wayne State University.

Q. Please describe your professional experience.

A. I am currently Supervisor, Regulatory Accounting and Analysis. In that position I am involved in revenue requirement studies, preparation of the Federal Energy Regulatory Commission ("FERC") Form 1 for ITC's operating subsidiary International Transmission Company ("ITC*Transmission*"), regulatory reporting, assisting in the preparation of regulatory filings for the formula rate mechanism known as Attachment O, completing the formula rate itself using Form 1 data, and responding to various FERC orders.

From 1978 through 2001, I was employed by Detroit Edison in the Revenue Requirement organizational unit of Regulatory Affairs. Subsequently, I joined the ITC*Transmission* predecessor corporation in 2002 as a contractor while the corporation was owned by Detroit Edison's parent company, DTE Energy. When ITC*Transmission* was divested to ITC in 2003, I became a full-time employee.

Q. What were your responsibilities in the Regulatory Affairs area at Detroit Edison?

A. I was responsible for book depreciation studies, economic studies, revenue requirement analysis, various analyses related to restructuring and stranded investment, and various cases associated with Detroit Edison's Power Supply Cost Recovery plan and reconciliation cases. I also backed up witnesses in the area of revenue requirement.

Q. Are you a member of any professional organizations?

A. Yes. I am a member of the Engineering Society of Detroit, the National Association of Professional Engineers, the Michigan Association of Professional Engineers, and the CFA Institute (previously known as the Association for Investment Management and Research and Financial Analyst Federation).

I am a member of the Edison Electric Institute Property Accounting and Valuation Committee. In connection with my service on that committee, I presented a paper on "Using Iowa Curves to Age and Price Retirements of Mass Property."

I am a licensed professional engineer ("PE") by examination in the State of Michigan. I am also a Chartered Financial Analyst ("CFA") which is a designation earned by an examination given by the CFA Institute.

Q. Have you provided testimony in prior regulatory proceedings?

A. Yes, I submitted pre-filed testimony in various Detroit Edison's depreciation cases and Power Supply Cost Recovery cases.

The depreciation cases include Michigan Public Service Commission ("MPSC") Case Nos. U-11722, U-10342, U-10348, U-9149, U-7706, and U-8225. My testimony regarding depreciation rates for nuclear production plant was later incorporated into FERC Docket No. ER84-418 which established electric wholesale rates.

I testified in Detroit Edison's Power Supply Cost Recovery plan cases (MPSC Case Nos. U-7775 and U-8020), and reconciliation cases (U-7775-R, U-8020-R, U-8291-R, and U-8578-R). Before the Power Supply Cost Recovery system was established, I was responsible for calculating the fuel and purchased power adjustments in accordance with Detroit Edison's prior cost recovery mechanism. I testified in MPSC Case No. U-6103, the first annual reconciliation of fuel revenues and expenses for the Thermal Energy System, and I have been responsible for calculating the wholesale for resale fuel adjustment for FERC jurisdictional customers.

Q. What is the purpose of your testimony?

A. On January 18, 2007, Interstate Power and Light ("IPL") Company entered into an Asset Sale Agreement ("ASA") with ITC Midwest, a newly formed subsidiary of ITC for the sale of IPL's transmission assets in Iowa, Minnesota, Illinois, and Missouri. I will generally refer to the transmission sale as the "Transmission Transaction" or "Transaction." In support this Transmission Transaction, IPL and ITC Midwest filed a Joint Petition for the Approval and Consent of the Commission on April 27, 2007 ("Joint Petition") to address the findings required by Minn. Stat. § 216B.50 and Minn. Stat. §216B.16, subd. 7c. I am responsible for the submission of testimony and schedules related to the development of ITC Midwest's revenue requirement.

Q. What Minnesota statutory requirements does your testimony seek to address?

A. My testimony seeks to address, in part, both the general public interest requirement of Minn. Stat. § 216B.50 and the fourth factor of Minn. Stat. § 216B.16, subd. 7c which requires an analysis of the Transaction's impact on retail rates.

Q. Did you develop or cause to be developed certain information used by IPL witness Christopher Hampsher in his cost/benefit analysis of the Transmission Transaction?

A. Yes. Mr. Hampsher analyzes the financial impact on ratepayers by comparing the revenue requirement of ITC Midwest to that of IPL. In making that comparison, Mr. Hampsher utilizes ITC Midwest's revenue requirement from my Exhibit____(CPN-1), Schedules A and A-1.

Q. Are you sponsoring an exhibit in this filing?

A. Yes. I am sponsoring Exhibit___(CPN-1) which includes the following schedules:

Schedule A: ITC Midwest Total Revenue Requirement

Schedule A-1: ITC Midwest Gross Revenue Requirement
Schedule A-2: IPL vs Total Network Load

Schedule B: ITC Midwest Attachment O (2008)
Schedule B: ITC Midwest Attachment O (2009)
Schedule B: ITC Midwest Attachment O (2010)
Schedule B: ITC Midwest Attachment O (2011)
Schedule B: ITC Midwest Attachment O (2012)

Schedule B-1: Attmnt O Support--Plant in Service and Depreciation
Schedule B-2: Attmnt O Support--Tax Depreciation
Schedule B-3: Attmnt O Support--Deferred Taxes
Schedule B-4: Attmnt O Support--Materials & Supplies
Schedule B-5: Attmnt O Support--Operations & Maintenance Expense
Schedule B-6: Attmnt O Support--A&G Expense and Payroll Taxes
Schedule B-7: Attmnt O Support--Taxes Other Than Income Taxes
Schedule B-8: Attmnt O Support--Revenue Credits
Schedule B-9: Attmnt O Support--Income Taxes
Schedule B-10: Attmnt O Support--Capitalization & Interest
Schedule B-11: Attmnt O Support--Wages & Salary Allocator
Schedule B-12: Attmnt O Support--Network Load

Schedule C: Cost of Capital for Years 2008 - 2012

Schedule D: Schedule 1 Revenues

Schedule E: Tax Rates

Schedule F: Attachment O Summary

Schedule G: True-Up Procedures

Q. How is your testimony organized?

A. My testimony is organized around my schedules. I first explain Exhibit___(CPN-1), Schedule A, which supports ITC Midwest's total revenue requirement. I then explain Exhibit___(CPN-1), Schedule B, which shows the derivation of the revenue requirement for network service, which it is assumed will become the Attachment O for ITC Midwest upon approval of the FERC. As will be explained later, Attachment O is a formulaic cost-of-service model that is completed annually by most transmission owning members of the Midwest Independent Transmission System Operator, Inc ("Midwest ISO") with the resulting rates posted on the Midwest ISO Open Access Same-Time Information System ("OASIS") each year. In the context of my testimony, network load generally refers to load shown by the divisor shown on the first page of Attachment O, which could include long term firm point-to-point load.

The inputs to the assumed ITC Midwest Attachment O are derived on supporting Schedules B-1 through B-12.

Exhibit___(CPN-1), Schedule C, shows the derivation of the weighted average cost of capital for years 2008 through 2012.

Exhibit___(CPN-1), Schedule D, shows the derivation of revenues for load dispatching, which is an ancillary service different from network service.

Exhibit___(CPN-1), Schedule E, shows the derivation of the composite tax rates used in Attachment O.

Exhibit___(CPN-1), Schedule F, summarizes the ITC Midwest Attachment O for the various years.

Exhibit___(CPN-1), Schedule G, describes the true-up procedures which ITC Midwest will use if FERC approval is obtained.

Q. How is rounding handled in and between schedules?

A. Figures both within a schedule and between schedules may be off by rounding because Attachment O itself carries calculations out to several decimal points, and parallel calculations that would be internal to Attachment O are explained step by step in my exhibits. The fact that the parallel step by step calculation results in exactly the same answer as more complex algebraic equations within the template itself except for rounding demonstrates the validity of the step by step calculation.

Q. Please explain Exhibit_____(CPN-1), Schedule A.

A. Exhibit___(CPN-1), Schedule A, shows the development of ITC Midwest's total revenue requirement and the amount that would be charged to IPL for transmission service based on the assumptions used in the revenue requirement analysis.

This total revenue requirement is the sum of two components: (1) net revenue requirement for network transmission service derived from Exhibit___(CPN-1), Schedule B, and (2) Midwest ISO Schedule 1 revenues derived on Exhibit___(CPN-1), Schedule D.

Q. Please explain Exhibit___(CPN-1), Schedule A-1.

A. Schedule A-1 shows the Total Gross Revenue Requirement for Network Service. It itemizes the cost components of revenue requirement before revenue credits from the ITC Midwest Attachment O found in Exhibit___(CPN-1), Schedule B, and then adds to it Schedule 1 revenues.

Q. Please explain Exhibit___(CPN-1), Schedule A-2.

A. Schedule A-2 shows the ratio of IPL load to total load for the purpose of determining the portion of the revenue requirement that applies to IPL ratepayers. It will be discussed later together with Schedule B-12.

Q. Please explain Exhibit___(CPN-1), Schedule B(2008) through Schedule B(2012).

A. Schedule B is what would be known as the "ITC Midwest Attachment O". Attachment O, is a formulaic cost-of-service model that is completed annually by most transmission owning members of the Midwest ISO with the resulting rates posted on the Midwest ISO OASIS each year. Attachment O and company-specific variations to Attachment O, are specified on tariff sheets in the Midwest ISO's Open Access Transmission and Energy Markets Tariff ("TEMT") and completed based primarily on data from the FERC Form 1.

Completion of Attachment O results in the development of the network transmission service revenue requirement for any particular calendar year. This allows for adjustment of transmission rates to reflect changing operational data and financial performance, including the amount of network load on the transmission system, operating expenses and capital expenditures.

Attachment O is a detailed formulaic calculation which can be generally summarized and understood as follows:

	Rate Base
x	Rate of Return
=	Return Requirement
+	Operations & Maintenance Expenses
+	Depreciation
+	Taxes Other than Income Taxes
+	Income Taxes
=	Gross Revenue Requirement for Network Transmission Service
-	Rent Credits
-	Point-to-Point Revenue Credits
=	Net Revenue Requirement for Network Transmission Service
÷	Load
=	Rate for Network Transmission Service

In addition to the rate for network transmission service, there is also a rate for load dispatching and control services, known as Schedule 1. Schedule 1 is an ancillary service and is not part of the rate for network transmission service. Schedule 1 is discussed later in my testimony.

Exhibit___(CPN-1), Schedule B, shows the template populated with figures as if they were actually taken from the FERC Form 1 for the various years. It results in the gross revenue requirement and net revenue requirement for network service.

Q. Please explain what is meant by "gross revenue requirement" and "net revenue requirement."

A. "Gross revenue requirement" is the revenue requirement for network service before revenue requirement offsets for rent revenue credits and point to point revenue credits.

"Net revenue requirement" is the revenue requirement for network service after those offsets.

In my exhibits, "total revenue requirement" refers to the net revenue requirement for network service plus the revenue requirement for Schedule 1 and "total gross revenue requirement" refers to the gross revenue requirement for network service plus the revenue requirement for Schedule 1.

Q. Please explain the development of the revenue requirement for years 2008 through 2012.

A. The revenue requirement for these years is shown on my Schedule B, which are the Attachment O's for the various years. Each Attachment O consists of 6 pages.

The inputs to Attachment O are given in my supporting Schedules B-1 through B-12.

In explaining the inputs, I will generally follow the order of the stylized computation given earlier, starting with rate base, and then progressing to operating expenses. However, I will explain rate of return and taxes separately, when I explain Exhibit___(CPN-1), Schedules C and E.

Q. Please explain the development of rate base in ITC Midwest Attachment O.

A. Rate base is shown on page 2 of 6 of each template, and consists of the following cost components:

\+ Gross Plant in Service
\- Accumulated Depreciation
= Net Plant
\+ Adjustments to Rate Base
\+ Land Held for Future Use
\+ Computed Working Capital
\+ Materials & Supplies
\+ Prepayments
= Rate Base

Q. Please explain the derivation of Gross Plant in Service and Accumulated Depreciation included in rate base.

A Gross Plant in Service and Accumulated Depreciation are the average balances shown on my supporting Schedule B-1. The balances themselves are largely taken directly from Mr. Hampsher's schedules using ITC Midwest's Allowance for Funds Used During Construction ("AFUDC") computation and reflect IPL's current capital expansion plan. As explained by ITC Midwest witness Edward Rahill, using the same level of capital investment ensures an "apples-to-apples" comparison of IPL's and ITC Midwest's revenue requirements.

Q. Please explain Adjustments to Rate Base.

A. Adjustments to Rate Base are reductions in rate base attributed to accumulated deferred income taxes. Accumulated deferred income taxes are based on the difference between tax depreciation and book depreciation. Tax depreciation is shown on Schedule B-2 and book depreciation is shown on Schedule B-1. The difference and the resulting accumulated deferred income taxes are shown on my Schedule B-3. For simplicity, capital additions for tax purposes are treated the same way as capital additions for book purposes although there would be slight differences when the actual tax return is filed.

Q. Will the existing accumulated deferred income taxes associated with the IPL transmission assets transfer over to ITC Midwest at the time of sale?

A. No. This is in accordance with Section 7.6(b) of the ASA:

> Seller will elect to treat the transaction as a taxable asset sale. As a result of this election, Buyer will increase its basis in the assets for tax purposes, and Seller is recognizing a taxable gain on the assets. The tax basis and book basis are expected to be equal after the election is made, which would result in no recognition of deferred taxes on the Closing Date.

Q. Will there be Land Held for Future Use?

A. In this calculation, there is no Land Held for Future Use because all of the land being acquired has already been placed in-service.

Q. Please explain Computed Working Capital.

A. Computed Working Capital in ITC Midwest Attachment O is the allowance for working capital calculated using the FERC's standard formula approach, which sets Computed Working Capital equal to 1/8 (45 days divided by 360 days) of operations and maintenance ("O&M") expense. I will explain the development of O&M expense later in my testimony.

Q. Please explain Materials & Supplies and Prepayments included in rate base.

A. Materials and Supplies is the average balance developed on my supporting Schedule B-4. It is based on information supplied by Mr. Hampsher. There is an allocation factor applied in the ITC Midwest Attachment O which is part of the template. I will explain this allocation factor later in my testimony when I discuss O&M expense.

Since prepayments are not separately identified in IPL's baseline revenue requirements and are not part of the ASA, they are not included here for comparison purposes. In general, however, prepayments would be included in rate base.

Q. Please summarize the rate base components for the various years.

A. Rate base components for the various years are summarized in the top section of Exhibit___(CPN-1), Schedule F, which I will discuss later.

Q. Please explain the development of operating expenses included in the ITC Midwest Attachment O.

A. Operating expenses consist of the following cost components:

Transmission Operating & Maintenance Expenses
Administrative & General Expenses
Depreciation Expense
Taxes Other than Income Taxes

Q. Please explain the development of O&M expense.

A. Transmission O&M expense is developed on supporting Schedule B-5 based on information supplied by IPL and included on schedules supported by Mr. Hampsher or IPL witness Douglas Collins.

The basic calculation is as follows:

+ IPL Total O&M expense
- IPL O&M expense that will be retained by IPL
- IPL payroll related benefits included in Total O&M expense
= IPL reduction in Transmission O&M expense
- IPL Schedule 1 expense
= Transmission O&M expense recoverable in network service rate

IPL's transmission expenses are used for purposes of an "apples-to-apples" comparison of IPL's baseline revenue requirement derived by Mr. Hampsher to ITC Midwest's revenue requirement. To effect this comparison, costs are kept constant between the two companies except for certain specified changes. The changes reflect costs that would be retained by IPL, costs that would factor into ITC Midwest's Schedule 1 rate (and are excluded from the Attachment O calculation) or costs that are included in ITC Midwest's A&G expenses.

Q. Please explain the Transmission Expense "TE" allocator shown on line 1, page 3 of 6, of Schedule B.

A. The "TE" allocator is part of the FERC approved Attachment O formula contained in the TEMT. It is developed on page 4 of 6, lines 6-8, of the ITC Midwest Attachment O. It is made pursuant to Note L shown on page

6 of 6, to remove transmission expenses included for Accounts 561.1, 561.2, and 561.3 which are associated with ancillary services.

The TE allocator is the ratio of total transmission expenses included in accounts 560 through 573 excluding expenses in the designated Account 561.1, 561.2, and 561.3, to total transmission expenses.. The recovery of Account 561.1, 561.2, and 561.3 costs are explained later in my testimony as part of my discussion of Schedule 1.

The TE allocator is applied to total transmission expenses as well as to Materials & Supplies cost in the rate base calculation. This allocation process is all part of the FERC-approved formula.

Q. Please explain the development of Administrative and General ("A&G") Expense?

A. A&G Expense is developed on supporting Schedule B-6. For purposes of doing the baseline comparison, A&G costs are considered to be the allocated portion of pooled A&G expenses for the three operating companies, ITC*Transmission*, Michigan Electric Transmission Company, LLC ("METC"), and ITC Midwest. They are based on 2005 actual A&G expenses as reported in the Attachment O for each company for 2005.

Q. How are these costs escalated to test years 2008 through 2012?

A. The costs are escalated at 2.7% which is the Consumers Price Index, All Urban, annual growth rate for years 2004-2030 taken from the Energy Information Administration, Annual Energy Outlook 2006, Table A19, Macroeconomic Indicators. This is the same figure used as a cost escalator by Mr. Hampsher in his Exhibits.

Q. How are the costs allocated between operating subsidiaries?

A. As explained by Mr. Rahill, A&G expense and payroll tax expense for ITC*Transmission*, METC, and ITC Midwest are totaled, and then allocated back to each operating subsidiary based on the ratio of the operating company's load to total load for all three operating companies using their divisors shown on page 1 of Attachment O for each company.

Q. Please explain the development of depreciation expense.

A. Depreciation expense is developed on supporting Schedule B-1, which is the same schedule that develops the depreciation reserve. It is based on IPL's composite depreciation rate of 2.3% as supported by Mr. Hampsher.

Q. Please explain the development of Taxes Other than Income Taxes ("TOIT").

A. TOIT is developed on supporting Schedule B-7. For purposes of this analysis, it consists of property taxes and payroll taxes. Property taxes are taken from figures supported by Mr. Hampsher. Payroll taxes are allocated as discussed above.

Q. Please explain the development of rent credits.

A. Amounts received for rents are used to offset the revenue requirement for network transmission service. These are taken from Mr. Hampsher Exhibit___(CAH-1), Schedule F(a), Line 8.

Q. Please explain the development of point-to-point ("PTP") revenue credits.

A. The development of PTP revenue credits is shown on my supporting Schedule B-8. The unit price for PTP scheduled rates is based on the unit price for network service. As a result, if the rate for network service increases, the rate for PTP similarly increases. Therefore, to recognize the increased revenue credits that would result from the increased rate for network service, the PTP revenue credits are initially based on projections provided by IPL and supported by Mr. Hampsher, but then escalated based on the ratio of ITC Midwest gross network revenue requirement to the comparable figure for IPL's gross network revenue requirement.

The PTP revenue credits are shown on line 37 of page 4 of 5 of the template on my Exhibit___(CPN-1), Schedule B. Line 37 is the difference between Line 35 and Line 36. Line 35, transmission charges for all transmission transactions, is the sum of network, PTP, and Schedule 1. Line 36, transmission charges for all transmission transactions included in divisor on the front page of the template, is the sum of network and Schedule 1. The difference between these two lines is the revenue credits shown on line 37.

Q. Please explain the development of income taxes.

A. Income taxes in the Attachment O formula are computed using some concise but cryptic mathematical formulations shown on page 3 of 6 of Exhibit___(CPN-1), Schedule B. Since the mathematical formulas may not be intuitively obvious, I present the calculation in a more conventional manner on my supporting Schedule B-9. The basic calculation can be understood as follows:

+ Taxable Revenues
- Tax deductible expenses
= Taxable Income
x Tax Rate
= Income Taxes

The tax computation may appear to be circular because of the inter-deductibility of state taxes in the federal computation, and a 50% credit for federal taxes and a credit for Minnesota taxes in the Iowa tax calculation. The equivalence between the results of the conventional calculation I use and that of the mathematical formulae in the Attachment O template can be demonstrated by noting that the income tax amount shown on supporting Schedule B-9 is the same as the amount shown on ITC Midwest Attachment O for the various years. Both approaches derive the same amount for income taxes. It should also be noted that the Transmission Transaction has not been completed, all items of property have not been individually identified, and all tax nuances have not been identified or researched. As a result, a portion of taxes may somehow differently or be included in TOIT, and to the extent they are, they would not be included in the template income tax calculation.

The tax rates themselves will be explained below in my discussion of Exhibit___(CPN-1), Schedule E.

Q. Please explain the capitalization and interest inputs to ITC Midwest Attachment O.

A. These inputs are developed on my supporting Schedule B-10. The cost rates for debt and capitalization ratios are explained later in connection with the Cost of Capital, Exhibit___(CPN-1), Schedule C. Construction Work in Progress ("CWIP") is not part of rate base but would be part of capitalization.

Q. Please explain the load shown on supporting Schedule B-12.

A. The projected load is based on IPL 2005 Attachment O actual transmission load, as escalated.

The load for IPL itself and other load are individually identified in this schedule to be able to compute the revenue requirement effects on IPL ratepayers. The ratio of IPL load to total load is shown on supporting Schedule A-2.

Q. Please explain the Wages and Salary input to ITC Midwest Attachment O.

A. Attachment O contemplates the development of a wages and salary allocator ("W&S") for companies that are vertically integrated. Since ITC Midwest is transmission-only, wages and salaries are recovered (just as are other expenses) as part of transmission or A&G expenses. Nevertheless, for the purpose of populating the Attachment O template, a

W&S allocator has been identified. It is based on the W&S amount shown in the IPL 2005 Attachment O as appropriately escalated. The amounts are shown on my supporting Schedule B-11.

Q. Please explain Exhibit___(CPN-1), Schedule C, Cost of Capital.

A. Exhibit___(CPN-1), Schedule C, shows the development of the weighted average cost of capital for ITC Midwest. The weighted average cost of capital is commonly known as the rate of return. The equity capitalization ratio used in the calculation is targeted to be 60% and the authorized return on common equity ("ROE") used is 13.88% as filed in FERC Docket Nos. EC07-89 and ER07-887. That filing also requests approval to use a projected test period with a true-up mechanism. The transmission rates ultimately charged to IPL will be based upon ITC Midwest's actual capital structure.

Q. How was the cost rate for debt derived?

A. The cost rate for debt of 5.563% is based on Mr. Rahill's testimony. He explains that this is a proxy for the actual interest rates that would be incurred in each projected year. As can be seen from page 5 of 6 of the ITC Midwest Attachment O template, the interest rate used to compute the rate of return in the template would be actual interest expense for the calendar year divided by the average balance of long term debt.

Q. Please explain the development of Schedule 1 revenues.

A. Schedule 1 revenues are developed on Exhibit___(CPN-1), Schedule D. They are for what are known as ancillary services. Ancillary services are those services necessary to support the transmission of capacity and energy from resources to load while maintaining reliable operation of the transmission system. There are several ancillary services contained in the TEMT. Scheduling, System Control, and Dispatch Service must be purchased from the transmission service provider under the Midwest ISO Schedule 1. While the network transmission service rate is based on the Attachment O rate for the pricing zone where the load is located, the Midwest ISO Schedule 1 rate is a single, system-wide average rate. The rate that was used in computing revenues was based on the rate effective beginning January 2007 which was $55.5824/MW-month or $666.9892/MW-year, and then escalated thereafter. Midwest ISO Schedule 1 revenues are the escalated rate applied to load. For purposes of making a comparison with IPL's baseline revenue requirement, and deriving the portion of revenue requirement applicable to IPL's own customers, my calculation only uses load as shown on page 1 of Attachment O. There would be Schedule 1 revenues from non-network transmission services, but these would not be from IPL customers.

Q. Please explain the applicable tax rates.

A. The applicable tax rates are the composite effective federal and state tax rates that are developed on Exhibit___(CPN-1), Schedule E. Based on information supplied by IPL, the Iowa tax rate is 12% and the Minnesota tax rate is 9.8%. Iowa allows a deduction of 50% of federal taxes on the state return and a deduction for other state's taxes, and there is 100%

deduction for state taxes on the federal return. To be comparable with the development of IPL's baseline revenue requirement, income before tax has been allocated based on system coincident peak as provided by Mr. Hampsher as follows: 93% for Iowa and 7% to Minnesota. The revenue requirement model assumes full normalization of all book tax differences using the effective tax rates shown on the exhibit.

Q. What do you mean by effective tax rate?

A. Effective tax rate is the ratio of income tax to net income before tax.

Q. What tax rates would be used in Attachment O?

A. Since there are multiple state jurisdictions, the composite income tax rates would be used as developed on Schedule E.

Q. Please explain Exhibit___(CPN-1), Schedule F.

A. Schedule F summarizes the ITC Midwest Attachment O revenue requirement by year. The rate base figures correspond to the figures shown on page 2 of the Attachment O, the operating expenses correspond to the figures on page 3 of the template, and the revenue credits correspond with the figures on page 4 of the template.

Q. Since the FERC Form 1 actual results will not be known until after the completion of the calendar year, how will the ITC Midwest Attachment O rates be applied?

A. A projected rate will be charged each year commencing on January 1, and then a true-up component of the rate will be charged commencing on

January 1 of the first calendar year following the filing of the Form 1 for the projected rate period.

Q. Please give an example using a cost year of, say, 2009.

A. Exhibit___(CPN-1), Schedule G, which shows the general form of the true-up procedure, also includes a specific example for cost year 2009.

In September 2008, ITC Midwest will post on the OASIS the projected rate it will charge on January 1, 2009. The projected revenue requirement and rate will be computed using projected cost components in the ITC Midwest Attachment O. Throughout calendar year 2009, ITC Midwest will provide transmission services. In April 2010, ITC Midwest will file the FERC Form 1 for calendar year 2009. Using the 2009 FERC Form 1, the actual revenue requirement will be computed for calendar year 2009. The FERC Form 1 will also report actual 2009 revenues for network transmission service. Any true-up for calendar year 2009 will be included in the rate charged beginning January 1, 2011.

Q. How will the true-up adjustment be computed?

A. The true-up adjustment will be computed as the difference between actual revenue requirement for transmission service and actual revenues for transmission services for load associated with transactions included in the divisor of Attachment O, as follows:

\+ Actual Revenue Requirement
\- Actual Revenues
= True-Up Adjustment for Under- (Over-) Recovery of revenue requirement

The true-up adjustment will then be included as a component of the projected rate that will be charged commencing January 1, 2011.

Q. Has use of a mechanism involving the use of a projected rate with a true-up adjustment been approved by FERC?

A. Yes. A similar method was approved by FERC for ITC*Transmission* in Docket No. ER06-1006 on July 14, 2006, and for METC in Docket No. ER07-95 on December 21, 2006.

Q. Will there be interest on the true-up adjustment?

A. Yes, the computation of interest on the true-up adjustment was approved by FERC in the above dockets. Interest will be computed using the FERC refund interest rate on over recoveries and the cost of short-term debt for under-recoveries.

Q. What will be the projected rate that will be charged commencing January 2008?

A. The projected rate that ITC Midwest will charge in calendar year 2008 will be the same rate that will be in effect from June through December 2007. It will be trued-up to the 2008 actual revenue requirement in the rate charged beginning January 1, 2010.

Q. Does this complete your prepared direct testimony?

A. Yes, it does.

ATTACHMENT E

ITCM MISO EMT Attachment O Posting
September 1, 2008

ITC™

ITC Midwest LLC
2009 Attachment O Rate Presentation

ITC

Agenda

Opening Remarks

Introduction to Attachment O

Details of the Inputs

Q & A

Meeting Purpose

ITC Midwest LLC's (ITC Midwest) billing rate starting on January 1, 2009 is calculated on the Midwest ISO's Attachment O, using ITC Midwest's projected net revenue requirement and projected load.

The purpose of today's meeting is to review with you the Attachment O formula rate, and ITC Midwest's input projections and cost details.

ITC Midwest Attachment O Filing

- On May 11, 2007, ITC Midwest and the Midwest ISO jointly filed proposed tariff sheet revisions to allow ITC Midwest to recover its revenue requirement on a current basis under an Attachment O formula rate with a true-up mechanism. (ER07-887)
  - The FERC conditionally accepted the filing on December 3, 2007.
  - A compliance filing was made on January 22, 2008 and accepted by the FERC on August 13, 2008.

- The ITC Midwest formula rates were made effective 1/1/08, but no rate change was implemented in 2008; MISO continued to bill what had been the 2007 IP&L rate during 2008, subject to later true-up based on 2008 actual costs for ITC Midwest

- The 2009 ITC Midwest Attachment O rate, which become effective 1/1/09, was posted on the MISO OASIS on August 29, 2008.

Attachment O Rate Construct Differences

ITC Midwest, LLC

- Based on projected net revenue requirement with true-up to actual
- Posted no later than September 30th of the year preceding the year in which the rate is in effect
- Rate takes effect January 1 of the year for which the net revenue requirement is projected
- True up calculated in June of the following year and reconciled (with interest) in rate set two years later
- Formalized communications with customers and other stakeholders

Interstate Power and Light

- Based on historical costs and loads
- Changes mid-year based on previous year's costs reported in FERC Form 1
- No true-up required

ITC Midwest's revenue requirement is discounted $4,125,000 per year for eight years beginning in 2009.

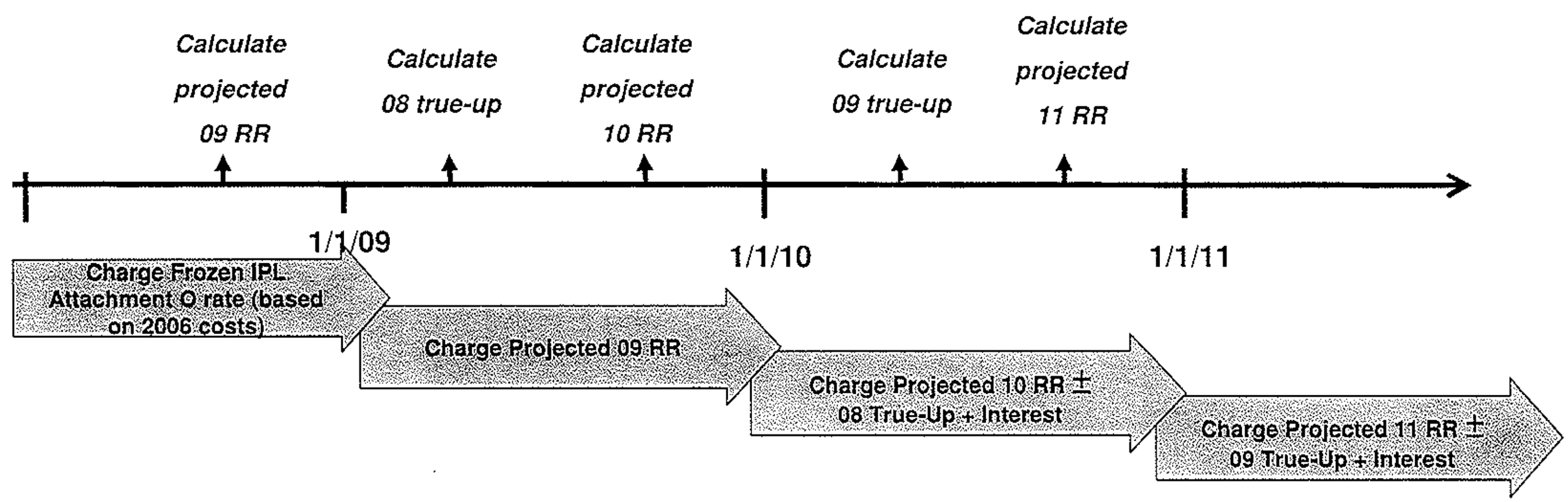
Forward Looking Attachment O

Forward Looking Attachment O Timeline

- September 30, 2008
  - Calculate 2009 billing rate based on projected 2009 Net Revenue Requirement ("RR") and post rate on OASIS
- January 2009 – December 2009
  - Apply 2009 billing rate to monthly peak load
- June 2009
  - Calculate actual 2008 revenue requirement based on 2008 FERC Form 1 data and post true-up adjustment on OASIS by June 1, 2009
- September 30, 2009
  - Calculate 2010 billing rate based on projected 2010 net RR and 2008 true-up with interest (comparing actual 2008 billed revenues to actual 2008 net RR)
- January 2010– December 2010
  - Apply 2010 billing rate based on projected 2010 net RR +/- 2008 true-up with interest
- June 2010
  - Calculate actual 2009 revenue requirement based on 2009 FERC Form 1 data and post true-up adjustment on OASIS by June 1, 2010
- September 30, 2010
  - Calculate 2011 billing rate based on projected 2011 net RR and 2009 true-up with interest (comparing actual 2009 billed revenues to actual 2009 net RR)
- January 2011 – December 2011
  - Apply 2011 billing rate based on projected 2011 net RR +/- 2009 true-up with interest

Forward Looking Attachment O cont'd

Forward Looking Attachment O Timeline



Forward Looking Attachment O

Using Attachment O to Derive the 2009 Billing Rate

Step 1	2009 Projected Rate Base[1] 582,719,614	×	Projected Weighted Average Cost of Capital 9.86%		→	2009 Projected Allowed Return 57,474,034
Step 2	2009 Projected Allowed Return 57,474,034	+	2009 Projected Recoverable Operating Expenses 111,129,711		→	2009 Projected Gross Revenue Requirement 168,603,745
Step 3	2009 Projected Gross Revenue Requirement 168,603,745	−	2009 Projected Revenue Credits 6,953,000	− 2009 Discount [2] 4,125,000	→	2009 Projected Net Revenue Requirement 157,525,745
Step 4	2009 Projected Net Revenue Requirement 157,525,745	÷	2009 Projected Network Load 35,412 MW		→	2009 Network Billing Rate $4.448/ kW-Mo.

(1) Includes new in-service property, plant and equipment additions in rate base
(2) This discount is not part of the Attachment O formula, but was committed to by ITC Midwest

Step 1A – Establish Rate Base

Rate Base Item	2009 Projected Amount	2008 Frozen Rate Amount[1]	Increase/ (Decrease)	Explanation
Gross Plant in Service	$ 878,050,000	$ 698,727,511	$ 179,322,489	Additions to plant for 2007, 2008 and the 13 month average for 2009
Less Accumulated Depreciation	298,975,000	290,866,993	8,108,007	Higher depreciable asset base
Net Plant in Service	579,075,000	407,860,518	171,214,482	
Deferred Taxes	(7,397,000)	(43,488,536)	36,091,536	Deferred taxes reduced to zero at the time of ITC Midwest's acquisition of IPL's transmission assets
Materials & Supplies	3,918,263	571,933	3,346,330	Higher inventory balances due to higher capital levels
Land Held for Future Use	26,000	26,071	(71)	
Prepayments	392,000	1,566,844	(1,174,844)	Lower pension prepayments
Change in Working Capital	6,705,351	1,387,024	5,318,327	1/8 of recoverable O&M expense
Total Rate Base	$ 582,719,614	$ 367,923,854	$ 214,795,760	

(1) 2008 frozen rate based on 2006 cost year data

ITC

2009 Planned Capital Additions

While the following slides identify general timetables for line and substation construction projects, several factors could impact the company's ability to complete projects according to those timetables.

Those factors include, but are not limited to, regulatory approvals, access to construction resources, availability of materials, and even weather.

The dates and schedules identified in these slides represent our best estimates for projects to be initiated and completed, but please understand that many factors could alter those schedules.

ITC

2009 Planned Capital Additions

MISO Project ID#		Forecasted Construction Start Date	Forecasted In-Service Date	Plant Additions*
	Reliability-System Capacity Improvements			
1739	DAEC-Vinton-Washburn 161kV Rebuild	Mar '08	Dec '09	$ 8,104,446
1619	Grand Mound 161kV Upgrades	Jan '09	Dec '09	3,335,667
1287	Salem 345/161kV Transformer	Jan '09	May '09	5,318,113
1522	6th Street to Beverly 161kV	Jan '09	June '09	4,409,238
	Rock Creek 69kV Switching Station	Jan '09	June '09	705,866
1345, 1346	Rock Creek 345kV Terminal Upgrades	Jan '09	Mar '09	367,887
1473	Emery to Armour 69kV Reconductor	Jan '09	Apr '09	1,094,259
	Big River Ethanol Tap Breaker Station	Jan '09	June '09	1,307,386
1636	Waterbury 69kV Switching Station	Jan '09	June '09	1,089,488
	Savanna 161kV Upgrade	Feb '09	June '09	108,999
	Trimont Switch Replacement	Feb '09	Feb '09	16,142
	Bulk Capacitor Program	Jan '09	Nov '09	1,333,213
	Cedar Rapids 6th Street	Jan '08	June '09	$ 1,500,000
	Misc System Capacity Improvements		Ongoing	1,500,000
	Reliability-Infrastructure Improvements			
	34.5kV to 69kV Conversion Phase I		Ongoing	$ 18,725,837
	Breaker Replacement Program		Ongoing	3,183,037
	Powersheik 161kV Breaker Replacement	Jan '09	May '09	1,079,474
	Burlington 69/13.2kV Sub Rebuild	Jan '09	Apr '09	469,224
1750	Goose Pond 161kV Switching Station	June '08	Jan '09	125,446
	Wood Pole Replacement Program		Ongoing	454,721
	SCADA Telecommunications Redirection		Ongoing	4,547,195
	Relay Betterment		Ongoing	272,832
	Misc. NRUC/ERUC		Ongoing	1,455,100

*Includes previous years' expenditures for multi-year projects.

ITC

2009 Planned Capital Additions cont'd

	Forecasted Construction Start Date	Forecasted In-Service Date	Plant Additions*
Customer Connections			
G538	July '09	Oct '09	$ 1,235,400
G540/548	Jan '09	Mar '09	1,226,331
G595	Apr '08	Dec '09	542,954
G612	Jan '09	June '09	1,239,618
Old Settlers Substation	Jan '09	May '09	1,303,753
Saints Run Substation	Jan '09	May '09	1,303,670
Misc Interconnection Requests		Ongoing	560,501
Facilities			
General Facilities		Ongoing	$ 540,601
Security			
General Security		Ongoing	$ 3,243,605
General Plant			
Vehicles, Tools & Equipment		Ongoing	$ 3,243,605
Information Technology		Ongoing	540,601

*Includes previous years' expenditures for multi-year projects.

Step 1B – Establish Rate of Return & Allowed Return

	Ratio	Cost	2009 Projected WACC	2008 Frozen Rate WACC [1]	Increase/ (Decrease)	Explanation
Equity	60%	12.38%	7.43%	6.97%	0.47%	ITC Midwest uses a targeted 60% ratio with a ROE of 12.38% while IPL assumed a ratio of 50.80% with a ROE of 12.38% on common stock and a ratio of 8.35% with a ROE of 8.11% on preferred stock.
Debt	40%	6.09%	2.43%	2.78%	-0.35%	Lower Cost of Debt (6.09% vs. 6.81%) and Lower Debt/Capitalization ratio (40.00% vs. 40.85%)
Rate of Return			9.86%	9.75%	0.11%	

[1] 2008 frozen rate based on 2006 cost year data

Calculation

Rate Base	$ 582,719,614
x Return	9.86%
= Allowed Return	$ 57,474,034

ITC

Step 2A – Determine Recoverable Operating Expenses

Expense Item	2009 Projected Amount	2008 Frozen Rate Amount[1]	Increase/ (Decrease)	Explanation
Operating & Maintenance Expense	$ 29,233,000	$ 6,383,303	$ 22,849,697	(See next slide)
Administrative & General Expense	24,409,806	4,712,888	19,696,918	Increases are attributed to staffing, outside services, office expenses, and rent (see details on slide ~~15~~) 16
Depreciation Expense	19,806,000	15,003,906	4,802,094	Higher depreciable asset base
Taxes Other Than Income Taxes	6,960,000	8,435,568	(1,475,568)	Lower property taxes
Income Taxes	30,720,905	17,484,882	13,236,023	Greater rate base
Total Recoverable Operating Expenses	$ 111,129,711	$ 52,020,547	$ 59,109,163	

[1] 2008 frozen rate based on 2006 cost year data

Operations and Maintenance

Major Categories

- Substation Equipment O&M - $11.9MM
  - Preventative and reactive maintenance for system equipment including circuit breakers, transformers, capacitor banks, protective relaying, switches, DC battery systems, etc.
  - General operating, switching, and routine substation inspections
- Overhead Lines O&M - $8.9MM
  - Preventative and reactive maintenance for steel towers and wood poles on circuits 34.5kV and above, inspection and repair of pole top switches, planned and emergency helicopter patrols
- Facility and Vehicles O&M - $2.5MM
  - Maintenance for fleet vehicles (fuel, inspections/permits, maintenance) and site maintenance at substations (snow plowing, electrical/mechanical building repairs, mowing, stone grading, fencing repairs, roof repairs, etc.)
- Vegetation Management (including 34.5kV) - $2.7MM
- Material Costs - $1.0MM

Administrative and General Expenses

A&G Break Down

◆ Compensation	$11.3MM
◆ Contractors & Outside Services	4.6MM
◆ Rent	3.5MM
◆ Maintenance Contracts	1.5MM
◆ Office Expenses, Equipment & Other Operating Costs	1.3MM
◆ Travel & Training	0.7MM
◆ Utilities	0.5MM
◆ Subscriptions & Membership Dues	0.2MM
◆ Miscellaneous	0.8MM

Step 2B – Establish Gross Revenue Requirement

Calculation

Allowed Return	$	57,474,034
+ Total Recoverable Operating Expenses		111,129,711
= Gross Revenue Requirement	$	168,603,745

Step 3 – Establish Net Revenue Requirement

Credit Item	2009 Projected Amount	2008 Frozen Rate Amount[1]	Increase/ (Decrease)	Explanation
Point to Point	$ 4,434,000	5,208,853	$ (774,853)	2009 projections based on 2008 actuals to date
Schedule 26	2,519,000	-	2,519,000	2009 projections based on MTEP regionally shared projects
Rental Revenue	-	495,229	(495,229)	Frozen rate includes income related to transmission facilities, such as pole attachments, rentals and special use
Total Revenue Credits	$ 6,953,000	$ 5,704,082	$ 1,248,918	

[1] 2008 frozen rate based on 2006 cost year data

Calculation

Gross Revenue Requirement	$	168,603,745
- Revenue Credits		(6,953,000)
- Discount		(4,125,000)
= Net Revenue Requirement with Discount	$	157,525,745

Step 4 – Establish Billing Rate

	2009 Projected Load	2008 Frozen Rate Load[1]	Increase/ (Decrease)	Explanation
Sum of 2009 Monthly Coincident Network Peak Loads (in kW-Mo)	35,412,000	32,056,210	3,355,790	-Based on ITC Midwest's short term peak demand forecast model -Econometric model including weather, economic and calendar drivers

[1] 2008 frozen rate based on 2006 cost year data

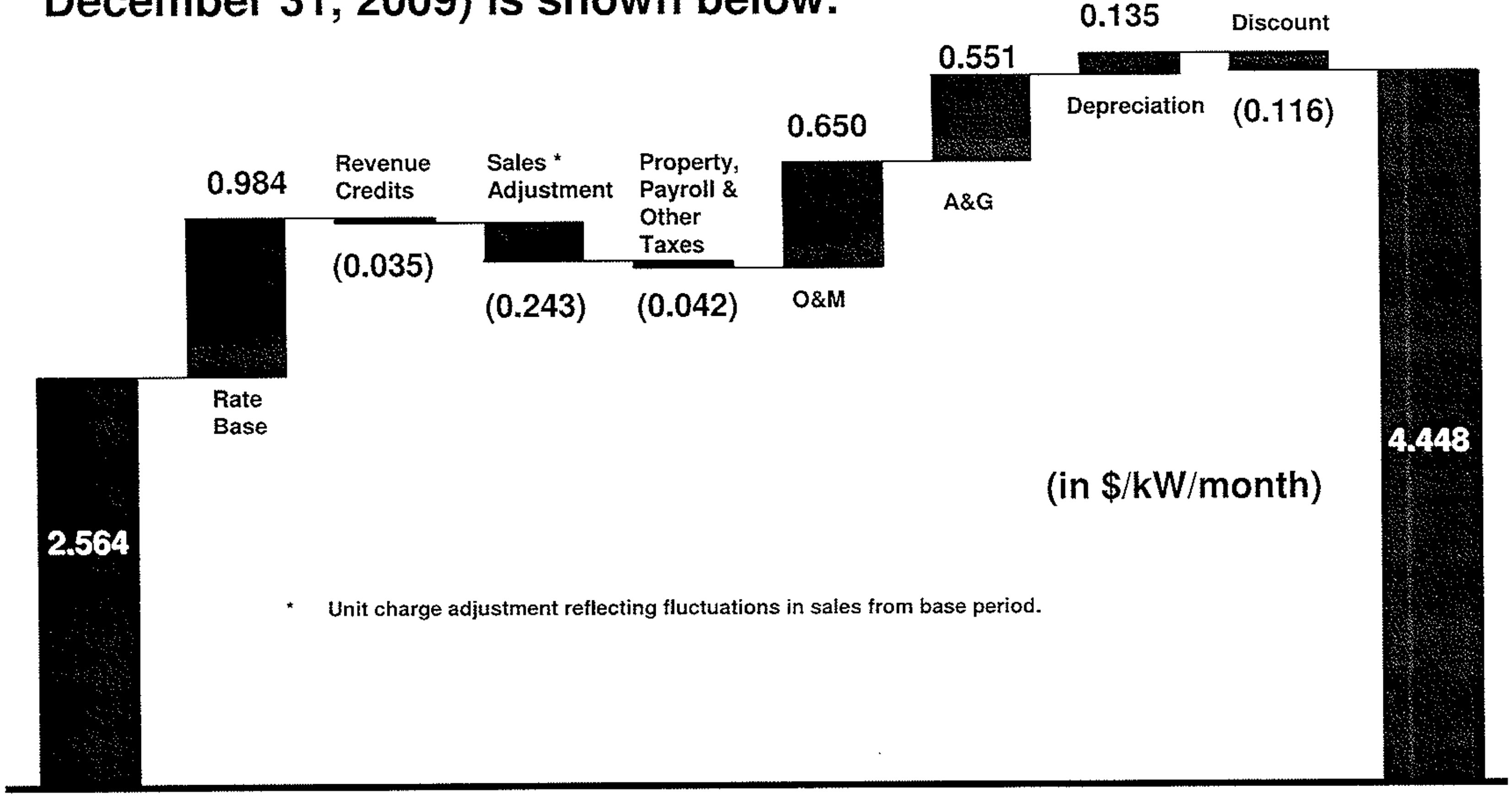
Calculation

Net Revenue Requirement	$	157,525,745
/ Load (kW-Mo)		35,412,000
= 2009 Rate (per kW-Mo)	$	4.448

ITC

Summary

The $4.448/kW/Mo rate (effective January 1, 2009 through December 31, 2009) is shown below.



* Unit charge adjustment reflecting fluctuations in sales from base period.

Questions

- If there are any questions regarding the 2009 Attachment O rate, please submit them in writing to Lisa Stump (515-282-5300 ext. 460) at lstump@itctransco.com or Dave Grover (612 632-3415) at dgrover@itctransco.com.

- All questions and their answers will be distributed by email to the person who asked, and all attendees at this meeting. Also, they will be posted on the OASIS website and the Partners in Business website at:
  - http://oasis.midwestiso.org/oasis/ITCM
  - http://www.itctransco.com/app.php?sec=&id=39

ATTACHMENT F

ITCM MISO EMT Attachment O Revised Posting
October 24, 2008

ITC Midwest LLC
For the 12 months ended 12/31/2009

Projected Rate Computation with Rate Discount

Projected Year 2009

Revenue Requirement without discount	$151,509,334
Discount (Note)	4,125,000
Revenue Requirement with Discount	$147,384,334
Projected Load (kW)	2,951,000
Annual Cost $/kW/year	49.944
Rate $/kW/month	4.162

Note: The rate discount is pursuant to the Order of the Iowa Utilities Board dated September 20, 2007 in IUB Docket No. SPU-07-11, and the Order of the Minnesota Public Utilities Commission in MPUC Docket No. E001/PA-07-540, dated February 7, 2008 and effective December 18, 2007.

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009

ITC Midwest LLC

Line No.			(1)	(2)	(3) Allocated Amount	(4) Adjustments	(5) Adjusted Allocated Amount
1	GROSS REVENUE REQUIREMENT (page 3, line 29)			12 months	$ 158,371,334	0	$ 158,371,334
	REVENUE CREDITS	(Note T)	Total	Allocator			
2	Account No. 454	(page 4, line 34)	0	TP 1.00000	0	0	0
3	Account No. 456.1	(page 4, line 37)	6,862,000	TP 1.00000	6,862,000		6,862,000
4	Revenues from Grandfathered Interzonal Transactions		0	TP 1.00000	0		0
5	Revenues from service provided by the ISO at a discount		0	TP 1.00000	0		0
6	TOTAL REVENUE CREDITS (sum lines 2-5)				6,862,000	0	6,862,000
6A	True-up Adjustment	[See Note 1.]					
7	NET REVENUE REQUIREMENT	(line 1 minus line 6 plus line 6A)			$ 151,509,334	$ -	$ 151,509,334
	DIVISOR						
8	Average of 12 coincident system peaks for requirements (RQ) service			(Note A)	2,951,000		2,951,000
9	Plus 12 CP of firm bundled sales over one year not in line 8			(Note B)			0
10	Plus 12 CP of Network Load not in line 8			(Note C)			0
11	Less 12 CP of firm P-T-P over one year (enter negative)			(Note D)			0
12	Plus Contract Demand of firm P-T-P over one year						0
13	Less Contract Demand from Grandfathered Interzonal Transactions over one year (enter negative) (Note S)						0
14	Less Contract Demands from service over one year provided by ISO at a discount (enter negative)						0
15	Divisor (sum lines 8-14)				2,951,000	0	2,951,000
16	Annual Cost ($/kW/Yr)	(line 7 / line 15)	51.342				
17	Network & P-to-P Rate ($/kW/Mo)	(line 16 / 12)	4.278				
			Peak Rate		Off-Peak Rate		
18	Point-To-Point Rate ($/kW/Wk)	(line 16 / 52; line 16 / 52)	0.987		$0.987		
19	Point-To-Point Rate ($/kW/Day)	(line 18 / 5; line 18 / 7)	0.197	Capped at weekly rate	$0.141		
20	Point-To-Point Rate ($/MWh)	(line 19 / 16; line 19 / 24 times 1,000)	12.342	Capped at weekly and daily rates	$5.877		
21	FERC Annual Charge($/MWh)	(Note E)		Short Term	$0.000 Short Term		
22				Long Term	$0.000 Long Term		

NOTES

Note 1. Calculated in accordance with the Annual Rate Calculation and True-up Procedures on pages 1365Z.16H and 1365Z.16I of this Tariff.

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009

ITC Midwest LLC

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount
	GROSS PLANT IN SERVICE							
1	Production	205.46.g		NA				0
2	Transmission - (Note U)	207.58.g	813,360,000	TP	1.00000	813,360,000		813,360,000
3	Distribution	207.75.g		NA				
4	General & Intangible - (Note U)	205.5.g & 207.99.g	64,690,000	W/S	1.00000	64,690,000		64,690,000
5	Common	356.1		CE	1.00000	0		0
6	TOTAL GROSS PLANT (sum lines 1-5)		878,050,000	GP=	100.000%	878,050,000	0	878,050,000
	ACCUMULATED DEPRECIATION							
7	Production	219.20-24.c		NA				
8	Transmission - (Note U)	219.25.c	298,595,000	TP	1.00000	298,595,000		298,595,000
9	Distribution	219.26.c		NA				
10	General & Intangible - (Note U)	219.28.c	380,000	W/S	1.00000	380,000		380,000
11	Common	356.1		CE	1.00000	0		0
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)		298,975,000			298,975,000	0	298,975,000
	NET PLANT IN SERVICE							
13	Production	(line 1- line 7)	0					
14	Transmission	(line 2- line 8)	514,765,000			514,765,000		514,765,000
15	Distribution	(line 3 - line 9)						
16	General & Intangible	(line 4 - line 10)	64,310,000			64,310,000		64,310,000
17	Common	(line 5 - line 11)	0			0		0
18	TOTAL NET PLANT (sum lines 13-17)		579,075,000	NP=	100.000%	579,075,000	0	579,075,000
	ADJUSTMENTS TO RATE BASE (Note F)							
19	Account No. 281 (enter negative) - (Note V)	273.8.k		NA	zero	0		
20	Account No. 282 (enter negative) - (Note V)	275.2.k	-24,274,000	NP	1.00000	-24,274,000		-24,274,000
21	Account No. 283 (enter negative) - (Note V)	277.9.k	-142,000	NP	1.00000	-142,000		-142,000 [See Note 2.]
22	Account No. 190 - (Note V)	234.8.c	17,019,000	NP	1.00000	17,019,000		17,019,000 [See Note 2.]
23	Account No. 255 (enter negative) - (Note V)	267.8.h		NP	1.00000	0		0
24	TOTAL ADJUSTMENTS (sum lines 19- 23B)		-7,397,000			-7,397,000	0	-7,397,000
25	LAND HELD FOR FUTURE USE - (Note V)	214.x.d (Note G)	26,000	TP	1.00000	26,000		26,000
	WORKING CAPITAL (Note H)							
26	CWC	calculated	6,096,875			5,455,289	0	5,455,289
27	Materials & Supplies (Note G) - (Note V)	227.8.c & .16.c	4,606,000	TE	0.78940	3,635,987		3,635,987
28	Prepayments (Account 165) - (Note V)	111.57.c	392,000	GP	1.00000	392,000		392,000
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)		11,094,875			9,483,277	0	9,483,277
30	RATE BASE (sum lines 18, 24, 25, & 29)		582,798,875			581,187,277	0	581,187,277

Note 2. Excludes deferred taxes associated with the True-up Adjustment that are not otherwise included in rate base.

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009

ITC Midwest LLC

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)	(6) Adjustments	(7) Adjusted Amount	
	O&M								
1	Transmission	321.112.b	24,364,000	TE	0.78940	19,233,000		19,233,000	[See Note 3.]
2	Less Account 565	321.96.b			1.00000	0		0	
3	A&G	323.197.b	24,438,000	W/S	1.00000	24,438,000		24,438,000	
4	Less FERC Annual Fees			W/S	1.00000	0		0	
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)		35,000	W/S	1.00000	35,000		35,000	
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)		8,000	TE	0.78940	6,315		6,315	
6	Common	356.1		CE	1.00000	0		0	
7	Transmission Lease Payments				1.00000	0			
8	TOTAL O&M (sum lines 1, 3, 5a, 6, 7 less lines 2, 4, 5)		48,775,000			43,642,315	0	43,642,315	
	DEPRECIATION EXPENSE								
9	Transmission	336.7.b & c	19,781,000	TP	1.00000	19,781,000		19,781,000	
10	General	336.10.b & c	25,000	W/S	1.00000	25,000		25,000	
11	Common	336.11.b & c		CE	1.00000	0		0	
12	TOTAL DEPRECIATION (Sum lines 9 - 11)		19,806,000			19,806,000	0	19,806,000	
	TAXES OTHER THAN INCOME TAXES (Note J)								
	LABOR RELATED								
13	Payroll	263i	410,000	W/S	1.00000	410,000		410,000	
14	Highway and vehicle	263i		W/S	1.00000	0		0	
15	PLANT RELATED								
16	Property	263i	6,550,000	GP	1.00000	6,550,000		6,550,000	
17	Gross Receipts	263i		NA	zero	0			
18	Other	263i		GP	1.00000	0		0	
19	Payments in lieu of taxes			GP	1.00000	0		0	
20	TOTAL OTHER TAXES (sum lines 13 - 19)		6,960,000			6,960,000	0	6,960,000	
	INCOME TAXES	(Note K)							
21	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		41.51%						
22	CIT=(T/1-T) * (1-(WCLTD/R)) =		53.45%						
	where WCLTD=(page 4, line 27) and R= (page 4, line30)								
	and FIT, SIT & p are as given in footnote K.								
23	1 / (1 - T) = (from line 21)		1.7096						
24	Amortized Investment Tax Credit (266.8f) (enter negative)								
25	Income Tax Calculation = line 22 * line 28		30,725,084	NA		30,640,121	0	30,640,121	
26	ITC adjustment (line 23 * line 24)			NP	1.00000	0		0	
27	Total Income Taxes	(line 25 plus line 26)	30,725,084			30,640,121	0	30,640,121	
28	RETURN		57,481,851	NA		57,322,898	0	57,322,898	
	[Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]								
29	REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)		163,747,935			158,371,334	0	158,371,334	

Note 3. Adjustments to Line 1 will equal the sum of the amounts on ITC's Report on FERC Form No. 1 for Customer Accounts Expenses [FERC Form No. 1, 323.164.b], Customer Service and Informational Expenses [FERC Form No. 1, 323.171.b], and Sales Expenses [FERC Form No. 1, 323.178.b] that are not otherwise recoverable through some other tariff.
Adjustments to be made before calculation of allocator for Line 1, Column (4).

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009

ITC Midwest LLC

SUPPORTING CALCULATIONS AND NOTES

Line No.	TRANSMISSION PLANT INCLUDED IN ISO RATES		
1	Total transmission plant (page 2, line 2, column 3)		813,360,000
2	Less transmission plant excluded from ISO rates (Note M)		
3	Less transmission plant included in OATT Ancillary Services (Note N)		
4	Transmission plant included in ISO rates (line 1 less lines 2 & 3)		813,360,000
5	Percentage of transmission plant included in ISO Rates (line 4 divided by line 1)	TP=	1.00000
	TRANSMISSION EXPENSES		
6	Total transmission expenses (page 3, line 1, column 3)		24,364,000
7	Less transmission expenses included in OATT Ancillary Services (Note L)		5,131,000
8	Included transmission expenses (line 6 less line 7)		19,233,000
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)		0.78940
10	Percentage of transmission plant included in ISO Rates (line 5)	TP	1.00000
11	Percentage of transmission expenses included in ISO Rates (line 9 times line 10)	TE=	0.78940

WAGES & SALARY ALLOCATOR (W&S)

Line No.		Form 1 Reference	$	TP	Allocation				
12	Production	354.20.b		0.00	0				
13	Transmission	354.21.b	3,326,000	1.00	3,326,000				
14	Distribution	354.23.b		0.00	0		W&S Allocator		
15	Other	354.24,25,26.b		0.00	0		($ / Allocation)		
16	Total (sum lines 12-15)		3,326,000		3,326,000	=	1.00000	=	WS

COMMON PLANT ALLOCATOR (CE) (Note O)

Line No.			$	% Electric (line 17 / line 20)		W&S Allocator (line 16)		CE
17	Electric	200.3.c	720,074,000					
18	Gas	201.3.d		1.00000	*	1.00000	=	1.00000
19	Water	201.3.e						
20	Total (sum lines 17 - 19)		720,074,000					

Line No.	RETURN (R)		(5) $	(6) Adjustments	(7) Adjusted Amount
21		Long Term Interest (117, sum of 62c through 67c)	$14,937,000		14,937,000
22		Preferred Dividends (118.29c) (positive number)			0
	Development of Common Stock:				
23		Proprietary Capital (112.16c) - (Note U)	368,291,000		368,291,000
24		Less Preferred Stock (line 28) - (Note U)	0		0
25		Less Account 216.1 (112.12c) (enter negative) - (Note U)			0
26		Common Stock (sum lines 23-25)	368,291,000	0	368,291,000

Line No.		$	%	Cost (Note P)	Weighted		
27	Long Term Debt (112, sum of 18c through 21c) - (Note U)	245,427,000	40%	0.0609	0.0243	=WCLTD	
28	Preferred Stock (112.3c)- (Note U)		0%	0.0000	0.0000		
29	Common Stock (line 26)	368,291,000	60%	0.1238	0.0743		[See Note 4.]
30	Total (sum lines 27-29)	613,718,000			0.0986	=R	

REVENUE CREDITS

Line No.				Load	
	ACCOUNT 447 (SALES FOR RESALE)	(310-311)	(Note Q)		
31	a. Bundled Non-RQ Sales for Resale (311.x.h)				
32	b. Bundled Sales for Resale included in Divisor on page 1				
33	Total of (a)-(b)			0	
34	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (Note R)			$0	0
	ACCOUNT 456.1 (OTHER ELECTRIC REVENUES)	(330.x.n)			
35	a. Transmission charges for all transmission transactions			$160,339,000	
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1			$153,477,000	
37	Total of (a)-(b)			$6,862,000	

Note 4. Allowed ROE set to 12.38%

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009

ITC Midwest LLC

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)
References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note Letter	
A	Peak as would be reported on page 401, column d of Form 1 at the time of the ISO coincident monthly peaks.
B	Labeled LF, LU, IF, IU on pages 310-311 of Form 1at the time of the ISO coincident monthly peaks.
C	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
D	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
E	The FERC's annual charges for the year assessed the Transmission Owner for service under this tariff.
F	The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income as discussed in Note K. Account 281 is not allocated.
G	Identified in Form 1 as being only transmission related.
H	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at page 3, line 8, column 5. Prepayments are the electric related prepayments booked to Account No. 165 and reported on Pages 110-111 line 57 in the Form 1.
I	Line 5 - EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1. Line 5a - Regulatory Commission Expenses directly related to transmission service, ISO filings, or transmission siting itemized at 351.h.
J	Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
K	The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 3, line 26).

Inputs Required:	FIT =	35.00%	
	SIT=	11.77%	(State Income Tax Rate or Composite SIT)
	p =	47.41%	(percent of federal income tax deductible for state purposes)

L	Removes dollar amount of transmission expenses included in the OATT ancillary services rates, including all of Account Nos. 561.1, 561.2, 561.3, and 561.BA.
M	Removes transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until Form 1 balances are adjusted to reflect application of seven-factor test).
N	Removes dollar amount of transmission plant included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed to included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
O	Enter dollar amounts
P	Debt cost rate = long-term interest (line 21) / long term debt (line 27). Preferred cost rate = preferred dividends (line 22) / preferred outstanding (line 28). ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
Q	Line 33 must equal zero since all short-term power sales must be unbundled and the transmission component reflected in Account No. 456.1 and all other uses are to be included in the divisor.
R	Includes income related only to transmission facilities, such as pole attachments, rentals and special use.
S	Grandfathered agreements whose rates have been changed to eliminate or mitigate pancaking - the revenues are included in line 4 page 1 and the loads are included in line 13, page 1. Grandfathered agreements whose rates have not been changed to eliminate or mitigate pancaking - the revenues are not included in line 4, page 1 nor are the loads included in line 13, page 1.
T	The revenues credited on page 1 lines 2-5 shall include only the amounts received directly (in the case of grandfathered agreements) or from the ISO (for service under this tariff) reflecting the Transmission Owner's integrated transmission facilities. They do not include revenues associated with FERC annual charges, gross receipts taxes, ancillary services, facilities not included in this template (e.g., direct assignment facilities and GSUs) which are not recovered under this Rate Formula Template.
U	Calculate using 13 month average balance.
V	Calculate using average of beginning and end of year balances.

ATTACHMENT G

IPL EMT Attachment O Posting
2007

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2006

ITC Midwest

Line No.			Total	Allocator		Allocated Amount
1	GROSS REVENUE REQUIREMENT	(page 3, line 29)				$ 87,890,094
	REVENUE CREDITS	(Note T)	Total	Allocator		
2	Account No. 454	(page 4, line 34)	500,343	TP	0.98978	495,229
3	Account No. 456.1	(page 4, line 37)	5,262,636	TP	0.98978	5,208,853
4	Revenues from Grandfathered Interzonal Transactions		0	TP	0.98978	0
5	Revenues from service provided by the ISO at a discount		0	TP	0.98978	0
6	TOTAL REVENUE CREDITS (sum lines 2-5)					5,704,082
7	NET REVENUE REQUIREMENT	(line 1 minus line 6)				$ 82,186,012
	DIVISOR					
8	Average of 12 coincident system peaks for requirements (RQ) service				(Note A)	2,539,000
9	Plus 12 CP of firm bundled sales over one year not in line 8				(Note B)	0
10	Plus 12 CP of Network Load not in line 8				(Note C)	228,000
11	Less 12 CP of firm P-T-P over one year (enter negative)				(Note D)	-95,649
12	Plus Contract Demand of firm P-T-P over one year					0
13	Less Contract Demand from Grandfathered Interzonal Transactions over one year (enter negative) (Note S)					0
14	Less Contract Demands from service over one year provided by ISO at a discount (enter negative)					0
15	Divisor (sum lines 8-14)					2,671,351
16	Annual Cost ($/kW/Yr)	(line 7 / line 15)	30.766			
17	Network & P-to-P Rate ($/kW/Mo)	(line 16 / 12)	2.564			

Line No.			Peak Rate		Off-Peak Rate	
18	Point-To-Point Rate ($/kW/Wk)	(line 16 / 52; line 16 / 52)	0.592		$0.592	
19	Point-To-Point Rate ($/kW/Day)	(line 18 / 5; line 18 / 7)	0.118	Capped at weekly rate	$0.085	
20	Point-To-Point Rate ($/MWh)	(line 19 / 16; line 19 / 24 times 1,000)	7.396	Capped at weekly and daily rates	$3.522	
21	FERC Annual Charge($/MWh)	(Note E)	$0.000	Short Term	$0.000	Short Term
22			$0.000	Long Term	$0.000	Long Term

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2006

ITC Midwest

Line No.	(1) RATE BASE:	(2) **Form No. 1 Page, Line, Col.**	(3) **Company Total**	(4) **Allocator**		(5) **Transmission** (Col 3 times Col 4)
	GROSS PLANT IN SERVICE					
1	Production	205.46.g	1,532,474,929	NA		
2	Transmission	207.58.g	686,068,678	TP	0.98978	679,057,148
3	Distribution	207.75.g	1,560,161,671	NA		
4	General & Intangible	205.5.g & 207.90.g	185,882,206	W/S	0.05145	9,562,980
5	Common	356.1	218,505,153	CE	0.04626	10,107,382
6	TOTAL GROSS PLANT (sum lines 1-5)		4,183,092,637	GP=	16.704%	698,727,511
	ACCUMULATED DEPRECIATION					
7	Production	219.20-24.c	807,281,106	NA		
8	Transmission	219.25.c	284,873,825	TP	0.98978	281,962,453
9	Distribution	219.26.c	601,223,085	NA		
10	General & Intangible	219.28.c	64,679,622	W/S	0.05145	3,327,537
11	Common	356.1	120,565,721	CE	0.04626	5,577,003
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)		1,878,623,359			290,866,993
	NET PLANT IN SERVICE					
13	Production	(line 1- line 7)	725,193,823			
14	Transmission	(line 2- line 8)	401,194,853			397,094,695
15	Distribution	(line 3 - line 9)	958,938,586			
16	General & Intangible	(line 4 - line 10)	121,202,584			6,235,443
17	Common	(line 5 - line 11)	97,939,432			4,530,380
18	TOTAL NET PLANT (sum lines 13-17)		2,304,469,278	NP=	17.699%	407,860,518
	ADJUSTMENTS TO RATE BASE	(Note F)				
19	Account No. 281 (enter negative)	273.8.k	0	NA	zero	0
20	Account No. 282 (enter negative)	275.2.k	-279,210,790	NP	0.17699	-49,416,609
21	Account No. 283 (enter negative)	277.9.k	-31,422,795	NP	0.17699	-5,561,418
22	Account No. 190	234.8.c	77,638,147	NP	0.17699	13,740,923
23	Account No. 255 (enter negative)	267.8.h	-12,720,905	NP	0.17699	-2,251,432
24	TOTAL ADJUSTMENTS (sum lines 19- 23)		-245,716,343			-43,488,536
25	LAND HELD FOR FUTURE USE	214.x.d (Note G)	26,340	TP	0.98978	26,071
	WORKING CAPITAL (Note H)					
26	CWC	calculated	12,709,531			1,387,024
27	Materials & Supplies (Note G)	227.8.c & .16.c	687,611	TE	0.83177	571,933
28	Prepayments (Account 165)	111.57.c	9,380,272	GP	0.16704	1,566,844
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)		22,777,414			3,525,801
30	RATE BASE (sum lines 18, 24, 25, & 29)		2,081,556,689			367,923,854

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2006

ITC Midwest

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col 3 times Col 4)
	O&M					
1	Transmission	321.111.b	21,906,192	TE	0.83177	18,220,881
1a	Less LSE Expenses included in Transmission O&M Accoun		2,241,748		1.00000	2,241,748
2	Less Account 565	321.95.b	9,595,830		1.00000	9,595,830
3	A&G	323.195.b	95,492,056	W/S	0.05145	4,912,728
4	Less FERC Annual Fees		0	W/S	0.05145	0
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)		3,884,423	W/S	0.05145	199,840
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)		0	TE	0.83177	0
6	Common	356.1	0	CE	0.04626	0
7	Transmission Lease Payments		0		1.00000	0
8	TOTAL O&M (sum lines 1, 3, 5a, 6, 7 less lines 2, 4, 5)		101,676,247			11,096,191
	DEPRECIATION EXPENSE					
9	Transmission	336.7.b	14,746,262	TP	0.98978	14,595,557
10	General	336.10.b	3,047,872	W/S	0.05145	156,802
11	Common	336.11.b	5,438,035	CE	0.04626	251,547
12	TOTAL DEPRECIATION (Sum lines 9 - 11)		23,232,169			15,003,906
	TAXES OTHER THAN INCOME TAXES (Note J)					
	LABOR RELATED					
13	Payroll	263.i	8,443,387	W/S	0.05145	434,382
14	Highway and vehicle	263.i	0	W/S	0.05145	0
15	PLANT RELATED					
16	Property	263.i	47,856,915	GP	0.16704	7,993,833
17	Gross Receipts	263.i	0	NA	zero	0
18	Other	263.i	26,415	GP	0.16704	4,412
19	Payments in lieu of taxes		17,606	GP	0.16704	2,941
20	TOTAL OTHER TAXES (sum lines 13 - 19)		56,344,323			8,435,568
	INCOME TAXES	(Note K)				
21	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		41.57%			
22	CIT=(T/1-T) * (1-(WCLTD/R)) =		50.84%			
	where WCLTD=(page 4, line 27) and R= (page 4, line30)					
	and FIT, SIT & p are as given in footnote K.					
23	1 / (1 - T) = (from line 21)		1.7115			
24	Amortized Investment Tax Credit (266.8f) (enter negative)		-2,474,528			
25	Income Tax Calculation = line 22 * line 28		103,162,793	NA		18,234,455
26	ITC adjustment (line 23 * line 24)		-4,235,196	NP	0.17699	-749,574
27	Total Income Taxes	(line 25 plus line 26)	98,927,597			17,484,882
28	RETURN		202,934,640	NA		35,869,547
	[Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]					
29	REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)		483,114,975			87,890,094

Formula Rate - Non-Levelized | Rate Formula Template Utilizing FERC Form 1 Data | For the 12 months ended 12/31/2006

ITC Midwest

SUPPORTING CALCULATIONS AND NOTES

Line No.	TRANSMISSION PLANT INCLUDED IN ISO RATES		
1	Total transmission plant (page 2, line 2, column 3)		686,068,678
2	Less transmission plant excluded from ISO rates (Note M)		0
3	Less transmission plant included in OATT Ancillary Services (Note N)		7,011,530
4	Transmission plant included in ISO rates (line 1 less lines 2 & 3)		679,057,148
5	Percentage of transmission plant included in ISO Rates (line 4 divided by line 1)	TP=	0.98978
	TRANSMISSION EXPENSES		
6	Total transmission expenses (page 3, line 1, column 3)		21,906,192
7	Less transmission expenses included in OATT Ancillary Services (Note L)		3,497,173
8	Included transmission expenses (line 6 less line 7)		18,409,019
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)		0.84036
10	Percentage of transmission plant included in ISO Rates (line 5)	TP	0.98978
11	Percentage of transmission expenses included in ISO Rates (line 9 times line 10)	TE=	0.83177

WAGES & SALARY ALLOCATOR (W&S)

Line No.		Form 1 Reference	$	TP	Allocation		W&S Allocator ($ / Allocation)		
12	Production	354.20.b	28,221,803	0.00	0				
13	Transmission	354.21.b	2,845,033	0.99	2,815,957				
14	Distribution	354.23.b	13,239,899	0.00	0				
15	Other	354.24,25,26.b	10,428,955	0.00	0				
16	Total (sum lines 12-15)		54,735,690		2,815,957	=	0.05145	=	WS

COMMON PLANT ALLOCATOR (CE) (Note O)

Line No.			$	% Electric (line 17 / line 20)		W&S Allocator (line 16)		CE
17	Electric	200.3.c	3,798,917,708					
18	Gas	201.3.d	376,166,164	0.89913	*	0.05145	=	0.04626
19	Water	201.3.e	50,029,015					
20	Total (sum lines 17 - 19)		4,225,112,887					

RETURN (R)

Line No.		$
21	Long Term Interest (117, sum of 62.c through 67.c)	$63,354,635
22	Preferred Dividends (118.29c) (positive number)	$ 15,402,512
	Development of Common Stock:	
23	Proprietary Capital (112.16.c)	1,346,092,472
24	Less Preferred Stock (line 28)	-190,000,000
25	Less Account 216.1 (112.12.c) (enter negative)	0
26	Common Stock (sum lines 23-25)	1,156,092,472

Line No.		$	%	Cost (Note P)	Weighted	
27	Long Term Debt (112, sum of 18.c through 21.c)	929,806,322	41%	0.0681	0.0278	=WCLTD
28	Preferred Stock (112.3.c)	190,000,000	8%	0.0811	0.0068	
29	Common Stock (line 26)	1,156,092,472	51%	0.1238	0.0629	
30	Total (sum lines 27-29)	2,275,898,794			0.0975	=R

REVENUE CREDITS

Line No.		Load
	ACCOUNT 447 (SALES FOR RESALE) (310-311) (Note Q)	
31	a. Bundled Non-RQ Sales for Resale (311.x.h)	0
32	b. Bundled Sales for Resale included in Divisor on page 1	0
33	Total of (a)-(b)	0
34	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (Note R)	$500,343
	ACCOUNT 456.1 (OTHER ELECTRIC REVENUES) (Note U (330.x.n)	
35	a. Transmission charges for all transmission transactions	$10,966,199
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1	$5,703,563
37	Total of (a)-(b)	$5,262,636

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2006

ITC Midwest

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)
References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note Letter	
A	Peak as would be reported on page 401, column d of Form 1 at the time of the ISO coincident monthly peaks.
B	Labeled LF, LU, IF, IU on pages 310-311 of Form 1at the time of the ISO coincident monthly peaks.
C	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
D	Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
E	The FERC's annual charges for the year assessed the Transmission Owner for service under this tariff.
F	The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income as discussed in Note K. Account 281 is not allocated.
G	Identified in Form 1 as being only transmission related.
H	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at page 3, line 8, column 5. Prepayments are the electric related prepayments booked to Account No. 165 and reported on Page 111 line 57 in the Form 1.
I	Line 5 - EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1. Line 5a - Regulatory Commission Expenses directly related to transmission service, ISO filings, or transmission siting itemized at 351.h.
J	Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
K	The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 3, line 26).

Inputs Required:	FIT =	35.00%	
	SIT=	11.80%	(State Income Tax Rate or Composite SIT)
	p =	45.49%	(percent of federal income tax deductible for state purposes)

L	Removes dollar amount of transmission expenses included in the OATT ancillary services rates, including Account Nos. 561.1, 561.2, 561.3, and 561.BA.
M	Removes transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until Form 1 balances are adjusted to reflect application of seven-factor test).
N	Removes dollar amount of transmission plant included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed to included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
O	Enter dollar amounts
P	Debt cost rate = long-term interest (line 21) / long term debt (line 27). Preferred cost rate = preferred dividends (line 22) / preferred outstanding (line 28). ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
Q	Line 33 must equal zero since all short-term power sales must be unbundled and the transmission component reflected in Account No. 456.1 and all other uses are to be included in the divisor.
R	Includes income related only to transmission facilities, such as pole attachments, rentals and special use.
S	Grandfathered agreements whose rates have been changed to eliminate or mitigate pancaking - the revenues are included in line 4 page 1 and the loads are included in line 13, page 1. Grandfathered agreements whose rates have not been changed to eliminate or mitigate pancaking - the revenues are not included in line 4, page 1 nor are the loads included in line 13, page 1.
T	The revenues credited on page 1 lines 2-5 shall include only the amounts received directly (in the case of grandfathered agreements) or from the ISO (for service under this tariff) reflecting the Transmission Owner's integrated transmission facilities. They do not include revenues associated with FERC annual charges, gross receipts taxes, ancillary services, facilities not included in this template (e.g., direct assignment facilities and GSUs) which are not recovered under this Rate Formula Template.
U	Account 456.1 entry shall be the annual total of the quarterly values reported at Form 1, 330.x.n.
V	Account Nos. 561.4, 561.8, and 575.7 consist of RTO expenses billed to load-serving entities and are not included in Transmission Owner revenue requirements.

ATTACHMENT H

ITCM Materials

4. With respect to A&G expenses, please provide IPL with the methodology and support for the determination of the $24.4 million as reflected in ITC's 2009 Attachment O.

QUESTION 4

Compensation	$11.3MM	Approx. 41% Direct Assigned to ITCMW ($4.6MM) and approx. 59% Allocated to ITCMW ($6.7MM)
Contractors & Outside Services	4.6MM	Majority relates to Consultants, Lawyers & Auditors expenses, Security Services & Assessment, Benchmark Studies, Reliability Studies, Reed City, Logicorps
Rent	3.5MM	Rent for shared assets 100% allocation
Maintenance Contracts	1.5MM	Asset Sentry Fees, PeopleSoft Support, TMS Maintenance & Other 100%
Office Expenses, Equipment & Other Operating Costs	1.3MM	Misc. Software, Supplies & Office Equipment & Other Office Costs consisting of insurance related expenses (Property, General Liability, D&O)
Travel & Training	0.7MM	100% allocated
Utilities	0.5MM	
Subscriptions & Membership Dues	0.2MM	
Miscellaneous	0.8MM	
	$24.4MM	

21%

Reed City - Purchasing Co

Logicorps - IT Company

Asset Sentry - work mgt

Allocation Methodology

1) Method
2) Data '09

- **Non-Labor**
  - All Non-Labor related A&G expense has been allocated using the Massachusetts Formula (Gross Plant and Load)

- **Labor**
  - Labor is directly assigned to ITCMW or allocated depending on job function
  - Labor that is dedicated to ITCMW and physically located in Iowa and Minnesota has been directly assigned to ITCMW
  - For labor that is physically located in Michigan, we considered job function for each individual FTE and assigned that employee to either Michigan only (allocated to ITCT and METC) or All (allocated to all business units)

ITC

Direct Assigned Labor

Department	FTEs Direct Assigned	Associated Compensation (in $mm)
100 - Engineering	44	$ 1.7
150 - Operations	0	-
200 - Planning	10	0.8
300 - RAM	1	0.1
340 - Facilities	1	0.1
350 - IT	0	-
400 - Finance	0	-
500 - Executive	0	-
580 - Internal Audit	0	-
600 - Legal	0	-
801 - Business Strategy	3	0.5
802 - Regulatory	3	0.5
803 - Community Relations	8	0.5
804 - Marketing	1	0.2
805 - Stakeholder Relations	2	0.3
806 - Federal Affairs	0	-
807 - HR	0	-
808 - State Affairs	1	0.1
	74	**$ 4.6**

Allocated Labor

Department	end of year Allocated FTEs ~~Direct Assigned~~	IPL portion Associated Compensation (in $mm)
100 - Engineering	5	$ 0.1
150 - Operations	14	0.5
200 - Planning	8	0.2
300 - RAM	4	0.1
340 - Facilities	1	0.0
350 - IT	43	1.0
400 - Finance	42	1.2
500 - Executive	7	1.8
580 - Internal Audit	2	0.0
600 - Legal	26	0.8
801 - Business Strategy	8	0.4
802 - Regulatory	3	0.1
803 - Community Relations	1	0.0
804 - Marketing	7	0.1
805 - Stakeholder Relations	0	-
806 - Federal Affairs	3	0.1
807 - HR	5	0.2
808 - State Affairs	1	0.0
	180	**$ 6.7**

timing reflected

11.3

	2009 Projected Amount	Contribution to Rate
Net Plant in Service	$ 579,075,000	$ 16.35
Other Rate Base Items	3,644,614	0.10
Total Rate Base	$ 582,719,614	$ 16.46
Rate of Return	9.86%	9.86%
Allowed Return	$ 57,474,034	$ 1.62
Operating & Maintenance Expense	29,233,000	0.826
Administrative & General Expense	24,409,806	0.689
Depreciation	19,806,000	0.559
Taxes Other Than Income Taxes	6,960,000	0.197
Plus Income Taxes	30,720,905	0.868
Total Recoverable Operating Expenses	$ 111,129,711	$ 3.14
Gross Revenue Requirement	**$ 168,603,744**	**$ 4.76**
Total Revenue Credits	(6,953,000)	(0.196)
Discount	(4,125,000)	(0.116)
Net Revenue Requirement	**$ 157,525,744**	
Load	35,412,000	
Rate	**$ 4.448**	**$ 4.448**

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Interstate Power and Light Company,	)	**Docket No. EL09-_____**
Complainant,	)	
v.	)	
ITC Midwest, LLC,	)	
Respondent.	)	

NOTICE OF COMPLAINT
(November ____, 2008)

Take notice that on November 18, 2008, Interstate Power and Light Company ("IPL") filed a complaint with the Federal Energy Regulatory Commission against ITC Midwest, LLC ("ITCM"), to seek relief from ITCM's improper implementation of its formula rate for FERC-jurisdictional transmission service.

IPL certifies that copies of the complaint were served on the contacts for ITCM as listed on FERC's list of Corporate Officials.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. The Respondent's answer and all interventions, or protests must be filed on or before the comment date. The Respondent's answer, motions to intervene, and protests must be served on the Complainants.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at http://www.ferc.gov. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at http://www.ferc.gov, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on (insert date).

Kimberly D. Bose
Secretary

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on ITC Midwest, LLC,by e-mail and first class mail to the following contacts for SPP as listed on the FERC's list of Corporate Officials.:

Daniel J. Oginsky
Vice President and General Counsel
International Transmission Company
39500 Orchard Hill Place, Suite 200
Novi, MI 48375
Email: doginsky@itctransco.com

Gregory Ioanidis
Director of Regulatory Strategy
39500 Orchard Hill Place, Suite 200
1400 Smith Street, EB4712a
Novi, MI 48375
Email: gioanidis@itctransco.com

Michael C. Griffen
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dated: November 18, 2008
Washington, D.C.

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