ALSTON&BIRD LLP

The Atlantic Building
950 F Street, NW
Washington, DC 20004-1404

202-756-3300
Fax:202-756-3333
www.alston.com

Kenneth G. Jaffe **Direct Dial: 202-756-3154** **E-mail: kenneth.jaffe@alston.com**

December 3, 2007

VIA MESSENGER

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: *Midwest Independent Transmission System Operator. Inc. and the Transmission Owners of the Midwest Independent Transmission System Operator. Inc.*
Revisions to Section 37 of the Midwest ISO Energy Markets Tariff
Docket No. ER08-___-000

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and section 35.13 of the regulations of the Federal Energy Regulatory Commission ("FERC" or the "Commission"), 18 C.F.R. § 35.13, the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") and the Midwest ISO Transmission Owners ("MISO TOs")[1] submit the attached revision to section 37.3 of the Midwest ISO's Open Access Transmission and Energy Markets Tariff ("EMT" or the "Tariff"). The proposed revision is submitted to ensure that the Midwest ISO's distribution of revenues from

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1 The Midwest ISO Transmission Owners for this filing comprise: American Transmission Company LLC (ATCLLC)*; American Transmission Systems, Incorporated, a subsidiary of FirstEnergy Corp.; Alliant Energy Corporate Services, Inc. on behalf of its operating company affiliate Interstate Power and Light Company (f/k/a IES Utilities Inc. and Interstate Power Company); Duke Energy Shared Services for Duke Energy Ohio, Inc., Duke Energy Indiana, Inc., and Duke Energy Kentucky, Inc.; Great River Energy; Indianapolis Power & Light Company; International Transmission Company d/b/a ITC*Transmission**; Manitoba Hydro; Michigan Electric Transmission Company, LLC (METC)*; Minnesota Power (and its subsidiary Superior Water, L&P); Montana-Dakota Utilities Co.; Northern Indiana Public Service Company; Northern States Power Company, a Minnesota corporation and Northern States Power Company, a Wisconsin corporation, subsidiaries of Xcel Energy Inc.; Northwestern Wisconsin Electric Company; Otter Tail Corporation d/b/a Otter Tail Power Company; Southern Indiana Gas & Electric Company (d/b/a Vectren Energy Delivery of Indiana); Wabash Valley Power Association, Inc.; and Wolverine Power Supply Cooperative, Inc. Please note the Midwest Stand Alone Transmission Companies are denoted with an asterisk (*).

Exhibit A

network integration transmission service ("NITS") to Transmission Owners[2] is just, reasonable, and not unduly discriminatory or preferential following the end of the Midwest ISO rate "Transition Period," which is defined as the first six years of Midwest ISO operations, and which ends on January 31, 2008.[3]

I. BACKGROUND

The instant filing will have no effect on transmission rates. It concerns the Midwest ISO's distribution to Transmission Owners of revenues it receives for transmission services provided under the EMT, which is governed by provisions of the EMT and the Agreement Of Transmission Facilities Owners To Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation (the "TO Agreement"). Under section 7.1 of the EMT, the Midwest ISO submits monthly invoices to transmission customers for the services for which it will "collect and distribute revenues to the Transmission Owners for services furnished under Module B of [the Tariff]."

Appendix C to the TO Agreement sets forth, among other things, the manner in which the revenues received from such transmission customers for transmission service under the EMT will be distributed among the Transmission Owners. The revenue distribution provisions of Appendix C were included in the TO Agreement as it was negotiated and filed with the Commission in 1998.[4] Appendix C was negotiated in anticipation of a possible change in the Midwest ISO transmission rate design at the end of the Transition Period, and as such, provides for a change in the approach to revenue distribution at the end of the Transition Period.[5]

Appendix C first provides that during the Transition Period, all transmission revenue collected from NITS customers "shall be fully distributed to the Host Zone," i.e., the zone where load is physically connected to the Midwest ISO transmission network either directly or through a distribution system. TO Agreement, Appendix C, § III(A)(4). Because most transmission service under the EMT is provided as NITS, this approach ensures that most of the revenue requirement of the transmission facilities in a zone will

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2 For the purposes of this filing, the term "Transmission Owner" includes Independent Transmission Companies ("ITCs") to the extent that ITCs are entitled to be included in the distribution of revenue from NITS.

3 As explained in n.13, below, the MISO TOs and the Midwest ISO are working on the development of a filing that would propose further revisions to the post-Transition Period distribution of revenues under the EMT.

4 *Midwest Independent Transmission System Operator, Inc., et al.*, Opinion No. 453, 97 FERC ¶ 61,033 (2001), order on reh'g, Opinion No. 453-A, 98 FERC ¶ 61,141 (2002).

5 Section III of Appendix C, addressing the distribution of revenues, is included as Attachment C to this filing for reference purposes only.

be paid by NITS customers in that zone, and distributed directly to the Transmission Owner in that zone.[6]

At the time, it was anticipated that after the Transition Period, there might be a shift from the initially effective "license plate" rate design to a rate design under which more costs would be recovered on a regional basis. Accordingly, Appendix C provides that, commencing February 1, 2008:

> Each Owner shall receive revenues on a monthly basis, based on its revenue requirement calculated in accordance with a formula filed with the FERC.

TO Agreement, Appendix C, § III(B)(1). Appendix C further provides:

> If Midwest ISO revenues are insufficient to satisfy revenue requirements in any year for any reason, then the shortfall shall be apportioned on a proportionate basis of revenue requirements (*e.g.*, an Owner whose revenue requirements are ten percent (10%) of the total Midwest ISO revenue requirements shall bear $1 million of a total $10 million shortfall). If Midwest ISO revenues exceed revenue requirements in any year, then any additional revenues shall be distributed on the same basis used for apportioning shortfalls.

TO Agreement, Appendix C, § III(B)(2).

In compliance with a requirement imposed by the Commission when it accepted the Tariff and the TO Agreement, the Midwest ISO added certain subsections to section 37 of the Tariff in a compliance filing made on December 31, 2001. As relevant here, the Midwest ISO added section 37.1, which required all load serving entities, including Transmission Owners, to take service under the Tariff for deliveries to their bundled load, and section 37.3(a), which exempts Transmission Owners and ITC Participants from paying the charges for the NITS they take to serve their bundled load.[7] The result of this exemption is that the majority of NITS charges are not actually collected or distributed by Midwest ISO; rather, the charges are deemed paid by and distributed directly to the

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6 During the Transition Period, revenues from point-to-point transmission service are primarily distributed 50 percent on the basis of relative transmission investment and 50 percent on the basis of transmission flows. TO Agreement, Appendix C, §§ III(A)(5) – (7).

7 *Midwest Independent Transmission System Operator, Inc.*, 101 FERC ¶ 61,113 (2002). Subsequently, when Ameren-UE joined the Midwest ISO on May 1, 2004, the State of Missouri stipulated that Ameren-UE's load in Missouri could not be charged for NITS through an initial term of 5 years and six months. The Commission approved this requirement, which was reflected in Ameren-UE's service agreement, because the exclusion was "the same as appl[ies] to transmission service for bundled retail load of other transmission owners and ITC participants," i.e., under section 37.3(a). *Midwest Independent Transmission System Operator, Inc. and Ameren Services* Company, 106 FERC ¶ 61,293 at P 21 (2004).

Transmission Owner without passing through the Midwest ISO billing and settlement process and Funds Trust Agreement.[8]

No provision was made in the subsections that were added to section 37 in 2001 to address the impact of this proposed exemption on the distribution of transmission revenues under Appendix C of the TO Agreement following the Transition Period. No special provision was required during the Transition Period because, as noted above, under the license plate rate design in effect during that period, NITS revenues were to be distributed to the Transmission Owner for the zone in which the bundled load customers were located. Any shortfall or over collection in the revenues received by a Transmission Owner for NITS service to its bundled load would accordingly be absorbed by that Transmission Owner.

However, the situation changes when the Transition Period ends on January 31, 2008. As also noted above, following the Transition Period, revenues will be distributed "based on the revenue requirement" of each Transmission Owner, and any shortfall in the revenues available for distribution in any year "shall be apportioned on a proportionate basis of revenue requirements." To the extent the Midwest ISO continues to exempt bundled load from NITS charges, as provided in section 37.3(a) of the EMT, the revenues collected by the Midwest ISO will be insufficient to cover the combined revenue requirement of the Transmission Owners. Moreover, because service to retail customers of some Transmission Owners, but not others, has been unbundled, the shortfall will be shared disproportionately amongst the Transmission Owners. A Transmission Owner that takes full advantage of the section 37.3(a) exclusion would contribute no NITS revenues from its bundled load to the Midwest ISO, but would receive a distribution of the revenues paid by other NITS customers that are not eligible for the exclusion, including other Transmission Owners. In contrast, a Transmission Owner that pays the Midwest ISO for NITS for service to all retail customers in its zone because service to those customers has been unbundled will contribute revenues representing most of its revenue requirement, but will receive revenues that fall far short of its contribution. In effect, Transmission Owners who are unable to take full advantage of the section 37.3(a) exclusion, including the transmission-only companies (such as ATCLLC, ATSI, METC and ITC*Transmission*), would subsidize the transmission revenue requirements of Transmission Owners who do.

As the end of the Transition Period approaches, the Midwest ISO and most Transmission Owners realize that the continued application of the exclusion in section 37.3(a) without a corresponding adjustment to the post-Transition Period revenue distribution methodology could create unfair and unacceptable cross-subsidies among Transmission Owners. Because many Transmission Owners have been subject to the exemption provided by section 37.3(a), obtaining NITS for service to their bundled load without paying the EMT Schedule 9 charges for that service, the total revenues collected

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8 *See Midwest Independent Transmission System Operator, Inc. and Transmission Owners of the Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,142 (2006).

by the Midwest ISO for NITS have represented a relatively small portion of the aggregate revenue requirement of the Transmission Owners. In 2006, the aggregate transmission network revenue requirement of the Transmission Owners totaled approximately $1.843 billion, but the total network revenues collected and distributed by the Midwest ISO totaled only approximately $850 million, which is less than 50 percent of the total network revenue requirement.[9] Moreover, the portion of the zonal revenue requirement for each Transmission Owner that is reflected in transmission revenues collected by the Midwest ISO and distributed to the zone varies widely. For four of the MISO TOs, the NITS revenues collected and distributed by the Midwest ISO during the Transition Period constitute approximately 90 percent or more of their respective revenue requirements; for nine of the MISO TOs, those revenues constitute less than 10 percent of their zones' revenue requirements.[10] Shifting to a distribution methodology based on revenue requirements, without taking account of the revenues that Transmission Owners would have paid but for the section 37.3(a) exemption, would cause Transmission Owners in the second group to receive revenues out of proportion to their contribution, at the expense of the Transmission Owners in the first group.[11]

II. DESCRIPTION OF TARIFF REVISION

Because the mismatch between the revenues paid for transmission service in light of the section 37.3(a) exclusion and the distribution of revenues to Transmission Owners arises because of the interaction between provisions of the EMT and the TO Agreement, the MISO TOs recognized that the problem could be resolved by modification either of the TO Agreement or of the EMT.

Accordingly, at a meeting of the signatories to the TO Agreement on November 13, 2007, a motion was presented to modify Appendix C of the TO Agreement to continue the direct assignment of NITS revenue to the host zone after the Transition Period. Although the Transmission Owners voted overwhelmingly in favor of the motion (by a vote of 19 to 2, with one abstention), modification of the TO Agreement requires the unanimous vote of all signatories.[12] The motion to amend the TO Agreement accordingly failed.

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9 It should be noted that 100% of the network revenue of certain Transmission Owners is billed and collected by the Midwest ISO.

10 The revenue requirements and transmission revenues distributed to each of the Transmission Owners in 2006, as shown in the Midwest ISO's FERC Form 1, are shown in Attachment F.

11 The extent of the cross-subsidy will depend upon the circumstances of each Transmission Owner, including its eligibility for the section 37.3(a) exemption after the end of the Transition Period. Attachment F contains an illustrative calculation of the potential cross-subsidies that would result if all Transmission Owners continue to pay the Midwest ISO for the same proportion of the load in their respective zones as they do currently.

12 A copy of the motion to amend Appendix C of the TO Agreement, including the recorded votes of the signatories, is attached as Attachment D.

At the same meeting, a second motion was subsequently presented to submit a filing under section 205 to modify section 37.3(a) of the EMT to require the Midwest ISO to take account of any revenues that it would have received but for the section 37.3(a) exclusion in its distribution of transmission revenues to Transmission Owners after the end of the Transition Period. This motion passed by a vote of 15 to 3 of those Transmission Owners with section 205 filing rights.[13] The instant filing is the result of the approval of this motion.

The Midwest ISO and the MISO TOs propose to modify section 37.3(a) of the EMT to specify how the Midwest ISO is to treat the revenues that it would have received for NITS provided to Transmission Owners for service to their bundled load, but for the exemption that such service receives from EMT charges, in its distribution of revenues to Transmission Owners pursuant to the TO Agreement, Appendix C, Sec. III(B). The modification directs the Midwest ISO to include the revenues that it would have received but for the exemption, which it defines as "imputed revenues," in the total transmission revenues available for distribution to Transmission Owners. It further directs the Midwest ISO to deduct the imputed revenues attributed to any Transmission Owner from the transmission revenues that would otherwise be distributed to that Transmission Owner. The revisions to section 37.3(a) of the EMT are shown in black-line format in Attachment A to this filing; unmarked replacement Tariff sheets reflecting the revisions are contained in Attachment B.

This modification ensures that transmission revenues received by the Midwest ISO on behalf of the Transmission Owners will continue to be distributed in a manner that is just, reasonable and not unduly discriminatory or preferential following the end of the Transition Period, despite the continued application of the section 37.3 exemption (*see* n.13, above). No Transmission Owner will be deprived of a fair and reasonable share of the transmission revenues received by the Midwest ISO solely because the retail customers in its zone receive service on an unbundled basis, making it ineligible for the section 37.3(a) exemption. Similarly, no Transmission Owner will be entitled to receive revenues that are disproportionate to the revenues that its customers pay to the Midwest ISO for transmission service associated with deliveries to its zone.

The proposed modification also preserves the existing rights of Transmission Owners to be exempt from payments associated with NITS that they obtain under the

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13 A copy of the motion to submit a filing to modify section 37.3 of the EMT, including the recorded votes of the Transmission Owners with section 205 rights, is attached as Attachment E. In that motion, the Transmission Owners also voted in favor of a subsequent filing to address certain implementation issues associated with post-Transition Period revenue distribution. The MISO TOs and the Midwest ISO are working on the development of that filing, which they expect to submit in the first quarter of 2008. The right of a subset of the signatories to the TO Agreement to submit section 205 filings to modify provisions of the EMT "affecting transmission revenues" is recognized in section II(K) of Appendix K to the TO Agreement. *See also Midwest Independent Transmission System Operator, Inc.*, 110 FERC ¶ 61,380 (2005) (approving settlement allocating filing rights between Transmission Owners and the Midwest ISO).

EMT for service to their bundled load. The rates for NITS and other services provided by the Midwest ISO, whether to Transmission Owners or to other customers, are unaffected by this filing.

Finally, the proposed modification to section 37.3(a) of the EMT is consistent with the terms of the TO Agreement relating to revenue distribution after the end of the Transition Period. As noted above, Appendix C to the TO Agreement states that each Owner will be entitled to receive "revenues . . . based on its revenue requirement calculated in accordance with a formula filed with the FERC." The modification reasonably and appropriately recognizes that the revenues available for distribution should include those revenues that the Midwest ISO would have received from the Transmission Owners, but for the section 37.3(a) exemption, which was adopted after this Appendix C revenue distribution provision was negotiated and approved by the Commission. This modification does not deprive any Transmission Owner of a reasonable opportunity to recover its transmission revenue requirement since a Transmission Owner that is subject to the section 37.3(a) exemption will receive revenues from its bundled load customers that include their contribution to the Transmission Owner's transmission revenue requirement. The modification simply ensures that a Transmission Owner in that situation does not receive an additional contribution toward its transmission revenue requirement from the customers of other Transmission Owners, when it makes no corresponding payment to the revenues being distributed.

III. DOCUMENTS SUBMITTED IN THIS FILING

Pursuant to 18 C.F.R. § 35.13(b)(1), the following documents are submitted with this filing:[14]

- Attachment A – Blacklined Tariff Sheets;
- Attachment B – Clean Replacement Tariff Sheets;
- Attachment C – Section III of Appendix C of the TO Agreement;
- Attachment D – November 13, 2007 Motion to Amend TO Agreement;
- Attachment E – November 13, 2007 Motion to Authorize Section 205 Filings; and
- Attachment F – Table of Revenue Requirements and Revenue Distributions.

14 In light of the *Notice Announcing New Combined Notice of Filings* issued by the Commission on May 13, 2005, a Notice of Filing and a diskette containing the same are not included in this filing.

IV. PROPOSED EFFECTIVE DATE

Pursuant to 18 C.F.R. § 35.13(b)(2), the Midwest ISO and the Midwest ISO Transmission Owners propose that the revision to section 37.3 included herein become effective 60 days after the date of this filing, or February 1, 2008. As discussed above, this date also marks the end of the initial six-year transition period and the modification of the rules for allocating transmission revenue to transmission owners. Making section 37.3 effective as of February 1, 2008 will ensure that the distribution of revenues received by the Midwest ISO for transmission service will remain just, reasonable, and not unduly discriminatory or preferential.

V. NOTICE, SERVICE AND WAIVERS

A. Notice

Communications with respect to this filing should be sent to the following persons, whose names should be entered on the official service list maintained by the Secretary.

For the Midwest ISO:

Lori A. Spence*
Midwest Independent Transmission
System Operator, Inc.
701 City Center Drive
Carmel, Indiana 46032
Telephone: (317) 249-5400
Facsimile: (317) 249-5912
lspence@midwestiso.org

For the Midwest ISO Transmission Owners:

Kenneth Jaffe*
Petra A. Holden
Alston & Bird LLP
950 F Street NW
Washington, D.C. 20004
Telephone: (202) 756-3300
Facsimile: (202) 654-4936
kenneth.jaffe@alston.com

For the Midwest Stand-Alone Transmission Companies:

Douglas F. John*
Matthew T. Rick
JOHN & HENGERER
1730 Rhode Island Avenue, N.W.
Suite 600
Washington, D.C. 20036-3116
Phone: (202) 429-8801
Fax: (202) 429-8805
Email: djohn@jhenergy.com

* Persons designated to receive official service.

B. Service

The Midwest ISO has served a copy of this filing electronically, including attachments, upon all Tariff Customers under the EMT, Midwest ISO Members, Member representatives of Transmission Owners and Non-Transmission Owners, the Midwest ISO Advisory Committee participants, as well as all state commissions within the Region. In addition, the filing has been posted electronically on the Midwest ISO's website at www.midwestmarket.org under the heading "FERC Filings and Orders" for other interested parties in this matter.

C. Waiver

The Midwest ISO and the Midwest ISO Transmission Owners respectfully submit that the requirements of section 35.13 of the Commission's regulations that have not been specifically addressed herein are inapplicable to this filing. To the extent that the Commission determines any of such requirements to be applicable to this filing, the Midwest ISO respectfully requests waiver of those requirements.

VI. CONCLUSION

Wherefore, for all the reasons stated above, the Midwest ISO and the MISO TOs respectfully request that the Commission accept the proposed revision to the EMT, without modification, suspension, or hearing, to go into effect on February 1, 2008.

Respectfully submitted,

Kenneth G. Jaffe
Kenneth G. Jaffe
Petra A. Holden
Alston & Bird, LLP
Attorneys for
Midwest ISO Transmission Owners

Douglas John /KGJ
Douglas F. John
Matthew T. Rick
JOHN & HENGERER
Counsel for the Midwest Stand-Alone
Transmission Companies

Lori Spence /KGJ
Lori A. Spence
Deputy General Counsel
Midwest Independent Transmission
System Operator, Inc.

Attachments

Attachment A

37.3 Limitations on Charges and Cost Responsibilities

a. Bundled Load: Transmission Owners and ITC Participants taking Network Integration Transmission Service to serve their Bundled Load shall not pay charges pursuant to Schedules 1, 3 through 6 and Schedule 9. After the Transition Period ends, beginning February 1, 2008, the total Schedule 9 revenues to be distributed to Transmission Owners and ITC Participants under the ISO Agreement shall include the Schedule 9 charges that would be payable by any Transmission Owners and ITC Participants covered by the above exclusion or by a similar exclusion in a service agreement with the Transmission Provider ("imputed revenues"). In distributing Schedule 9 revenues to Transmission Owners and ITC Participants, the Transmission Provider shall deduct the imputed revenues attributed to each such Transmission Owner and ITC Participant from the total Schedule 9 revenues that are due to that Transmission Owner or ITC Participant. Notwithstanding the ~~previous~~first sentence of this section, Ameren Service Company, acting as a Transmission Customer taking Transmission Service to serve Ameren Energy, Inc., as agent for and on behalf of Union Electric Company (d/b/a AmerenUE and Ameren Energy

Generating Company), for serving their Bundled Load in the State of Missouri shall not pay charges pursuant to Schedule 2.[1]

[1] *Midwest Independent Transmission System Operator, Inc.*, 106 FERC ¶ 61,293 (2004).

The Market Participant shall be financially responsible for payment of the Marginal Congestion Component of LMP and Marginal Loss Component of LMP related to their transactions as specified in Sections 39.2.9.c, 39.3.3.c, 40.2.11, and 40.4.1 for those Transmission Owners and ITC Participants taking Network Integration Service to serve their Bundled Load.

Attachment B

37.3 Limitations on Charges and Cost Responsibilities

a. **Bundled Load:** Transmission Owners and ITC Participants taking Network Integration Transmission Service to serve their Bundled Load shall not pay charges pursuant to Schedules 1, 3 through 6 and Schedule 9. After the Transition Period ends, beginning February 1, 2008, the total Schedule 9 revenues to be distributed to Transmission Owners and ITC Participants under the ISO Agreement shall include the Schedule 9 charges that would be payable by any Transmission Owners and ITC Participants covered by the above exclusion or by a similar exclusion in a service agreement with the Transmission Provider ("imputed revenues"). In distributing Schedule 9 revenues to Transmission Owners and ITC Participants, the Transmission Provider shall deduct the imputed revenues attributed to each such Transmission Owner and ITC Participant from the total Schedule 9 revenues that are due to that Transmission Owner or ITC Participant. Notwithstanding the first sentence of this section, Ameren Service Company, acting as a Transmission Customer taking Transmission Service to serve Ameren Energy, Inc., as agent for and on behalf of Union Electric Company (d/b/a AmerenUE and Ameren Energy Generating Company), for serving their Bundled Load in the State of Missouri shall not pay charges pursuant to Schedule 2.[1]

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[1] *Midwest Independent Transmission System Operator, Inc.*, 106 FERC ¶ 61,293 (2004).

The Market Participant shall be financially responsible for payment of the Marginal Congestion Component of LMP and Marginal Loss Component of LMP related to their transactions as specified in Sections 39.2.9.c, 39.3.3.c, 40.2.11, and 40.4.1 for those Transmission Owners and ITC Participants taking Network Integration Service to serve their Bundled Load.

Attachment C

2. Prior to the end of the fourth (4th) year of the Transition Period, each Owner shall file a request with the appropriate regulatory authority or authorities (unless a proceeding has already been initiated or completed) for a determination of which of its facilities are transmission facilities or which are distribution in accordance with the seven (7) factor test set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any applicable successor test. Each Owner shall use its best effort to cause these determinations to be made before the end of the Transition Period. Owners that are not subject to regulation by a regulatory authority shall apply to the Midwest ISO for such a determination.

3. The ISO Cost Adder mechanism for the Transition Period shall be calculated as set forth in Schedule 10 to the Transmission Tariff submitted as part of the initial filing with the FERC to establish the Midwest ISO.

III. Revenue Distribution.

Notwithstanding any language to the contrary in this Appendix C or the Agreement, the Midwest ISO shall cause the distribution monthly of the Owners' revenues associated with transmission services in accordance with this Appendix C. Any distribution of revenues to and among the Owners shall be consistent with this Appendix C.

APPENDIX C

The revenues subject to this Section III are the transmission revenues associated with charges under Schedules 7, 8, and 9 to the Transmission Tariff.

A. **Revenue Distribution during Transition Period.**

1. Except by mutual agreement of the parties to a Grandfathered Agreement, the Midwest ISO shall not collect or distribute any revenues for transmission service related to such agreements during the Transition Period. The Owner providing the transmission service under a Grandfathered Agreement shall continue to receive payment directly from the customer under the Grandfathered Agreement. Nothing contained in this paragraph affects any rights of any party to unilaterally make application to FERC to alter, amend, or terminate a Grandfathered Agreement.

2. Revenues collected by the Midwest ISO for transmission services involving retail electric load that had the right to choose a different supplier under a state retail access program or legislation, shall be fully distributed to the Host Zone, regardless of whether the customers comprising such retail electric load have exercised such right to choose.

3. Revenues collected by the Midwest ISO for transmission services associated with power transactions where the generation source(s) and load(s) are physically located within the same Host Zone shall be fully distributed to that Host Zone whether the generation source is controlled by the Owner or another entity.

4. Revenues collected by the Midwest ISO for Network Transmission Service shall be fully distributed to the Host Zone.

5. Revenues collected by the Midwest ISO for Point-to-Point Transmission Service for delivery directly to a wholesale requirements customer or a former wholesale requirements customer shall be distributed to the Host Zone.

6. Revenues collected by the Midwest ISO for Drive-in Point-to-Point Transmission Service shall be fully distributed to the Border Transmission Owner if that Owner purchases power from outside the Midwest ISO for delivery to its Zone and pays the Midwest ISO for such transmission service to effectuate that purchase.

7. All other Midwest ISO transmission revenues (*i.e.*, other than those revenues specified in Paragraphs 1-6 above) shall be distributed among Zones as follows: (i) fifty percent (50%) of such revenues shall be distributed in proportion to transmission investment (calculated each month based on the relative proportion of transmission investment reflected in the then applicable rates determined by the formula in Attachment O to the Transmission Tariff); and (ii) fifty percent (50%) of such revenues shall be shared based upon power flows. Such power flows shall be calculated using load flow analysis techniques to develop transaction participation factors. The methodology for developing transaction participation factors is described in Appendix C-1. Participation factors less than three percent (3%) shall be ignored.

Notwithstanding the foregoing in this paragraph 7, Transmission Owners that are also Mid-Continent Area Power Pool ("MAPP") members electing to take Network Integration Transmission Service pursuant to Section 37.5 of the Transmission Tariff shall receive no revenues under this paragraph from Point-to-Point Transmission

Service associated with Transmission Owner purchases of power. Such MAPP Transmission Owners shall participate in all other revenue sharing under this paragraph 7.

8. The Owners located within a Zone that has more than one (1) Owner shall appoint a single Owner or designee to receive the revenues allocated to the Zone and to further distribute such revenues pursuant to agreement of the Owners within the Zone. If the Owners in a Zone cannot agree to a methodology for distributing such revenues, Owners may seek recourse through the Dispute Resolution procedures under Appendix D to the Agreement or the Owners may go to the FERC for resolution. An intra-Zonal revenue distribution methodology shall, to the greatest extent possible, minimize cost shifts so that the Owners shall continue to receive the revenues they would have received absent the formation of the Midwest ISO.

B. Revenue Distribution after the Transition Period Ends.

1. Each Owner shall receive revenues, on a monthly basis, based on its revenue requirement calculated in accordance with a formula filed with the FERC.

2. If Midwest ISO revenues are insufficient to satisfy revenue requirements in any year for any reason, then the shortfall shall be apportioned on a proportionate basis of revenue requirements (e.g., an Owner whose revenue requirements are ten percent (10%) of the total Midwest ISO revenue requirements shall bear $1 million

of a total $10 million shortfall). If Midwest ISO revenues exceed revenue requirements in any year, then any additional revenues shall be distributed on the same basis used for apportioning shortfalls.

Attachment D

ATTACHMENT D

MOTION IN FAVOR OF FILING REVISIONS TO THE POST TRANSITION PERIOD REVENUE DISTRIBUTION PROVISIONS IN APPENDIX C OF THE TRANSMISSION OWNERS AGREEMENT

Pursuant to Article Two, Section IX.C.6. of the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation ("Transmission Owners Agreement"), the Midwest ISO transmission owners should file to revise the post transition period revenue distribution provisions set forth in Section III.B. of Appendix C of the Transmission Owners Agreement to:

(1) continue the transition period revenue distribution methodology applicable to Schedule 9 revenue, as set forth in Section III.A.3. of Appendix C, which provides for Schedule 9 revenue to be fully distributed to the Host Zone; and

(2) change the revenue distribution methodology applicable to Schedule 7 and 8 revenue to provide for the distribution of Schedule 7 and 8 revenue on a *pro rata* basis in accordance with the Attachment O transmission revenue requirements of transmission owners.

These revenue distribution modifications should be implemented as of February 1, 2008, and should remain in effect until changed pursuant to Article Two, Section IX.C.6. of the Transmission Owners Agreement. A complete filing will be developed by the group of Midwest ISO transmission owners that support the motion.

Midwest ISO Transmission Owner	Owners Agreement Vote
Alliant Energy Corporate Services, Inc. on behalf of its operating company affiliate Interstate Power and Light Company (f/k/a IES Utilities Inc. and Interstate Power Company)	YES
Ameren Services Company, as agent for Union Electric Company d/b/a AmerenUE, Central Illinois Public Service Company d/b/a AmerenCIPS, Central Illinois Light Co. d/b/a AmerenCILCO, and Illinois Power Company d/b/a AmerenIP	NO
American Transmission Company LLC	YES
American Transmission Systems, Incorporated, a subsidiary of FirstEnergy Corp.	YES
City of Columbia Water and Light Department (Columbia, MO)	NO
City Water, Light & Power (Springfield, IL)	ABSTAIN
Duke Energy Shared Services, Inc. f/k/a Cinergy Services, Inc. for The Cincinnati Gas & Electric Co. d/b/a Duke Energy Ohio, Inc., PSI Energy, Inc. d/b/a Duke Energy Indiana, Inc., and The Union Light, heat and Power Company d/b/a Duke Energy Kentucky, Inc.	YES
Great River Energy	YES
Hoosier Energy Rural Electric Cooperative, Inc.	YES

Midwest ISO Transmission Owner	Vote
Indiana Municipal Power Agency	
Indianapolis Power & Light Company	YES
International Transmission Company d/b/a ITC*Transmission* (Michigan Electric Transmission Company, LLC)	YES
Manitoba Hydro (COORDINATING OWNER)	YES
Michigan Public Power Agency	YES
Michigan South Central Power Agency (DOES NOT PARTICIPATE IN THE TO GROUP)	
Minnesota Power (and its subsidiary Superior Water L&P)	YES
Montana-Dakota Utilities Co.	YES
Northern Indiana Public Service Company	YES
Northern States Power Company and Northern States Power Company (Wisconsin), subsidiaries of Xcel Energy Inc.	YES
Northwestern Wisconsin Electric Company	YES
Otter Tail Power Company	YES

Midwest ISO Transmission Owner	Vote
Southern Illinois Power Cooperative	YES
Southern MN Municipal Power Agency	YES
Southern Indiana Gas & Electric Company (d/b/a Vectren Energy Delivery of Indiana)	YES
Wabash Valley Power Association, Inc.	YES
Wolverine Power Supply Cooperative, Inc.	

Attachment E

MOTION IN FAVOR OF FILINGS TO IMPLEMENT THE POST TRANSITION PERIOD REVENUE DISTRIBUTION PROVISIONS IN APPENDIX C OF THE TRANSMISSION OWNERS AGREEMENT

Pursuant to Section II.K. of Appendix K of the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation ("Transmission Owners Agreement"), the Midwest ISO transmission owners should submit the following filings to implement the post transition period revenue distribution provisions set forth in Section III.B. of Appendix C of the Transmission Owners Agreement:

(1) a Section 205 filing to revise Section 37.3 of the Midwest ISO's Open Access Transmission and Energy Markets Tariff ("TEMT") to state that, for purposes of post transition period revenue distribution pursuant to Appendix C of the Transmission Owners Agreement, the revenues that would have been paid to the Midwest ISO under Schedule 9, but for the exclusion in the first sentence of Section 37.3(a) shall be (i) added to the Schedule 9 revenue collected under Schedule 9 and available for distribution to transmission owners and ITC participants, and (ii) deemed to have been received by the transmission owner or ITC participant that benefits from the exclusion; and

(2) a subsequent filing with the Federal Energy Regulatory Commission ("FERC") to address implementation issues associated with the post transition period revenue distributions set forth in Section III.B of Appendix C of the Transmission Owners Agreement; namely (i) true-up mechanisms for forward-looking versions of Attachment O; and (ii) versions of Attachment O that use load ratio share, rather than coincident peak load, as the billing determinant to assess Schedule 9 charges to transmission customers.

The modifications affected by the first filing should be effective as of February 1, 2008, and should remain in effect until changed. The second filing shall be developed and supported by the Midwest ISO transmission owners that support the motion as promptly as practicable after the first filing, in a manner that does not interfere with the implementation of the first filing. Complete filings will be developed by the group of Midwest ISO transmission owners that support the motion.

Midwest ISO Transmission Owner	205 Filing Rights Vote
Alliant Energy Corporate Services, Inc. on behalf of its operating company affiliate Interstate Power and Light Company (f/k/a IES Utilities Inc. and Interstate Power Company)	YES
Ameren Services Company, as agent for Union Electric Company d/b/a AmerenUE and Central Illinois Public Service Company d/b/a AmerenCIPS	NO
Ameren Services Company, as agent for Central Illinois Light Co. d/b/a AmerenCILCO	NO
Ameren Services Company, as agent for Illinois Power Company d/b/a AmerenIP	NO
American Transmission Company LLC	YES
American Transmission Systems, Incorporated, a subsidiary of FirstEnergy Corp.	YES
City of Columbia Water and Light Department (Columbia, MO) (NOT FPA PUBLIC UTILITY)	NO
City Water, Light & Power (Springfield, IL) (NOT FPA PUBLIC UTILITY)	ABSTAIN
Duke Energy Shared Services, Inc. f/k/a Cinergy Services, Inc. for The Cincinnati Gas & Electric Co. d/b/a Duke Energy Ohio, Inc., PSI Energy, Inc. d/b/a Duke Energy Indiana, Inc., and The Union Light, heat and Power Company d/b/a Duke Energy Kentucky, Inc.	YES

Midwest ISO Transmission Owner	205 Filing Rights Vote
Great River Energy **(NOT FPA PUBLIC UTILITY)**	YES
Hoosier Energy Rural Electric Cooperative, Inc. **(NOT FPA PUBLIC UTILITY)**	YES
Indiana Municipal Power Agency **(NOT FPA PUBLIC UTILITY)**	
Indianapolis Power & Light Company	YES
International Transmission Company d/b/a ITC*Transmission*	YES
Manitoba Hydro **(COORDINATING MEMBER)**	YES
Michigan Electric Transmission Company, LLC	YES
Michigan Public Power Agency **(NOT FPA PUBLIC UTILITY)**	YES
Michigan South Central Power Agency **(DOES NOT PARTICIPATE IN THE TO GROUP)**	
Minnesota Power (and its subsidiary Superior Water L&P)	YES

Midwest ISO Transmission Owner	205 Filing Rights Vote
Montana-Dakota Utilities Co.	YES
Northern Indiana Public Service Company	YES
Northern States Power Company and Northern States Power Company (Wisconsin), subsidiaries of Xcel Energy Inc.	YES
Northwestern Wisconsin Electric Company	YES
Otter Tail Power Company	YES
Southern Illinois Power Cooperative (NOT FPA PUBLIC UTILITY)	YES
Southern MN Municipal Power Agency (NOT FPA PUBLIC UTILITY)	YES
Southern Indiana Gas & Electric Company (d/b/a Vectren Energy Delivery of Indiana)	YES
Wabash Valley Power Association, Inc.	YES
Wolverine Power Supply Cooperative, Inc.	

Attachment F

Midwest Independent Transmission System Operator, Inc. and
Midwest ISO Transmission Owners

Attachment F

MISO Companies	(1) Schedule 9 Revenue Requirements (c)	(2) % of Total RR	(3) Actual Schedule 9 Transmission Revenues Collected and Distributed by MISO under EMT (d)	(4) Schedule 9 Transmission Revenues Allocated On Revenue Requirements	(4 - 3) TO Network Revenue (Shortfall) or Gain Relative to Actual 2006
ALTW	$77,098,768	4.18%	$6,408,661	$35,551,574	$29,142,913
ATC	$318,556,456	17.28%	$318,556,456	$146,891,885	-$171,664,571
AMRN - Illinois (a)	$85,627,355	4.65%	$8,308,310	$39,484,252	$31,175,942
AMRN - MO (b)	$60,431,648	3.28%	$10,246,171	$27,866,077	$17,619,906
Duke Energy	$162,603,422	8.82%	$5,010,852	$74,979,247	$69,968,395
CWLD	$886,023	0.05%	$12,750	$408,561	$395,811
CWLP	$7,422,476	0.40%	$301,450	$3,422,632	$3,121,182
GRE	$55,581,673	3.02%	$0	$25,629,670	$25,629,670
ATSI	$202,445,928	10.98%	$179,816,664	$93,351,315	-$86,465,349
NIPS	$81,147,630	4.40%	$1,767,509	$37,418,574	$35,651,065
HE	$21,725,779	1.18%	$0	$10,018,132	$10,018,132
ITC	$193,292,268	10.49%	$183,671,511	$89,130,404	-$94,541,107
IPL	$22,518,999	1.22%	$0	$10,383,899	$10,383,899
METC	$130,105,410	7.06%	$127,978,050	$59,993,852	-$67,984,198
MP	$24,267,253	1.32%	$390,471	$11,190,050	$10,799,579
MDU	$19,035,035	1.03%	$0	$8,777,383	$8,777,383
MPPA	$5,381,461	0.29%	$0	$2,481,485	$2,481,485
NSP	$157,759,439	8.56%	$6,143,751	$72,745,603	$66,601,852
OTP	$24,580,884	1.33%	$0	$11,334,670	$11,334,670
SIPC	$7,887,786	0.43%	$0	$3,637,194	$3,637,194
SMMPA	$21,439,067	1.16%	$317,486	$9,885,924	$9,568,438
SIGE	$15,594,010	0.85%	$901,330	$7,190,667	$6,289,337
MHEB	$147,594,500	8.01%	$0	$68,058,373	$68,058,373
Total	$1,842,983,270	100.00%	$849,831,422	$849,831,422	$0

(a) CILCO and IP
(b) Ameren Transmission
(c) For Illustrative Purposes only (Per Attachment O June 2006 v.1)
(d) Schedule 9 Revenue as reported in the 2006 MISO FERC Form 1

Note: The revenue allocation in column 4 is for illustrative purposes only. As noted in the transmittal letter, certain implementation issues must be resolved before the post-transition revenue distribution methodology is finalized. For purposes of this schedule, allocated revenues have simply been calculated as total collected revenues in column 3, multiplied by the revenue requirement percentage in column 2.