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of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, then the Owners shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the Owners under this Agreement immediately prior to such holding, modification, or condition. If such negotiations are unsuccessful, then the Owners may exercise their individual or collective withdrawal or termination rights available under this Agreement.

H. Representations And Warranties. Each Owner represents and warrants to the other Owners that as of the later of the date it becomes an Owner under this Agreement or the Effective Date of this Agreement as to such Owner:

1. The Owner is duly organized, validly existing, and in good standing under the laws of the jurisdiction where organized.
2. Subject to any necessary approvals by federal or state regulatory authorities of the Midwest ISO, the Owner's participation in the Midwest ISO, or any transactions or actions covered by this Agreement, the execution and delivery by the Owner of this Agreement and the performance of its obligations hereunder have been duly and validly authorized by all requisite action on the part of the Owner and do not conflict with any applicable law or with any other agreement binding upon the Owner, other than third-party joint agreements covered by Paragraph N of this Article Nine.

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3. This Agreement has been duly executed and delivered by the Owner, and, subject to the conditions set forth in Subparagraph 2 of this Section H, this Agreement constitutes the legal, valid, and binding obligation on the part of the Owner, enforceable against it in accordance with its terms except insofar as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, or other similar laws affecting the enforcement of creditor's rights generally, and by general principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

4. There are no actions at law, suits in equity, proceedings, or claims pending or, to the knowledge of the Owner, threatened against the Owner before or by any federal, state, foreign, or local court, tribunal, or governmental agency or authority that might materially delay, prevent, or hinder the performance by the Owner of its obligations hereunder.

I. **Further Assurances.** Each Owner agrees that it shall hereafter execute and deliver such further instruments, provide all information, and take or forbear such further acts and things as may be reasonably required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the provisions of this Agreement.

J. **Delivery Of Notices.** Except as otherwise expressly provided herein, notices required under this Agreement shall be in writing and shall be sent to an Owner,

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Member, or the Midwest ISO by U.S. mail, overnight courier, hand delivery, telefacsimile, or other reliable electronic means. Any notice required under this Agreement shall be deemed to have been given either upon delivery, if by U.S. mail, overnight courier, or hand delivery, or upon confirmation, if given by telefacsimile or other reliable electronic means.

K. Limitations On Liability. No Owner, Member, or User shall be liable to any other Owner, Member, or User for any actions taken pursuant to the direction of the Midwest ISO except in cases of the gross negligence or intentional wrong-doing of such Owner, Member or User.

L. Entire Agreement. This Agreement, including the appendices attached hereto, the Transmission Tariff, the Agency Agreement and other agreements referenced herein constitute the entire agreement among the Owners with respect to the subject matter of this Agreement, and no previous or contemporary oral or written representations, agreements, or understandings made by any officer, agent, or employee of any Owner shall be binding on any Owner unless contained in this Agreement, including the appendices attached hereto, the Transmission Tariff, the Agency Agreement, or other agreements referenced herein.

M. Good Faith Efforts. Each Owner agrees that it shall in good faith take all reasonable actions necessary to permit such Owner to fulfill its obligations under this Agreement. Where the consent, agreement, or approval of any Owner must be

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obtained hereunder, such consent, agreement, or approval shall not be unreasonably withheld, conditioned, or delayed. Where any Owner is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised. To the extent that the jurisdiction of any federal or state regulatory authority applies to any part of this Agreement and/or the transactions or actions covered by this Agreement, each Owner shall cooperate with all other Owners to secure any necessary or desirable approval or acceptance of such regulatory authorities of such part of this Agreement and/or such transactions or actions.

N. Third-Party Joint Agreements. This Agreement, including the appendices to this Agreement, the Transmission Tariff, and the Agency Agreement shall not be construed, interpreted, or applied in such a manner as to cause any Owner to be in material breach, anticipatory or otherwise, of any agreement (in effect on the later of the Effective Date of this Agreement as to such Owner or the date that it becomes an Owner under this Agreement) between such Owner and one or more third parties who are not Owners under this Agreement (regardless of the inclusion of one or more other Owners as parties to such agreement) for the joint ownership, operation, or maintenance of any electrical facilities covered by this Agreement, the Transmission Tariff, or the Agency Agreement. An Owner who has such a third-party joint agreement shall discuss with the Board and the other Owners under this Agreement any material conflict between such third-party joint agreement and this Agreement, the Transmission

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Tariff, or the Agency Agreement raised by a third party to such joint agreement, but the resolution of such a conflict shall, vis-à-vis the Board and the other Owners under this Agreement, be and remain within the sole discretion of such Owner; provided, however, that such Owner shall, if otherwise unresolved, utilize the available remedies and dispute resolution procedures to resolve such conflict, including, but not limited to, submitting such conflict to the FERC for resolution; provided, further, that in no event shall such Owner enter into a resolution of such conflict which would impair the reliability of the Transmission System.

O. **No Partnership.** The Owners do not intend that the Midwest ISO constitute a partnership or joint venture, and no Owner shall be entitled to act as an agent for any other Owner with respect to the Midwest ISO.

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IN WITNESS WHEREOF, the Owners have caused their duly authorized representatives to execute and attest this Agreement, on their respective behalves, as of the day of _____.

Signature

Name of Owner

Title of Signatory

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STANDARDS OF CONDUCT

I. Background.

It is the policy of the Midwest ISO to operate in a fair and non-discriminatory manner and to implement such rules and regulations in the governance of the organization as necessary to prevent control, or the appearance of control, of the decision-making process by any Owner, Member, or User of the Transmission System; and

It is the policy of the Midwest ISO to operate and plan the Transmission System without adverse distinction or preference to any Owner, Member, or User of the Transmission System, and that investments in facilities be made by the Owners as directed by the Midwest ISO without discrimination; and

It is the policy of the Midwest ISO that the Directors, agents, Officers, and employees of the organization shall not have a direct financial interest in, or a conflict of interest with, any Owner, Member, or User of the Transmission System or any affiliates of such entities.

Nothing in this Appendix A is intended to restrict or expand any rights that any federal or state regulatory authorities may have to receive or have access to any information.

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II. Standards.

In furtherance of the above policies, the Standards of Conduct for the Midwest ISO shall include, but not be limited to, the following Standards:

A. The Midwest ISO, its Directors, agents, Officers, and employees shall operate and plan the Transmission System without adverse distinction or preference to any Owner, Member, or User of the Transmission System. In addition, the Transmission Tariff shall be applied to any Owner, Member, or User of the Transmission System without adverse distinction or preference to any of the Owners, Members, or Users of the Transmission System.

B. The operation of the Midwest ISO shall be conducted in such a manner that it shall be separate from the operations of the Owners, Members, or Users of the Transmission System.

C. The Midwest ISO, in operating its business, shall require any consultant, contractor, and/or subcontractor of the Midwest ISO to disclose to the Midwest ISO all financial affiliations and conflicts of interest with Owners, Members, or Users of the Transmission System. The Midwest ISO shall have the discretion to determine if the contents of such disclosure warrant disqualification of such consultant, contractor, or subcontractor.

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D. No Midwest ISO Director, agent, Officer, or employee shall have any involvement in the sale of electric energy at wholesale or retail except as required or allowed by the Agreement or the Transmission Tariff.

E. The Directors, agents, Officers, and employees of the Midwest ISO shall not have a direct financial interest in, or stand to be financially benefited by, any transaction with any of the Owners, Members, or Users of the Transmission System. Each Director, agent, Officer, and employee of the Midwest ISO in a decision-making position shall certify in writing that he does not have a direct financial interest in any Owner, Member, or User of the Transmission System and that a conflict of interest does not exist. To that end, no Midwest ISO Director, agent, Officer, or employee may directly own securities issued by any Owner, Member, or User of the Transmission System, except under the following circumstances:

1. Each Midwest ISO Director, agent, Officer, or employee shall dispose of those securities or transfer such securities to a non-discretionary blind trust within six (6) months of the time of his affiliation or employment with the Midwest ISO.
2. Each Midwest ISO Director, agent, Officer, or employee shall dispose of those securities or transfer such securities to a non-discretionary blind trust within six (6) months of the time a new Owner or Member is added, or a new User of the Transmission System begins taking service under the Transmission Tariff, where the Midwest ISO

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Director, agent, Officer, or employee owns securities of such User, Owner, or Member.

3. If a Midwest ISO Director, agent, Officer, or employee receives a gift or inheritance of those securities, he must dispose of such securities or transfer such securities to a non-discretionary blind trust within six (6) months of the date of receipt.
4. Nothing in this Paragraph E shall be interpreted to preclude a Director, agent, Officer, or employee of the Midwest ISO from indirectly owning securities issued by an Owner, Member, or User of the Transmission System through a mutual fund, blind trust or similar arrangement (other than a fund or arrangement specifically targeted towards the electric industry or the electric utility industry, or any segments thereof) under which the Director, agent, Officer, or employee does not control the purchase or sale of such securities.
5. Participation in a pension plan of an Owner, Member, or User of the Transmission System shall not be deemed to be a direct financial benefit as long as such pension plan is a defined benefit pension plan that does not involve ownership in the securities of the company sponsoring such plan.
6. For the purposes of this Agreement, a "blind trust" means a legally binding arrangement in which a fiduciary third party trustee (the

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administrator of the trust) has full management discretion over the assets of the trust (the securities), and the trust beneficiary (i.e., the Midwest ISO Director, agent, Officer or employee) has no knowledge of the holdings or assets of the trust.

F. The Midwest ISO Directors, agents, Officers and employees shall not provide non-public transmission and reliability (hereinafter "T/R") information (including T/R information obtained from the Owners, Members, and Users of the Transmission System in the normal course of Midwest ISO business) to anyone outside the Midwest ISO, except for such disclosure of information to T/R employees of Owners (as determined under the applicable standards of the FERC) to the extent necessary to transact Midwest ISO business. Those T/R employees, in turn, are governed by the FERC Order No. 889, 61 Fed. Reg. 21737 (May 10, 1996), order on reh'g, 62 Fed. Reg. 12484 (March 14, 1997) or successor standards of the FERC -- standards of conduct -- as far as sharing any such information with their respective merchant employees, as determined under the applicable standards of the FERC. The Midwest ISO shall maintain the confidentiality of any market information obtained from merchant employees of any User of the Transmission System or other entity.

G. If an employee of the Midwest ISO discloses confidential information relating to the operation or function of the organization, which disclosure is contrary to the Standards of Conduct, then notice of such disclosure shall be posted immediately on the Midwest ISO OASIS (or successor system as approved by the FERC).

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H. The Midwest ISO Directors, agents, Officers, and employees shall treat all information supplied by an entity seeking transmission service under the Transmission Tariff, or supplied in connection with Midwest ISO coordination center(s) operations, as confidential, unless the information is required to be put on the Midwest ISO OASIS, or the entity seeking transmission service agrees that the information can be disclosed, or the information is otherwise publicly available.

Notwithstanding the restrictions contained in this Paragraph H, Midwest ISO Directors, agents, Officers, and employees may share information with third parties where required to satisfy the Operating Standards and Policies of the North American Electric Reliability Council (hereinafter "NERC") or successor reliability entity. A confidentiality statement must be executed by the third party before any such information is disclosed. To the extent required by FERC regulations, such information shall be put on the Midwest ISO OASIS.

I. Midwest ISO Directors, agents, Officers, and employees shall not give preferential access to transmission information, or any other information, to any third party.

Midwest ISO Directors, agents, Officers, and employees shall be prohibited from providing to any entity engaged in wholesale or retail sales of electric energy, or to any employee, representative, or agent of any such entity (except T/R employees as provided in Paragraph F, Section II of the Appendix A), information regarding the Transmission System covered by the Transmission Tariff, unless that information is: (i) posted on the Midwest ISO OASIS; (ii) otherwise available to the general public without restriction; or (iii) is the type of information disclosed to any third party on a nonpreferential basis.

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Any disclosures of transmission information not in compliance with this Paragraph I shall be posted immediately on the Midwest ISO OASIS.

J. Directors, Officers, agents, and employees of the Midwest ISO shall strictly enforce all Transmission Tariff provisions established by the Midwest ISO. In the event any Director, Officer, agent, or employee of the Midwest ISO may exercise his discretion, or is allowed by the Transmission Tariff to exercise his discretion, with respect to transactions or actions covered by the Transmission Tariff, then such discretion shall be exercised fairly and impartially, and such event shall be logged and available for FERC audit.

K. No employee, agent, or contractor of any entity engaged in wholesale or retail sales of electric energy shall have access to the Midwest ISO coordination center(s), except for educational tours approved by the Midwest ISO President where notification of such tours is posted on the Midwest ISO OASIS.

L. Notices shall be posted on the Midwest ISO OASIS of any employee engaged in transmission and/or reliability functions who is terminated or transferred from the Midwest ISO. The posted information shall include the name of the employee, the title of the employee while performing service for the Midwest ISO, and the effective date of the transfer or termination.

M. The Midwest ISO shall maintain its books and records separately from those of any Owner, Member, or User of the Transmission System.

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N. The Midwest ISO shall establish and file with the Board of Directors a complaint procedure for alleged violations of any of the Standards of Conduct set forth in this Appendix A. The complaint procedure shall provide for the opportunity of alternative dispute resolution, as set forth in the Agreement.

O. The Midwest ISO shall inform and train Midwest ISO Directors, agents, Officers, and employees with regard to these Standards of Conduct. The Midwest ISO shall distribute copies of these Standards of Conduct to each Midwest ISO Director, agent, Officer, and employee, and require that each such Director, agent, Officer and employee execute the attached compliance statement. The Midwest ISO shall monitor compliance with these Standards of Conduct. Any Director, agent, Officer, or employee of the Midwest ISO failing to comply with these Standards of Conduct may be subject to disciplinary action. Discipline may take the form of reprimand, suspension without pay, limitation in the scope of responsibilities, monetary fines, or termination, which discipline shall be within the discretion of the Midwest ISO.

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COMPLIANCE STATEMENT

I, _____, have read and received training on the
Midwest ISO's Standards of Conduct and agree to comply with these Standards.

Date: _____

(Signature)

Printed Name: _____

(Title)

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PLANNING FRAMEWORK

I. Overview.

This Appendix B describes the process to be used by the Midwest ISO in planning the Transmission System. Nothing in this Appendix is intended to restrict or expand existing state laws or regulatory authority.

The following transmission facilities of the Owners shall constitute the Transmission System for which the Midwest ISO shall be responsible for operating and planning by the terms of the Agreement: (i) all networked transmission facilities above 100 kilovolts (hereinafter "kV"); and (ii) all networked transformers whose two (2) highest voltages qualify under the voltage criteria of item (i).

Network transmission facilities (including terminal equipment) are (i) transmission elements capable of carrying power in both directions for sustained periods, and (ii) components that are connected to such transmission facilities and are used for voltage or stability control of the Transmission System, including shunt inductors, shunt capacitors, and synchronous condensers. Appendix H to the Agreement identifies the facilities that constitute the Transmission System for which the Midwest ISO shall have operating and planning responsibility.

The Midwest ISO may direct the Owners to assign Non-transferred Transmission Facilities to its control as part of the Transmission System, subject to obtaining any necessary approvals of federal or state regulatory authorities, when such action is determined to be necessary to relieve a constraint or for security purposes. The

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Midwest ISO also may require that Owners take back control of facilities included in the Transmission System subject to any such necessary approvals. If an Owner disputes such an order from the Midwest ISO, the dispute shall be resolved pursuant to the dispute resolution provisions set forth in Appendix D to the Agreement.

With regard to Non-transferred Transmission Facilities, the Midwest ISO shall review and comment on the plans developed by the Owners of these facilities. With respect to such facilities, the Midwest ISO shall have only that planning authority necessary to carry out its responsibilities under the Transmission Tariff. Thus, the Midwest ISO, when performing System Impact and Facilities Studies under the Transmission Tariff, shall treat these Non-transferred Transmission Facilities just as it would facilities comprising the Transmission System. Similarly, the Midwest ISO shall require Owners to make Available Transmission Capability (hereinafter "ATC") determinations involving such Non-transferred Transmission Facilities under the Transmission Tariff. The Midwest ISO shall coordinate the analyses of ATC associated with Non-transferred Transmission Facilities with the affected Owners. Any disputes concerning Non-transferred Transmission Facilities shall be subject to the dispute resolution procedures under the Agreement.

The planning of all Non-transferred Transmission Facilities, as well as all distribution facilities, shall be done by the Owners. Furthermore, each Owner, in carrying out its planning responsibilities to meet the reliability needs of all loads connected to the Owner's transmission facilities and to pursue projects that will promote

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expanded trading in generation markets, to better integrate the grid and to alleviate congestion may, as appropriate, develop and propose plans involving modifications to any of the Owner's transmission facilities which

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are part of the Transmission System. All such plans developed by the Owners may be incorporated into the Midwest ISO regional plan, as described in Section VI of this Appendix B. Plans developed by the Owners that involve only Non-transferred Transmission Facilities may be incorporated into the Midwest ISO regional plan, as appropriate. The Owners shall continue to have planning responsibilities for meeting their respective transmission needs in collaboration with the Midwest ISO subject to the requirements of applicable state law or regulatory authority.

II. The Midwest ISO Planning Staff And The Planning Advisory Committee.

The planning function of the Midwest ISO shall be the responsibility of the Midwest ISO Planning Staff (hereinafter "Planning Staff"). The process for carrying out the planning of the Midwest ISO shall be collaborative with Owners, Users, and other interested parties. The Midwest ISO shall be organized to engage in such planning activities as are necessary to fulfill its obligations under the Agreement and the Transmission Tariff. In exercising such authority, the Midwest ISO shall (i) evaluate and respond to requests for transmission service that extend into or fall within the "Planning Time Horizon" (defined as two (2) weeks and beyond); and (ii) develop a comprehensive Midwest ISO-wide transmission plan (hereinafter the "Midwest ISO Plan"). In order to carry out this planning function, the Planning Staff shall have the following responsibilities, set forth in more detail in subsequent Sections of this Appendix B: (i) to calculate ATC in the Planning Time Horizon; (ii) to process transmission service requests in the Planning Time Horizon; (iii) to develop cost-effective plans to resolve transmission constraints that would otherwise preclude

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requested transmission service; (iv) to create the Midwest ISO Plan by integrating, evaluating, and modifying the transmission plans, and other findings from (a) Facilities Studies, (b) plans and analyses developed by the individual Owners, and/or sub-regional groups, to define needs within the Owner's system(s), (c) plans and analyses developed by the Planning Staff to define regional needs, and (d) Planning Staff analyses giving consideration to information from the Planning Advisory Committee (established under this Appendix B) and other sources. The Midwest ISO shall make the final determination in the process, subject to the Dispute Resolution procedures under the Agreement and subject to review by the FERC or state regulatory authorities where appropriate.

There is hereby created a Planning Advisory Committee consisting of one (1) representative from each of the constituent groups represented on the Advisory Committee established pursuant to Article Two, Section VI, Paragraph A of the Agreement. The Planning Advisory Committee shall be a source of input to the Planning Staff concerning the development of the Midwest ISO Plan. The Planning Staff shall exercise its discretion in how it utilizes this advice in carrying out its responsibilities.

III. Calculation Of ATC.

The Planning Staff shall be responsible for calculating ATC of the Transmission System for the Planning Time Horizon. In calculating ATC, the Planning Staff shall: (i) take into account transmission limits that may appear regardless of whether such limits involve transferred Transmission System facilities or Non-transferred Transmission

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Facilities; (ii) use planning criteria which are compatible with operations, including the use of appropriate equipment ratings; (iii) follow the general principles set forth in the NERC documents, *Transfer Capability* (May 1995) and *Available Transfer Capability: Definition and Determination* (June 1996), as those documents may be revised from time to time; (iv) provide for projected load growth, all relevant committed transactions and their resulting power flows throughout the interconnection; and (v) use appropriate analytical tools to determine thermal, voltage, and stability constraints.

The Planning Staff shall adhere to applicable reliability criteria of NERC, and regional reliability councils, or successor organizations, and Owner's planning criteria filed with federal, state, or local regulatory authorities. In the event that the Planning Staff questions the appropriateness of such Owner's planning criteria, the matter may be resolved through the Dispute Resolution process provided for in Appendix D to the Agreement. Until any such dispute is resolved, the Owner's criteria shall govern. The Planning Staff shall also apply equipment capability ratings provided by the Owners for their respective Transmission System facilities. The process to be used by the Planning Staff to validate the ratings is discussed in Section V of this Appendix B. Disputes regarding equipment capability ratings may be resolved through the Dispute Resolution process provided for in Appendix D to the Agreement. The Planning Staff shall at all times comply with the procedures of the Transmission Tariff for calculating ATC.

IV. Evaluation Of Transmission Service Requests.

The Planning Staff shall receive, evaluate, and respond to all requests for transmission service that extends into or occurs within the Planning Time Horizon and

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involves the use of the Transmission System. With respect to all such requests, the Planning Staff shall analyze and make the determination on access to the Transmission System, including the amount of firm (non-recallable) and/or non-firm (recallable) service which the Transmission System can support. The Planning Staff shall document all requests for transmission service, the disposition of those requests, and supporting data. The Planning Staff shall coordinate with the Owners to process requests for service involving the use of Non-transferred Transmission Facilities and distribution facilities relating to service under the Transmission Tariff. The Planning Staff shall consult with the transmission planning representatives of the Owners and/or operators of the affected transmission facilities on matters such as equipment, procedures, maintenance, reliability, and public or worker safety. The Planning Staff shall provide the transmission planning representatives of each Owner with sufficient information to model local conditions and to monitor local consequences of Midwest ISO decisions by the Planning Staff related to ATC values and requests for transmission service. Any dispute regarding ATC calculations shall be subject to the applicable Dispute Resolution procedures.

V. Resolution Of Transmission Constraints.

When the evaluation of posted ATCs reveals apparent transmission constraints that would preclude a requested firm transaction, the Planning Staff shall investigate the ability of operating guides and redispatch of generation to permit the transaction to proceed, to the extent that available information, in the form of existing studies and

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models, permit. In evaluating and resolving transmission constraints, the Planning Staff shall act in a manner consistent with the provisions of the Transmission Tariff.

The Planning Staff shall follow the procedures of the Transmission Tariff when conducting System Impact and Facilities Studies. Upon receipt of an approved Facilities Study Agreement, the Planning Staff shall form, chair, and direct the activities of an Ad Hoc Planning Committee that includes representatives of all affected Owners. The Ad Hoc Planning Committee shall develop expansion alternatives, perform the described studies, and develop the resulting options, costs, and service agreement which shall be provided to the transmission customer by the Planning Staff.

Each Owner shall file with the Midwest ISO information regarding the physical ratings of all of its equipment in the Transmission System. This information is intended to reflect the normal and emergency ratings routinely used in regional load flow and stability analyses. In carrying out its responsibilities, the Midwest ISO shall apply ratings that have been provided by the respective Owners and have been verified and accepted as appropriate by the Midwest ISO where such ratings affect Midwest ISO reliability. When requested by the Midwest ISO, Owners shall provide specific methods by which the ratings of equipment are calculated. If the Planning Staff and the Owners' respective planning representatives cannot reach agreement on a rating, the dispute shall be resolved through the Dispute Resolution process provided in Appendix D to the Agreement. However, the Midwest ISO shall use the ratings provided by the Owner unless and until such ratings are changed through the Dispute Resolution process or by voluntary agreement with the affected Owner.

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VI. Development Of The Midwest ISO Transmission Plan.

The Planning Staff, working in collaboration with representatives of the Owners and the Planning Advisory Committee, shall develop the Midwest ISO Plan, consistent with Good Utility Practice and taking into consideration long-range planning horizons, as appropriate. The Planning Staff shall develop this plan for expected use patterns and analyze the performance of the Transmission System in meeting both reliability needs and the needs of the competitive bulk power market, under a wide variety of contingency conditions. The Midwest ISO Plan will give full consideration to all market participants, including demand-side options, and identify expansions needed to support competition in bulk power markets and in maintaining reliability. This analysis and planning process shall integrate into the development of the Midwest ISO Plan among other things: (i) the transmission needs identified from Facilities Studies carried out in connection with specific transmission service requests; (ii) the transmission needs identified by the Owners in connection with their planning analyses to provide reliable power supply to their connected load customers and to expand trading opportunities, better integrate the grid and alleviate congestion; (iii) the transmission planning obligations of an Owner, imposed by federal or state law(s) or regulatory authorities, which can no longer be performed solely by the Owner following transfer of functional control of its transmission facilities to the Midwest ISO; (iv) the inputs provided by the Planning Advisory Committee; and (v) the inputs, if any, provided by the state regulatory

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authorities having jurisdiction over any of the Owners. In the course of this process, the Planning Staff shall seek out opportunities to coordinate or consolidate, where possible, individually defined transmission projects into more comprehensive cost-effective developments subject to the limitations imposed by prior commitments and lead time constraints. This multi-party collaborative process is designed to ensure the development of the most efficient and cost-effective Midwest ISO Plan that will meet reliability needs and expand trading opportunities, better integrate the grid, and alleviate congestion, while giving consideration to the inputs from all stakeholders.

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The Planning Staff shall test the Midwest ISO Plan for adequacy and security based on all applicable criteria. The Midwest ISO Plan shall adhere to applicable reliability requirements of NERC, regional reliability councils, or successor organizations, Owners' planning criteria filed with federal, state, or local regulatory authorities, and applicable federal, state and local system planning and operating reliability criteria. If the Planning Staff and any Owner's planning representatives cannot reach agreement on any element of the Midwest ISO Plan, the dispute may be resolved through the Dispute Resolution process provided in Appendix D to the Agreement or by the FERC or state regulatory authorities, where appropriate. The Midwest ISO Plan shall have as one of its goals the satisfaction of all regulatory requirements. That is, the Midwest ISO shall not require that projects be undertaken where it is expected that the necessary regulatory approvals for construction and cost recovery will not be obtained.

The Planning Staff shall present the Midwest ISO Plan, along with a summary of relevant alternatives that were not selected, to the Board for approval on a biennial basis, or more frequently if needed. The proposed Midwest ISO Plan shall include specific projects already approved as a result of the Midwest ISO entering into service agreements with transmission customers where such agreements provide for identification of needed transmission construction, its timetable, cost, and Owner or other parties' construction responsibilities. Ownership and the responsibility to construct facilities which are connected to a single Owner's system belong to that Owner, and that Owner is responsible for maintaining such facilities. Ownership and the responsibilities to construct facilities which are connected between two (2) or more Owners' facilities belong

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equally to each Owner, unless such Owners otherwise agree, and the responsibility for maintaining such facilities belongs to the Owners of the facilities unless otherwise agreed by such Owners. Finally, ownership and the responsibility to construct facilities which are connected between an Owner(s)' system and a system or systems that are not part of the Midwest ISO belong to such Owner(s) unless the Owner(s) and the non-Midwest ISO party or parties otherwise agree; however, the responsibility to maintain the facilities remains with the Owner(s) unless otherwise agreed.

If the designated Owner is financially incapable of carrying out its construction responsibilities or would suffer demonstrable financial harm from such construction, alternate construction arrangements shall be identified. Depending on the specific circumstances, such alternate arrangements shall include solicitation of other Owners or others to take on financial and/or construction responsibilities. Third-parties shall be permitted and are encouraged to participate in the financing, construction and ownership of new transmission facilities as specified in the Midwest ISO Plan. In the event interest among other Owners or other entities is not sufficient to proceed, all Owners, subject to applicable regulatory requirements, shall be responsible for sharing in the financing of the project and/or hiring of a contractor(s) to construct the needed transmission facility; provided, however, the Owners' obligations under this sentence shall be subject to the Owners being satisfied that they will be compensated fully for their investments and will not be subject to additional regulatory requirements, unless the Owners otherwise agree to waive either or both of these requirements

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Approval of the Midwest ISO Plan by the Board certifies it as the Midwest ISO's plan for meeting the transmission needs of all stakeholders subject to any required approvals by federal or state regulatory authorities. The Midwest ISO shall provide a

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copy of the Midwest ISO Plan to all applicable federal and state regulatory authorities. The affected Owner(s) shall make a good faith effort to design, certify, and build the designated facilities to fulfill the approved Midwest ISO Plan. However, in the event that a proposed project is being challenged through the Dispute Resolution process under the Agreement, the obligation of the Owners to build that specific project (subject to required approvals) is waived until the project emerges from the Dispute Resolution process as an approved project. The Board shall allow the Owners to optimize the final design of specific facilities and their in-service dates if necessary to accommodate changing conditions, provided that such changes comport with the approved Midwest ISO Plan and provided that any such changes are accepted by the Midwest ISO. Any disagreements concerning such matters shall be subject to the Dispute Resolution process under Appendix D to the Agreement.

The Planning Staff shall assist the affected Owner(s) in justifying the need for, and obtaining certification of, any facilities required by the approved Midwest ISO Plan by preparing and presenting testimony in any proceedings before state or federal courts, regulatory authorities, or other agencies as may be required. The Midwest ISO shall publish annually, and distribute to all Members and all appropriate state regulatory authorities, a five-to-ten-year (5-to-10-year) planning report of forecasted transmission requirements. Annual reports and planning reports shall be available to the general public upon request.

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VII. Planning Responsibilities Of Owners.

To fulfill their roles in the collaborative process for the development of the Midwest ISO Plan, the Owners shall develop expansion plans for their transmission facilities while taking into consideration the needs of (i) connected loads, including load growth, (ii) new customers and new generation sources within the Owner's system, and (iii) known transmission service requests. Any plans that call for modifications to the Transmission System which would significantly affect ATC must be approved by the Midwest ISO before being implemented. However, the Midwest ISO shall develop a streamlined approval process for reviewing and approving projects proposed by the Owners so that decisions will be provided to the Owner within thirty (30) days of the projects submittal to the Midwest ISO unless a longer review period is mutually agreed upon. Any dispute concerning such matters shall be subject to the Dispute Resolution procedures under Appendix D to the Agreement. In the event that the Midwest ISO fails to act or produce results through the Dispute Resolution procedures under the Agreement within a reasonable time (as determined by the Board) of the Owner's submission of its proposed projects, approval of the proposed project(s) by the Midwest ISO shall be automatically conveyed to the affected Owner(s), subject to all requisite approvals.

Owners shall provide to the Planning Staff any necessary modeling or supporting data, planning criteria applicable to the Owner's system, and system-specific operating procedures. Owners shall carry out other duties deemed appropriate by the Owners that support the objectives of the Midwest ISO planning process, the calculation of ATC,

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or regional reliability analyses. Owners shall participate in the integration and testing of the Midwest ISO Plan. Owners shall serve on Ad Hoc Planning Committees established by the Planning Staff to respond to transmission service requests and other matters. Owners shall also calculate ATC at points of delivery to or receipt from Non-transferred Transmission Facilities and distribution facilities.

VIII. Coordination Between Midwest ISO Operating And Planning Staffs.

The Planning Staff shall provide support to the Midwest ISO Operating Staff (hereinafter "Operating Staff") in determining and posting ATC during the Operating Time Horizon (as defined by the Operating Staff) and in developing and reviewing operating procedures. The Planning Staff also shall assist the Operating Staff by performing operational planning assessments for near-term system configurations. Within their respective time horizons, the Operating and Planning Staffs shall have the same general responsibilities for determining whether the Transmission System can accommodate a specific transaction. The Planning Staff shall be responsible for all responses to requests for transmission service that require an expansion of the Transmission System or Non-transferred Transmission Facilities.

IX. Miscellaneous Responsibilities Of Planning Staff.

Among its general responsibilities, the Planning Staff shall: (i) review and comment on Owners' transmission plans; (ii) provide general oversight of all studies performed by Owners for the Midwest ISO; (iii) identify alternatives for further study and review that could increase the efficient and economic use of the Transmission System; (iv) analyze and assess the Transmission System periodically to ensure operational

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reliability, adequacy, and security, and that the long-term needs of transmission customers are being met; (v) facilitate communications among Owners, transmission customers, generation suppliers, and other stakeholders; and (vi) periodically monitor real-time data to identify emerging trends that require modification of planning assumptions to assure the reliable operation of the Transmission System in the future.

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**PRICING AND REVENUE DISTRIBUTION,
RETURN OF START-UP COSTS, AND
RENEGOTIATION PROCEDURES FOR
GRANDFATHERED AGREEMENTS**

The following represents the agreement of the Owners on pricing, revenue distribution, the return of Start-up Costs contributed by the Owners, and on the renegotiation procedures for certain Grandfathered Agreements.

I. **Additional Definitions.** Unless the context otherwise specifies or requires, the following additional definitions apply to this Appendix C, and, when used in this Appendix C, the following terms shall have the respective meanings set forth below.

A. **Border Transmission Owner.** A Midwest ISO Owner whose transmission facilities are interconnected with those of a non-Midwest ISO owner.

B. **Bundled Load.** The aggregate usage by customers who purchase electric services as a single service or customers who purchase electric services under a retail tariff rate schedule that includes power, energy and delivery components, as distinguished from customers who purchase Transmission Service as a separate service.

C. **Drive-in.** Point-to-Point Transmission Service where the generation source is outside the Midwest ISO and the load is located within the Midwest ISO.

D. **Drive-out.** Point-to-Point Transmission Service where the generation source is located within the Midwest ISO and the load is located outside of the Midwest ISO.

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E. Drive-through. Point-to-Point Transmission Service where both the generation source and the load are located outside of the Midwest ISO.

F. Drive-within. Point-to-Point Transmission Service where both the generation source and the load are located within the Midwest ISO.

G. First Substantive Order. The first order in which the FERC accepts for filing this Agreement and the Transmission Tariff (or if separately accepted, the later of the two (2) orders), even if the FERC orders changes to this Agreement or the Transmission Tariff, or sets for hearing the question of the justness or reasonableness of the Agreement or the Tariff.

H. Grandfathered Agreements. For revenue distribution purposes, the following types of agreements shall be considered Grandfathered Agreements: (i) non open access tariff transmission service agreements executed before the First Substantive Order date; (ii) bundled contracts which include transmission service as part of the contract executed prior to the First Substantive Order date; (iii) network and long-term firm Point-to-Point Transmission Service agreements executed prior to the First Substantive Order date; (iv) accepted and confirmed short-term firm and non-firm Point-to-Point Transmission transactions under open access transmission tariffs which were accepted and confirmed prior to the First Substantive Order date; and (v) Transmission Service agreements executed pursuant to Schedule F of the Mid-Continent Area Power Pool Open-Access Transmission Tariff executed prior to the Transfer Date.

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For pricing purposes, the first, second, and fifth categories above shall be Grandfathered Agreements. The third and fourth categories of agreements shall be considered only Grandfathered Agreements for pricing purposes if the pricing terms cannot be changed under sections 205 and 206 of the FPA (except under the Mobile-Sierra "public interest" standard).

I. **Host Zone**. The Zone where load is physically connected to the Midwest ISO transmission network either directly or through a distribution system.

J. **Load Serving Entity**. Any entity that, has undertaken an obligation to provide or obtain electric energy for end-use customers by statute, franchise, regulatory requirement or contract for load located within or attached to the Transmission System. Where a distribution cooperative or a municipal distribution system otherwise covered by the prior sentence is a wholesale customer of a generation and transmission cooperative or a municipal joint action agency, the generation and transmission cooperative or municipal joint action agency may act as the Load Serving Entity for such distribution cooperative or municipal distribution system.

K. **Network Transmission Service**. Defined the same as in the definition of Network Integration Transmission Service in the Transmission Tariff.

L. **Point-to-Point Transmission Service**. Defined the same as in the definition of the same term in the Transmission Tariff.

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M. Transition Period. The Transition Period begins on the Transfer Date and ends on the sixth anniversary of the Transfer Date.

N. Zone(s). The transmission pricing zone(s) identified in the Transmission Tariff as it (they) may be changed pursuant to this Appendix C.

II. Pricing.

A. Rates and Procedures Applicable during the Transition Period.

The following are the major elements of Midwest ISO pricing during the Transition Period:

Issued by: James P. Torgerson, Issuing Officer
Issued on: May 13, 2003

Effective: April 1, 2002

Filed to comply with the April 11, 2003 Order of the FERC in Docket Nos. ER98-1438-012, ER98-1438-013, ER02-111-004 and ER02-111-005 (*Midwest Independent Transmission System Operator, Inc.*, 103 FERC ¶ 61,038 (2003)).

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1. Transition Period Rates.

a. During the Transition Period, the Midwest ISO shall employ a Zonal pricing structure for both Network Transmission Service and Point-to-Point Transmission Service associated with loads physically located within a Midwest ISO Zone. The Zonal rates for each Zone shall be based on the costs of the booked transmission facilities within the Zone. Payment of the Zonal rate allows the customer to obtain transmission service over the facilities covered by the Transmission Tariff without paying additional base transmission charges. The Zones shall be as specified in the Transmission Tariff submitted as part of the initial filing with the FERC to establish the Midwest ISO or to add a new Owner that is a transmission provider and is or would have been a specified zone for pricing under an existing or proposed regional transmission tariff. The Zones only may be changed to reflect the effectuation of a merger (or consolidation and reorganization), to add a new Owner that operates a control area in existence on or before the date of the initial filing with the FERC to establish the Midwest ISO, or to reflect the withdrawal from the Midwest ISO of an Owner or Owners.

b. The rates for Network Transmission Service and Drive-in and Drive-within Point-to-Point Transmission Service shall be the rates for the Zone in which the load is located. The rates for Drive-through and Drive-out Point-to-Point Transmission Service shall be the single Midwest ISO system-wide rate calculated as set forth in the Transmission Tariff.

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2. Applicability to All Load

a. Each Transmission Owner, to the extent it is a Load Serving Entity, shall take Network Integration Transmission Service or Point-to-Point Transmission Service from the Midwest ISO in accordance with the Tariff, subject to the limitations in this Part II, Paragraph A.3 subparts a. through e. below for (1) Bundled Load served by a Load Serving Entity; and (2) load being served at wholesale under a Grandfathered Agreement. Each Transmission Owner that is a Load Serving Entity shall enter into a service agreement(s) under the Tariff with the Midwest ISO for such Transmission Service. A Transmission Owner, making contractual arrangements to act as agent on behalf of another Transmission Owner(s) with load located in the same pricing zone subject to Grandfathered Agreements, will be permitted to make arrangements for Network Integration Transmission Service or Point-to-Point Transmission Service with the Midwest ISO for load served by the other Transmission Owner(s).

b. All other Load Serving Entities not covered under Part II, Paragraph A.2 subpart a. above shall take Network Integration Transmission Service or Point-to-Point Transmission Service from the Midwest ISO in accordance with this Tariff and shall enter into a service agreement(s) under this Tariff with the Midwest ISO for such Transmission Service. A Transmission Owner that is not the Load Serving Entity may make contractual arrangements to act as agent on behalf of the Load Serving Entity for payment of the applicable Schedule 10 charges.

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3. Limitations on Charges and Cost Responsibilities.

a. **Bundled Load:** Transmission Owners taking Network Integration Transmission Service to serve their Bundled Load shall not pay charges pursuant to Schedules 1 through 6 and Schedule 9 and also shall not be responsible for losses from network resources located within their Control Areas or pricing zone pursuant to Attachment M. The Transmission Owner, however, shall be responsible for losses under Attachment M for network resources located outside of its Control Area or pricing zone that are within or attached to the Transmission System.

b. **Grandfathered Agreements for Load Inside of the ISO:** For the transmission service provided as a result of or pursuant to Grandfathered Agreements for load inside of the ISO, each Transmission Owner which is a party to that Grandfathered Agreement shall not be obligated to pay charges under Schedules 1 through 9, nor shall it be responsible for losses under Attachment M. Each Transmission Owner shall remain responsible for payment of the applicable Schedule 10 charges for the services taken pursuant to Section II, Paragraph A.2, subpart a above for its load, which may include wholesale loads under Grandfathered Agreements.

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c. **Grandfathered Agreements for Load Outside of the ISO:** For the transmission service provided as a result of or pursuant to Grandfathered Agreements for load outside of the ISO, the Transmission Owner shall be exempt from rates under this Tariff for services provided pursuant to the existing agreements, except for charges under Schedule 10, which will reimburse the Transmission Provider for the services it performs.

d. **Exception to Section II(A)(3)(b) and (c):** Notwithstanding the provisions of this Section II, Paragraph A. 3 subparts b. and c. above, (I) if ancillary services are not taken or provided under the Grandfathered Agreement, in whole or in part, then such ancillary services which are not provided under such Grandfathered Agreement shall be provided and charged for under this Tariff; and (II) if losses are not provided or paid for under the Grandfathered Agreement, then losses shall be provided in accordance with Attachment M.

e. **Direct Billing to Customers under Grandfathered Agreement:** Once a Service Agreement, either executed or unexecuted, between the Midwest ISO and the customer which is a party to the Grandfathered Agreement is effective, the Midwest ISO shall bill the customer for Schedule 10 charges associated with providing service rather than the Transmission Owner.

f. **Service under Grandfathered Agreements shall continue according to their terms.** Grandfathered Agreements are listed in Attachment P to the Transmission Tariff.

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[Reserved for future use]

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B. Rates and Procedures Applicable after the Transition Period

1. Rates.

a. The rates for Point-to-Point and Network Transmission Service shall be the same as the rates during the Transition Period which are specified in Section II, Paragraph A.1 above except under the conditions specified in subparagraphs b or c of this paragraph B.1.

b. The Midwest ISO shall file to combine zones (i) if all of the Owners in the Zones to be combined that are paying the Midwest ISO for transmission service associated with Bundled Load agree to combine such zones; (ii) if all of the Owners in contiguous Zones that are paying the Midwest ISO for transmission service associated with Bundled Load are allowed to recover amounts they pay the Midwest ISO for such transmission service in the applicable rates; provided, however, any Owner may agree to have zones combined whether or not the Owner recovers or is assured recovery of payments to the Midwest ISO; or (iii) if there are contiguous zones that are to be combined where there are no Owners paying the Midwest ISO for transmission service associated with Bundled Load.

c. The Midwest ISO shall file a revision to the rate formula which is set forth in Attachment O to the Transmission Tariff to implement Midwest ISO system-wide transmission rates (i.e., the same transmission rate shall apply to all customers) (i) if all Owners paying the Midwest ISO for transmission service associated with Bundled Load agree; (ii) if all Owners that are paying the Midwest ISO for transmission service

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associated with Bundled Load are allowed to recover such payments; or (iii) there are no Owners paying the Midwest ISO for transmission service associated with Bundled Load.

d. In order to implement and facilitate any rate revisions to paragraphs b and c of this Section II.B.1., the Midwest ISO shall establish procedures to provide for the development and submission of a filing to FERC, which shall be submitted at least six months before the end of the Transition Period.

2. Load under Transmission Tariff.

The Midwest ISO Transmission Tariff shall be applicable to all transmission service arranged over Midwest ISO transmission facilities whether for Bundled Load, for electric load that is not Bundled Load, or for deliveries made pursuant to Grandfathered Agreements; provided, however, that Grandfathered Agreements shall not be abrogated or modified by this Agreement. Owners shall be required to take transmission service under the Midwest ISO Transmission Tariff to serve Bundled Load to which they are providing bundled electric service unless some other entity is obtaining the necessary transmission service from the Midwest ISO.

C. Other Pricing Matters.

1. Owners shall be appropriately compensated for the construction of transmission facilities required by the Midwest ISO. The appropriate compensation or compensation requirements are set forth in Attachment N to the Transmission Tariff submitted as part of the initial filing with the FERC to establish the Midwest ISO.

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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.

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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.

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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

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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

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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.

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IV. Return Of Start-up Costs.

The Midwest ISO shall pay back an Owner's contributions to the Start-up Costs, plus reasonable interest; provided, however, only Owners that are signatories to the Agreement when it is initially filed with the FERC shall receive a return of their contribution to the Start-up Costs incurred prior to the date of filing. Those Owners that are not signatories at the time of filing shall forfeit any right to a return of their contributions to Start-up Costs incurred prior to the date of the initial filing. For those Owners that become signatories after the initial filing with FERC and make contributions to Start-up Costs after the date they become signatories, the Midwest ISO shall return those post-filing Start-up Costs after paying back all Start-up Costs incurred before the initial FERC filing date. The Midwest ISO shall obtain financing as soon as is reasonably possible to pay back such Owners and shall do so promptly upon receiving the necessary monies. The Midwest ISO also shall use any membership fees to pay back such Owners as soon as possible but no later than twelve (12) months after the date of the First Substantive Order. The Start-up Costs shall include only the following costs:

A. Contributions to cover outside joint expenses (i.e., outside legal costs and consultant or contractor costs) relating to the development of the Midwest ISO filing and implementation of the Agreement.

B. Costs associated with joint meetings of Owners and others relating to the formation of the Midwest ISO.

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C. Contributions relating to equipment, software, or other items related to the start-up of the Midwest ISO. These contributions include monies spent associated with equipment, software, and other items for (1) the Midwest ISO's systems; and (2) the Owners' systems where such expenditures are necessary to allow the Owners' systems to interface with the ISO. Payments made to consultants related to the start-up of the Midwest ISO are included within such expenditures.

D. Contributions to allow the Midwest ISO to obtain financing.

E. Contributions or monies paid relating to the recruitment, hiring, and/or employment of Directors, Officers, employees, and contractors by the Midwest ISO including salaries and other compensation and insurance premiums and any monies paid to any person or entity performing administrative and start-up functions until the Midwest ISO Board is elected.

F. Any other contributions by Owners to Midwest ISO expenses or costs in response to a request of the Midwest ISO Board or Officers.

For any facilities, software, or other items involving modifications or additions to the Owners' systems for which the Owners receive reimbursement of their costs under this Article IV, the Owners shall not include such facilities, software, or other items, or portions thereof, in their rates or in any charges to the Midwest ISO.

V. Renegotiation Procedures For Certain Grandfathered Agreements.

For Grandfathered Agreements where the agreements result in the payment of pancaked rates within the Midwest ISO, the parties to the agreement shall enter into

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good faith negotiations to consider the amendment or termination of the agreement. These negotiations shall conclude no later than the first day on which the Midwest ISO begins providing service under the Transmission Tariff. During this negotiating period, the parties to the Grandfathered Agreement cannot raise any issues regarding amendment or termination of such Grandfathered Agreement with the FERC. At the end of the negotiating period, if the parties to the Grandfathered Agreement are unable to reach agreement, then either party may utilize whatever rights it otherwise would have to request that the FERC consider the need for an amendment or to terminate the Grandfathered Agreement. Except as specifically provided in this Section V, this provision does not affect any rights or arguments that a party to a Grandfathered Agreement may have.

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APPENDIX C-1

APPENDIX C-1

DEVELOPMENT OF TRANSACTION PARTICIPATION FACTORS

In developing transaction participation factors (hereinafter "TPFs") for use in transmission revenue distribution, the Midwest ISO shall employ the principles outlined in this Appendix C-1, as described below.

Power Flow Models: The Midwest ISO shall develop power flow base cases with sufficient detail to represent the transmission systems of the Midwest ISO and surrounding networks, using the NERC power flow base case library. Power flow base cases should be developed annually for a number of load levels and various seasons (such as summer and winter) to recognize changes in the transmission system configuration, load level, and power flow patterns. Transformer taps and switched shunts should be held fixed and the phase angle regulators should be modeled as they would be in transmission reliability studies. Other modeling adjustments should be incorporated as appropriate.

Power Transaction Simulations: Each potential power transaction should be simulated by scaling load down in the selling (or from) control area by an appropriate amount (e.g., 100 MW) and scaling load up by the same amount in the buying (or to) control area, making a corresponding adjustment in the scheduled interchange of the affected control areas. Each power flow simulation should be solved using an AC solution.

Calculations of TPFs: Tables showing the TPF for each Midwest ISO Zone shall be constructed for each simulated transaction. When a Midwest ISO control area is host to the load or power source for a transaction, the TPF for that control area shall be 100%. A TPF which represents the response of each other Midwest ISO system affected by the simulated transaction shall be calculated. This calculation may be accomplished in several steps as follows:

- Algebraically sum the tie line flows between each affected control area and each interconnected control area neighbor of such control area (i.e., determine the net flow in (+) or out (-) over all ties of each control area to control area interface) for the base case and corresponding transaction simulation case;
- Compare the corresponding base case and transaction simulation case results and determine the tie line power flow change for each such control area interface;
- Sum the absolute values of such changes in tie line flows over all the control area interfaces of such control area; and
- Divide the sum by two and the simulation transaction amount, setting all TPF of less than 0.03 (3%) to zero.

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APPENDIX C-2

**REVENUE DISTRIBUTION FOR ALLIANCE-MIDWEST ISO
SUPER-REGIONAL RATE ADJUSTMENT CHARGE**

I. Additional Definitions. Unless the context otherwise specifies or requires, the following additional definitions apply to this Appendix C-2, and, when used in this Appendix C-2, the following terms shall have the respective meanings set forth below.

A. ARTO-MISO Settlement. The March 21, 2001 settlement filed in FERC Docket No. ER01-123-000, *et al.* and accepted by FERC on May 8, 2001. Illinois Power Co., 95 FERC ¶ 61,183 (2001).

B. Alliance-Midwest ISO Super Region. The transmission systems and the NERC-certified electrically metered control areas of the Alliance Companies and the Owners (including the ATC LLC Companies).

C. SRA. The Super-Regional Rate Adjustment which is being filed pursuant to the ARTO-MISO Settlement.

II. Revenue Distribution.

The Midwest ISO shall pass through monthly the Owners' revenues associated with transmission services in accordance with Appendix C-2. In order to provide revenues on a monthly basis, the Midwest ISO may estimate the revenues to be received by each Owner subject to a true-up. The revenues subject to this Section II are the transmission revenues associated with SRA charges under Schedule 13 to the Transmission Tariff. The following methodology is used to distribute revenues received associated with such SRA charges:

Revenues shall be allocated based on the relative proportions of SRA payments made by the Owners or load serving entities within each Zone as set forth on Appendix C-2, Attachment 1.

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**APPENDIX C-2
ATTACHMENT 1**

TRANSMISSION OWNER'S RELATIVE SHARE OF TOTAL SRA PAYMENTS

Transmission Owner	SRA Payments	Percentage
Alliant Energy West (IES Utilities & IPC)	\$1,777,154	4%
ATCLLC	\$9,971,393	20%
Central Illinois Light Co.	\$927,159	2%
Cinergy Services (includes IMPA & WPPA)	\$4,675,465	9%
City Water, Light & Power (Springfield, IL)	\$160,525	0%
Hoosier Energy	\$1,508,693	3%
International Transmission Company	\$21,792,002	44%
Indianapolis Power & Light	\$293,130	1%
Louisville G & E/Kentucky Utilities	\$1,347,532	3%
Lincoln Electric (Neb.) System	\$16,823	0%
Manitoba Hydro	\$6,960	0%
Minnesota Power	\$121,232	0%
Montana-Dakota Utilities Co.	\$0	0%
Otter Tail Power	\$133,391	0%
Southern Illinois Power Cooperative	\$461,845	1%
UtiliCorp United Kansas	\$6,253	0%
UtiliCorp United Missouri	\$2,866,416	6%
Vectren Eenergy	\$117,648	0%
Xcel Energy (Northern States Power)	\$3,147,282	6%
Total	\$49,330,901	100%

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REVENUE DISTRIBUTION FOR MIDWEST ISO REGIONAL THROUGH AND OUT RATE

I. **Additional Definitions.** Unless the context otherwise specifies or requires, the following additional definitions apply to this Appendix C-3, and, when used in this Appendix C-3, the following terms shall have the respective meanings set forth below.

A. **ARTO-MISO Settlement.** The March 21, 2001 settlement filed in FERC Docket No. ER01-123-000, et al. and accepted by FERC on May 8, 2001. Illinois Power Co., 95 FERC ¶ 61,183 (2001).

B. **Alliance-Midwest ISO Super Region.** The transmission systems and the NERC-certified electrically metered control areas of the Alliance Companies and the Owners (including the ATC LLC Companies).

C. **RTOR.** The Regional Through and Out Rate which is set forth in Schedule 14 of the Transmission Tariff.

II. **Revenue Distribution.**

The Midwest ISO shall cause the distribution monthly of the Owners' revenues associated with transmission services established by the Owners in accordance with Appendix C-3 and the Funds Trust Agreement. In order to cause the distribution of revenues on a monthly basis, the Midwest ISO may estimate the revenues to be received by each Owner subject to a true-up. The revenues subject to this Section II are the transmission revenues associated with RTOR charges under Schedule 14 to the Transmission Tariff. The following methodology is used to distribute revenues received associated with such RTOR component:

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1. Fifty percent (50%) based on the relative share of total lost revenues of each entity identified on Appendix C-3, Attachments 1, 1A and 1B, with those relative shares set out on Appendix C-3, Attachment 1A for the period October 1, 2003 through April 30, 2004, Appendix C-3, Attachment 1 for the period May 1, 2004 through September 30, 2005, and Appendix C-3, Attachment 1B for the period beginning, October 1, 2005.

2. Fifty percent (50%) based on the relative flows across the facilities of each entity identified on Appendix C-3, Attachment 1 (for the period May 1, 2004 through September 30, 2005), Appendix C-3, Attachment 1A (for the period October 1, 2003 through April 30, 2004), and Appendix C-3, Attachment 1B (for the period beginning October 1, 2005) resulting from the provision of transmission service under the Midwest ISO OATT for Drive-through and Drive-out Point-to-Point transmission service transactions.

APPENDIX C-3
ATTACHMENT 1 (1 of 3)
For Service Rendered May 1, 2004 Through September 30, 2004
Transmission Owner's Relative Share of Total Lost Revenues

Transmission Owner	Lost Revenues	Percentage
Ameren Services Company, as agent for its electric utility affiliates, Union Electric Company (d/b/a AmerenUE) and Central Illinois Public Service Company (d/b/a AmerenCIPS)	\$41,067,813	20.94%
American Transmission Company, LLC	\$10,704,021	5.46%
American Transmission Systems, Incorporated (a subsidiary of FirstEnergy Corp.)	\$34,342,411	17.51%
Central Illinois Light Co.	\$742,743	0.38%
Cinergy Services (includes IMPA & WVPA)	\$31,913,382	16.27%
City Water, Light & Power (Springfield, IL)	\$334,484	0.17%
Hoosier Energy R.E.C.	\$332,770	0.17%
International Transmission Company	\$1,861,031	0.95%
Indianapolis Power & Light	\$4,107,286	2.09%
ITC Midwest LLC ¹	\$3,842,715	1.96%
Louisville Gas & Electric/Kentucky Utilities	\$19,929,568	10.16%
Lincoln Electric (Neb.) System	\$383,915	0.20%
Manitoba Hydro	\$4,315,793	2.20%
Michigan Electric Transmission Company, LLC	\$4,682,713	2.39%
Minnesota Power, Inc.	\$2,710,339	1.38%
Montana-Dakota Utilities Co.	\$557,988	0.28%
Northern Indiana Public Service Company	\$5,641,752	2.88%
Otter Tail Power Co.	\$771,979	0.39%
Southern Illinois Power Cooperative	\$591,480	0.30%
UtiliCorp United Kansas	\$711,376	0.36%
UtiliCorp United Missouri	\$3,079,507	1.57%
Vectren Energy Delivery	\$2,358,291	1.20%
Xcel Energy Services, Inc. (Northern States Power)	\$21,153,592	10.79%
Total	\$196,136,949	100%

¹ See, Joint Application of ITC Holdings Corp., ITC Midwest LLC ("ITC Midwest"), and Interstate Power and Light Company ("IPL") seeking authorization and approval for the sale by IPL and the purchase by ITC Midwest of IPL's jurisdictional transmission facilities.

APPENDIX C-3
ATTACHMENT 1 (2 of 3)
For Service Rendered October 1, 2004 Through November 30, 2004
Transmission Owner's Relative Share of Total Lost Revenues

Transmission Owner	Lost Revenues	Percentage
Ameren Services Company, as agent for its electric utility affiliates, Union Electric Company (d/b/a AmerenUE) and Central Illinois Public Service Company (d/b/a AmerenCIPS)	\$41,067,813	18.99%
American Transmission Company, LLC	\$10,704,021	4.95%
American Transmission Systems, Incorporated (a subsidiary of FirstEnergy Corp.)	\$34,342,411	15.88%
Central Illinois Light Co.	\$742,743	0.34%
Cinergy Services (includes IMPA & WVPA)	\$31,913,382	14.76%
City Water, Light & Power (Springfield, IL)	\$334,484	0.15%
Hoosier Energy R.E.C.	\$332,770	0.15%
Illinois Power Company	\$20,113,298	9.30%
International Transmission Company	\$1,861,031	0.86%
Indianapolis Power & Light	\$4,107,286	1.90%
ITC Midwest LLC ¹	\$3,842,715	1.78%
Louisville Gas & Electric/Kentucky Utilities	\$19,929,568	9.22%
Lincoln Electric (Neb.) System	\$383,915	0.18%
Manitoba Hydro	\$4,315,793	2.00%
Michigan Electric Transmission Company, LLC	\$4,682,713	2.17%
Minnesota Power, Inc.	\$2,710,339	1.25%
Montana-Dakota Utilities Co.	\$557,988	0.26%
Northern Indiana Public Service Company	\$5,641,752	2.61%
Otter Tail Power Co.	\$771,979	0.36%
Southern Illinois Power Cooperative	\$591,480	0.27%
UtiliCorp United Kansas	\$711,376	0.33%
UtiliCorp United Missouri	\$3,079,507	1.42%
Vectren Energy Delivery	\$2,358,291	1.09%
Xcel Energy Services, Inc. (Northern States Power)	\$21,153,592	9.78%
Total	\$216,250,247	100%

¹ See, Joint Application of ITC Holdings Corp., ITC Midwest LLC ("ITC Midwest"), and Interstate Power and Light Company ("IPL") seeking authorization and approval for the sale by IPL and the purchase by ITC Midwest of IPL's jurisdictional transmission facilities.

APPENDIX C-3
ATTACHMENT 1 (3 of 3)
For Service Rendered December 1, 2004 through September 30, 2005
Transmission Owner's Relative Share of Total Lost Revenues

Transmission Owner	Lost Revenues	Percentage
Ameren Services Company, as agent for its electric utility affiliates, Union Electric Company (d/b/a AmerenUE) and Central Illinois Public Service Company (d/b/a AmerenCIPS)	\$41,067,813	18.92%
American Transmission Company, LLC	\$10,704,021	4.93%
American Transmission Systems, Incorporated (a subsidiary of FirstEnergy Corp.)	\$34,342,411	15.82%
Central Illinois Light Co.	\$742,743	0.34%
Cinergy Services (includes IMPA & WVPA)	\$31,913,382	14.70%
City Water, Light & Power (Springfield, IL)	\$334,484	0.15%
Great River Energy	\$799,075	0.37%
Hoosier Energy R.E.C.	\$332,770	0.15%
Illinois Power Company	\$20,113,298	9.27%
International Transmission Company	\$1,861,031	0.86%
Indianapolis Power & Light	\$4,107,286	1.89%
ITC Midwest LLC ¹	\$3,842,715	1.77%
Louisville Gas & Electric/Kentucky Utilities	\$19,929,568	9.18%
Lincoln Electric (Neb.) System	\$383,915	0.18%
Manitoba Hydro	\$4,315,793	1.99%
Michigan Electric Transmission Company, LLC	\$4,682,713	2.16%
Minnesota Power, Inc.	\$2,710,339	1.25%
Montana-Dakota Utilities Co.	\$557,988	0.26%
Northern Indiana Public Service Company	\$5,641,752	2.60%
Otter Tail Power Co.	\$771,979	0.36%
Southern Illinois Power Cooperative	\$591,480	0.27%
UtiliCorp United Kansas	\$711,376	0.33%
UtiliCorp United Missouri	\$3,079,507	1.42%
Vectren Energy Delivery	\$2,358,291	1.09%
Xcel Energy Services, Inc. (Northern States Power)	\$21,153,592	9.75%
Total	\$217,049,322	100%

¹ See, Joint Application of ITC Holdings Corp., ITC Midwest LLC ("ITC Midwest"), and Interstate Power and Light Company ("IPL") seeking authorization and approval for the sale by IPL and the purchase by ITC Midwest of IPL's jurisdictional transmission facilities.

**APPENDIX C-3
ATTACHMENT 1A**

**For Service Rendered October 1, 2003 – April 30, 2004
Transmission Owner's Relative Share of Total Lost Revenues**

Transmission Owner	Lost Revenues	Percentage
American Transmission Company, LLC	\$10,763,823	6.85%
American Transmission Systems, Incorporated (a subsidiary of FirstEnergy Corp.)	\$34,355,870	21.86%
Central Illinois Light Co.	\$786,401	0.50%
City Water, Light & Power (Springfield, IL)	\$365,779	0.23%
Cinergy Services (includes IMPA & WVPA)	\$32,560,164	20.72%
Hoosier Energy	\$339,399	0.22%
Indianapolis Power & Light	\$4,122,145	2.62%
International Transmission Company	\$1,891,957	1.20%
ITC Midwest LLC ¹	\$3,905,956	2.49%
Louisville G & E/Kentucky Utilities	\$20,240,480	12.88%
Lincoln Electric (Neb.) System	\$383,915	0.24%
Manitoba Hydro	\$4,360,912	2.77%
Michigan Electric Transmission Company, LLC	\$4,697,124	2.99%
Minnesota Power	\$2,727,443	1.74%
Montana-Dakota Utilities Co.	\$565,000	0.36%
Northern Indiana Public Service Company	\$5,814,753	3.70%
Otter Tail Power	\$782,653	0.50%
Southern Illinois Power Cooperative	\$712,880	0.45%
UtiliCorp United Kansas	\$711,376	0.45%
UtiliCorp United Missouri	\$3,079,507	1.96%
Vectren Energy	\$2,370,613	1.51%
Xcel Energy (Northern States Power)	\$21,614,402	13.75%
Total	\$157,152,552	100%

¹ See, Joint Application of ITC Holdings Corp., ITC Midwest LLC ("ITC Midwest"), and Interstate Power and Light Company ("IPL") seeking authorization and approval for the sale by IPL and the purchase by ITC Midwest of IPL's jurisdictional transmission facilities.

APPENDIX C-3
ATTACHMENT 1B
For Service Rendered October 1, 2005 to March 31, 2006
Transmission Owner's Relative Share of Total Lost Revenues

Transmission Owner	Lost Revenues	Percentage
Ameren Services Company, as agent for its electric utility affiliates, Union Electric Company (d/b/a AmerenUE) and Central Illinois Public Service Company (d/b/a AmerenCIPS)	\$47,150,786	19.37%
American Transmission Company, LLC	\$10,841,613	4.45%
American Transmission Systems, Incorporated (a subsidiary of FirstEnergy Corp.)	\$37,196,127	15.28%
Central Illinois Light Co.	\$805,681	0.33%
Cinergy Services (includes IMPA & WVPA)	\$35,603,958	14.63%
City Water, Light & Power (Springfield, IL)	\$370,772	0.15%
Great River Energy	\$799,075	0.33%
Hoosier Energy R.E.C.	\$370,449	0.15%
Illinois Power Company	\$20,113,298	8.26%
International Transmission Company	\$4,839,662	1.99%
Indianapolis Power & Light	\$4,189,921	1.72%
ITC Midwest LLC ¹	\$3,955,282	1.62%
Louisville Gas & Electric/Kentucky Utilities	\$20,803,949	8.55%
Lincoln Electric (Neb.) System	\$383,915	0.16%
Manitoba Hydro	\$4,420,322	1.82%
Michigan Electric Transmission Company, LLC	\$4,769,896	1.96%
Minnesota Power, Inc.	\$2,745,135	1.13%
Montana-Dakota Utilities Co.	\$575,182	0.24%
Northern Indiana Public Service Company	\$13,943,961	5.73%
Otter Tail Power Co.	\$795,715	0.33%
Southern Illinois Power Cooperative	\$724,636	0.30%
UtiliCorp United Kansas	\$711,376	0.29%
UtiliCorp United Missouri	\$3,079,507	1.26%
Vectren Energy Delivery	\$2,438,200	1.00%
Xcel Energy Services, Inc. (Northern States Power)	\$21,814,102	8.96%
Total	\$243,442,520	100%

¹ See, Joint Application of ITC Holdings Corp., ITC Midwest LLC ("ITC Midwest"), and Interstate Power and Light Company ("IPL") seeking authorization and approval for the sale by IPL and the purchase by ITC Midwest of IPL's jurisdictional transmission facilities.

APPENDIX C-3
ATTACHMENT 1C
For Service Rendered April 1, 2006 to August 31, 2006
Transmission Owner's Relative Share of Total Lost Revenues

Transmission Owner	Lost Revenues	Percentage
Ameren Services Company, as agent for its electric utility affiliates, Union Electric Company (d/b/a AmerenUE) and Central Illinois Public Service Company (d/b/a AmerenCIPS)	\$47,150,786	19.36%
American Transmission Company, LLC	\$10,841,613	4.45%
American Transmission Systems, Incorporated (a subsidiary of FirstEnergy Corp.)	\$37,196,127	15.27%
Central Illinois Light Co.	\$805,681	0.33%
Duke Energy Shared Services (includes IMPA & WVPA)	\$35,603,958	14.62%
City Water, Light & Power (Springfield, IL)	\$370,772	0.15%
Great River Energy	\$799,075	0.33%
Hoosier Energy R.E.C.	\$370,449	0.15%
Illinois Power Company	\$20,113,298	8.26%
International Transmission Company	\$4,839,662	1.99%
Indianapolis Power & Light	\$4,189,921	1.72%
ITC Midwest LLC ¹	\$3,955,282	1.62%
Louisville Gas & Electric/Kentucky Utilities	\$20,803,949	8.54%
Lincoln Electric (Neb.) System	\$383,915	0.16%
Manitoba Hydro	\$4,420,322	1.81%
Michigan Electric Transmission Company, LLC	\$4,769,896	1.96%
Minnesota Power, Inc.	\$2,745,135	1.13%
Montana-Dakota Utilities Co.	\$575,182	0.24%
Northern Indiana Public Service Company	\$13,943,961	5.72%
Otter Tail Power Co.	\$795,715	0.33%
Southern Illinois Power Cooperative	\$724,636	0.30%
SMMPA	\$140,595	0.06%
UtiliCorp United Kansas	\$711,376	0.29%
UtiliCorp United Missouri	\$3,079,507	1.26%
Vectren Energy Delivery	\$2,438,200	1.00%
Xcel Energy Services, Inc. (Northern States Power)	\$21,814,102	8.96%
Total	\$243,583,115	100%

¹ See, Joint Application of ITC Holdings Corp., ITC Midwest LLC ("ITC Midwest"), and Interstate Power and Light Company ("IPL") seeking authorization and approval for the sale by IPL and the purchase by ITC Midwest of IPL's jurisdictional transmission facilities.

APPENDIX C-3
ATTACHMENT 1D
For Service Rendered September 1, 2006 and Thereafter
Transmission Owner's Relative Share of Total Lost Revenues

Transmission Owner	Lost Revenues	Percentage
Ameren Services Company, as agent for its electric utility affiliates, Union Electric Company (d/b/a AmerenUE) and Central Illinois Public Service Company (d/b/a AmerenCIPS)	\$47,150,786	21.57%
American Transmission Company, LLC	\$10,841,613	4.96%
American Transmission Systems, Incorporated (a subsidiary of FirstEnergy Corp.)	\$37,196,127	17.02%
Central Illinois Light Co.	\$805,681	0.37%
Duke Energy Shared Services (includes IMPA & WVPA)	\$35,603,958	16.29%
City Water, Light & Power (Springfield, IL)	\$370,772	0.17%
Great River Energy	\$799,075	0.37%
Hoosier Energy R.E.C.	\$370,449	0.17%
Illinois Power Company	\$20,113,298	9.20%
International Transmission Company	\$4,839,662	2.21%
Indianapolis Power & Light	\$4,189,921	1.92%
ITC Midwest LLC ¹	\$3,955,282	1.81%
Manitoba Hydro	\$4,420,322	2.02%
Michigan Electric Transmission Company, LLC	\$4,769,896	2.18%
Minnesota Power, Inc.	\$2,745,135	1.26%
Montana-Dakota Utilities Co.	\$575,182	0.26%
Northern Indiana Public Service Company	\$13,943,961	6.38%
Otter Tail Power Co.	\$795,715	0.36%
Southern Illinois Power Cooperative	\$724,636	0.33%
SMMPA	\$140,595	0.06%
Vectren Energy Delivery	\$2,438,200	1.12%
Xcel Energy Services, Inc. (Northern States Power)	\$21,814,102	9.98%
Total	\$218,604,368	100%

¹ See, Joint Application of ITC Holdings Corp., ITC Midwest LLC ("ITC Midwest"), and Interstate Power and Light Company ("IPL") seeking authorization and approval for the sale by IPL and the purchase by ITC Midwest of IPL's jurisdictional transmission facilities.

APPENDIX C-4

REVENUE DISTRIBUTION FOR SECA

I. **Additional Definitions.** Unless the context otherwise specifies or requires, the following additional definitions apply to this Appendix C-4, and, when used in this Appendix C-4, the following terms shall have the respective meanings set forth below.

A. **SECA.** Seams Elimination Charge/Cost Adjustments/Assignments. The SECA is the mechanism for recovery of the lost revenues resulting from the elimination of through and out rates for transactions between the Midwest ISO and PJM. The SECA is to be paid by entities in PJM for (1) the period beginning on December 1, 2004 and ending on March 31, 2005, and (2) the subsequent period beginning on April 1, 2005 and ending on March 31, 2006.

B. **PJM.** PJM Interconnection, L.L.C.

C. **Coordinating Owner.** Manitoba Hydro.

D. **Owner.** For the purposes of Appendix C-4, the term Owner includes Manitoba Hydro, which is a Coordinating Owner.

E. **MWh.** Megawatt hour.

II. **Revenue Distribution.**

The Midwest ISO shall cause the distribution of the revenues received (from SECA charges under Schedule 21 of the Midwest ISO Transmission Tariff or from SECA charges implemented within PJM) to compensate the Owners for lost revenues in proportion to each Owner's lost revenues ratio in accordance with this Appendix C-4 and the Funds Trust Agreement. Each Owner's lost revenues ratio is set forth on Appendix C-4, Attachment 1.

APPENDIX C-4

The Owners for the purposes of the revenue distribution are listed on Appendix C-4, Attachment 1. Each Owner may designate another entity or other entities to recover the revenues it would be due under this provision.

**APPENDIX C-4
ATTACHMENT 1**

Transmission Owner's Relative Share of Total Lost Revenues

Transmission Owner	(Dec. 1, 2004 to Dec. 31, 2004)	(Jan. 1, 2005 to Mar. 31, 2005)	(Apr. 1, 2005 to Apr. 30, 2005)	(May 1, 2005 to Mar. 31, 2006)
Ameren Services Company, as agent for its electric utility affiliates, Union Electric Company (d/b/a AmerenUE) and Central Illinois Public Service Company (d/b/a AmerenCIPS)	10.44%	9.06%	9.02%	9.27%
American Transmission Company, LLC	0.68%	0.58%	2.04%	2.04%
American Transmission Systems, Incorporated (a subsidiary of FirstEnergy Corp.)	34.12%	43.53%	42.94%	42.63%
Central Illinois Light Co.	0.46%	0.39%	0.47%	0.47%
Cinergy Services (includes IMPA & WVPA)	12.96%	10.97%	6.53%	6.53%
City Water, Light & Power (Springfield, IL)	0.12%	0.10%	0.14%	0.14%
Great River Energy	0.06%	0.06%	0.08%	0.08%
Hoosier Energy R.E.C.	0.84%	0.71%	0.55%	0.55%
Illinois Power Company	13.06%	10.88%	13.32%	13.36%
Indianapolis Power & Light	1.98%	1.68%	1.16%	1.16%
International Transmission Company	4.42%	3.79%	3.62%	3.62%
ITC Midwest LLC ¹	1.64%	1.44%	1.29%	1.29%
Louisville Gas & Electric/Kentucky Utilities	4.76%	4.06%	3.69%	3.69%
Manitoba Hydro	1.78%	1.52%	1.46%	1.46%
Michigan Electric Transmission Company, LLC	1.96%	1.67%	2.33%	2.33%
Minnesota Power, Inc.	0.57%	0.50%	0.43%	0.43%
Montana-Dakota Utilities Co.	0.24%	0.20%	0.18%	0.18%
Northern Indiana Public Service Company	2.88%	2.53%	6.48%	6.49%

APPENDIX C-4
ATTACHMENT 1 – cont'd.

Transmission Owner's Relative Share of Total Lost Revenues

Transmission Owner	(Dec. 1, 2004 to Dec. 31, 2004)	(Jan. 1, 2005 to Mar. 31, 2005)	(Apr. 1, 2005 to Apr. 30, 2005)	(May 1, 2005 to Mar. 31, 2006)
Otter Tail Power Co.	0.42%	0.36%	0.34%	0.35%
Southern Illinois Power Cooperative	0.15%	0.13%	0.27%	0.27%
Vectren Energy Delivery	0.83%	0.71%	0.59%	0.59%
Xcel Energy Services, Inc. (Northern States Power)	5.63%	5.13%	3.09%	3.09%

¹ See, Joint Application of ITC Holdings Corp., ITC Midwest LLC ("ITC Midwest"), and Interstate Power and Light Company ("IPL") seeking authorization and approval for the sale by IPL and the purchase by ITC Midwest of IPL's jurisdictional transmission facilities.

APPENDIX D

APPENDIX D

DISPUTE RESOLUTION PROCEDURES

Attachment HH (Dispute Resolution Procedures) of the Open Access Transmission and Energy Markets Tariff is incorporated herein by reference.

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First Revised Sheet Nos. 132 through 148

Superseding Original Sheet Nos. 132 through 148h

APPENDIX D

[Reserved for Future Use.]

APPENDIX E

APPENDIX E

FRAMEWORK FOR OPERATIONAL RESPONSIBILITIES

I. **General Description Of Midwest ISO's Operational Responsibilities.**

The Midwest ISO, Owners, and Users shall be responsible for operational functions set forth in this Section I of this Appendix E. To the extent that there is any discrepancy between the functions and responsibilities of the Midwest ISO, Owners and Users as defined herein, those defined in the Transmission Tariff, the Transmission Tariff shall prevail.

A. **Midwest ISO Responsibilities.** The Midwest ISO shall be responsible for the following operational functions:

1. The Midwest ISO shall have functional control of the Transmission System as set forth in Section II of this Appendix E and as defined in Article One, Section I, Paragraph L of the ISO Agreement.

2. The Midwest ISO shall review and approve, as appropriate, requests for service and schedule transmission transactions as set forth in Section III of this Appendix E and shall determine available transmission capability (hereinafter "ATC") under the Transmission Tariff as set forth in Section III of this Appendix E, and in Appendix B to the Agreement.

APPENDIX E

3. The Midwest ISO shall implement and administer the Transmission Tariff applicable to the Transmission System and Non-transferred Transmission Facilities as set forth in Section IV of this Appendix E, and in Appendix B to the Agreement.

4. The Midwest ISO shall be responsible for the security of the Transmission System as set forth in Section V of this Appendix E.

5. The Midwest ISO shall offer ancillary services required to support transmission service as set forth in Section VI of this Appendix E.

APPENDIX E

6. The Midwest ISO shall approve the scheduling of maintenance of all transmission facilities making up the Transmission System and shall coordinate with generation owners, as appropriate, the scheduling of maintenance on generation facilities as set forth in Section VII of this Appendix E.

7. The Midwest ISO shall be responsible for operations of OASIS system(s) in accordance with the Transmission Tariff.

8. The Midwest ISO shall monitor and coordinate voltage levels that shall be the responsibility of the control areas to maintain.

9. The Midwest ISO shall be responsible for administering the functions and responsibilities as defined in the Transmission Tariff in its role as the Reliability Authority, Market Operator, Interchange Scheduling Agent and Balancing Authority.

B. Owners' and Users' Responsibilities. As described more fully below, the Owners and Users, as appropriate, shall have the following responsibilities:

1. The Owners shall retain ownership of their transmission facilities comprising the Transmission System, and shall physically operate these facilities, subject to the Midwest ISO's direction, and maintain those facilities, subject to the Midwest ISO's scheduling approval as set forth in Sections II and VII of this Appendix E.

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2. The Owners who are control area operators shall continue to operate their control areas for local generation control and economic dispatch as set forth in Section III of this Appendix E.

3. The Owners shall provide transmission service through their transmission facilities at the direction of the Midwest ISO pursuant to the terms of the Transmission Tariff as set forth in Section IV of this Appendix E.

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4. The Owners and Users shall comply with the instructions of the Midwest ISO in its role as System Security Coordinator as set forth in Section V of this Appendix E.

5. The Owners shall perform maintenance on their transmission facilities included in the Transmission System under schedules as approved by the Midwest ISO, and shall coordinate maintenance on their Non-transferred Transmission Facilities and generation facilities significantly affecting Midwest ISO transmission capability or transmission reliability with the Midwest ISO as set forth in Section VII of this Appendix E. All Users that are not Owners shall coordinate maintenance on their generation facilities significantly affecting such transmission capability or reliability with the Midwest ISO.

6. The Owners and Users, where appropriate, shall offer to redispatch generating units in accordance with the Transmission Tariff, when feasible, subject to receiving appropriate compensation. The Owners and Users shall submit and coordinate unit schedules with the Midwest ISO that affect transmission capability or transmission reliability.

7. The Owners shall obtain approval of the Midwest ISO before taking transmission facilities included in the Transmission System out of service except in cases involving endangerment to the safety of employees or the public or damage to facilities. With regard to Non-transferred Transmission Facilities, the Owners shall

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provide notice to the Midwest ISO, as required from time to time by the Midwest ISO, before taking such facilities out of service.

8. Owners and Users shall be responsible for administering the functions and responsibilities as defined in the Transmission Tariff in their role as Balancing Authorities, Market Participants, Transmission Service Providers and Transmission Operators.

II. Control Over Transmission Facilities.

A. Midwest ISO Control.

1. The Midwest ISO shall have functional control over the combined transmission facilities of the Owners that make up the Transmission System. Appendix H to the Agreement specifies all transmission facilities that initially shall constitute the Transmission System.

2. The Midwest ISO shall periodically review whether the Transmission System facilities under its functional control constitute all of the Owners' facilities necessary to provide reliable transmission service contemplated under the Agreement and the Transmission Tariff.

3. The Midwest ISO may exercise temporary operational control over any Non-transferred Transmission Facilities or associated non-generation facilities of an Owner in order to prevent or remedy a system emergency.

4. The Midwest ISO shall maintain a publicly available registry of all facilities that constitute the Transmission System.

5. The Midwest ISO shall, in consultation with affected Owners, other affected Members, and the Advisory Committee develop, and then revise from time-to-

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time as appropriate, operating procedures governing its exercise of operational control over the Transmission System (hereinafter "Operating Procedures"). The Operating Procedures shall be provided to the Owners, and, except to the extent determined by the Board as otherwise necessary for emergency or security reasons, such procedures shall be made available to the public. The Midwest ISO shall comply with its Operating Procedures in exercising its functional control over the Transmission System. To the extent required, such Operating Procedures shall be filed with the appropriate regulatory agency or agencies.

6. The Midwest ISO shall not exercise its operational control of the Transmission System in such a way as to interfere with rights of Users in contracts between an Owner and a User that are in effect as of the Effective Date of the Agreement (hereinafter "Existing Contracts").

7. The Midwest ISO shall be responsible for coordinating with the applicable regional reliability councils and shall join such councils as appropriate.

8. The Midwest ISO shall comply with any transmission operating obligations of an Owner imposed by Federal or state law or authorities which can no longer be performed solely by the Owner following transfer of functional control of its transmission facilities to the Midwest ISO, until such obligations are revised or changed.

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9. The Midwest ISO (i) shall take no action that would impair the safety and reliability of nuclear facilities; and (ii) shall take actions consistent with nuclear license conditions or requirements or as otherwise required by the Nuclear Regulatory Commission ("NRC").

B. Owner Responsibilities.

1. The Owners shall be obligated to physically operate and maintain their transmission facilities that are part of the Transmission System, and to comply with the directions of the Midwest ISO with respect to such operation and maintenance issued in compliance with the Operating Procedures.

C. Retained Rights of Owners. The Owners shall retain all rights of ownership in their transmission facilities, subject to the Midwest ISO's functional control of the Transmission System in accordance with the terms of this Appendix E. Nothing in this Appendix E shall be deemed to restrict or prohibit access to transmission facilities by the Owners, or those acting under their authority, when such access does not involve the removal of a transmission element from service or otherwise affect the provision of transmission services. To the extent required by the Midwest ISO, the Midwest ISO shall be notified by the Owners when maintenance is being performed on a facility that could result in unplanned outages of a transmission line or transformer.

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III. Determination Of Available Transmission Capability And Transmission Scheduling.

A. Available Transmission Capability. For transactions of less than two (2) weeks' duration, the Midwest ISO operations staff shall determine the ATC consistent with the terms of the Transmission Tariff and Appendix B to the Agreement. See Appendix B to the Agreement for ATC determinations of two (2) weeks or more.

1. The Midwest ISO shall review all data received from non-Midwest ISO control areas, independent transmission system operators, regional reliability councils, or other entities that impact ATC calculations.

2. The Midwest ISO shall share data with non-Midwest ISO control areas, independent transmission system operators, regional reliability councils, or other entities with whom data must be exchanged, as requested, in order to determine ATC.

B. Transmission Service Requests. The Midwest ISO shall receive and process all transmission service requests in accordance with the Transmission Tariff.

As a result:

1. The Midwest ISO shall be ultimately responsible for conducting all System Impact Studies associated with a request for transmission service. The analysis required shall be coordinated between the Midwest ISO and the Owners as follows:

a. The Midwest ISO shall provide sufficient information to the transmission/reliability representatives of all affected Owners to allow them to model local consequences of the requested service.

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b. The Midwest ISO shall coordinate with affected Owners' transmission/reliability representatives when processing requests for service into and out of Non-transferred Transmission Facilities or distribution facilities.

c. The Midwest ISO shall consult with Owners with respect to equipment-specific and Non-transferred Transmission Facilities issues.

2. Upon completion of any required System Impact Studies, the Midwest ISO shall be responsible for making the final determination as to the amount of firm and non-firm transmission capacity that is available under the Transmission Tariff, and for resolving requests for transmission service in accordance with the terms of the Transmission Tariff.

3. When there is not adequate transmission capability to satisfy a transmission request, the Midwest ISO shall relieve or facilitate the relief of the transmission constraint consistent with the terms of the Transmission Tariff.

4. The Midwest ISO shall be responsible for documenting all transmission service requests under the Transmission Tariff, the disposition of such requests, and any supporting data required to support the decision with respect to such requests.

C. Scheduling Transmission Service Transactions. The Midwest ISO shall schedule all transmission service transactions involving the Transmission Tariff, including transactions under Existing Contracts, as follows:

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1. The Midwest ISO shall schedule and curtail transmission service and schedule the allocation of losses and ancillary services in accordance with the Transmission Tariff.

2. The Midwest ISO shall, in consultation with the affected Owners, other affected Members, and the Advisory Committee, develop and from time-to-time, amend when necessary, detailed scheduling protocols (hereinafter "Scheduling Protocols"), which shall be provided to all Members and made publicly available. For Members and Users who are operators of nuclear generating facilities, the Midwest ISO shall enter into written agreements, which define scheduling protocols, limitations, and restrictions necessary to ensure the safety and reliability of such facilities. The Scheduling Protocols shall not conflict with the provisions of the Transmission Tariff. All scheduling shall be performed in accordance with the Scheduling Protocols. To the extent required, such Scheduling Protocols shall be filed with the appropriate regulatory agency or agencies.

3. In performing its scheduling functions, the Midwest ISO shall ensure that the Transmission System is operated in compliance with applicable NERC, regional reliability council or successor organizations, and all other applicable operating reliability criteria.

4. The Midwest ISO shall inform all control areas and the transmission reliability representatives of all Owners of the approved schedules under the Transmission Tariff, and of any subsequent changes made thereto.

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5. The Midwest ISO shall perform all inadvertent flow accounting for Member control areas and shall coordinate the performance of such accounting with non-Member entities.

D. **Owners' Responsibilities.** The Owners who are control area operators shall continue to operate their control areas for local generation control and economic dispatch purposes. In so doing, the Owners shall comply with the scheduling instructions of the Midwest ISO issued pursuant to the Scheduling Protocols.

IV. Administration Of Transmission Tariff.

A. **Midwest ISO Responsibilities.**

1. The Midwest ISO shall be solely responsible for administering the Transmission Tariff.

2. The Midwest ISO shall negotiate as appropriate to develop reciprocal service, equitable tariff application, compensation principles, and any related arrangements.

3. The Midwest ISO shall monitor the service provided under the Transmission Tariff to determine if any hoarding of transmission capacity is occurring. The Midwest ISO shall attempt to eliminate the hoarding initially through direct contacts with the customer. If hoarding continues, then the Midwest ISO may file a complaint with FERC or develop and file with FERC other procedures or mechanisms to address hoarding.

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B. Owner Responsibilities. The Owners shall provide transmission service through their transmission facilities that are subject to the Transmission Tariff as directed by the Midwest ISO pursuant to the Transmission Tariff.

V. Security Of The Transmission System.

A. General.

1. The security and reliability of the Transmission System shall be the responsibility of the Midwest ISO.

2. The Owners who are control area operators shall continue to be responsible for operating their control areas in a secure and reliable manner, subject to the requirements of this Appendix E.

3. The Midwest ISO is hereby designated and shall be the Security Coordinator of the Transmission System for the Owners. In this role, the Midwest ISO shall have security monitoring and emergency response functions, as described in more detail in Section V, Paragraphs B and C of this Appendix E.

B. Security Monitoring.

1. The Midwest ISO shall periodically perform load-flow and stability studies of the Transmission System to identify and address security problems.

2. The Owners shall continue to monitor their own control areas for system security. They shall be responsible for identifying and addressing local security problems, consistent with the requirements of this Appendix E.

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3. The Owners shall continuously provide the Midwest ISO with all data required to assess the security of the Transmission System consistent with NERC (or successor organizations) requirements, and consistent with regional requirements and the Standards of Conduct.

4. The Midwest ISO shall exchange necessary security information with other non-Member control areas, independent transmission system operators and regional reliability councils consistent with NERC (or successor organizations) requirements, with regional requirements and the Standards of Conduct.

5. The Midwest ISO shall monitor real-time data to determine whether any control areas are experiencing generation capacity deficiencies. If a generation capacity deficiency event threatens the security of the system, the Midwest ISO shall take appropriate action, including if necessary ordering the shedding of firm load.

C. Emergency Response.

1. The Midwest ISO shall work with the Owners, appropriate state agencies, regional reliability councils, and other security coordinators to develop regional security plans and emergency operating procedures.

2. The Midwest ISO shall, in coordination with the Members and the Advisory Committee and in compliance with applicable state and federal laws and standards, develop, and from time-to-time update, procedures for responding to emergencies (hereinafter the "Emergency Procedures"). The Emergency Procedures shall be provided to all Members and shall be made available to the public.

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a. The Emergency Procedures shall include procedures for responding to specified critical contingencies.

b. The Midwest ISO shall continuously analyze issues that may require the initiation of emergency response actions. Such analysis shall be made at the Midwest ISO's initiative or at the request of Members, regional reliability councils, or other independent system operators or control areas. The Emergency Procedures shall be amended to include any changes or additions resulting from such analysis.

c. The Emergency Procedures shall make provision for system restoration including priority restoration of off-site power to nuclear generating facilities.

3. The Midwest ISO shall direct the response to any emergency in the Transmission System pursuant to the Emergency Procedures. Individual Owners, Users, and control areas shall carry out the required emergency actions as directed by the Midwest ISO, including the shedding of firm load if required for regional security.

4. After the conclusion of an emergency condition, any affected entity that disagrees with the Midwest ISO's handling of the emergency may resolve that disagreement pursuant to the dispute resolution procedures of Appendix D to the Agreement or the Transmission Tariff, as appropriate.

VI. Ancillary Services.

A. The Midwest ISO shall offer to provide all Ancillary Services as defined and required under the Transmission Tariff.

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B. As part of its scheduling function, the Midwest ISO shall ensure that every scheduled transaction is supported by the required ancillary services and shall deny any scheduling request where the required ancillary services have not been arranged.

C. Owners' and Other Generators' Responsibilities.

1. All Owners and Users that own generation within the Midwest ISO shall be required to offer to provide ancillary services to the extent required under the Transmission Tariff. For FERC regulated public utilities, the charges by the generation owners for such ancillary services shall be in accordance with FERC accepted or approved rate schedules.

VII. Transmission And Generation Maintenance.

A. Planned Transmission Maintenance. The Midwest ISO's approval is required for all planned maintenance of facilities in the Transmission System. The approval process shall be as follows:

1. All Owners shall submit their planned transmission maintenance schedules to the Midwest ISO for a minimum of a rolling one-year (1-year) period. The planned maintenance schedules shall be updated daily.

2. Planned transmission maintenance requests shall be submitted to the Midwest ISO for its approval at least two (2) weeks in advance of an outage.

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3. The Midwest ISO shall determine if, and the extent to which, such planned transmission maintenance requests affect ATC, Ancillary Services, the security of the Transmission System, and any other relevant effects. This determination shall include appropriate analytical detail. Within two (2) business days of receiving a planned maintenance request, the Midwest ISO shall either approve the request or deny the request and provide an acceptable time frame in which the maintenance can be performed. Failure by the Midwest ISO to act within the two (2) day period shall be deemed as approval of the request.

4. The Midwest ISO shall have the authority to revoke any previously-approved planned transmission maintenance outages if forced transmission outages or other circumstances compromise the integrity or reliability of the Transmission System. The Midwest ISO shall notify the Owner of the decision to revoke approval of the maintenance as soon as possible after the circumstances arise that create the need for the revocation. If an Owner incurs any additional costs associated with the deferred transmission maintenance, the Owner shall be compensated for those costs pursuant to procedures adopted by the Midwest ISO, applied on a non-discriminatory basis to all Owners, and filed with FERC.

5. As part of its review process, the Midwest ISO shall identify planned transmission maintenance schedules that limit ATC and, if requested by a User, shall identify opportunities and associated costs for rescheduling planned maintenance to enhance ATC.

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6. The Midwest ISO shall be responsible for documenting all planned transmission maintenance requests, the disposition of those requests, and all data supporting the disposition of each request.

B. Unplanned and Emergency Transmission Maintenance. The Midwest ISO shall coordinate with the Owners to implement schedules for unplanned transmission maintenance. For emergency transmission maintenance, when conditions endanger the safety of employees or the public, or may result in damage to facilities, the Owners shall notify the Midwest ISO of such emergency maintenance. Approval by the Midwest ISO for such emergency transmission maintenance is not required.

C. Generation Maintenance. The Midwest ISO shall coordinate the maintenance of generating units of the Owners and other generating units as appropriate to the extent such generation maintenance affects the transmission capability or transmission reliability of the Midwest ISO as follows:

1. All Owners and Users owning or controlling generation affecting Midwest ISO transmission capability or security shall submit their planned generating unit maintenance schedules to the Midwest ISO for a minimum of a rolling one-year (1-year) period. The planned maintenance schedules shall be updated daily.

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2. The Midwest ISO shall analyze a planned generating unit maintenance schedule to determine its effect on ATC, ancillary services, the security of the Transmission System, and any other relevant effects. The Midwest ISO shall inform a Member or User if its maintenance schedule is expected to have an impact on the security of the Transmission System.

3. As part of its review process, the Midwest ISO shall identify generating unit maintenance schedules that limit ATC and shall identify opportunities and associated costs for rescheduling planned maintenance to enhance ATC. Owners or Users shall be compensated for additional costs associated with rescheduling such planned generating unit maintenance pursuant to procedures adopted by the Midwest ISO, applied on a non-discriminatory basis to all Owners and Users, and filed with FERC.

4. The Midwest ISO shall be responsible for documenting all planned generating unit maintenance schedules, all schedule changes, and all studies and services performed with respect to planned generation maintenance.

5. For Members and Users who are operators of nuclear generating facilities, the Midwest ISO shall enter into written agreements which define planned transmission and generating unit maintenance scheduling criteria, limitations and restrictions necessary to insure the safety and reliability of such facilities.

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APPENDIX F

BYLAWS

of the

MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.
A Delaware Non-Stock Corporation

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. *Definitions.* Unless the context otherwise specifies or requires, certain capitalized terms are used in these Bylaws and the attached appendices with the meanings set forth below or in other provisions of these Bylaws.

Agency Agreement - The agreement allowing Non-transferred Transmission Facilities to be offered by the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") for transmission service under the Transmission Tariff. The Agency Agreement is Appendix G to the Midwest ISO Agreement.

Effective Date - The effective date of the Midwest ISO Agreement.

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FERC - The Federal Energy Regulatory Commission, or any successor agency.

Funds Trust Agreement – The Funds Trust Agreement among JPMorgan Chase Bank, N.A., Midwest Independent Transmission System Operator, Inc., and the Beneficiaries, as may be amended from time to time, under which agreement a trust is established and maintained for the receipt and distribution of revenues resulting from the provision of transmission services under the Transmission Tariff.

Good Utility Practice- Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act, to the exclusion of all others, but rather to be a range of acceptable practices, methods, or acts generally accepted in the region.

He, Him, or His - Includes "she," "her," or "hers."

Member - A person or business entity which is (i) an Eligible Customer, as defined in the Transmission Tariff, or (ii) an Owner, as defined herein, and which pays to the Midwest ISO, the non-refundable membership fees as required herein. Such person or entity shall be a Member during the period covered by the applicable membership fees unless earlier terminated pursuant to the Bylaws.

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Midwest ISO Agreement - The Agreement Of Transmission Facilities Owners To Organize The Midwest Independent Transmission System Operator, Inc., A Delaware Non-Stock Corporation, and any amendments thereto, and as accepted by the FERC.

Non-owner Member - A Member which is not an Owner.

Non-transferred Transmission Facilities - The booked transmission facilities not identified in Appendix F to the Midwest ISO Agreement which are the subject of the Agency Agreement.

Owner - A utility or other entity which owns, operates, or controls facilities for the transmission of electricity in interstate commerce (as determined by the Midwest ISO by applying the seven-factor (7 – factor) test of the FERC set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any successor test adopted by the FERC) and which is a signatory to the Midwest ISO Agreement. A public utility holding company system shall be treated as a single owner for purposes of the Midwest ISO Agreement. Each Owner shall pay the applicable membership fees and become a Member. Any termination of a utility's or entity's status as an Owner shall be determined pursuant to the Midwest ISO Agreement and these Bylaws.

Person - Any general partnership, limited partnership, corporation, limited liability company, joint venture, trust, business trust, governmental agency, cooperative, association,

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other entity, or individual, and the heirs, executors, administrators, legal representatives, successors, and assigns of such person, as the context may require.

Transmission Tariff - The transmission tariff on file with the FERC under which the Midwest ISO will offer transmission service, or any successor tariff.

Transmission System - The transmission facilities of the Owners which are committed to the operation of the Midwest ISO by the Midwest ISO Agreement. The facilities comprising the Transmission System are identified in Appendix H to the Midwest ISO Agreement.

User - A Transmission Customer under the Transmission Tariff or an entity that is a party to a transaction under the Transmission Tariff.

Section 1.2. *Interpretation.* In the event of any conflict between these Bylaws and the Midwest ISO Agreement, the Midwest ISO

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Agreement shall control. The descriptive headings of Articles and Sections of these Bylaws have been inserted for convenience of reference only and shall not define, modify, restrict, construe, or otherwise affect their construction or interpretation.

ARTICLE II
GENERAL PROVISIONS

Section 2.1. *Organization.* The Midwest ISO is a non-stock, not-for-profit corporation, pursuant to Title 8, Chapter 1 of the laws of the State of Delaware. The Midwest ISO shall be operated exclusively for the promotion of social welfare, in furtherance of the public policy reflected in the Order of the FERC approving the Midwest ISO Agreement and FERC Order No. 888. No part of the net earnings, if any, of the Midwest ISO shall inure to the benefit of any Midwest ISO Member, Director, Officer, employee, or any other interested private person. The Midwest ISO is authorized and empowered to pay reasonable compensation for services actually rendered and to make payments or distributions in furtherance of the purposes and objectives set forth in the Midwest ISO Agreement and the Transmission Tariff. No substantial part of the activities of the Midwest ISO shall be carrying on propaganda or otherwise attempting to influence legislation. The Midwest ISO shall not participate in or intervene in any political campaign on behalf of any candidate for

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public office. In the event that the Internal Revenue Service deems the Midwest ISO to be exempt from federal taxation under § 501(c) of the Internal Revenue Code, the Midwest ISO shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt from taxation under the Internal Revenue Code, or successor provisions in any subsequent federal tax laws, or such other provision or successor provisions under which the Internal Revenue Service may recognize that the Midwest ISO is exempt from taxation. If the Midwest ISO is not tax-exempt, the Midwest ISO shall minimize its federal and state tax obligations.

Section 2.2. *Offices.* The principal office of the Midwest ISO shall be located as determined by the initial Board of Directors. The Board may establish such branch offices or places of business as it shall determine to be in the best interests of the Midwest ISO.

Section 2.3. *Start-up.* The Owners may select and employ a person or an entity (or persons or entities) to perform such administrative and start-up functions as in the Owners' judgment may be necessary or desirable until the Board is elected. Such person or entity shall serve in such capacity until the election of the initial Board, and, during such service, shall exercise the authority and perform the duties of the Board and the President.

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ARTICLE III

MEMBERS

Section 3.1. *Qualifications; Membership Fees; Term.* (a) Qualifications. Any Person which (i) is an Eligible Customer (as defined in the Transmission Tariff) or an Owner and (ii) pays to the Midwest ISO the non-refundable membership fees set forth in Section 3.1(b) shall be eligible to become a Member. A person may apply to become a Member of the Midwest ISO by submitting an application in the form then approved by the President and making payment of the membership fees set forth in Section 3.1(b) of these Bylaws. Action upon any application for membership shall be taken at the first meeting of the Board following submission of the membership application.

(b) Membership Fees. All entities eligible for membership in the Midwest ISO shall pay an initial membership fee of \$15,000 in order to become Members. On January 1 of each year, each Member shall pay an additional fee of \$1,000 to the Midwest ISO to retain its membership. All such fees are nonrefundable and may be adjusted from time to time, as may be appropriate, by the Board.

(c) Term. A Person shall be a Member during the period covered by the applicable membership fees unless earlier terminated as provided in these Bylaws.

(d) Withdrawal of Members. A Member who is not an Owner may, upon submission of a written notice of withdrawal to the President, withdraw from membership in the

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Midwest ISO at any time, which withdrawal shall be effective thirty (30) days after the receipt of such notice by the President. A Member who is also an Owner may, upon submission of a written notice of withdrawal to the President, commence a process of withdrawal of its facilities from the Transmission System. The terms and conditions of such withdrawal are specified in the Midwest ISO Agreement.

Section 3.2. *Owner Status.* Members admitted to Membership after the start-up of the Midwest ISO who wish also to have the status as Owners, must (i) own, operate, or control facilities used for the transmission of electricity in interstate commerce (as determined by the Midwest ISO by applying the seven factor (7-factor) test set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any successor test adopted by the FERC) that are physically interconnected with the facilities of an existing Owner; (ii) express its agreement to become a signatory to the Midwest ISO Agreement, to be bound by all of its terms, and to make any and all payments or contributions required by the Midwest ISO Agreement, and (iii) express its agreement to become a signatory to the Funds Trust Agreement, to be bound by all of its terms, and to make any and all payments or contributions required by the Funds Trust Agreement if and/or when it receives revenues for transmission service, and prior to the existence of any right of the Member to receive revenues from transmission service under the Transmission Tariff executes the Funds Trust Agreement. Upon fulfillment of these conditions, and upon completion of any physical integration of the new Owner's facilities with the Transmission System in a fashion consistent with the

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President's direction, the Board shall allow the new Member to become a signatory to the Midwest ISO Agreement. In general, an Owner must own, operate, or control interstate transmission facilities as detailed above; however, on a case-by-case basis, the Board may waive the requirement that such facilities be physically interconnected if allowing the Member also to become an Owner will result in significant net benefits to the Midwest ISO and its Members.

Section 3.3. *No Rights of Members to Manage or Control.* No Member shall have any rights to manage or control the property, affairs, or business of the Midwest ISO, or any power to control the Board in these respects.

Section 3.4. *Regular Meetings.* The Members shall hold their initial meeting at the principal office of the Midwest ISO, or other location designated by the Board, or by the person or entity selected pursuant to Section 2.3 of these Bylaws, on the date designated by the Board or such person or entity, and shall hold meetings at such location on the third Monday of the same month each year thereafter, or such other day of said month as may be designated by the Board, for the purpose of electing Directors and of exercising and discharging any other powers or duties vested in them by the Midwest ISO Agreement and the Bylaws. Members shall hold their initial meeting on July 1, 1998, or as soon

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thereafter as is reasonably practical. Provided, however, that the signatories to the Midwest ISO Agreement, by majority vote (with each signatory having one vote), may, pursuant to the terms and conditions of the Midwest ISO Agreement, extend this date.

Section 3.5. *Special Meetings.* The Board or any twenty-five percent (25%) of the Members may call special meetings of the Members at any time.

Section 3.6. *Notification.* (a) The Secretary shall provide notice to appropriate state regulatory authorities, FERC, the members of the Board Advisory Committee (established pursuant to the Midwest ISO Agreement), and the public by posting on the Midwest ISO's Internet World-Wide Web Site or equivalent form of electronic posting at least seven (7) days prior to the meeting, of the time and place of all meetings of Members, whether regular or special.

(b) Notice mailed to a Member or sent by telefacsimile no later than seven (7) days prior to the date of the meeting, directed to the Member at the address as shown on the books of the Midwest ISO, shall be deemed sufficient for the provisions of this provision and for all other purposes, unless written notice of change of such address has been previously given to the Midwest