

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Application of Interstate )  
Power and Light Company, f/k/a IES Utilities, )  
Inc., and ITC Midwest LLC for Approval to )  
Transfer Certificate of Convenience and Necessity )  
and Transmission Line Facilities in Clark County, )  
Missouri and Motion for Expedited Treatment. )

**Case No. EO-2007-0485**

**STAFF'S RECOMMENDATION TO AUTHORIZE TRANSFER OF LINE,  
GRANT CERTIFICATE OF CONVENIENCE AND NECESSITY AND  
GRANT VARIANCES FROM COMMISSION REPORTING RULES**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff) and, for its recommendation, states:

1. The Staff, in its memorandum attached as Appendix A, recommends the Commission authorize Interstate Power and Light Company to transfer to ITC Midwest LLC its high-voltage transmission line assets in Missouri according to the terms of the asset sale agreement dated January 18, 2007 attached to the joint application as Exhibit B and, concomitantly, grant to ITC Midwest LLC a certificate of convenience and necessity authorizing it to own, operate and maintain the transferred about 9.5 miles of existing transmission line and related facilities in Clark County, Missouri. In addition, since ITC Midwest LLC will have no retail electric customers in Missouri and transmission line rates are established by the Federal Energy Regulatory Commission (FERC), the Staff also recommends the Commission grant ITC Midwest LLC variances from the reporting requirements of Commission rules 4 CSR 240-3.175 and 4 CSR 240-190(1) and (3).

2. In Case No. EA-2002-296 the Commission issued an *Order Granting Certificate of Public Convenience and Necessity* authorizing IPL<sup>1</sup> to build about 9.5 miles of high-voltage transmission line in Missouri as part of IPL's interconnecting an IPL substation in Keokuk, Iowa with an AmerenUE 161 kV transmission line near Wayland, Missouri. According to its application in that case, the Iowa Utilities Board had "found in Docket No. E-21324 the need, or public convenience and necessity for the construction of a second 161 kV line into the City of Keokuk, Iowa."

3. According to that part of the agreement included as an exhibit to the joint application, IPL press releases and orders issued by the Iowa Utilities Board in Docket No. SPU-07-11, IPL is proposing to divest all of its high-voltage transmission assets to ITC Midwest LLC, including the about 9.5 miles of high-voltage transmission line in Missouri. IPL and ITC Midwest LLC are seeking Iowa Utilities Board approval of the divestiture in Docket No. SPU-07-11 and from this Commission in this case.

4. IPL serves no retail electric customers in Missouri and has no electric utility assets in Missouri, other than those related to the about 9.5 miles of high-voltage transmission line in Clark County, Missouri.

#### **CERTIFICATE OF CONVENIENCE AND NECESSITY**

5. If the Commission authorizes the proposed transfer of assets from IPL to ITC Midwest, for ITC Midwest LLC to lawfully take any action with regard to that part of the transmission line located in Missouri, ITC Midwest LLC must have a certificate of convenience

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<sup>1</sup> In that case IPL filed its application as IES Utilities Inc. According to electronically available documents obtained from the Iowa Secretary of State on the same day it filed its application for a certificate of convenience and necessity with this Commission that became Case No. EA-2002-296, IES Utilities Inc. filed with the Iowa Secretary of State amended articles of incorporation dated December 18, 2001, changing its name from IES Utilities Inc. to Interstate Power and Light Company effective January 1, 2002.

and necessity from the Commission.

6. The Legislature's empowerment of the Commission to grant certificates of convenience and necessity is presently primarily found in the statutory language of Section 393.170,<sup>2</sup> which provides:

1. No gas corporation, electrical corporation, water corporation or sewer corporation shall begin construction of a gas plant, electric plant, water system or sewer system without first having obtained the permission and approval of the commission.

2. No such corporation shall exercise any right or privilege under any franchise hereafter granted, or under any franchise heretofore granted but not heretofore actually exercised, or the exercise of which shall have been suspended for more than one year, without first having obtained the permission and approval of the commission. Before such certificate shall be issued a certified copy of the charter of such corporation shall be filed in the office of the commission, together with a verified statement of the president and secretary of the corporation, showing that it has received the required consent of the proper municipal authorities.

3. The commission shall have the power to grant the permission and approval herein specified whenever it shall after due hearing determine that such construction or such exercise of the right, privilege or franchise is necessary or convenient for the public service. The commission may by its order impose such condition or conditions as it may deem reasonable and necessary. Unless exercised within a period of two years from the grant thereof, authority conferred by such certificate of convenience and necessity issued by the commission shall be null and void.

7. When originally enacted section 393.170, was § 72 of Article IV of Senate Bill 1—the Public Service Commission Act.<sup>3</sup> Section 72 was one paragraph, and but one of 140 sections of the Act, including § 2<sup>4</sup>—a definitions section which included, among others, the following definitions:

12. The term "electric plant," when used in this act, includes all real estate, fixtures and personal property operated, controlled, owned, used or to be used for or in connection with or to facilitate the generation, transmission, distribution,

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<sup>2</sup> Statutory references are to the Revised Statutes of Missouri 2000, unless otherwise noted.

<sup>3</sup> Laws of Missouri 1913, pp. 556-651.

<sup>4</sup> Laws of Missouri 1913, pp. 557-61.

sale or furnishing of electricity for light, heat or power; and any conduits, ducts or other devices, materials, apparatus or property for containing, holding or carrying conductors used or to be used for the transmission of electricity for light, heat or power.

13. The term "electrical corporation," when used in this act, includes every corporation, company, association, joint stock company or association, partnership and person, their lessees, trustees or receivers appointed by any court whatsoever (other than a railroad or street railroad corporation generating electricity solely for railroad or street railroad purposes or for the use of its tenants and not for sale to others) owning, operating, controlling or managing any electric plant except where electricity is generated or distributed by the producer solely on or through private property for railroad or street railroad purposes or for its own use or the use of its tenants and not for sale to others.

\* \* \* \*

These definitions are now codified as §§ 386.020, (14) and (15), RSMo Supp. 2006, respectively, and supply meanings for purposes of section 393.170.

8. The transmission line the applicants propose to transfer to ITC Midwest LLC is "electric plant" and ITC Midwest LLC is an "electrical corporation." Section 393.170 includes the following broad sentence: "The commission shall have the power to grant the permission and approval herein specified whenever it shall after due hearing determine that such construction or such exercise of the right, privilege or franchise is necessary or convenient for the public service"; therefore, if ITC Midwest LLC is to acquire the transmission line and lawfully exercise its right to take actions regarding the transmission line pertaining to electric utility service, the Commission must also grant ITC Midwest LLC a certificate of convenience and necessity.

9. In this case a Commission certificate of convenience and necessity to ITC Midwest LLC must be based on a showing that it is necessary or convenient for the public service for ITC Midwest LLC to own, operate and maintain the about 9.5 miles of existing transmission line and related facilities in Clark County, Missouri.

10. As the Staff states in Appendix A, for the reasons stated therein and the information it reviewed, the Staff believes that, if the Commission approves the transfer of transmission line assets to ITC Midwest LLC, it is necessary or convenient for the public service for ITC Midwest LLC to own, operate and maintain the about 9.5 miles of existing transmission line and related facilities in Clark County, Missouri.

### **AUTHORITY TO TRANSFER TRANSMISSION LINE ASSETS**

11. The Commission's power to authorize the transfer of assets was conferred upon it by the Legislature through that part of the Public Service Commission Act, as amended, presently codified as Section 393.190. In most pertinent part, Section 393.190 provides:

No gas corporation, electrical corporation, water corporation or sewer corporation shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, works or system, necessary or useful in the performance of its duties to the public, nor by any means, direct or indirect, merge or consolidate such works or system, or franchises, or any part thereof, with any other corporation, person or public utility, without having first secured from the commission an order authorizing it so to do.

12. Section 393.190 includes no express standard for the Commission to employ, but, as shown by subpart (1)(d) of the Commission's rule 4 CSR 240-3.110(1)(D), the Commission uses the standard of "not detrimental to the public interest." In whole Commission Rule 4 CSR 240-3.110 states requirements specific to applications by utilities requesting authority to sell assets necessary or useful in the performance of the seller's duties to the public.

13. The Missouri Supreme Court has stated, in the context of a sale of regulated assets, that under the "not detrimental to the public interest" standard the Commission's review may be broad.<sup>5</sup> In the mid-1980's this Commission, applying the standard of "not detrimental to the public interest," approved the sale of steam operations from a regulated utility to an unregulated subsidiary of the Bi-State Development Agency. The sale was part of a plan by the

Bi-State Development Agency to ultimately use refuse to fuel the steam generation and included an immediate rate increase. In its opinion, the Missouri Supreme Court stated:

The Commission's decision and order shows that concern for the public interest was predominant in its deliberations. It considered not only the interest of its customers, but the interest of the St. Louis metropolitan area in solving its refuse problems. The thought of using refuse to produce worthwhile energy is certainly appealing. The Commission is justified in looking at the broad picture.<sup>6</sup>

IPL has no electric consumer customers in Missouri and the Commission should look broadly when determining whether to authorize IPL to transfer to ITC Midwest LLC that part of its high-voltage transmission line located in Missouri.

14. As the Staff stated in Case No. EF-2003-0465 where Aquila sought authority to encumber its system as collateral for a financing, the Staff believes that the language of the Missouri Supreme Court in *State ex rel. City of St. Louis v. Public Service Commission*<sup>7</sup> is a better statement of the standard of “not detrimental to the public” as the Staff has applied it, than the language of the Western District Court of Appeals in *State ex rel. Fee Fee Trunk Sewer, Inc. v. Litz*<sup>8</sup>. The Court in *City of St. Louis* stated, in relevant part, as follows:

... The whole purpose of the act is to protect the public. The public served by the utility is interested in the service rendered by the utility and the price charged therefore; investing public is interested in the value and stability of the securities issued by the utility. *State ex rel. Union Electric Light & Power Co. v. Public Service Commission et al.* (Mo. Sup.) 62 S.W. (2d) 742. In fact the act itself declares this to be the purpose. Section 5251, R.S. 1929 Mo. Stat. Ann. Section 5251, p. 6674), in part reads: “The provisions of this chapter shall be liberally construed with a view to the public welfare, efficient facilities and *substantial justice between patrons and public utilities.*” (Italics ours.)

. . . . .

The state of Maryland has an identical statute with ours, and the Supreme Court of that state in the case of *Electric Public Utilities Co. v. Public Service Commission*, 154 Md. 445, 140 A. 840, loc. cit. 844, said: “To prevent injury to

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<sup>5</sup> *Love 1979 Partners, et al. v. Public Serv. Comm’n*, 715 S.W.2d 482 (Mo.banc 1986)

<sup>6</sup> *Love 1979 Partners*, 715 S.W.2d at 490.

<sup>7</sup> 73 S.W.2d 393, 399-400 (Mo.banc 1934).

<sup>8</sup> 596 S.W.2d 466 (Mo.App. 1980).

the public good in the clashing of private interest with the public good in the operation of public utilities, is one of the most important functions of Public Service Commissions. It is not their province to insist that the public shall be benefited, as a condition to change of ownership, but their duty is to see that no such change shall be made as would work to the public detriment. 'In the public interest,' in such cases, can reasonably mean no more than 'not detrimental to the public.'”

15. As the Staff states in Appendix A, for the reasons stated therein and based on the information the Staff reviewed, the Staff believes transfer by IPL to ITC Midwest LLC of IPL’s high-voltage transmission line assets in Missouri according to the terms of the asset sale agreement dated January 18, 2007 attached to the joint application as Exhibit B, is not detrimental to the public interest.

### **COMMISSION RULES**

16. Unless the Commission grants a variance from complying with them, electric utilities subject to the Public Service Commission are required by Commission rules to make certain filings. Among them are the following:

Commission Rule	required filing
4 CSR 240-3.165	Annual Report
4 CSR 240-3.175	Depreciation Study
4 CSR 240-3.190	outages, accidents, etc.

Because ITC Midwest LLC will only have a high-voltage transmission line and related facilities in Missouri, no purpose would be served by requiring it to comply with 4 CSR 240-3.175 or subparts (1) and (3) of 4 CSR 240-3.190 that require the submission of reports to the Commission or any of its designees; therefore, the Staff recommends the Commission, if it authorizes the transfer and grants ITC Midwest LLC the certificate of convenience and necessity the Staff recommends it grant, that the Commission also grant ITC Midwest LLC variances

allowing it not to comply with the requirements of Commission Rules 4 CSR 240-3.175 and 4 CSR 240-190(1) and (3).

**WHEREFORE**, the Staff recommends the Commission authorize Interstate Power and Light Company to transfer to ITC Midwest LLC its high-voltage transmission line assets in Missouri according to the terms of the asset sale agreement dated January 18, 2007, attached to the joint application as Exhibit B; concomitantly grant to ITC Midwest LLC a certificate of convenience and necessity authorizing it to own, operate and maintain the high-voltage transmission line assets in Missouri according to the terms of the asset sale agreement dated January 18, 2007; and grant ITC Midwest LLC variances allowing it not to comply with the reporting requirements of Commission Rules 4 CSR 240-3.175 and 4 CSR 240-190(1) and (3).

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams  
Deputy General Counsel  
Missouri Bar No. 35512

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 17<sup>th</sup> day of August, 2007.

/s/ Nathan Williams

## **MEMORANDUM**

TO: Missouri Public Service Commission Official Case File  
Case No. EO-2007-0485, In the Matter of the Application of Interstate Power and Light Company, f/k/a IES Utilities, Inc., and ITC Midwest LLC for Approval to Transfer Certificate of Convenience and Necessity and Transmission Line Facilities in Clark County, Missouri and Motion for Expedited Treatment.

FROM: James L. Ketter, Energy Department – Engineering Analysis

<u>/s/ Daniel I. Beck    08/17/07</u> Energy Department / Date	<u>/s/ Nathan Williams    08/17/07</u> General Counsel's Office / Date
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Subject: Staff Report and Recommendation

Date: August 17, 2007

## **OVERVIEW**

On June 15, 2007, Interstate Power and Light Company (IPL), f/k/a IES Utilities, Inc., and ITC Midwest LLC (ITC) filed an application with the Commission requesting the transfer an existing certificate of convenience and necessity (CCN) from IPL to ITC. The applicants requested expedited treatment to obtain approval of this application from the Commission no later than September 1, 2007. On June 19, 2007, the Commission issued its ORDER DIRECTING FILING in which the Commission directed the Staff file either a Recommendation or a Status Report by July 19, 2007. On July 19, 2007, the Staff filed its status report anticipating a recommendation on or before August 9, 2007. On August 9, 2007, the Staff filed its second status report anticipating review of additional information provided by applicants and a recommendation by August 17, 2007. The Staff also requested that the Commission relieve the parties from the obligation of filing a procedural schedule by August 13, 2007. By its August 15, 2007, Order the Commission relieved the parties of the requirement of filing a procedural schedule on August 13, 2007, and set a filing date of August 17, 2007, for the Staff's recommendation or another status report.

On April 18, 2002, in Case No. EA-2002-296, the Commission issued an ORDER GRANTING CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, in which the Commission authorized IPL (under the name IES Utilities) to “construct, own, operate and maintain” a new transmission line in Clark County, Missouri. Approximately 9.5 miles of the line is in Missouri and provides an alternate transmission source for IPL to serve its electric customers in and around Keokuk, Iowa. At an interconnection point near Wayland, Missouri, the 161 kV transmission line connects

IPL's Twin Rivers Substation in Keokuk, Iowa, to an AmerenUE 161 kV transmission line.

Before the Commission issued IPL the transmission line CCN, the Iowa Utilities Board had found that additional transmission capacity was necessary to serve the growing electric load in the Keokuk area. A new transmission line between Wayland and Keokuk was the most economical alternative to provide the additional capacity that was needed to serve the Iowa customers. IPL does not serve any retail electric customers in Missouri.

### **DISCUSSION**

By this application, IPL seeks to transfer to ITC the ownership of the 161 kV transmission facilities built upon the easements IPL acquired in exercising the authority the Commission granted it in Case No. EA-2002-296. It is the Staff's view that, not only does IPL require Commission authorization to transfer the transmission facilities, ITC also requires a CCN to own, operate and maintain them. The standard for authorizing an electrical corporation to transfer of "its franchise, works or system necessary or useful in the performance of its duties to the public" is found in section 393.190, RSMo 2000, and is whether the transfer is "not detrimental to the public interest." The standard for issuing a CCN is found in section 393.170, RSMo. 2000, and is whether the "exercise of the right, privilege or franchise is necessary or convenient for the public service."

ITC is a wholly owned subsidiary of ITC Holdings Corp with its purpose to own and operate transmission facilities. ITC was organized in January, 2007 to acquire the transmission assets of IPL. Financing commitments have been arranged by ITC Holdings Corp to complete the purchase of the transmission facilities.

ITC Holdings Corp has acquired and operates transmission facilities in Michigan through two subsidiaries. Another subsidiary, ITC Great Plains, has been organized to build transmission facilities to strengthen the interchange capacity within the Southwest Power Pool.

### **ITC CCN**

If ITC acquires the 9.5 miles of transmission line from IPL upon sale of the transmission facilities in accordance with the purchase agreement, ITC will be an electrical corporation as defined in 386.020(12) RSMo 2000. In connection with this transaction, ITC will need a CCN from the Commission authorizing ITC to own, operate and maintain that part of the transmission line located in Missouri. ITC acknowledges this in its application by its request that IPL's certificate be transferred to it.

That the IPL 161 kV transmission line is still necessary for the provision of service for the IPL customers in the Keokuk area is not in question. However, with a change in ownership, the qualifications of ITC to own, operate and maintain that part of the transmission line located in Missouri are in question. Attached to this memorandum is a letter the Staff received from ITC August 16, 2007, regarding ITC's managerial and technical resources for operating and maintaining the transmission line, as well as ITC's financial resources. Based on the information in that letter, as well as the latest 10-K of

its parent submitted as Appendix A to the application, the Staff is satisfied that ITC qualifies for a CCN own, operate and maintain that part of the transmission line located in Missouri and that granting such authority “is necessary or convenient for the public service.”

### **Transfer of Transmission Line**

No Missouri retail electric customers are served from the transmission line IPL seeks authority to transfer to ITC. The transmission rates for ITC for delivery of energy to IPL customers will be subject to Federal Energy Regulatory Commission (FERC) regulations. Recovery of such transmission costs would be part of the retail rate regulation before the Iowa Utilities Board, not this Commission. Applicants state that there will be no tax revenue impact on the political subdivisions in Missouri if their Asset Sale Agreement closes.

Based on its review of the application, the copies of all the other attachments to the Asset Sale Agreement, currently available but not included in the application, but supplied to the Staff, and the August 16, 2007, letter ITC provided the Staff regarding its managerial and technical resources for operating and maintaining the transmission line, as well as ITC’s financial resources, it is the Staff’s opinion that it would be “not detrimental to the public interest” if IPL were authorized to consummate the transfer to ITC of ownership of the existing transmission line and associated facilities and rights in Missouri. While it is the Staff’s view the Commission should grant ITC a CCN and authorize IPL to transfer the transmission line in question to ITC, those authorizations should be conditioned on ITC obtaining a certificate from the Missouri Secretary of State authorizing it to do business in this state.

While not requested by ITC, if the Commission grants ITC a CCN and authorizes IPL to transfer the transmission line to ITC, then, in the Staff’s view, the Commission should grant ITC variances from certain Commission reporting requirement rules, so long as its activities are limited to owning, maintaining and operating a transmission line in the state of Missouri. Staff recommends that should the Commission grant this application that in addition the Commission grant ITC variances from complying with Commission rules 4 CSR 240-3.175, 4 CSR 240-3.190(1) and (3). The depreciation studies (required by 4 CSR 240-3.175) and power plant information (required by 4 CSR 240-3.190(1) and (3)) is information not useful to the Commission when obtained from a utility not subject to rate regulation in Missouri.

Since ITC would only have transmission facilities and would be a new entrant in Missouri, the Staff points out the importance of the filing annual reports, the reporting of contact with electric facilities by an employee or other person and the Commission’s minimum safety standards required by Commission rules 4 CSR 240-3.165, 4 CSR 240-3.190(4) and 4 CSR 240-18.010, respectively. IPL and ITC affirm in their application that neither has any pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates within the last three years.

### **STAFF RECOMMENDATION**

Staff believes that issuance to ITC Midwest LLC of a CCN to own, operate and maintain the transmission facilities that are the subject of the joint application is necessary or convenient for the public service and that transfer from Interstate Power and Light Company to ITC Midwest LLC of the transmission facilities as requested in the joint application is not detrimental to the public interest. Conditioned on obtaining authorization to do business in Missouri from the Secretary of State, the Staff recommends the Commission concurrently issue a CCN to ITC Midwest LLC to own, operate and maintain the transmission facilities in Missouri being transferred from Interstate Power and Light Company and authorize Interstate Power and Light Company to transfer to ITC Midwest LLC high-voltage transmission line assets in Missouri according to the terms of the asset sale agreement dated January 18, 2007. Staff also recommends that ITC Midwest LLC be granted variances from complying with Commission rules 4 CSR 240-3.175 and 4 CSR 240-190(1) and (3).

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August 16, 2007

Mr. Nathan Williams  
Senior Counsel  
MISSOURI PUBLIC SERVICE COMMISSION  
200 Madison Street, Suite 100  
Jefferson City, MO 65101

Re: EO-2007 0485

Dear Nathan:

You requested additional information concerning the managerial, technical and financial qualifications of ITC Midwest for use in Staff's recommendation in this docket.

**Corporate Information**

ITC Midwest is a limited liability company whose only member is its corporate parent, ITC Holdings Corp. ITC Midwest was formed as an ITC subsidiary to acquire the transmission assets of Interstate Power and Light Company ("IPL") in Iowa, Illinois, Minnesota, and Missouri. After the transaction, ITC Midwest will be an independent transmission company whose rates, terms, and conditions of service will be regulated by the Federal Energy Regulatory Commission ("FERC").

ITC Midwest will be focused on the ownership, operation, and maintenance of, and investment in, its transmission assets. Since transmission assets are long-lived assets, ITC Midwest has a long-term commitment to meet the needs of its transmission customers. After closing the transaction, ITC Midwest will adopt IPL's near term construction and maintenance plans. Over time, due to its singular focus on transmission, ITC Midwest likely will identify additional investment and maintenance needs not in IPL's current plans.

**Operations and Technical Information**

ITC Midwest will establish and maintain an ITC Midwest headquarters with technical, general and administrative, and management staff in Iowa. ITC Midwest will contract with Utility Lines Construction Services, Inc., ("ULCS") and will establish other offices, as needed, throughout the ITC Midwest service territory for field crews, project management, and other community relations personnel. ITC Midwest will establish warehouse facilities with the assistance of its Supply Chain, Warehouse and Logistics supplier, Reed City Power Line Supply

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("RCPLS") of Reed City, Michigan. In addition to serving the needs of ITC in Michigan, RCPLS serves other utility customers in the Midwest with warehousing facilities located in Illinois, Michigan, Pennsylvania, Ohio, and Indiana.

Under the Asset Sale Agreement ("ASA"), ITC Midwest will acquire the maintenance plan that IPL currently has in place. ITC's review of IPL's plan indicates that the plan contains a good predictive maintenance program that ITC Midwest intends to continue. ITC Midwest will supplement the plan based on lessons learned from its experience in Michigan, and will make any changes necessary to improve system performance. From the beginning, "best practices" has been ITC's maintenance goal, and ITC Midwest will continue this effort. As discussed previously, ITC Midwest will be evaluating capital projects to add capacity to the IPL system, which will also bolster the current levels of reliability.

In addition to its Iowa office, ITC Midwest expects to have warehouse facilities located throughout the ITC Midwest service territory. ITC Midwest expects to employ between fifty (50) and sixty-five (65) professional non-represented workers (some of whom will transfer from IPL to ensure ongoing knowledge, experience, and skill sets). Construction and field maintenance work on the transmission system will be performed by ULCS. After a transition period of at least twelve (12) months, ITC Midwest will take over the real-time operation of the transmission system, a function which currently is performed in part for IPL by the American Transmission Company LLC.

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

Because it is an independent transmission company, ITC and its subsidiaries, including ITC Midwest, do not have any affiliation with any electric market participants, nor do they have any ownership or financial interest in any electric generation or distribution assets. This means that ITC Midwest has no inherent reason to prefer or discriminate against any generation resources, regardless of ownership. All service over the ITC Midwest transmission facilities will be provided on an open and non-discriminatory basis under the terms and provisions of the Midwest ISO Transmission and Energy Markets Tariff.

Mr. Nathan Williams  
August 16, 2007  
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**Financial Information**

The ASA provides that IPL will sell, and ITC Midwest will purchase, all of IPL's electric transmission-related assets for \$750 million in cash, subject to adjustments as of the closing date.

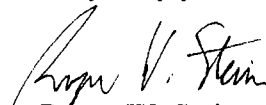
ITC Midwest and ITC are planning to issue long-term debt, and ITC will also issue new equity securities. The new debt and equity issuances are expected to occur simultaneously with the closing of the transaction. ITC is a publicly traded corporation (New York Stock Exchange) with an estimated market capitalization of \$1.1 billion.

**Managerial Information**

The management of ITC (the organizer of ITC Midwest) consists of Joseph L. Welch, President and CEO of ITC Holdings, Linda H. Blair, Executive Vice President and Chief Business Officer of ITC Holdings, Jon E. Jipping, Executive Vice President and Chief Operating Officer of ITC Holdings, and Edward M. Rahill, Senior Vice President – Finance and CFO of ITC Holdings. Mr. Welch worked for over 20 years at The Detroit Edison Company in areas relating to electric transmission, distribution, rates, load research and regulatory affairs. He holds bachelor of science degree in electrical engineering from the University of Kansas, and is a licensed professional engineer in Michigan. Ms. Blair was formerly employed by The Detroit Edison Company in its Regulatory Affairs Department, where she developed and managed all regulatory relations through the Michigan Public Service Commission and the Federal Energy Regulatory Commission. Mr. Jipping also was formerly employed by The Detroit Edison Company, where he served as the Manager of Transmission Planning and then Manager of Business System and Applications. He is a licensed professional engineer in Michigan, and oversees construction and maintenance programs. Mr. Rahill, prior to his current position, headed the Planning and Corporate Development functions for DTE Energy Company. He has over 22 years of experience in finance and accounting. Prior to joining DTE, Mr. Rahill led the Corporate Development Function for Equitable Resources. He has also held various finance and accounting positions with Bell & Howell, Atlantic Richfield and Carborundum Corporation.

Should you have any additional questions, please contact me.

Very truly yours,

  
Roger W. Steiner

RWS:nm  
cc: Lewis Mills



My commission expires 9-21-10