

## 2008 METC True Up Adjustment

<b>Actual Net Revenue Requirement</b>	<b>\$ 165,195,657</b>
<b>Actual Network Revenues</b>	<b>\$ 153,530,443</b>
<b>True-Up Principal Under(Over) Recovery before Interest</b>	<b>\$ 11,665,214</b>
<b>Applicable rate annual</b>	<b>0.0312</b>
<b>Monthly rate</b>	<b>0.0026</b>
<b>Number of months</b>	<b>24</b>
<b>Interest =24 month (simple interest from July '08-June '10) based on preliminary 19 month avg rate</b>	<b>\$ 727,909</b>
<b>TU Principal &amp; Interest</b>	<b>\$ 12,393,123</b>

**Note: Preliminary interest rate based on 19 months October 2008 through April 2009; final interest rate will be based on 19 months January 2008 through July 2009.**



Formula Rate - Non-Levelized		Rate Formula Template Utilizing FERC Form 1 Data		For the 12 months ended 12/31/2008	
(1)		(2)	(3)	(4)	(5)
Line No.	Form No. 1 Page, Line, Col.	Company Total	Allocator	Transmission (Col 3 times Col 4)	
<b>RATE BASE:</b>					
GROSS PLANT IN SERVICE					
1	Production	205.46.g	NA	zero	0
2	Transmission (Note V)	207.58.g	TP	1.00000	655,234,352
3	Distribution	207.75.g	NA	0.00000	0
4	General & Intangible (Note V)	205.5.g & 207.99.g	W/S	1.00000	31,981,237
5	Common	356.1	CE	1.00000	0
6	TOTAL GROSS PLANT (sum lines 1-5)	687,215,589	GP=	100.000%	687,215,589
ACCUMULATED DEPRECIATION					
7	Production	219.20-24.c	NA	zero	0
8	Transmission (Note V)	219.25.c	TP	1.00000	284,235,645
9	Distribution	219.26.c	NA	0.00000	0
10	General & Intangible (Note V)	219.28.c	W/S	1.00000	9,997,903
11	Common	356.1	CE	1.00000	0
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)	294,233,548			294,233,548
NET PLANT IN SERVICE					
13	Production	(line 1 - line 7)			0
14	Transmission	(line 2 - line 8)			370,998,707
15	Distribution	(line 3 - line 9)			0
16	General & Intangible	(line 4 - line 10)			21,983,334
17	Common	(line 5 - line 11)			0
18	TOTAL NET PLANT (sum lines 13-17)	392,982,041	NP=	100.000%	392,982,041
ADJUSTMENTS TO RATE BASE (Note F)					
19	Account No. 281 (enter negative) (Note W)	273.8.k	NA	zero	0
20	Account No. 282 (enter negative) (Note W)	275.2.k	NP	1.00000	-55,862,930
21	Account No. 283 (enter negative) (Note W)	277.9.k	NP	1.00000	-19,324,169
22	Account No. 190 (Note W)	234.8.c	NP	1.00000	27,467,359
23	Account No. 255 (enter negative) (Note W)	267.8.h	NP	1.00000	0
23a	Account No. 182.3 Deferral		NP	1.00000	55,000,000
23b	Account No. 114 ADIT		NP	1.00000	61,291,272
23c	Amortization of Deferral		NP	1.00000	-2,750,000
23d	Amortization of ADIT		NP	1.00000	-3,405,071
24	TOTAL ADJUSTMENTS (sum lines 19- 23)	62,416,461			62,416,461
25	LAND HELD FOR FUTURE USE (Note W)	214.x.d (Note G)	TP	1.00000	0
WORKING CAPITAL (Note H)					
26	CWC	calculated			9,251,538
27	Materials & Supplies (Note G) (Note W)	227.4.c	TE	0.88326	14,770,049
28	Prepayments (Account 165) (Note W)	111.57.c	GP	1.00000	1,364,305
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)	18,086,513			25,385,891
30	RATE BASE (sum lines 18, 24, 25, & 29)	473,485,015			480,784,393

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

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Filed to comply with the December 28, 2006 Letter Order in Docket No. ER07-113-000 (Midwest Independent Transmission System Operator, Inc. and the Transmission Owners of the Midwest Independent Transmission System Operator, Inc., 117FERC ¶61,355 (2006)).

Formula Rate - Non-Levelized		Rate Formula Template Utilizing FERC Form 1 Data		For the 12 months ended 12/31/2008	
		Michigan Electric Transmission Company, LLC			
Line No.	(1)	(2)	(3)	(4)	(5)
		Form No. 1 Page, Line, Col.	Company Total	Allocator	Transmission (Col 3 times Col 4)
<b>O&amp;M</b>					
1	Transmission	321.112.b	56,494,272	TE 0.88326	49,899,101
2	Less Account 565	321.96.b		1.00000	0
2a	Customer Records	323.164b		W/S 1.00000	0
3	A&G	323.197.b	24,145,657	W/S 1.00000	24,145,657
4	Less FERC Annual Fees			W/S 1.00000	0
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)		105,241	W/S 1.00000	105,241
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)		82,404	TE 0.88326	72,784
6	Common	356.1		CE 1.00000	0
7	Transmission Lease Payments			1.00000	0
8	<b>TOTAL O&amp;M (sum lines 1, 3, 5a, 6, 7 less lines 2, 4, 5)</b>		<b>80,617,092</b>		<b>74,012,301</b>
<b>DEPRECIATION EXPENSE</b>					
9	Transmission	336.7.b	15,586,330	TP 1.00000	15,586,330
10	General & Intangible	336.10.b & 336.1.f	4,873,050	W/S 1.00000	4,873,050
11	Common	336.11.b		CE 1.00000	0
11a	Regulatory Deferral Amortization (Note Ia)		2,750,000		2,750,000
11b	ADIT Amortization		3,405,071		3,405,071
12	<b>TOTAL DEPRECIATION (Sum lines 9 - 11)</b>		<b>26,614,451</b>		<b>26,614,451</b>
<b>TAXES OTHER THAN INCOME TAXES (Note J)</b>					
<b>LABOR RELATED</b>					
13	Payroll	263.3,4,8.i	680,731	W/S 1.00000	680,731
14	Highway and vehicle	263.i	0	W/S 1.00000	0
<b>PLANT RELATED</b>					
16	Property	263.i	8,650,265	GP 1.00000	8,650,265
17	Gross Receipts	263.i	0	NA zero	0
18	Other	263.i	22,285	GP 1.00000	22,285
19	Payments in lieu of taxes		0	GP 1.00000	0
20	<b>TOTAL OTHER TAXES (sum lines 13 - 19)</b>		<b>9,353,281</b>		<b>9,353,281</b>
<b>INCOME TAXES (Note K)</b>					
21	$T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =$		38.22%		
22	$CIT=(T/1-T) * (1-(WCLTD/R)) =$ where WCLTD=(page 4, line 27) and R= (page 4, line30) and FIT, SIT & p are as given in footnote K.		48.57%		
23	$1 / (1 - T) =$ (from line 21)		1.6186		
24	Amortized Investment Tax Credit (266.8f) (enter negative)		0		
25	Income Tax Calculation = line 22 * line 28		23,499,424	NA zero	23,861,698
26	ITC adjustment (line 23 * line 24)		0	NP 1.00000	0
27	<b>Total Income Taxes (line 25 plus line 26)</b>		<b>23,499,424</b>		<b>23,861,698</b>
28	<b>RETURN</b> [ Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		48,377,881	NA zero	49,123,688
29	<b>REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)</b>		<b>188,462,129</b>		<b>182,965,419</b>

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Formula Rate - Non-Levelized

Rate Formula Template  
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2008

Michigan Electric Transmission Company, LLC

**SUPPORTING CALCULATIONS AND NOTES**

Line No.	TRANSMISSION PLANT INCLUDED IN ISO RATES					
1	Total transmission plant (page 2, line 2, column 3)					655,234,352
2	Less transmission plant excluded from ISO rates (Note M)					0
3	Less transmission plant included in OATT Ancillary Services (Note N)					0
4	Transmission plant included in ISO rates (line 1 less lines 2 & 3)					655,234,352
5	Percentage of transmission plant included in ISO Rates (line 4 divided by line 1)			TP=		1.00000
TRANSMISSION EXPENSES						
6	Total transmission expenses (page 3, line 1, column 3)					56,494,272
7	Less transmission expenses included in OATT Ancillary Services (Note L)					6,595,171
8	Included transmission expenses (line 6 less line 7)					49,899,101
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)					0.88326
10	Percentage of transmission plant included in ISO Rates (line 5)			TP		1.00000
11	Percentage of transmission expenses included in ISO Rates (line 9 times line 10)			TE=		0.88326
WAGES & SALARY ALLOCATOR (W&S)						
		Form 1 Reference	\$	TP	Allocation	
12	Production	354.20.b		1.00	0	
13	Transmission	354.21.b	2,579,325	1.00	2,579,325	
14	Distribution	354.23.b		1.00	0	W&S Allocator
15	Other	354.24,25,26,27.b	5,033,115	1.00	5,033,115	(\$ / Allocation)
16	Total (sum lines 12-15)		7,612,440		7,612,440	= 1.00000 = WS
COMMON PLANT ALLOCATOR (CE) (Note O)						
			\$	% Electric	W&S Allocator	
17	Electric	200.3.c	567,216,736	(line 17 / line 20)	(line 16)	CE
18	Gas	201.3.d		1.00000 *	1.00000	= 1.00000
19	Water	201.3.e				
20	Total (sum lines 17 - 19)		567,216,736			
RETURN (R)						
					\$	
21	Long Term Interest (117, sum of 62.c through 67.c) see footnote to FERC Form				\$ 11,759,976	
22	Preferred Dividends (118.29c) (positive number)				\$ -	
Development of Common Stock:						
23	Proprietary Capital (112.16.c) (Note V)				321,245,638	
24	Less Preferred Stock (line 28) (Note V)				0	
25	Less Account 216.1 (112.12.c)(enter negative) (Note V)				0	
25a	Less 2003 Equity Adjustment (253.3.b)(enter negative) (Note V)					
26	Common Stock (sum lines 23-25)				321,245,638	
			\$	%	Cost (Note P)	Weighted
27	Long Term Debt (112, sum of 18.c through 21.c) (Note V)		214,532,700	40%	0.0548	0.02195 =WCLTD
28	Preferred Stock (112.3.c) (Note V)		0	0%	0.0000	0.00000
29	Common Stock (line 26)		321,245,638	60%	0.1338	0.08022
30	Total (sum lines 27-29)		535,778,338			0.10217 =R
REVENUE CREDITS						
					Load	
ACCOUNT 447 (SALES FOR RESALE) (310-311) (Note Q)						
31	a. Bundled Non-RQ Sales for Resale (311.x.h)				0	
32	b. Bundled Sales for Resale included in Divisor on page 1				0	
33	Total of (a)-(b)				0	
34	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (Note R)				\$996,163	
ACCOUNT 456.1 (OTHER ELECTRIC REVENUES) (Note U) (330.x.n)						
35	a. Transmission charges for all transmission transactions				\$188,299,300	
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1				\$171,525,701	
37	Total of (a)-(b)				\$16,773,599	

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Formula Rate - Non-Levelized

Rate Formula Template  
 Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2008

Michigan Electric Transmission Company, LLC

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

Note  
 Letter

- A Peak as reported on page 400, column b of Form 1 at the time of the ISO coincident monthly peaks.
- B Labeled LF, LU, IF, IU on pages 310-311 of Form 1 at the time of the ISO coincident monthly peaks.
- C Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
- D Labeled LF on page 328 of Form 1 at the time of the ISO coincident monthly peaks.
- E The FERC's annual charges for the year assessed the Transmission Owner for service under this tariff.
- F The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income as discussed in Note K. Account 281 is not allocated.
- G Identified in Form 1 as being only transmission related.
- H Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at page 3, line 8, column 5. Prepayments are the electric related prepayments booked to Account No. 165 and reported on Page 111 line 57 in the Form 1.
- I Line 5 - EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1. Line 5a - Regulatory Commission Expenses directly related to transmission service, ISO filings, or transmission siting itemized at 351.h.
- I-a For the rate period June 1, 2006 through May 31, 2007, this amount will reflect an adjustment (positive or negative) equal to the true-up amount, including interest, determined pursuant to the methodology approved in Docket No. ER06-56, to eliminate the rate impact of the differences caused by the use of a projected year 2005 deferral balance.
- J Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
- K The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and  $p =$  "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by  $(1/1-T)$  (page 3, line 26).
 

Inputs Required:	FIT =	35.00%	
	SIT=	4.95%	(State Income Tax Rate or Composite SIT)
	p =	0.00%	(percent of federal income tax deductible for state purposes)
- L Removes dollar amount of transmission expenses included in the OATT ancillary services rates, including all of Account No. 561.1, 561.2, 561.3, and 561.BA
- M Removes transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until Form 1 balances are adjusted to reflect application of seven-factor test).
- N Removes dollar amount of transmission plant included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed to be included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
- O Enter dollar amounts
- P Debt cost rate = long-term interest (line 21) / long term debt (line 27). Preferred cost rate = preferred dividends (line 22) / preferred outstanding (line 28). ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
- Q Line 33 must equal zero since all short-term power sales must be unbundled and the transmission component reflected in Account No. 456.1 and all other uses are to be included in the divisor.
- R Includes income related only to transmission facilities, such as pole attachments, rentals and special use.
- S Grandfathered agreements whose rates have been changed to eliminate or mitigate pancaking - the revenues are included in line 4 page 1 and the loads are included in line 13, page 1. Grandfathered agreements whose rates have not been changed to eliminate or mitigate pancaking - the revenues are not included in line 4, page 1 nor are the loads included in line 13, page 1.
- T The revenues credited on page 1 lines 2-5 shall include only the amounts received directly (in the case of grandfathered agreements) or from the ISO (for service under this tariff) reflecting the Transmission Owner's integrated transmission facilities. They do not include revenues associated with FERC annual charges, gross receipts taxes, ancillary services, facilities not included in this template (e.g., direct assignment facilities and GSUs) which are not recovered under this Rate Formula Template.
- U Account 456.1 entry shall be the annual total of the quarterly values reported at Form 1, 330.x.n.
- V Calculate using 13 month average balance.
- W Calculate using average of beginning and end of year balances.