

## 2009 METC True Up Adjustment - Preliminary

Actual Net Revenue Requirement	\$155,418,209
Actual Network Revenues	\$161,298,732
True-Up Principal Under(Over) Recovery before Interest	(\$5,880,523)
Preliminary Monthly rate	0.29%
Number of months	24
Preliminary Interest	(\$409,284)
Preliminary TU Principal & Interest	(\$6,289,807)

Formula Rate - Non-Levelized

Rate Formula Template  
 Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009

Michigan Electric Transmission Company, LLC

Line No.			Total	Allocator	Allocated Amount
1	GROSS REVENUE REQUIREMENT (page 3, line 29)				\$ 181,717,951
<b>REVENUE CREDITS</b>					
2	Account No. 454	(Note T) (page 4, line 34)	296,244	TP 1.00000	296,244
3	Account No. 456.1	(page 4, line 37)	26,003,498	TP 1.00000	26,003,498
4	Revenues from Grandfathered Interzonal Transactions		0	TP 1.00000	0
5	Revenues from service provided by the ISO at a discount		0	TP 1.00000	0
6	TOTAL REVENUE CREDITS (sum lines 2-5)				26,299,742
6A	True-up Adjustment	(See Note 1)			\$22,846,030.00
7	NET REVENUE REQUIREMENT	(line 1 minus line 6 plus line			\$ 178,264,239
<b>DIVISOR</b>					
8	Average of 12 coincident system peaks for requirements (RQ) service			(Note A)	6,069,083
9	Plus 12 CP of firm bundled sales over one year not in line 8			(Note B)	0
10	Plus 12 CP of Network Load not in line 8			(Note C)	0
11	Less 12 CP of firm P-T-P over one year (enter negative)			(Note D)	0
12	Plus Contract Demand of firm P-T-P over one year				0
13	Less Contract Demand from Grandfathered Interzonal Transactions over one year (enter negative) (Note S)				0
14	Less Contract Demands from service over one year provided by ISO at a discount (enter negative)				0
15	Divisor (sum lines 8-14)				6,069,083
16	Annual Cost (\$/kW/Yr)	(line 7 / line 15)	29.3725		
17	Network & P-to-P Rate (\$/kW/Mo)	(line 16 / 12)	2.4477		
<b>Peak Rate</b>					
18	Point-To-Point Rate (\$/kW/Wk)	(line 16 / 52; line 16 / 52)	\$0.5649		\$0.5649
19	Point-To-Point Rate (\$/kW/Day)	(line 18 / 5; line 18 / 7)	\$0.1130 Capped at weekly rate		\$0.0807
20	Point-To-Point Rate (\$/MWh)	(line 19 / 16; line 19 / 24 times 1,000)	\$7.0607 Capped at weekly and daily rates		\$3.3622
<b>Off-Peak Rate</b>					
21	FERC Annual Charge(\$/MWh)	(Note E)	\$0.000 Short Term		\$0.000 Short Term
22			\$0.000 Long Term		\$0.000 Long Term

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

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For the 12 months ended 12/31/2009

Line No.	(1)	(2)		(3)		(4)		(5)	
		Form No. 1 Page, Line, Col.	Company Total	Company Total	Allocator	Transmission (Col 3 times Col 4)	Transmission (Col 3 times Col 4)	Transmission (Col 3 times Col 4)	
<b>RATE BASE:</b>									
<b>GROSS PLANT IN SERVICE</b>									
1									
2		207.46.g			NA	zero			0
3		207.58.g	771,195,161		TP	1.00000		771,195,161	
4		207.75.g			NA	0.00000			0
5		205.5.g & 207.99.g	36,116,763		W/S	1.00000		36,116,763	
6		356.1			CE	1.00000			0
			807,311,924		GP=	100.000%		807,311,924	
<b>ACCUMULATED DEPRECIATION</b>									
7		219.20-24.c			NA	zero			0
8		219.25.c	292,776,242		TP	1.00000		292,776,242	
9		219.26.c			NA	0.00000			0
10		219.28.c	14,407,420		W/S	1.00000		14,407,420	
11		356.1			CE	1.00000			0
			307,183,662					307,183,662	
<b>NET PLANT IN SERVICE</b>									
13		(line 1 - line 7)	0						0
14		(line 2 - line 8)	478,418,919					478,418,919	
15		(line 3 - line 9)	0						0
16		(line 4 - line 10)	21,709,343					21,709,343	
17		(line 5 - line 11)	0						0
			500,128,262		NP=	100.000%		500,128,262	
<b>ADJUSTMENTS TO RATE BASE (Note F)</b>									
19		273.8.k			NA	zero			0
20		275.2.k	-77,807,826		NP	1.00000		-77,807,826	
21		277.9.k	-19,681,092		NP	1.00000		-19,681,092	(See Note 2)
22		234.8.c	25,364,010		NP	1.00000		25,364,010	(See Note 2)
23		267.8.h			NP	1.00000			0
23a			55,000,000		NP	1.00000		55,000,000	
23b			61,291,272		NP	1.00000		61,291,272	
23c			-5,500,000		NP	1.00000		-5,500,000	
23d			-6,810,142		NP	1.00000		-6,810,142	
			31,856,222					31,856,222	
24									
25		214.x.d (Note G)	0		TP	1.00000			0
<b>WORKING CAPITAL (Note H)</b>									
26		calculated						7,927,890	
27		227.4.c	22,552,098		TE	0.88284		19,909,876	
28		111.57.c	1,127,493		GP	1.00000		1,127,493	
29			23,679,591					28,965,259	
30			555,664,075					560,949,743	

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

Issued by: Stephen G. Kozey, Issuing Officer  
 Issued on: January 15, 2009

Effective: January 6, 2009

Formula Rate - Non-Levelized

Rate Formula Template  
 Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009

Line No.	(1)	(2)	Michigan Electric Transmission Company, LLC		(5)
			Form No. 1 Page, Line, Col.	Company Total	
<b>O&amp;M</b>					
1	Transmission	321.112.b	47,415,481	TE 0.88284	41,860,246
2	Less Account 565	321.96.b		TE 1.00000	0
2a	Customer Records	323.164b		W/S 1.00000	0
3	A&G	323.197.b	21,661,258	W/S 1.00000	21,661,258
4	Less FERC Annual Fees			W/S 1.00000	0
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)		138,017	W/S 1.00000	138,017
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)		44,889	TE 0.88284	39,630
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>68,983,611</b>		<b>63,423,117</b>
<b>DEPRECIATION EXPENSE</b>					
9	Transmission	336.7.b	14,560,338	TP 1.00000	14,560,338
10	General & Intangible	336.10.b & 336.1.f	1,783,638	W/S 1.00000	1,783,638
11	Common	336.11.b		CE 1.00000	0
11a	Regulatory Deferral Amortization (Note I)		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>22,499,047</b>		<b>22,499,047</b>
<b>TAXES OTHER THAN INCOME TAXES (Note J)</b>					
<b>LABOR RELATED</b>					
13	Payroll	263.3,4,8.i	521,125	W/S 1.00000	521,125
14	Highway and vehicle	263.i	0	W/S 1.00000	0
15	<b>PLANT RELATED</b>				
16	Property		10,429,671	GP 1.00000	10,429,671
17	Gross Receipts	263.i	0	NA zero	0
18	Other	263.i	9,589	GP 1.00000	9,589
19	Payments in lieu of taxes		0	GP 1.00000	0
20	<b>TOTAL OTHER TAXES (sum lines 13 - 19)</b>		<b>10,960,385</b>		<b>10,960,385</b>
<b>INCOME TAXES (Note K)</b>					
21	$T=1 - ((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p) =$		37.56%		
22	$CIT=(T/1-T) * (1-(WCLTD/R)) =$ where WCLTD=(page 4, line 27) and R=(page 4, line 30) and FIT, SIT & p are as given in footnote K.		46.90%		
23	$1 / (1 - T) =$ (from line 21)		1.6015		
24	Amortized Investment Tax Credit (266.8f) (enter negative)		0		
25	Income Tax Calculation = line 22 * line 28		26,831,393	NA zero	27,086,622
26	ITC adjustment (line 23 * line 24)		0	NP 1.00000	0
27	<b>Total Income Taxes (line 25 plus line 26)</b>		<b>26,831,393</b>		<b>27,086,622</b>
28	<b>RETURN</b> [ Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		57,204,629	NA zero	57,748,780
29	<b>REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)</b>		<b>186,479,065</b>		<b>181,717,951</b>

Formula Rate - Non-Levelized

Rate Formula Template  
 Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009

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)								771,195,161
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)								771,195,161
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)								47,415,481
7	Less transmission expenses included in OATT Ancillary Services (Note L)								5,555,235
8	Included transmission expenses (line 6 less line 7)								41,860,246
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)								0.88284
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=			0.88284
WAGES & SALARY ALLOCATOR (W&S)									
12	Production	354.20.b	\$	1.00		Allocation			0
13	Transmission	354.21.b	2,401,073	1.00					2,401,073
14	Distribution	354.23.b		1.00					0
15	Other	354.24,25,26,27.b		1.00				W&S Allocator	0
16	Total (sum lines 12-15)		2,401,073		2,401,073	=		(\$ / Allocation)	1.00000 = WS
COMMON PLANT ALLOCATOR (CE) (Note O)									
17	Electric	200.3.c	\$		% Electric			W&S Allocator	
18	Gas	201.3.d	594,550,646		(line 17 / line 20)			(line 16)	
19	Water	201.3.e			1.00000	*		1.00000 =	CE 1.00000
20	Total (sum lines 17 - 19)		594,550,646						
RETURN (R)									
21	Long Term Interest (117, sum of 62.c through 67.c) see footnote to FERC Form 1					\$			14,064,539
22	Preferred Dividends (118.29c) (positive number)					\$			-
Development of Common Stock:									
23	Proprietary Capital (112.16.c) (Note V)								372,118,673
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)								0
26	Common Stock (sum lines 23-25)								372,118,673
27	Long Term Debt (112, sum of 18.c through 21.c) (Note V)		\$		Cost			Weighted	
28	Preferred Stock (112.3.c) (Note V)		248,135,035	40%	(Note P)				0.02268 =WCLTD
29	Common Stock (line 26)		0	0%					0.00000
30	Total (sum lines 27-29)		372,118,673	60%	0.1338				0.08027
			620,253,708						0.10295 =R
REVENUE CREDITS									
ACCOUNT 447 (SALES FOR RESALE)									
31	a. Bundled Non-RQ Sales for Resale (311.x.h)	(310-311)	(Note Q)					Load	0
32	b. Bundled Sales for Resale included in Divisor on page 1								0
33	Total of (a)-(b)								0
ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (Note R)									
34	ACCOUNT 456.1 (OTHER ELECTRIC REVENUES) (Note U)	(330.x.n)							\$296,244
35	a. Transmission charges for all transmission transactions								\$186,829,722
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1								\$160,826,224
37	Total of (a)-(b)								\$26,003,498

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 Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009

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.
- Ia 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 =	3.94%	(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.