

Questions from Consumers

1. **The workpapers showing how the Gross Plant in Service for both 2008 and 2009 were developed with the additions to plant itemized by project and by month.**

The Gross Plant In Service numbers were developed by using actual balances through June 2008 and then building these balances up each month based on projected in-service dates and amounts for all Transmission and General Plant projects through December 2009. We then used a 13-month average from December 2008 to December 2009 to come up with the input to the 2009 Attachment O.

Please see Attachments 1A and 1B.

2. **The workpapers showing how the Regulatory Amortizations for both 2008 and 2009 were developed.**

The Regulatory Amortizations were taken directly from the amortization schedule included in the METC rate case settlement.

Please see Attachment 2.

3. **The workpapers used to develop the debt and equity ratio by month.**

Please see Attachment 3.

4. **The workpapers used to develop the Cost of Debt with an itemization of the debt issues, maturities and interest rates.**

Please see Attachment 4.

5. **The workpapers used to develop the 2008 and 2009 Operations and Maintenance Expense.**

2008 METC O&M Major Dollar Categories

- Land Rent (to CE) - \$10.1 million
- System equipment inspection and maintenance - \$7.8 million
- Vegetation management - \$7.3 million
- O&M operating/training - \$4.4 million
- OH line maintenance - \$7.1 million

- Other (facilities and vehicle O&M, tower painting, material costs, environmental costs, etc)- \$8.2 million

2009 METC O&M Major Dollar Categories

- Substation Equipment O&M - \$11.5 million
- Overhead Lines O&M - \$6.8 million
- Facility and Vehicles O&M - \$2.9 million
- Vegetation Management - \$7.5 million
- Material Costs - \$1.8 million
- Tower Painting Program - \$2.4 million

*In 2009, Land Rent to CE was included in A&G.

6. The workpapers used to develop the 2008 and 2009 Administrative and General Expenses.

2008 METC A&G details

- Rent (to ITC) - \$8.9 million
- Staffing (including bonus/pension) - \$12.3 million
- Outside/contractor services - \$7.1 million
- Other operating costs/maintenance contracts - \$3.6 million
- Other - \$2.2 million

2009 METC A&G details

	(567) Rents	\$	10.1
	(568) Maintenance Supervision and Engineering		0.1
	(920) Administrative and General Salaries		12.2
	(921) Office Supplies and Expenses		4.9
	(Less) (922) Administrative Expenses Transferred-Credit		(3.1)
	(923) Outside Services Employed		5.8
	(924) Property Insurance		0.3
	(925) Injuries and Damages		1.1
	(926) Employed Pensions and Benefits		3.4
	(927) Franchise Requirements		-
	(928) Regulatory Commission Expenses		0.1
	(929) (Less) Duplicated Charges -Cr.		-
	(930.1) General Advertising Expenses		0.0
	(930.2) Miscellaneous General Expenses		0.3
	(931) Rents		9.9
	Total Operation		45.1
	(935) Maintenance of General Plant		0.1
Line 3	Total Admin & General Expenses		45.1
Line 5	Less ERPI & Reg. Comm. Exp & Non-Safety Ad.		0.1
Line 6	Plus Transmission Related Reg. Comm. Exp.		0.1
Line 8	Total A&G	\$	45.1

7. **The workpapers used to develop any inner company transfers for any expenses between METC, ITCTransmission, ITC Midwest or any other affiliated company.**

The only inter-company expenses accounted for in the projected rate are related to the headquarters and control center.

In the 2009 projected rate, charges for use of the headquarters located in Novi, MI and control room operations located in Novi, MI and Ann Arbor, MI (the former Michigan Electric Power Coordination Center) were assessed to other operating companies and were reflected as credits to ITCTransmission as follows:

- Michigan Electric Transmission Company (METC) - \$9.5 million
- ITC Midwest - \$3.5 million

Non-regulated companies were also assessed a charge for the use of the headquarters located in Novi, MI in the amount of \$0.1 million.

8. **The workpapers used to develop any expense allocation from METC's parent company. Please itemize the basis and determinants for any such allocation.**

All non-direct charged recoverable A&G expenses are allocated to each regulated operating company using the modified Massachusetts Formula. For purposes of the 2009 projected rates please see Attachment 8 for the schedules that were developed to allocate recoverable expenses.

9. **Please identify any costs projections that are net of revenue and include the gross cost projection, the projected revenue that is offsetting the gross cost and the basis for projecting the revenue. Per prior discussions, our understanding is that expenses billed under the Transmission Owner and Operator Agreements (TOOA) are being netted against expenses rather than being reported as gross expenses and revenue on METC's FERC Form 1.**

O&M offsets related to the TOOA are not included in the rate projections, due to the lack of predictability of the offsets and their minimal impact on rates. These amounts are recorded in actual O&M and accordingly are included in the true-up calculation.

The utilization adjustments associated with various TOOAs between METC and MPPA, MSCPA or WPSCI for transmission capacity are either charged or credited to O&M expenses, FERC account 566, Miscellaneous transmission

expenses. Easement fees associated with the TOOAs between METC and MPPA or MSCPA are credited to O&M expenses, FERC account 567, Rents. Amounts received for agency agreements between METC and MPPA, CMS or WPSCI are also credited to O&M expenses. Revenues received for KVAR service are recorded in FERC account 456 revenue credited in the formula rate. Amounts received for shared services are credited to O&M expense.

10. Please provide the support and workpapers for the Schedule 26 revenue being projected for 2008 and 2009.

2008 Schedule 26 Revenues

Proj ID	Zone	Name	In-service date	Project Cost	FCR	RR
1416	METC	Tittabawasee	Oct-07	\$ 7,227,000	31%	\$ 2,270,357
481	METC	Tallmadge	Dec-08	\$ 9,913,090	31%	\$ 3,114,190
				<u>\$ 17,140,090</u>		<u>\$ 5,384,547</u>

2009 Schedule 26 Revenues

Proj ID	Zone	Name	In-service date	Project Cost	13 month project cost	Fixed Charge Rate	Revenue Requirement
1817	METC	Midland Project- out of cycle	Jun-09	\$ 24,625,205	\$ 14,364,703	30.44%	4,373,116.33
1819	METC	Felch Croton	Dec-09	\$ 7,750,000	\$ 645,833	30.44%	196,614.18
480	METC	Brickyard Felch	Jun-09	\$ 10,000,000	\$ 5,833,333	30.44%	1,775,870.02
660 (MTEP 07)	METC	Keystone Clearwater	Nov-08	\$ 13,914,413	\$ 13,914,413	31.41%	4,371,202.90
1416	METC	Tittabawasee	Oct-07	\$ 16,089,323	\$ 16,089,323	29.09%	4,681,177.03
481	METC	Tallmadge	Dec-08	\$ 9,913,090	\$ 9,913,090	31.41%	3,114,190.17
							<u>18,512,171</u>

11. Please provide the METC short term peak demand forecast by month for both 2009 and any additional years projected in the model used in establishing the billing rate.

January - 6,520
 February - 6,079
 March - 6,161
 April - 5,367
 May - 6,105
 June - 8,001
 July - 8,370
 August - 8,485
 September - 7,088
 October - 5,595
 November - 6,370
 December - 7,165

Average - 6,776

No additional years were projected in establishing this billing rate.

Attachment 1A

2008 TRANSFERS TO PLANT IN SERVICE - METC

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008 Total
2008 PROJECT EXPENDITURES													
Tallmadge Station Transformer #3 Add Phase II	-	-	-	-	-	-	-	-	-	-	-	-	9,146,907
Breaker Replacement Program	-	-	1,032,345	1,122,750	729,334	611,027	624,551	44,377	40,349	39,233	599,989	562,716	5,565,719
Capacitors (Crolon/Bard)	-	-	-	-	3,163,127	-	-	-	-	-	-	-	3,163,127
138KV Sag Clearance	-	-	-	-	-	-	-	-	-	-	-	-	2,720,431
Gas Station-Replace 345KV Bus & Breakers (GIS)	-	-	-	-	-	-	-	-	-	-	-	-	8,788,129
METC Communication and Relaying Upgrade	-	-	-	-	-	-	-	-	-	-	-	-	14,781,645
Transformer Monitoring Program	-	-	-	-	-	-	-	-	-	-	-	-	1,834,358
Terminal Equipment Upgrade Program (Wealthy)	-	-	-	-	-	-	-	-	-	-	-	-	500,429
Power Plant Control Relocation	-	-	-	-	-	-	-	-	-	-	-	-	52,757
Replace Ludington 345KV Reactor	-	-	111,984	110,016	3,020,078	(0)	0	0	56,926	54,671	52,757	62,467	62,467
Woodrude Replacement Program	-	-	44,200	43,417	2,630	1,869	1,486	1,481	(0)	0	1,479	10,409	10,409
Relay Betterment/NERC Compliance	-	-	-	-	45,792	45,604	46,870	47,542	46,040	43,907	42,209	42,115	235,552
Relay NERC/CA Compliance	-	-	-	-	-	-	-	-	-	-	-	-	447,695
Other	-	-	-	-	-	-	-	-	-	-	-	-	5,414,160
MISC NRU/NERC	-	380,319	45,173	44,971	46,226	46,898	45,382	43,265	41,593	41,519	51,860	52,047	5,414,160
Carryover from 2007 *	-	-	56,592	55,622	47,263	46,999	48,227	48,999	47,396	45,263	43,565	43,471	839,242
Riggsville	-	-	-	-	-	1,141,061	-	-	-	-	-	-	1,141,061
Hile Road	-	-	-	-	-	-	-	-	-	-	-	-	182,559
Vehicles & Contractor Equipment	458,806	447,451	470,554	468,452	491,521	488,417	472,725	450,673	433,257	313,221	432,164	433,729	3,132,211
IT	68,821	67,118	70,583	70,268	72,228	73,263	70,909	67,601	64,989	64,873	64,825	65,059	5,470,235
General Facilities	114,702	111,963	117,639	117,113	120,380	122,104	118,181	112,668	108,314	108,121	108,041	108,432	820,535
Total Transfers	\$ 642,329	\$ 1,006,751	\$ 1,949,050	\$ 2,032,609	\$ 7,728,980	\$ 2,577,230	\$ 1,428,331	\$ 816,505	\$ 840,343	\$ 1,328,380	\$ 1,857,319	\$ 44,120,199	\$ 66,323,625

* Carryover From 2007

Covert
Legacy Breaker Overduy Program
Relay Betterment

13-Month Avg

2009 TRANSFERS TO PLANT IN SERVICE - METC

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Total
2009 PROJECT EXPENDITURES													
Midland Project:			19,232,740	5,540,313	-	4,832,610	546,847	-	-	-	8,358,580	-	30,152,511
Felch Road - Orion Rebuild	-	-	-	-	-	-	-	-	-	-	-	-	8,358,580
Brookyard - Felch Rebuild	-	-	-	-	-	2,817,750	-	-	-	-	-	-	10,104,179
Leoni - Beecher Sag Limit remediation	-	-	-	-	-	1,971,798	-	-	-	-	-	-	2,817,750
138 KV Sag Clearance	-	-	-	-	-	165,986	-	-	-	-	-	-	3,286,930
Breaker Replacement Program	-	-	398,085	858,551	482,171	-	146,471	355,042	297,899	285,228	1,090,342	683,744	4,783,519
Battery Replacement Program	-	-	32,365	32,485	32,287	460	460	460	33,076	32,880	32,713	11,419	208,593
Potential Device Replacement Program	-	-	10,635	10,675	31,837	53,842	(0)	(0)	32,616	54,000	53,756	21,919	289,280
METC Communication and Relaying Upgrade	-	-	1,503,890	1,508,956	1,500,252	68,208	68,882	70,443	1,536,538	1,526,937	1,519,544	803,243	10,105,592
Transformer Monitoring Program	-	-	90,550	122,915	122,195	43,227	153	153	106,873	189,154	188,298	191,941	1,057,460
Relay Betterment	-	-	24,051	24,078	24,036	210,793	213,926	220,850	288,760	106,961	106,554	35,227	1,255,136
Wood Pole Replacement Program	-	-	362,201	491,662	488,781	172,908	613	613	435,492	756,614	755,193	767,763	4,229,841
Misc. NTRUC/ERUC	-	-	340,318	164,296	216,418	219,540	168,226	174,079	221,611	220,172	185,439	168,561	1,882,035
Carryover from 2008	-	55,898	74,978	448,349	667,399	555,174	634,343	656,975	1,059,413	826,801	484,996	219,186	6,023,830
Gray Rd Interconnection	-	-	-	-	-	-	-	-	-	-	-	-	274,395
Eagles Landing Station	-	-	-	-	-	-	-	-	-	-	-	-	159,185
Chester Tie	-	-	-	-	-	-	-	-	-	-	-	-	162,000
Tirrell Rd Pole Switch	-	-	-	-	-	-	-	-	-	-	-	-	162,000
Vehicles & Contractor Equipment	-	158,951	152,313	151,234	150,914	153,125	155,612	161,040	154,592	153,573	152,880	155,829	1,851,764
IT	-	46,582	44,630	44,312	44,218	44,869	45,571	47,196	45,300	45,000	44,796	45,664	542,617
General Facilities	-	37,266	35,704	35,450	35,375	35,895	36,456	37,757	36,240	36,000	35,837	36,531	434,093
Karn Substation Security	-	107,111	-	213,500	-	-	-	-	-	-	-	-	320,611
Keystone Substation Security	-	-	106,349	32,025	212,247	53,842	-	-	-	-	-	-	318,596
Gaines Substation Security	-	-	-	-	-	-	54,685	-	-	-	-	-	85,867
Campbell 138KV Security	-	-	-	-	31,837	32,305	32,811	56,636	-	-	-	-	86,522
BattleCreek Substation Security	-	-	-	-	-	-	-	-	54,360	-	-	-	88,941
Campbell 345KV Security	-	-	-	-	-	-	-	-	-	54,000	-	-	87,171
Vergennes Substation Security	-	-	-	-	-	-	-	33,981	-	-	-	-	87,982
Other	2,002	1,945	1,945	280,755	116	115	115	115	115	115	115	115	287,563
Total Transfers	\$ 300,698	\$ 416,680	\$ 22,771,714	\$ 9,960,422	\$ 4,199,278	\$ 11,432,448	\$ 2,104,971	\$ 1,815,339	\$ 4,304,682	\$ 4,610,815	\$ 12,987,044	\$ 14,560,451	\$ 89,464,544

*Carryover from 2008

Relay Betterment

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	13-Month Avg
Beginning Plant	468,672	467,049	465,541	486,370	494,358	496,571	506,003	506,095	505,895	508,178	510,760	521,703	521,703
Transfers from Above	301	417	22,772	9,960	4,199	11,432	2,105	1,815	4,305	4,611	12,987	14,560	14,560
Depreciation	(1,924)	(1,924)	(1,943)	(1,973)	(1,986)	(2,000)	(2,013)	(2,016)	(2,021)	(2,029)	(2,044)	(2,069)	(2,069)
Ending Plant	468,672	467,049	486,370	494,358	496,571	506,003	506,095	505,895	508,178	510,760	521,703	534,195	497,799

ATTACHMENT 2

Regulatory Deferral

Test Year	Historic Test Period		Projected Test Period	
	Balance	Amortization	Balance	Amortization
2006	\$55,000,000	\$2,750,000	-	-
2007	\$52,250,000	\$2,750,000	\$55,000,000	\$2,750,000
2008	\$49,500,000	\$2,750,000	\$52,250,000	\$2,750,000
2009	\$46,750,000	\$2,750,000	\$49,500,000	\$2,750,000
2010	\$44,000,000	\$2,750,000	\$46,750,000	\$2,750,000
2011	\$41,250,000	\$2,750,000	\$44,000,000	\$2,750,000
2012	\$38,500,000	\$2,750,000	\$41,250,000	\$2,750,000
2013	\$35,750,000	\$2,750,000	\$38,500,000	\$2,750,000
2014	\$33,000,000	\$2,750,000	\$35,750,000	\$2,750,000
2015	\$30,250,000	\$2,750,000	\$33,000,000	\$2,750,000
2016	\$27,500,000	\$2,750,000	\$30,250,000	\$2,750,000
2017	\$24,750,000	\$2,750,000	\$27,500,000	\$2,750,000
2018	\$22,000,000	\$2,750,000	\$24,750,000	\$2,750,000
2019	\$19,250,000	\$2,750,000	\$22,000,000	\$2,750,000
2020	\$16,500,000	\$2,750,000	\$19,250,000	\$2,750,000
2021	\$13,750,000	\$2,750,000	\$16,500,000	\$2,750,000
2022	\$11,000,000	\$2,750,000	\$13,750,000	\$2,750,000
2023	\$8,250,000	\$2,750,000	\$11,000,000	\$2,750,000
2024	\$5,500,000	\$2,750,000	\$8,250,000	\$2,750,000
2025	\$2,750,000	\$2,750,000	\$5,500,000	\$2,750,000
2026	-	-	\$2,750,000	\$2,750,000

ADIT Deferral

Test Year	Historic Test Period		Projected Test Period	
	Balance	Amortization	Balance	Amortization
2004	\$68,101,413	\$3,405,071	-	-
2005	\$64,696,342	\$3,405,071	-	-
2006	\$61,291,272	\$3,405,071	-	-
2007	\$57,886,201	\$3,405,071	\$61,291,272	\$3,405,071
2008	\$54,481,130	\$3,405,071	\$57,886,201	\$3,405,071
2009	\$51,076,060	\$3,405,071	\$54,481,130	\$3,405,071
2010	\$47,670,989	\$3,405,071	\$51,076,060	\$3,405,071
2011	\$44,265,918	\$3,405,071	\$47,670,989	\$3,405,071
2012	\$40,860,848	\$3,405,071	\$44,265,918	\$3,405,071
2013	\$37,455,777	\$3,405,071	\$40,860,848	\$3,405,071
2014	\$34,050,707	\$3,405,071	\$37,455,777	\$3,405,071
2015	\$30,645,636	\$3,405,071	\$34,050,707	\$3,405,071
2016	\$27,240,565	\$3,405,071	\$30,645,636	\$3,405,071
2017	\$23,835,495	\$3,405,071	\$27,240,565	\$3,405,071
2018	\$20,430,424	\$3,405,071	\$23,835,495	\$3,405,071
2019	\$17,025,353	\$3,405,071	\$20,430,424	\$3,405,071
2020	\$13,620,283	\$3,405,071	\$17,025,353	\$3,405,071
2021	\$10,215,212	\$3,405,071	\$13,620,283	\$3,405,071
2022	\$6,810,141	\$3,405,071	\$10,215,212	\$3,405,071
2023	\$3,405,071	\$3,405,071	\$6,810,141	\$3,405,071
2024	-	-	\$3,405,071	\$3,405,071

**Allocation Rates Used for All Regulated Operating Companies
Method - Massachusetts Formula**

ALL OPCOS		
	Load	%
ITC	104,000	48.4%
METC	78,000	36.3%
ITCMW	33,000	15.3%
	<u>215,000</u>	

Gross PP&E (in \$MM)		
ITC	1,480	46.4%
METC	832	26.1%
ITCMW	881	27.6%
	<u>3,193</u>	

ITC	47.4%
METC	31.2%
ITCMW	21.5%