

METC 2007 True Up Adjustment

Actual Net Revenue Requirement	\$	149,940,116
Actual Transmission Revenues ⁽¹⁾	\$	<u>129,276,196</u>
True-Up Adjustment Under(Over) Recovery before Interest	\$	20,663,920
Preliminary Monthly Interest Rate ⁽²⁾		0.49%
Number of Months		24
Preliminary Interest ⁽³⁾	\$	<u>2,430,077</u>
Preliminary True-Up Adjustment Under (Over) Recovery incl	\$	23,093,997

(1) Actual Transmission Revenues of \$129,276,196 are from METC 2007 FERC Form 1, footnote following pages 328-330.

(2) Interest on any under recovery of the net revenue requirement shall be determined using the interest rate equal to METC's actual short-term debt costs capped at the applicable FERC refund interest rate. The interest payable shall be calculated using the average of the interest rates used to calculate the time value of money for the twenty-four (24) months during which the over or under recovery in the net revenue requirement exists. The interest rate to be applied to the over or under recovery in the net revenue requirement will be determined using the average rate for the nineteen (19) months preceding August of the current year.

(3) The Preliminary interest rate is based on 19 months ending April 2008. Final interest rate will be based on 19 months ending July 2008. Final True Up Adjustment, including interest, will be posted once the interest rate is determined.

Formula Rate - Non-Levelized		Rate Formula Template Utilizing FERC Form 1 Data		For the 12 months ended 12/31/2007	
		Michigan Electric Transmission Company, LLC			
Line No.					Allocated Amount
1	GROSS REVENUE REQUIREMENT (page 3, line 29)				\$ 159,622,219
REVENUE CREDITS					
2	Account No. 454	(Note T) (page 4, line 34)	Total 232,120	TP 1.00000	232,120
3	Account No. 456.1	(page 4, line 37)	9,449,983	TP 1.00000	9,449,983
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)				9,682,103
6A	True-up Adjustment	(See Note 1)			
7	NET REVENUE REQUIREMENT	(line 1 minus line 6 plus lin			\$ 149,940,116
DIVISOR					
8	Average of 12 coincident system peaks for requirements (RQ) service			(Note A)	7,049,167
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)				7,049,167
16	Annual Cost (\$/kW/Yr)	(line 7 / line 15)	21.2706		
17	Network & P-to-P Rate (\$/kW/Mo)	(line 16 / 12)	1.7726		
Peak Rate					
18	Point-To-Point Rate (\$/kW/Wk)	(line 16 / 52; line 16 / 52)	\$0.4091		\$0.4091
19	Point-To-Point Rate (\$/kW/Day)	(line 18 / 5; line 18 / 7)	\$0.0818 Capped at weekly rate		\$0.0584
20	Point-To-Point Rate (\$/MWh)	(line 19 / 16; line 19 / 24 times 1,000)	\$5.1131 Capped at weekly and daily rates		\$2.4348
Off-Peak Rate					
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.

Issued by: Ronald R. McNamara
 Issued on: October 31, 2006

Effective: January 1, 2007

Formula Rate - Non-Levelized		Rate Formula Template Utilizing FERC Form 1 Data		For the 12 months ended 12/31/2007	
Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator	(5) Transmission (Col 3 times Col 4)
RATE BASE:					
GROSS PLANT IN SERVICE					
1	Production	207.46.g		NA zero	0
2	Transmission (Note V)	207.58.g	591,330,729	TP 1.00000	591,330,729
3	Distribution	207.75.g		NA 0.00000	0
4	General & Intangible (Note V)	205.5.g & 207.99.g	34,999,398	W/S 1.00000	34,999,398
5	Common	356.1		CE 1.00000	0
6	TOTAL GROSS PLANT (sum lines 1-5)		626,330,127	GP= 100.000%	626,330,127
ACCUMULATED DEPRECIATION					
7	Production	219.20-24.c		NA zero	0
8	Transmission (Note V)	219.25.c	274,412,929	TP 1.00000	274,412,929
9	Distribution	219.26.c		NA 0.00000	0
10	General & Intangible (Note V)	219.28.c	4,409,215	W/S 1.00000	4,409,215
11	Common	356.1		CE 1.00000	0
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)		278,822,144		278,822,144
NET PLANT IN SERVICE					
13	Production	(line 1- line 7)	0		0
14	Transmission	(line 2- line 8)	316,917,800		316,917,800
15	Distribution	(line 3 - line 9)	0		0
16	General & Intangible	(line 4 - line 10)	30,590,183		30,590,183
17	Common	(line 5 - line 11)	0		0
18	TOTAL NET PLANT (sum lines 13-17)		347,507,983	NP= 100.000%	347,507,983
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	-38,498,221	NP 1.00000	-38,498,221
21	Account No. 283 (enter negative) (Note W)	277.9.k	-17,475,233	NP 1.00000	-17,475,233 (See Note 2)
22	Account No. 190 (Note W)	234.8.c	18,664,625	NP 1.00000	18,664,625 (See Note 2)
23	Account No. 255 (enter negative) (Note W)	267.8.h		NP 1.00000	0
23a	Account No. 182.3 Deferral		55,000,000	NP 1.00000	55,000,000
23b	Account No. 114 ADIT		61,291,272	NP 1.00000	61,291,272
23c	Amortization of Deferral			NP 1.00000	0
23d	Amortization of ADIT			NP 1.00000	0
24	TOTAL ADJUSTMENTS (sum lines 19- 23)		78,982,443		78,982,443
25	LAND HELD FOR FUTURE USE (Note W)	214.x.d (Note G)	0	TP 1.00000	0
WORKING CAPITAL (Note H)					
26	CWC	calculated	8,251,790		7,763,828
27	Materials & Supplies (Note G) (Note W)	227.4.c	6,984,520	TE 0.91658	6,401,864
28	Prepayments (Account 165) (Note W)	111.57.c	1,096,300	GP 1.00000	1,096,300
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)		16,332,610		15,261,992
30	RATE BASE (sum lines 18, 24, 25, & 29)		442,823,036		441,752,418

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 12/31/2007	
(1)	(2)	(3)	(4)	(5)		
Line No.	Form No. 1 Page, Line, Col.	Company Total	Allocator	Transmission (Col 3 times Col 4)		
O&M						
1	Transmission	321.112.b	46,718,541	TE 0.91658	42,821,232	
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	19,321,884	W/S 1.00000	19,321,884	
4	Less FERC Annual Fees			W/S 1.00000	0	
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)		102,666	W/S 1.00000	102,666	
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)		76,560	TE 0.91658	70,173	
6	Common	356.1		CE 1.00000	0	
7	Transmission Lease Payments			1.00000	0	
8	TOTAL O&M (sum lines 1, 3, 5a, 6, 7 less lines 2, 4, 5)		66,014,319		62,110,623	
DEPRECIATION EXPENSE						
9	Transmission	336.7.b	14,156,813	TP 1.00000	14,156,813	
10	General & Intangible	336.10.b & 336.1.f	3,461,761	W/S 1.00000	3,461,761	
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	TOTAL DEPRECIATION (Sum lines 9 - 11)		23,773,645		23,773,645	
TAXES OTHER THAN INCOME TAXES (Note J)						
LABOR RELATED						
13	Payroll	263.3,4,8.i	716,615	W/S 1.00000	716,615	
14	Highway and vehicle	263.i	0	W/S 1.00000	0	
PLANT RELATED						
16	Property		7,921,044	GP 1.00000	7,921,044	
17	Gross Receipts	263.i	0	NA zero	0	
18	Other	263.i	10,708	GP 1.00000	10,708	
19	Payments in lieu of taxes		0	GP 1.00000	0	
20	TOTAL OTHER TAXES (sum lines 13 - 19)		8,648,367		8,648,367	
INCOME TAXES (Note K)						
21	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		35.00%			
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.		41.65%			
23	$1 / (1 - T) =$ (from line 21)		1.5385			
24	Amortized Investment Tax Credit (266.8f) (enter negative)		0			
25	Income Tax Calculation = line 22 * line 28		19,186,148	NA zero	19,139,761	
26	ITC adjustment (line 23 * line 24)		0	NP 1.00000	0	
27	Total Income Taxes (line 25 plus line 26)		19,186,148		19,139,761	
28	RETURN [Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		46,061,185	NA zero	45,949,823	
29	REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)		163,683,664		159,622,219	

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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 12/31/2007

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)				591,330,729	
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)				591,330,729	
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)				46,718,541	
7	Less transmission expenses included in OATT Ancillary Services (Note L)				3,897,309	
8	Included transmission expenses (line 6 less line 7)				42,821,232	
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)				0.91658	
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=	0.91658	
WAGES & SALARY ALLOCATOR (W&S)						
		Form 1 Reference	\$	TP	Allocation	
12	Production	354.20.b		1.00	0	
13	Transmission	354.21.b	2,302,939	1.00	2,302,939	
14	Distribution	354.23.b		1.00	0	
15	Other	354.24,25,26,27.b		1.00	0	W&S Allocator (\$ / Allocation)
16	Total (sum lines 12-15)		2,302,939		2,302,939	= 1.00000 = WS
COMMON PLANT ALLOCATOR (CE) (Note O)						
			\$	% Electric (line 17 / line 20)	W&S Allocator (line 16)	CE
17	Electric	200.3.c	570,736,933	1.00000 *	1.00000	= 1.00000
18	Gas	201.3.d				
19	Water	201.3.e				
20	Total (sum lines 17 - 19)		570,736,933			
RETURN (R)						
21	Long Term Interest (117, sum of 62.c through 67.c) see footnote to FERC Form				\$ 10,959,025	
22	Preferred Dividends (118.29c) (positive number)				\$ -	
Development of Common Stock:						
23	Proprietary Capital (112.16.c) (Note V)				279,817,100	
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)				279,817,100	
		\$	%	Cost (Note P)	Weighted	
27	Long Term Debt (112, sum of 18.c through 21.c) (Note V)	185,476,923	40%	0.0591	0.02355 =WCLTD	
28	Preferred Stock (112.3.c) (Note V)	0	0%	0.0000	0.00000	
29	Common Stock (line 26)	279,817,100	60%	0.1338	0.08046	
30	Total (sum lines 27-29)	465,294,023			0.10402 =R	
REVENUE CREDITS						
ACCOUNT 447 (SALES FOR RESALE) (310-311) (Note Q)					Load	
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)				\$232,120	
ACCOUNT 456.1 (OTHER ELECTRIC REVENUES) (Note U) (330.x.n)						
35	a. Transmission charges for all transmission transactions				\$165,753,050	
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1				\$156,303,067	
37	Total of (a)-(b)				\$9,449,983	

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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 12/31/2007

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 =		(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.