

Formula Rate - Non-Levelized

Rate Formula Template
 Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2011

Michigan Electric Transmission Company, LLC

Line No.		Total	Allocator	Allocated Amount
1	GROSS REVENUE REQUIREMENT (page 3, line 31)			\$ 195,387,677
	REVENUE CREDITS (Note T)			
2	Account No. 454 (page 4, line 34)	378,000	TP 1.00000	378,000
3	Account No. 456.1 (page 4, line 37)	7,424,000	TP 1.00000	7,424,000
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)			7,802,000
6A	True-up Adjustment (See Note 1)	-6,289,807		-6,289,807
7	NET REVENUE REQUIREMENT (line 1 minus line 6 plus line 6A)			181,295,870
	DIVISOR			
8	Average of 12 coincident system peaks for requirements (RQ) service (Note A)			6,463,000
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)			6,463,000
16	Annual Cost (\$/kW/Yr) (line 7 / line 15)	28.0513		
17	Network & P-to-P Rate (\$/kW/Mo) (line 16 / 12)	2.3376		
		Peak Rate		Off-Peak Rate
18	Point-To-Point Rate (\$/kW/Wk) (line 16 / 52; line 16 / 52)	\$0.5394		\$0.5394
19	Point-To-Point Rate (\$/kW/Day) (line 16 / 260; line 16 / 365)	\$0.1079	Capped at weekly rate	\$0.0769
20	Point-To-Point Rate (\$/MWh) (line 16 / 4,160; line 16 / 8,760 times 1,000)	\$6.7431	Capped at weekly and daily rates	\$3.2022
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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(1)	(2)	(3)	(4)	(5)	
Line No.	Form No. 1 Page, Line, Col.	Company Total	Allocator	Transmission (Col 3 times Col 4)	
RATE BASE:					
GROSS PLANT IN SERVICE					
1	Production 205.46.g	0	NA	zero	0
2	Transmission (Note V) 207.58.g	1,011,976,000	TP	1.00000	1,011,976,000
3	Distribution 207.75.g	0	NA	zero	0
4	General & Intangible (Note V) 205.5.g & 207.99.g	42,572,000	W/S	1.00000	42,572,000
5	Common 356.1	0	CE	1.00000	0
6	TOTAL GROSS PLANT (sum lines 1-5)	1,054,548,000	GP=	100.000%	1,054,548,000
ACCUMULATED DEPRECIATION					
7	Production 219.20-24.c	0	NA	zero	0
8	Transmission (Note V) 219.25.c	322,429,000	TP	1.00000	322,429,000
9	Distribution 219.26.c	0	NA	zero	0
10	General & Intangible (Note V) 219.28.c	16,124,000	W/S	1.00000	16,124,000
11	Common 356.1	0	CE	1.00000	0
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)	338,553,000			338,553,000
NET PLANT IN SERVICE					
13	Production (line 1- line 7)	0			0
14	Transmission (Note V) (line 2- line 8)	689,547,000			689,547,000
15	Distribution (line 3 - line 9)	0			0
16	General & Intangible (Note V) (line 4 - line 10)	26,448,000			26,448,000
17	Common (line 5 - line 11)	0			0
18	TOTAL NET PLANT (sum lines 13-17)	715,995,000	NP=	100.000%	715,995,000
ADJUSTMENTS TO RATE BASE (Note F)					
19	Account No. 281 (enter negative) (Note W) 273.8.k	0	NA	zero	0
20	Account No. 282 (enter negative) (Note W) 275.2.k	-106,283,000	NP	1.00000	-106,283,000
21	Account No. 283 (enter negative) (Note W) 277.9.k	-21,675,000	NP	1.00000	-21,675,000 (See Note 2)
22	Account No. 190 (Note W) 234.8.c	12,148,000	NP	1.00000	12,148,000 (See Note 2)
23	Account No. 255 (enter negative) (Note W) 267.8.h	0	NP	1.00000	0
23a	Account No. 182.3 Deferral	55,000,000	NP	1.00000	55,000,000
23b	Account No. 114 ADIT	61,291,000	NP	1.00000	61,291,000
23c	Amortization of Deferral	-11,000,000	NP	1.00000	-11,000,000
23d	Amortization of ADIT	-13,620,000	NP	1.00000	-13,620,000
24	TOTAL ADJUSTMENTS (sum lines 19- 23d)	-24,139,000			-24,139,000
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	9,819,125			9,249,016
27	Materials & Supplies (Note G) (Note W) 227.8.c & 227.16.c	25,400,000	TE	0.913869	23,212,282
28	Prepayments (Account 165) (Note W) 111.57.c	906,000	GP	1.00000	906,000
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)	36,125,125			33,367,297
30	RATE BASE (sum lines 18, 24, 25, & 29)	727,981,125			725,223,297

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

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For the 12 months ended 12/31/2011

Line No.	(1)	Michigan Electric Transmission Company, LLC		(4)	(5)
		(2) Form No. 1 Page, Line, Col.	(3) Company Total		
O&M					
1	Transmission	321.112.b	52,908,000	TE	48,351,000
2	Less Account 565	321.96.b	0		0
2a	Customer Records	322.164.b	0	W/S	0
3	A&G	323.197.b	25,918,000	W/S	25,918,000
4	Less FERC Annual Fees		0	W/S	0
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)		318,000	W/S	318,000
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)		45,000	TE	41,124
6	Common	356.1	0	CE	0
7	Transmission Lease Payments		0	1.00000	0
8	TOTAL O&M (sum lines 1, 2a, 3, 5a, 6, 7 less lines 2, 4, 5)		78,553,000		73,992,124
DEPRECIATION EXPENSE					
9	Transmission	336.7.b	17,767,000	TP	17,767,000
10	General & Intangible	336.10.b & 336.1.f	4,052,000	W/S	4,052,000
11	Common	336.11.b	0	CE	0
11a	Regulatory Deferral Amortization (Note I-a)		2,750,000		2,750,000
11b	ADIT Amortization		3,405,000		3,405,000
12	TOTAL DEPRECIATION (sum lines 9 - 11b)		27,974,000		27,974,000
TAXES OTHER THAN INCOME TAXES (Note J)					
LABOR RELATED					
13	Payroll	263.3,4,8.i	587,000	W/S	587,000
14	Highway and vehicle	263.i	0	W/S	0
PLANT RELATED					
16	Property	263.i	14,685,000	GP	14,685,000
17	Gross Receipts	263.i	0	NA	0
18	Other	263.i	0	GP	0
19	Payments in lieu of taxes		0	GP	0
20	TOTAL OTHER TAXES (sum lines 13 - 19)		15,272,000		15,272,000
INCOME TAXES (Note K)					
21	$T=1 - [(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p) =$		38.50%		
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.		48.42%		
23	$1 / (1 - T) =$ (from line 21)		1.6260		
24	Amortized Investment Tax Credit (266.8f) (enter negative)		0		
25	Income Tax Calculation = line 22 * line 28		36,588,889	NA	36,450,278
26	ITC adjustment (line 23 * line 24)		0	NP	0
27	Total Income Taxes (line 25 plus line 26)		36,588,889		36,450,278
28	RETURN [Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		75,559,454	NA	75,273,211
29	REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)		233,947,343		228,961,613
30	LESS ATTACHMENT GG ADJUSTMENT [Attachment GG, page 1, line 26, column 5] (Note X) [Revenue Requirement for facilities included on page 2, line 2, and also included in Attachment GG]		33,573,936		33,573,936
31	REV. REQUIREMENT TO BE COLLECTED UNDER ATTACHMENT O (line 29 - line 30)		200,373,407		195,387,677

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For the 12 months ended 12/31/2011

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)						1,011,976,000
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)						1,011,976,000
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)						52,908,000
7	Less transmission expenses included in OATT Ancillary Services (Note L)						4,557,000
8	Included transmission expenses (line 6 less line 7)						48,351,000
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)						0.91387
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=		0.91387

WAGES & SALARY ALLOCATOR (W&S)

	Form 1 Reference	\$	TP	Allocation	
12	Production 354.20.b	0	1.00	0	
13	Transmission 354.21.b	2,830,000	1.00	2,830,000	
14	Distribution 354.23.b	0	1.00	0	W&S Allocator
15	Other 354.24,25,26,27.b	6,209,000	1.00	6,209,000	(\$ / Allocation)
16	Total (sum lines 12-15)	9,039,000		9,039,000 =	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	722,790,000			
18	Gas 201.3.d	0	1.00000 *	1.00000 =	1.00000
19	Water 201.3.e	0			
20	Total (sum lines 17 - 19)	722,790,000			

RETURN (R)

		\$
21	Long Term Interest (117, sum of 62.c through 67.c) see footnote to FERC Form 1	\$18,180,000
22	Preferred Dividends (118.29c) (positive number)	\$ -
Development of Common Stock:		
23	Proprietary Capital (112.16.c) (Note V)	464,081,000
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 23-25a)	464,081,000

	\$	%	Cost (Note P)	Weighted
27	Long Term Debt (112, sum of 18.c through 21.c) (Note V)	309,323,000	40%	0.0588
28	Preferred Stock (112.3.c) (Note V)	0	0%	0.0000
29	Common Stock (line 26)	464,081,000	60%	0.1338
30	Total (sum lines 27-29)	773,404,000		0.10379 =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)	\$378,000
ACCOUNT 456.1 (OTHER ELECTRIC REVENUES) (Note U) (330.x.n)		
35	a. Transmission charges for all transmission transactions	\$233,598,616
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1	\$192,600,680
36a	c. Transmission charges associated with Schedule 26 (Note Y)	\$33,573,936
37	Total of (a)-(b)-(c)	\$7,424,000

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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 applicable pricing zone coincident monthly peaks.
- B Labeled LF, LU, IF, IU on pages 310-311 of Form 1 at the time of the applicable pricing zone coincident monthly peaks.
- C Labeled LF on page 328 of Form 1 at the time of the applicable pricing zone coincident monthly peaks.
- D Labeled LF on page 328 of Form 1 at the time of the applicable pricing zone 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
- 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
- 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-xx, to eliminate the r
- 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 in 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/I-T) (page 3, line 26).
- | | | |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00% |
| | SIT = | 5.38% (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 Account Nos. 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 tho
- 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
- 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
- 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. T
- 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.
- X Pursuant to Attachment GG of the Midwest ISO Tariff, removes dollar amount of revenue requirements calculated pursuant to Attachment GG and recovered under Schedule 26 of the Midwest ISO Tariff.
- Y Removes from revenue credits revenues that are distributed pursuant to Schedule 26 of the Midwest ISO Tariff, since the Transmission Owner's Attachment O revenue requirements have already been reduced by the Attachment GG revenue requirements.