

Formula Rate - Non-Levelized

Rate Formula Template  
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2017

Michigan Electric Transmission Company, LLC

Line No.				Allocated Amount
1	GROSS REVENUE REQUIREMENT (page 3, line 31)			\$ 264,013,492
	REVENUE CREDITS (Note T)	Total	Allocator	
2	Account No. 454 (page 4, line 34)	544,000	TP 1.00000	544,000
3	Account No. 456.1 (page 4, line 37)	13,727,000	TP 1.00000	13,727,000
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)			14,271,000
6A	True-up Adjustment (See Note 1)			-2,874,558
7	NET REVENUE REQUIREMENT (line 1 minus line 6 plus line 6A)			\$ 246,867,934
	DIVISOR			
8	Average of 12 coincident system peaks for requirements (RQ) service (Note A)			6,601,000
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)			6,601,000
16	Annual Cost (\$/kW/Yr) (line 7 / line 15)	37.3986		
17	Network & P-to-P Rate (\$/kW/Mo) (line 16 / 12)	3.1165		
		Peak Rate		Off-Peak Rate
18	Point-To-Point Rate (\$/kW/Wk) (line 16 / 52; line 16 / 52)	0.719		\$0.7192
19	Point-To-Point Rate (\$/kW/Day) (line 16 / 260; line 16 / 365)	0.144	Capped at weekly rate	\$0.1025
20	Point-To-Point Rate (\$/MWh) (line 16 / 4,160; line 16 / 8,760 times 1,000)	8.990	Capped at weekly and daily rates	\$4.2692
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 Michigan Electric Transmission Company, LLC Annual Rate Calculation and True-up Procedures in Attachment O of this Tariff.

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For the 12 months ended 12/31/2017

		Michigan Electric Transmission Company, LLC				
		(2)	(3)	(4)	(5)	
		Form No. 1	Company Total	Allocator	Transmission	
Line No.	(1)	Page, Line, Col.			(Col 3 times Col 4)	
<b>RATE BASE:</b>						
GROSS PLANT IN SERVICE (Note BB)						
1	Production	205.46.g	0	NA	zero	0
2	Transmission (Note V)	207.58.g	1,916,691,210	TP	1.00000	1,916,691,210
3	Distribution	207.75.g	0	NA	zero	0
4	General & Intangible (Note V)	205.5.g & 207.99.g	60,829,280	W/S	1.00000	60,829,280
5	Common	356.1	0	CE	1.00000	0
6	TOTAL GROSS PLANT (sum lines 1-5)		1,977,520,490	GP=	100.000%	1,977,520,490
ACCUMULATED DEPRECIATION (Note BB)						
7	Production	219.20-24.c	0	NA	zero	0
8	Transmission (Note V)	219.25.c	422,958,630	TP	1.00000	422,958,630
9	Distribution	219.26.c	0	NA	zero	0
10	General & Intangible (Note V)	219.28.c & 200.21.c	33,325,180	W/S	1.00000	33,325,180
11	Common	356.1	0	CE	1.00000	0
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)		456,283,810			456,283,810
NET PLANT IN SERVICE						
13	Production	(line 1- line 7)	0			0
14	Transmission (Note V)	(line 2- line 8)	1,493,732,580			1,493,732,580
15	Distribution	(line 3 - line 9)	0			0
16	General & Intangible (Note V)	(line 4 - line 10)	27,504,100			27,504,100
17	Common	(line 5 - line 11)	0			0
18	TOTAL NET PLANT (sum lines 13-17)		1,521,236,680	NP=	100.000%	1,521,236,680
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	-291,344,579	NP	1.00000	-291,344,579
21	Account No. 283 (enter negative) (Note W)	[See Note 2.] 277.9.k	-10,068,000	NP	1.00000	-10,068,000
22	Account No. 190 (Note W) [See Note 2.]	234.8.c	20,543,000	NP	1.00000	20,543,000
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		61,291,272	NP	1.00000	61,291,272
23c	Amortization of Deferral		-27,500,000	NP	1.00000	-27,500,000
23d	Amortization of ADIT		-34,050,707	NP	1.00000	-34,050,707
24	TOTAL ADJUSTMENTS (sum lines 19- 23d)		-226,129,014			-226,129,014
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	10,439,318			9,908,943
27	Materials & Supplies (Note G) (Note W)	227.8.c & 227.16.c	27,256,000	TP	1.00000	27,256,000
28	Prepayments (Account 165) (Note W)	111.57.c	3,363,000	GP	1.00000	3,363,000
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)		41,058,318			40,527,943
30	RATE BASE (sum lines 18, 24, 25, & 29)		1,336,165,984			1,335,635,609

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 12/31/2017

Line No.	(1)	Michigan Electric Transmission Company, LLC		(4)	(5)	
		(2) Form No. 1 Page, Line, Col.	(3) Company Total			Allocator
<b>O&amp;M</b>						
1	Transmission	321.112.b	49,790,000	TE	0.91478	45,547,000
2	Less Account 565	321.96.b	0	TE	0.91478	0
2a	Customer Records	322.164.b	0	W/S	1.00000	0
3	A&G	323.197.b	33,870,000	W/S	1.00000	33,870,000
4	Less FERC Annual Fees		0	W/S	1.00000	0
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note I)		472,758	W/S	1.00000	472,758
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)		327,304	TP	1.00000	327,304
6	Common	356.1	0	CE	1.00000	0
7	Transmission Lease Payments		0		1.00000	0
8	<b>TOTAL O&amp;M (sum lines 1, 2a, 3, 5a, 6, 7 less lines 2, 4, 5)</b>		<b>83,514,546</b>			<b>79,271,546</b>
<b>DEPRECIATION AND AMORTIZATION EXPENSE (Note BB)</b>						
9	Transmission	336.7.b	34,629,651	TP	1.00000	34,629,651
10	General & Intangible	336.10.f & 336.1.f	2,176,894	W/S	1.00000	2,176,894
11	Common	336.11.b	0	CE	1.00000	0
11a	Regulatory Deferral Amortization (Note I-a)		2,750,000			2,750,000
11b	ADIT Amortization		3,405,071			3,405,071
12	<b>TOTAL DEPRECIATION (sum lines 9 - 11b)</b>		<b>42,961,616</b>			<b>42,961,616</b>
<b>TAXES OTHER THAN INCOME TAXES (Note J)</b>						
<b>LABOR RELATED</b>						
13	Payroll	263.3,4,8.i	1,097,827	W/S	1.00000	1,097,827
14	Highway and vehicle	263.i	0	W/S	1.00000	0
<b>PLANT RELATED</b>						
16	Property	263.i	31,426,535	GP	1.00000	31,426,535
17	Gross Receipts	263.i	0	NA	zero	0
18	Other	263.i	0	GP	1.00000	0
19	Payments in lieu of taxes		0	GP	1.00000	0
20	<b>TOTAL OTHER TAXES (sum lines 13 - 19)</b>		<b>32,524,362</b>			<b>32,524,362</b>
<b>INCOME TAXES (Note K)</b>						
21	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.90%			
22	$CIT=(T/1-T) * (1-(WCLTD/R)) =$		52.88%			
where WCLTD=(page 4, line 27) and R=(page 4, line 30) and FIT, SIT & p are as given in footnote K.						
23	$1 / (1 - T) =$ (from line 21)		1.6367			
24	Amortized Investment Tax Credit (266.8f) (enter negative)		0			
24a	(Excess)/Deficient Deferred Income Taxes (Note CC)		78,963			
24b	Tax Effect of Permanent Differences and AFUDC Equity (Note DD)		306,586			
25	Income Tax Calculation = line 22 * line 28		68,291,597	NA	zero	68,264,489
26	ITC adjustment (line 23 * line 24)		0	NP	1.00000	0
26a	(Excess)/Deficient Deferred Income Tax Adjustment (Line 23 x Line 24a)		129,236	NP	1.00000	129,236
26b	Permanent Differences and AFUDC Equity Tax Adjustment (Line 23 x Line 24b)		501,777	NP	1.00000	501,777
27	Total Income Taxes (line 25 plus line 26 plus 26a plus 26b)		68,922,610			68,895,503
28	<b>RETURN</b> [Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		129,151,825	NA	zero	129,100,560
29	<b>REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)</b>		<b>357,074,959</b>			<b>352,753,586</b>
30	<b>LESS ATTACHMENT GG ADJUSTMENT [Attachment GG, page 2, line 3, column 10] (Note X)</b> [Revenue Requirement for facilities included on page 2, line 2, and also included in Attachment GG]		88,669,384			88,669,384
30a	<b>LESS ATTACHMENT MM ADJUSTMENT [Attachment MM, page 2, line 3, column 14] (Note Z)</b> [Revenue Requirement for facilities included on page 2, line 2, and also included in Attachment MM]		70,710			70,710
31	<b>REV. REQUIREMENT TO BE COLLECTED UNDER ATTACHMENT O</b> (line 29 - line 30 - line 30a)		<b>268,334,865</b>			<b>264,013,492</b>

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For the 12 months ended 12/31/2017

Michigan Electric Transmission Company, LLC  
**SUPPORTING CALCULATIONS AND NOTES**

Line No.							
<b>TRANSMISSION PLANT INCLUDED IN ISO RATES</b>							
1	Total transmission plant (page 2, line 2, column 3)						1,916,691,210
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)						1,916,691,210
5	Percentage of transmission plant included in ISO Rates (line 4 divided by line 1)				TP=		1.00000
<b>TRANSMISSION EXPENSES</b>							
6	Total transmission expenses (page 3, line 1, column 3)						49,790,000
7	Less transmission expenses included in OATT Ancillary Services (Note L)						4,243,000
8	Included transmission expenses (line 6 less line 7)						45,547,000
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)						0.91478
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=		0.91478
<b>WAGES &amp; SALARY ALLOCATOR (W&amp;S)</b>							
	Form 1 Reference		\$	TP	Allocation		
12	Production	354.20.b	0	1.00	0		
13	Transmission	354.21.b	3,809,623	1.00	3,809,623		
14	Distribution	354.23.b	0	1.00	0		
15	Other	354.24,25,26,27.b	7,883,006	1.00	7,883,006	W&S Allocator (\$ / Allocation)	
16	Total (sum lines 12-15)		11,692,629		11,692,629	=	1.00000 = WS
<b>COMMON PLANT ALLOCATOR (CE) (Note O)</b>							
			\$		% Electric	W&S Allocator	
17	Electric	200.3.c	1,735,324,081		(line 17 / line 20)	(line 16)	CE
18	Gas	201.3.d	0		1.00000 *	1.00000	= 1.00000
19	Water	201.3.e	0				
20	Total (sum lines 17 - 19)		1,735,324,081				
<b>RETURN (R)</b>							
21	Long Term Interest (117, sum of 62.c through 67.c) see footnote to FERC Form 1						\$20,788,000
22	Preferred Dividends (118.29c) (positive number)						\$ -
<b>Development of Common Stock:</b>							
23	Proprietary Capital (112.16.c) (Note V)						761,442,000
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)						761,442,000
			\$	%	Cost (Note P)	Weighted	
27	Long Term Debt (112, sum of 18.c through 21.c) (Note V)		507,654,000	40%	0.0409	0.01638	=WCLTD
28	Preferred Stock (112.3.c) (Note V)		0	0%	0.0000	0.00000	
29	Common Stock (line 26)		761,442,000	60%	0.1338	0.08028	
30	Total (sum lines 27-29)		1,269,096,000			0.096659	=R
<b>REVENUE CREDITS</b>							
<b>ACCOUNT 447 (SALES FOR RESALE)</b>							
31	a. Bundled Non-RQ Sales for Resale (311.x.h)					Load	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)						\$544,000
<b>ACCOUNT 456.1 (OTHER ELECTRIC REVENUES) (Note U)</b>							
35	a. Transmission charges for all transmission transactions						\$356,452,587
36	b. Transmission charges for all transmission transactions included in Divisor on Page 1						\$253,985,493
36a	c. Transmission charges from Schedules associated with Attachment GG (Note Y)						\$88,669,384
36b	d. Transmission charges from Schedules associated with Attachment MM (Note AA)						\$70,710
37	Total of (a)-(b)-(c)-(d)						\$13,727,000

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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 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. Exclude ADIT balances when the associated income tax consequences have been paid by others. 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. The calculation of ADIT in the annual true-up calculation will use the beginning-of-year and end-of-year balances; the calculation of ADIT in the annual projection will be performed in accordance with IRS regulation section 1.167(1)-1(h)(6).
  - 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-xx, 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=  | 6.00%  | (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 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. A 50 basis point adder for RTO participation may be added to the ROE up to the upper end of the zone of reasonableness established by 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.
  - X Pursuant to Attachment GG of the Midwest ISO Tariff, removes dollar amount of revenue requirements calculated pursuant to Attachment GG.
  - Y Removes from revenue credits revenues that are distributed pursuant to Schedules associated with Attachment GG of the Midwest ISO Tariff, since the Transmission Owner's Attachment O revenue requirements have already been reduced by the Attachment GG revenue requirements.
  - Z Pursuant to Attachment MM of the Midwest ISO Tariff, removes dollar amount of revenue requirements calculated pursuant to Attachment MM.
  - AA Removes from revenue credits revenues that are distributed pursuant to Schedules associated with Attachment MM of the Midwest ISO Tariff, since the Transmission Owner's Attachment O revenue requirements have already been reduced by the Attachment MM revenue requirements.
  - BB Plant in Service, Accumulated Depreciation, and Depreciation Expense amounts exclude Asset Retirement Obligation amounts unless authorized by FERC.
- Includes the amortization of any excess/deficient deferred income taxes resulting from changes to income tax laws, income tax rates (including changes in apportionment) and other actions taken by a taxing authority. Excess and deficient deferred income taxes will reduce or increase tax expense by the amount of the excess or deficiency multiplied by (1/1-T) (page 3, line 26a).
- Includes the annual income tax cost or benefits due to permanent differences or differences between the amounts of expenses or revenues recognized in one period for ratemaking purposes and the amounts recognized for income tax purposes which do not reverse in one or more other periods, including the cost of income taxes on the Allowance for Other Funds Used During Construction. T multiplied by the amount of permanent differences and depreciation expense associated with Allowance for Other Funds Used During Construction is included in page 3, line 24b and will increase or decrease tax expense by the amount of the expense or benefit included on line 24b multiplied by (1/1-T) (page 3, line 26b).