



January 21, 2015

The Honorable Kimberly D. Bose
 Secretary
 Federal Energy Regulatory Commission
 888 First Street, NE
 Washington, DC 20426

**Re: ITC Midwest LLC
 Docket No. ER15-____-000**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act (“FPA”)¹ and Part 35 of the Federal Energy Regulatory Commission’s (“FERC”) Rules of Practice and Procedure,² the Midcontinent Independent System Operator, Inc. (“MISO”)³, on behalf of ITC Midwest LLC (“ITC Midwest”), hereby submits for filing a Facilities Services Agreement (“FSA”) between ITC Midwest and MidAmerican Energy Company (“MidAmerican”). A copy of the FSA is provided as Attachment A. As described further herein, the FSA provides a means to recover the cost of the network upgrades to ITC Midwest’s transmission system, funded by ITC Midwest, associated with the interconnection of MidAmerican’s Wellsburg Windfarm. MISO has designated the FSA as Original Service Agreement No. 2728 under MISO’s FERC Electric Tariff, Fifth Revised Vol. No. 1 (“Tariff”).

ITC Midwest respectfully requests that the Commission accept the FSA as attached hereto for filing with an effective date of January 31, 2015.

I. Description of ITC Midwest

ITC Midwest is a wholly-owned subsidiary of ITC Holdings Corp. ITC Midwest is an independent transmission company operating primarily in Iowa, with smaller portions of its system in Minnesota, Illinois, and Missouri. ITC Midwest owns more than 6,600 miles of transmission lines and 208 electric transmission substations in Iowa, Minnesota, Illinois and Missouri, and maintains operating locations at Dubuque, Iowa City and Perry, Iowa, and Albert Lea and Lakefield, Minnesota. ITC Midwest is a transmission-owning member of MISO.

¹ 16 U.S.C. § 824d (2006).

² 18 C.F.R. Part 35 (2014).

³ As the Administrator of the MISO Tariff on file with the Commission, MISO joins in this filing, but takes no position on the substance of this filing.

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II. Description of the Agreement

A. Background

MidAmerican is the developer of a 139 MW windfarm in Grundy County, Iowa, which will be interconnected with the transmission system of ITC Midwest. Pursuant to the Generator Interconnection Agreement (“GIA”) between ITC Midwest, MidAmerican, and MISO, ITC Midwest must install certain Network Upgrades on the ITC Midwest transmission consisting of the Wellsburg 161/69 kV transformer to interconnect the MidAmerican project.⁴

Under Attachment FF of the MISO Tariff, an Interconnection Customer is ultimately responsible for 100 percent of the costs of Network Upgrades rated below 345 kV and 90 percent of the cost of Network Upgrades rated at 345 kV and higher necessitated by the requested interconnection. How the Interconnection Customer is responsible for paying those costs was the subject of a recent Commission decision interpreting Section 11.3 of the GIA.⁵ Under that provision, instead of constructing the Network Upgrades using the Interconnection Customer’s up-front capital, a Transmission Owner may elect to “self-fund” the required Network Upgrades and then establish a facilities charge to recover the costs from the Interconnection Customer over the life of the Network Upgrades. The Commission held in the Self-Funding Order that when a Transmission Owner elects the self-funding mechanism, the Transmission Owner may recover a “return of and on” the capital costs of the Network Upgrades through the facilities charge. Accordingly, the enclosed FSA implements the Section 11.3 self-funding option and establishes a charge to recover the return of and on the costs of the Wellsburg 161/69 kV transformer.⁶

B. Description of the FSA

1. The Facility Charge

As noted above, the FSA contains a facilities charge that recovers the return of and on the capital costs of the Network Upgrades (the Wellsburg 161/69 kV transformer). Beginning with the month following notification that the Network Upgrade has been placed in service and continuing for a total of 240 months, MidAmerican is obligated to

⁴ The GIA, which is dated April 23, 2014, conforms with MISO’s pro forma GIA. Accordingly, it does not require Commission approval and has not been filed with the Commission.

⁵ *Midcontinent Independent System Operator*, 145 FERC ¶ 61,111 (2013) (the “Self Funding Order”).

⁶ Section 3(c) of Appendix A of the Amended and Restated GIA between MidAmerican and ITC Midwest provides that: “Transmission Owner elects to fund the cost of the Wellsburg 161/69 kV Transformer Network Upgrade as allowed in Article 11.3 of this Agreement. Transmission Owner will recover its return on and return of the initial capital cost of the Wellsburg 161/69 kV Transformer Network Upgrade from Interconnection Customer under a separate services agreement (“Service Agreement”) among the Transmission Owner and Interconnection Customer.”

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make a payment in the amount of the Monthly Revenue Requirement. Initial payments are based on the Estimated Network Upgrade Initial Capital Cost (“ENUC” or Initial Capital Cost) as illustrated in the table below.

Description	Amount
Estimated Network Upgrade (“ENUC” or “Initial Capital Cost”)	\$ 2,033,022
Levelized Fixed Charge Rate	13.877524%
Annual Revenue Requirement	\$ 282,133
Monthly Revenue Requirement (Payment)	\$ 23,511

The Monthly Revenue Requirement will be re-calculated annually by updating certain inputs to the formula rate (Exhibit I of the FSA). The formula calculates a levelized fixed charge rate based on the initial capital cost, the term of the FSA, and certain data from the ITC Midwest Attachment O Formula Rate under the MISO’s tariff including: (i) the ITC Midwest combined tax rate, (ii) the amounts of ITC Midwest interest on long term debt, (iii) the long term debt and common equity balances, and (iv) the Commission-approved Return on Equity for ITC Midwest. Beginning June 1 of the first calendar year following the in service date, and each subsequent June 1 thereafter, the monthly payment will be updated based on the ITC Midwest Attachment O Formula Rate using data from the previous calendar year and the actual initial capital cost of the Network Upgrade Facilities. As shown in Exhibit I, calculation of the monthly facilities charge is based on recovery of only the return on and of the initial capital cost of the network upgrades, plus income taxes. All facilities charge revenues will be included as part of the revenue credits in the ITC Midwest Attachment O Formula Rate to ensure that the cost of the Network Upgrades is not also included in the ITC Midwest zonal rate.

In addition, there is a one-time true-up adjustment to be calculated within one year of the in-service date after the actual Network Upgrade capital costs are known.⁷

2. Security and Default Provisions

Under the terms of the Generator Interconnection Agreement, MidAmerican has provided ITC Midwest with a security payment in the amount of \$2,033,220 for the Network Upgrade. Pursuant to the FSA that security payment is reduced ratably on an annual basis based on payments made during the prior year. The FSA also provides for the customer to replace security if depleted.

⁷ The true-up adjustment will be equal to the difference between payments collected to-date based on the estimated initial capital cost and what the payments would have been calculated as using the actual initial capital cost. The true-up adjustment, as either a credit due or charges to the customer, shall be included in the next monthly bill, including interest determined in accordance with the Commission’s regulations at 18 C.F.R § 35.19a.

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3. Additional Provisions

(a) Shared Network Upgrades

Section V provides that if the Network Upgrade under the FSA is identified as a Shared Network Upgrade, as defined in the MISO Tariff, ITC Midwest will develop agreements and payments that reflect each Interconnection Customer's responsibility for the cost of the Network Upgrade based on the effective date of that subsequent Interconnection Customer's Generator Interconnection Agreement and that subsequent Interconnection Customer's percentage cost responsibility for the Network Upgrade.

(b) Additional Network Upgrades

Section VI provides that the FSA may be amended to incorporate the cost of additional ITC Midwest Network Upgrades assigned to the Wellsburg Wind Energy project as a condition of the project's Interconnection Service.

(c) Assignment

Section VII provides the terms and conditions for permissible assignment of the FSA.

(d) Transmission Service

Nothing in the FSA conveys a right to transmission service under the MISO Tariff.

III. Information Required Under 18 C.F.R. § 35.13

A. Correspondence and Service

Correspondence and service regarding this filing should be sent to the following individual, who should be placed on the official service list in this proceeding:

Andrew M Jamieson
ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Phone: 248-946-3536
Fax: 248-946-3552
ajamieson@itctransco.com

Jacob T. Krouse
Midcontinent Independent System Operator, Inc.
P.O. Box 4202
Carmel, IN 46082-4202
Phone: 317-249-5400
jkrouse@misoenergy.org

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B. Effective Date

ITC Midwest respectfully requests that the Commission accept the FSA as attached hereto for filing with an effective date of January 31, 2015. Pursuant to section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, ITC Midwest requests waiver of the Commission's 60-day notice requirement set forth at 18 C.F.R. § 35.3, to permit an effective date of January 31, 2015, for the FSA. Consistent with Commission precedent, good cause exists for waiver in this instance because the FSA is a bilateral agreement and the parties support the requested effective date.⁸

C. Documents Submitted with this Filing

The FSA is attached hereto in eTariff format in accordance with Order No. 714, in addition to an executed copy of the FSA for inclusion in eLibrary.

D. Request for Waiver

This filing substantially complies with the requirements of Part 35 applicable to filings of this kind. To the extent necessary, ITC Midwest respectfully requests waiver of any applicable requirement of Part 35 which is found not to be completely satisfied by this filing.

E. Service

ITC Midwest has served a copy of this filing electronically, including attachments, upon MidAmerican and the Iowa Utilities Board. MISO notes that it has served a copy of this filing electronically, including attachments, upon all Tariff Customers under the Tariff, MISO Members, Member representatives of Transmission Owners and Non-Transmission Owners, MISO Advisory Committee participants, as well as all state commissions within the Region. The filing has been posted electronically on MISO's website at <https://www.misoenergy.org/Library/FERCFilingsOrders/Pages/FERCFilings.aspx> for other interested parties in this matter. In addition, MISO has served a copy of this filing electronically on all parties to this agreement.

⁸ *Central Hudson Gas & Electric Corp., et al.*, 60 FERC ¶ 61,106 (1992), *reh'g denied*, 61 FERC ¶ 61,089 (1992), and *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139, *clarified*, 65 FERC ¶ 61,081 (1993).

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IV. Conclusion

WHEREFORE, ITC Midwest respectfully requests that the Commission accept the FSA as filed.

Respectfully submitted,

/s/ Andrew M. Jamieson

Andrew M. Jamieson
Counsel – Regulatory & Legislative
ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Phone: 248-946-3536
Fax: 248-946-3552

Counsel for ITC Midwest LLC

SA 2728 MIDAMERICAN-ITC MIDWEST FSA VERSION 31.0.0

EFFECTIVE 01/31/2015

ORIGINAL SERVICE AGREEMENT NO. 2728

Project H021

FACILITIES SERVICE AGREEMENT

entered into by the

MidAmerican Energy Company

And

ITC Midwest LLC

Facilities Service Agreement
for
Project H021

This Facilities Service Agreement (“Service Agreement”) dated December 23, 2014, is entered into by and between **MidAmerican Energy Company** (“Customer”) and **ITC Midwest LLC** (“ITCM” or “Owner”), to compensate the Owner for changes and additions to its transmission system (“Network Upgrade” or “Facilities”) necessary for Interconnection Service for the Customer’s generating facility. Customer and Owner are each referred to as “Party,” and collectively as “Parties.”

WHEREAS, the Parties entered into the April 23, 2014 Amended and Restated Provisional Generator Interconnection Agreement (“GIA”) together with the Midcontinent Independent System Operator, Inc. (“MISO”); and

WHEREAS, the Interconnection Service necessary for Customer’s generating facility, MISO project H021, requires Owner to install Network Upgrades on Owner’s transmission system consisting of the Wellsburg 161/69 kV transformer in order for Owner to operate and maintain the transmission system in a safe and reliable manner; and

WHEREAS, in accordance with the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Tariff”) in effect at the time the GIA was executed, the Owner has elected the self-fund option described in Article 11.3 of the *pro forma* GIA of Attachment X of the Tariff and will recover the initial capital cost of Network Upgrades from Customer through this Service Agreement; and

WHEREAS, the Owner will fund, construct, operate and maintain the Facilities;

NOW, THEREFORE, for valuable consideration, the Parties hereby agree that Owner shall recover the return of and return on the initial capital cost of the Facilities from Customer, under the following terms and conditions:

I. Effective Date and Term

Unless terminated earlier by mutual agreement, the effective date of this Service Agreement shall be December 23, 2014, or such other date as it is permitted to become effective by the Federal Energy Regulatory Commission (“Commission” or “FERC”), whichever is later (“Effective Date”), and shall continue until twenty (20) years of Payments have been collected by Owner (“Term”).

II. Facility Charge

Beginning with the month following notification from Owner to Customer, consistent with notice requirements of the GIA, that the Network Upgrade has been placed in service (“In Service Date”) and continuing for a total of [two hundred forty (240)] months, Customer shall make a payment to Owner each month in the amount of the Monthly Revenue Requirement (“Payment”), Each Payment shall be due and payable by the 15th day of each month (“Due Date”), without invoice, for a total of 240 consecutive months. Initial Payment(s) shall be based on the Estimated Network Upgrade Initial Capital Cost (“ENUC” or Initial Capital Cost) as illustrated in the table below.

Description	Amount
Estimated Network Upgrade (“ENUC” or “Initial Capital Cost”)	\$ 2,033,022
Levelized Fixed Charge Rate	13.877524%
Annual Revenue Requirement	\$ 282,133
Monthly Revenue Requirement (Payment)	\$ 23,511

The Monthly Revenue Requirement or Payment by Customer to Owner for the Facilities shall be re-calculated annually to be effective each June 1st by updating certain inputs to the Formula Rate (“Formula”) shown in Exhibit I of this Service Agreement, and rounded to the nearest whole dollar. The Formula calculates the Levelized Fixed Charge Rate and Payment based on the Initial Capital Cost, the Term of this Service Agreement in years, and certain data from the ITCM Attachment O Formula Rate under the Tariff including: (i) the ITCM Combined Tax Rate, (ii) the amounts of ITCM Interest on Long Term Debt, (iii) the Long Term Debt and Common Equity balances, and (iv) the FERC approved Return on Equity for ITCM. Beginning June 1st of the first calendar year following the In Service Date, and each subsequent June 1st thereafter, the Payment shall be updated based on the ITCM Attachment O Formula Rate using data from the previous calendar year and the actual Initial Capital Cost of the Network Upgrade Facilities. Beginning after the first such update, Customer shall have the option of making an annual prepayment (“Annual Payment”) to Owner, due July 15, equal to the new Annual Revenue Requirement in lieu of monthly Payments.

A one-time true-up adjustment shall be calculated within one (1) year of the In-Service Date when the Actual Network Upgrade Initial Capital Cost (“ANUC”) is known and all costs associated with the Initial Capital Cost of the Facilities have been accounted for. The true-up adjustment will be equal to the difference between Payments collected to-date and what the Payments to-date would have been using the ANUC. The true-up adjustment, either as a credit due or charges to the Customer, shall be included in the Customer’s next Payment due, including interest. Interest on the true-up adjustment will begin to accrue the first day of the month following the In Service Date determined based on the Commission’s regulations at 18 C.F.R § 35.19a. Owner will invoice Customer upon determination of the true-up as provided herein and will also invoice Customer annually regarding change in Payment amount as a result of annual changes to ITCM’s Attachment O Formula Rate.

III. Security

- a. The Customer has provided Owner with security in the amount of \$2,033,220 (“Security”) for the Wellsburg 161/69 kV Transformer Network Upgrade under the terms and conditions of the GIA, and that Security shall be reduced ratably on an annual basis based on Payments made during the prior year, per the terms and conditions of this Service Agreement.
- b. In the event Customer fails to make a Payment by the Due Date, Owner shall be entitled to draw on the Security posted by Customer in the amount of missed Payments as well as any accrued interest charges based on the Commission’s regulations at 18 C.F.R § 35.19a. If Customer fails to make Payment by the Due Date and Security has been depleted, Customer shall provide Owner with new security, in a form acceptable to Owner (“New Security”). The amount of New Security may be up to 3 Annual Payments. Customer will provide such Security to Owner within five (5) business days of Owner’s request for New Security, and the New Security will remain in place until the Owner releases the New Security to Customer.
- c. Security shall remain in place until Service Agreement expiration unless Owner determines, in its sole discretion that Security should be returned to Customer prior to the expiration of this Service Agreement. Any Security provided by Customer must be kept active, must continue to meet Owner’s Security requirements and must be available to Owner for the purpose of making Payments under this Service Agreement in the event that Customer fails to make such Payment. Any fees or costs associated with the provision of security are the responsibility of the Customer.
- d. Customer acknowledges that the construction of the Facilities under the GIA would be subject to tax gross-up, as applicable, upon Customer’s default under this Service Agreement and that the Security provided hereunder could be used to cover such obligations.

IV. Default

Customer shall be in default of this Service Agreement if Customer; (i) fails to make three (3) consecutive monthly payments when due or be more than three (3) months late in providing an Annual Payment, or, (ii) fails to provide New Security, or (iii) terminates operation of Customer’s generating facility prior to the end of the 240 months referred to above. In the event of default, Customer shall promptly pay to Owner all amounts owed for the remaining months due under this Service Agreement. In the event that Customer does not promptly pay all amounts due and owing to the Owner, the Owner may draw on the remaining balance of the Security provided by the Customer. This payment or draw on the Security does not limit any and all rights and remedies available to the Owner allowed by law with respect to such default or collecting all amounts owed for the remaining months due under this Service Agreement. The

Service Agreement is a requirement for Interconnection Service under the GIA, and Customer's default under this Service Agreement will constitute a Breach of the GIA. Customer shall indemnify ITCM for reasonable costs, attorney fees and/or expenses incurred with respect to a default or collecting all amounts owed for the remaining months, including, as applicable, any tax gross-up obligations under this Service Agreement.

V. Shared Network Upgrades

If the Network Upgrade under this Service Agreement is identified as a Shared Network Upgrade, as defined in the MISO Tariff, for a subsequent MISO Interconnection Customer, where that Interconnection Customer has entered into a MISO GIA which requires the Shared Network Upgrade as a condition of that Interconnection Customer's Interconnection Service, Owner will develop agreements and Payments that reflect each Interconnection Customer's responsibility for the cost of the Network Upgrade based on the effective date of that subsequent Interconnection Customer's GIA and that subsequent Interconnection Customer's percentage cost responsibility for the Network Upgrade.

VI. Additional network Upgrades

This Agreement may be amended to incorporate the cost of additional ITCM Network Upgrades assigned to project H021 as a condition of Project H021's Interconnection Service.

VII. Assignment

This Service Agreement shall inure to the benefit of and be binding upon each Party's successors and permitted assigns. No Party shall assign this Service Agreement or their related contractual rights without the prior written consent of the other Party, which prior written consent shall not be unreasonably withheld or delayed; provided, however, any Party may, with ten (10) days written notice to the other Party, and without written consent of the other Party, assign or transfer this Service Agreement to: (i) its affiliate or subsidiary; or (ii) a successor to all or substantially all the properties and assets of such Party; provided that the assignee is at least as creditworthy as the assigning Party and the assignee of Customer shall provide Owner with Security as contemplated herein. No assignment of this Service Agreement shall release or discharge either Party from their future obligations hereunder unless all such obligations are assumed by the successor or assignee of that Party in writing.

VIII. Transmission Service

Nothing in this Service Agreement conveys a right to transmission service under the Tariff. Customer or its agent shall obtain transmission service subject to the rates, terms and conditions of the Tariff under a separate agreement.

IX. Other

- a. Entire Agreement: This Service Agreement represents the entire agreement between Owner and Customer with reference to payment terms for the Facilities provided by Owner for Customer under the GIA. This Service Agreement may not be amended, modified, or waived other than by a written document signed by all Parties.
- b. Regulatory Approval: This Service Agreement and its terms shall be subject to approval, if applicable, by the Commission. This Service Agreement and its terms shall also be subject to, as applicable, the Tariff.
- c. Force Majeure: Owner shall not be considered in default as to any obligation under this Service Agreement if prevented from fulfilling the obligation due to an event of Force Majeure. However, if Owner's performance under this Service Agreement is hindered by an event of Force Majeure, it shall make all reasonable efforts to perform its obligations under this Service Agreement. An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, act of terrorism, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any curtailment, order, regulation or restriction imposed by governmental military or lawfully established civilian authorities, or any other cause beyond Owner's control. Economic hardship is not considered a Force Majeure event.
- d. Disputes: Module A paragraph 12 of the Tariff shall apply to the resolution of any dispute hereunder.
- e. Liability: In no event shall Owner or its suppliers be liable under this Service Agreement or under any cause of action related to the subject matter of this Service Agreement, whether based on contract, warranty, tort (including negligence), strict liability, indemnity, or otherwise for any incidental, special, punitive or consequential damages including, but not limited to, loss of use, increased costs of purchased or replacement power, interest charges, inability to operate at full capacity, lost profits, or claims of Customer's customers. Owner shall not be liable to the Customer for damages caused by interruption of service, voltage or frequency variations, single phase to three phase lines, reversal of phase rotation, or carrier-current frequencies imposed by Owner for system operations or equipment control except such as result from the failure of Owner to exercise Good Utility Practice in furnishing the service. Customer should install the proper protective equipment if such occurrences might damage its apparatus. Owner's total liability to Customer for all claims arising out of or related to the subject matter of this Service Agreement, whether based on contract, warranty, tort (including negligence), strict liability, indemnity, or otherwise shall not exceed the aggregate of the Payments by Customer to Owner during the Term of

this Service Agreement. The remedies set forth in this Service Agreement are the Customer's sole and exclusive remedies.

- f. Governing Law: This Service Agreement is governed by and shall be construed in accordance with laws of the State of Iowa, without regard for any principles of conflicts of laws.
- g. No Waiver: It is mutually understood that any failure by Owner or inconsistency to enforce or require the strict keeping and performance by Customer of any of the provisions of this Service Agreement shall not constitute a waiver by Owner of such provisions, and shall not affect or impair such provisions in any way, or the right of Owner at any time to avail itself of such remedies as it may have for any breach or breaches of such provisions. The waiver, illegality, invalidity and/or unenforceability of any provision appearing in this Service Agreement shall not affect the validity of this Service Agreement as a whole or the validity or any other provisions therein.
- h. Waiver of Jury: TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SERVICE AGREEMENT. **EACH PARTY FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.**

X. Contacts

Owner's Representative and Address

ITC Midwest LLC
6750 Chavenelle Road
Dubuque, Iowa 52002

Customer's Representative and Address

MidAmerican Energy Company
4299 Northwest Urbandale Drive
Urbandale, IA 50322

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

ITC Midwest LLC, a Michigan limited liability company, by ITC Holdings Corp., a Michigan corporation, its sole member MidAmerican Energy Company, an Iowa corporation;

By: /s/ Rejji Hayes_____

By: /s/ Adam L. Wright_____

Name: Rejji Hayes_____

Name: Adam L. Wright_____

Title: Senior Vice President, CFO and Treasurer

Title: Vice President, Wind Generation and Development

EXHIBIT I**Levelized Fixed Charge Rate Calculation**

6				
7	Company Name:	ITC Midwest LLC		
8				
9	Cost Year	2013		
10				
11	Recovery Period	initial period June 1, 2014 thru May 31, 2015 and for 19 years thereafter, 20 years total		
12				
13	Levelized Fixed Charge Computation			
14				
15	Initial Network Upgrade Capital Cost		\$2,033,022	
16	Levelized Fixed Charge Rate	(Line 35)	0.13877524	
17	Annual Network Upgrade Charge	(Line 15 x Line 16)	\$282,133	
18	Monthly Payment	(Line 17 / 12)	\$23,511	
19				
20	Fixed Charge Rate Calculation:			
21				
22	Investment	(Line 15)	2,033,022	
23	PWtax depreciation	(Line 84)	1,142,472	
24	Tax rate	(Line 38)	0.4146	
25	Tax benefit	(Line 23 x Line 24)	473,669	
26	Present Worth cashflow	(Line 22 - Line 25)	1,559,353	
27	Revenue conversion factor	[1/(1 - Line 38)]	1.70823369	
28	Present Worth Revenue Requirement	(Line 26 x Line 27)	2,663,739	
29				
30	Recovery period		20	
31	Annualization factor	$[i(1+i)^{BL}]/[(1+i)^{BL}-1]$	0.10591618	
32				
33	Levelized Amount	(Line 28 x Line 31)	282,133	
34				
35	Levelized Fixed Charge Rate	(Line 33 / Line 22)	0.13877524	
36				
37				
38	Combined tax rate (Attachment O, p3, Line 21)		0.4146	
39				
40	Interest (Attachment O, p4, Line 21)		27,977,327	
41				
42	Preferred Dividends (Attachment O, p4, Line 22)			
43				
44		Amount	Weight	Cost
45				Weighted Cost
46	(Attachment O, page 4, Lines 27-30):			
47	Long-Term Debt	593,576,923	0.399982	0.047133448
48	Preferred		0	0
49	Common Equity	890,432,476	0.600018	0.1238
50	Capitalization	1,484,009,399	1	0.09313477
51				
52	Discount rate		(Line 50 - (Line 38 x Line 47))	0.08531851
53				
54				
55				

56

57

58 MACRS Depreciation Rates:

59

60	(a)	(b)	(c)	(d)	(d)
61 Year		MACRS	MACRS	Present	Present
62		Rates	Depr	Worth	Worth
63				Factor	Tax
64				$1/(1+i)^n$	Depreciation
65					
66	0			1	
67	1	0.05	101,651	0.921389	93,660
68	2	0.095	193,137	0.848957	163,965
69	3	0.0855	173,823	0.782219	135,968
70	4	0.077	156,543	0.720728	112,825
71	5	0.0693	140,888	0.66407	93,560
72	6	0.0623	126,657	0.611867	77,497
73	7	0.059	119,948	0.563767	67,623
74	8	0.059	119,948	0.519448	62,307
75	9	0.0591	120,152	0.478614	57,506
76	10	0.059	119,948	0.440989	52,896
77	11	0.0591	120,152	0.406322	48,820
78	12	0.059	119,948	0.374381	44,906
79	13	0.0591	120,152	0.34495	41,446
80	14	0.059	119,948	0.317833	38,124
81	15	0.0591	120,152	0.292848	35,186
82	16	0.0295	59,974	0.269827	16,183
83					
84		Total			1,142,472
85					

FERC rendition of the electronically filed tariff records in Docket No. ER15-00884-000
Filing Data:
CID: C001344
Filing Title: 2015-01-21_SA 2728 MidAmerican-ITC Midwest FSA (H021)
Company Filing Identifier: 10398
Type of Filing Code: 10
Associated Filing Identifier:
Tariff Title: Midwest ISO Agreements
Tariff ID: 13
Payment Confirmation:
Suspension Motion:

Tariff Record Data:
Record Content Description, Tariff Record Title, Record Version Number, Option Code:
SA 2728, MidAmerican-ITC Midwest Facilities Service Agreement (H021), 31.0.0, A
Record Narrative Name:
Tariff Record ID: 10293
Tariff Record Collation Value: 293775360 Tariff Record Parent Identifier: 4507
Proposed Date: 2015-01-31
Priority Order: 1000000000
Record Change Type: NEW
Record Content Type: 1
Associated Filing Identifier:

SA 2728 MIDAMERICAN-ITC MIDWEST FSA VERSION 31.0.0

EFFECTIVE 01/31/2015

ORIGINAL SERVICE AGREEMENT NO. 2728

Project H021

FACILITIES SERVICE AGREEMENT

entered into by the

MidAmerican Energy Company

And

ITC Midwest LLC

Facilities Service Agreement
for
Project H021

This Facilities Service Agreement (“Service Agreement”) dated December 23, 2014, is entered into by and between **MidAmerican Energy Company** (“Customer”) and **ITC Midwest LLC** (“ITCM” or “Owner”), to compensate the Owner for changes and additions to its transmission system (“Network Upgrade” or “Facilities”) necessary for Interconnection Service for the Customer’s generating facility. Customer and Owner are each referred to as “Party,” and collectively as “Parties.”

WHEREAS, the Parties entered into the April 23, 2014 Amended and Restated Provisional Generator Interconnection Agreement (“GIA”) together with the Midcontinent Independent System Operator, Inc. (“MISO”); and

WHEREAS, the Interconnection Service necessary for Customer’s generating facility, MISO project H021, requires Owner to install Network Upgrades on Owner’s transmission system consisting of the Wellsburg 161/69 kV transformer in order for Owner to operate and maintain the transmission system in a safe and reliable manner; and

WHEREAS, in accordance with the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Tariff”) in effect at the time the GIA was executed, the Owner has elected the self-fund option described in Article 11.3 of the *pro forma* GIA of Attachment X of the Tariff and will recover the initial capital cost of Network Upgrades from Customer through this Service Agreement; and

WHEREAS, the Owner will fund, construct, operate and maintain the Facilities;

NOW, THEREFORE, for valuable consideration, the Parties hereby agree that Owner shall recover the return of and return on the initial capital cost of the Facilities from Customer, under the following terms and conditions:

I. Effective Date and Term

Unless terminated earlier by mutual agreement, the effective date of this Service Agreement shall be December 23, 2014, or such other date as it is permitted to become effective by the Federal Energy Regulatory Commission (“Commission” or “FERC”), whichever is later (“Effective Date”), and shall continue until twenty (20) years of Payments have been collected by Owner (“Term”).

II.

Facility Charge

Beginning with the month following notification from Owner to Customer, consistent with notice requirements of the GIA, that the Network Upgrade has been placed in service (“In Service Date”) and continuing for a total of [two hundred forty (240)] months, Customer shall make a payment to Owner each month in the amount of the Monthly Revenue Requirement (“Payment”), Each Payment shall be due and payable by the 15th day of each month (“Due Date”), without invoice, for a total of 240 consecutive months. Initial Payment(s) shall be based on the Estimated Network Upgrade Initial Capital Cost (“ENUC” or Initial Capital Cost) as illustrated in the table below.

Description	Amount
Estimated Network Upgrade (“ENUC” or “Initial Capital Cost”)	\$ 2,033,022
Levelized Fixed Charge Rate	13.877524%
Annual Revenue Requirement	\$ 282,133
Monthly Revenue Requirement (Payment)	\$ 23,511

The Monthly Revenue Requirement or Payment by Customer to Owner for the Facilities shall be re-calculated annually to be effective each June 1st by updating certain inputs to the Formula Rate (“Formula”) shown in Exhibit I of this Service Agreement, and rounded to the nearest whole dollar. The Formula calculates the Levelized Fixed Charge Rate and Payment based on the Initial Capital Cost, the Term of this Service Agreement in years, and certain data from the ITCM Attachment O Formula Rate under the Tariff including: (i) the ITCM Combined Tax Rate, (ii) the amounts of ITCM Interest on Long Term Debt, (iii) the Long Term Debt and Common Equity balances, and (iv) the FERC approved Return on Equity for ITCM. Beginning June 1st of the first calendar year following the In Service Date, and each subsequent June 1st thereafter, the Payment shall be updated based on the ITCM Attachment O Formula Rate using data from the previous calendar year and the actual Initial Capital Cost of the Network Upgrade Facilities. Beginning after the first such update, Customer shall have the option of making an annual prepayment (“Annual Payment”) to Owner, due July 15, equal to the new Annual Revenue Requirement in lieu of monthly Payments.

A one-time true-up adjustment shall be calculated within one (1) year of the In-Service Date when the Actual Network Upgrade Initial Capital Cost (“ANUC”) is known and all costs associated with the Initial Capital Cost of the Facilities have been accounted for. The true-up adjustment will be equal to the difference between Payments collected to-date and what the Payments to-date would have been using the ANUC. The true-up adjustment, either as a credit due or charges to the Customer, shall be included in the Customer’s next Payment due, including interest. Interest on the true-up adjustment will begin to accrue the first day of the month following the In Service Date determined based on the Commission’s regulations at 18 C.F.R § 35.19a. Owner will invoice Customer upon determination of the true-up as provided herein and will also invoice Customer annually regarding change in Payment amount as a result of annual changes to ITCM’s Attachment O Formula Rate.

III. Security

- a. The Customer has provided Owner with security in the amount of \$2,033,220 (“Security”) for the Wellsburg 161/69 kV Transformer Network Upgrade under the terms and conditions of the GIA, and that Security shall be reduced ratably on an annual basis based on Payments made during the prior year, per the terms and conditions of this Service Agreement.
- b. In the event Customer fails to make a Payment by the Due Date, Owner shall be entitled to draw on the Security posted by Customer in the amount of missed Payments as well as any accrued interest charges based on the Commission’s regulations at 18 C.F.R § 35.19a. If Customer fails to make Payment by the Due Date and Security has been depleted, Customer shall provide Owner with new security, in a form acceptable to Owner (“New Security”). The amount of New Security may be up to 3 Annual Payments. Customer will provide such Security to Owner within five (5) business days of Owner’s request for New Security, and the New Security will remain in place until the Owner releases the New Security to Customer.
- c. Security shall remain in place until Service Agreement expiration unless Owner determines, in its sole discretion that Security should be returned to Customer prior to the expiration of this Service Agreement. Any Security provided by Customer must be kept active, must continue to meet Owner’s Security requirements and must be available to Owner for the purpose of making Payments under this Service Agreement in the event that Customer fails to make such Payment. Any fees or costs associated with the provision of security are the responsibility of the Customer.
- d. Customer acknowledges that the construction of the Facilities under the GIA would be subject to tax gross-up, as applicable, upon Customer’s default under this Service Agreement and that the Security provided hereunder could be used to cover such obligations.

IV. Default

Customer shall be in default of this Service Agreement if Customer; (i) fails to make three (3) consecutive monthly payments when due or be more than three (3) months late in providing an Annual Payment, or, (ii) fails to provide New Security, or (iii) terminates operation of Customer’s generating facility prior to the end of the 240 months referred to above. In the event of default, Customer shall promptly pay to Owner all amounts owed for the remaining months due under this Service Agreement. In the event that Customer does not promptly pay all amounts due and owing to the Owner, the Owner may draw on the remaining balance of the Security provided by the Customer. This payment or draw on the Security does not limit any and all rights and remedies available to the Owner allowed by law with respect to such default or collecting all amounts owed for the remaining months due under this Service Agreement. The

Service Agreement is a requirement for Interconnection Service under the GIA, and Customer's default under this Service Agreement will constitute a Breach of the GIA. Customer shall indemnify ITCM for reasonable costs, attorney fees and/or expenses incurred with respect to a default or collecting all amounts owed for the remaining months, including, as applicable, any tax gross-up obligations under this Service Agreement.

V. Shared Network Upgrades

If the Network Upgrade under this Service Agreement is identified as a Shared Network Upgrade, as defined in the MISO Tariff, for a subsequent MISO Interconnection Customer, where that Interconnection Customer has entered into a MISO GIA which requires the Shared Network Upgrade as a condition of that Interconnection Customer's Interconnection Service, Owner will develop agreements and Payments that reflect each Interconnection Customer's responsibility for the cost of the Network Upgrade based on the effective date of that subsequent Interconnection Customer's GIA and that subsequent Interconnection Customer's percentage cost responsibility for the Network Upgrade.

VI. Additional network Upgrades

This Agreement may be amended to incorporate the cost of additional ITCM Network Upgrades assigned to project H021 as a condition of Project H021's Interconnection Service.

VII. Assignment

This Service Agreement shall inure to the benefit of and be binding upon each Party's successors and permitted assigns. No Party shall assign this Service Agreement or their related contractual rights without the prior written consent of the other Party, which prior written consent shall not be unreasonably withheld or delayed; provided, however, any Party may, with ten (10) days written notice to the other Party, and without written consent of the other Party, assign or transfer this Service Agreement to: (i) its affiliate or subsidiary; or (ii) a successor to all or substantially all the properties and assets of such Party; provided that the assignee is at least as creditworthy as the assigning Party and the assignee of Customer shall provide Owner with Security as contemplated herein. No assignment of this Service Agreement shall release or discharge either Party from their future obligations hereunder unless all such obligations are assumed by the successor or assignee of that Party in writing.

VIII. Transmission Service

Nothing in this Service Agreement conveys a right to transmission service under the Tariff. Customer or its agent shall obtain transmission service subject to the rates, terms and conditions of the Tariff under a separate agreement.

IX. Other

- a. Entire Agreement: This Service Agreement represents the entire agreement between Owner and Customer with reference to payment terms for the Facilities provided by Owner for Customer under the GIA. This Service Agreement may not be amended, modified, or waived other than by a written document signed by all Parties.
- b. Regulatory Approval: This Service Agreement and its terms shall be subject to approval, if applicable, by the Commission. This Service Agreement and its terms shall also be subject to, as applicable, the Tariff.
- c. Force Majeure: Owner shall not be considered in default as to any obligation under this Service Agreement if prevented from fulfilling the obligation due to an event of Force Majeure. However, if Owner's performance under this Service Agreement is hindered by an event of Force Majeure, it shall make all reasonable efforts to perform its obligations under this Service Agreement. An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, act of terrorism, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any curtailment, order, regulation or restriction imposed by governmental military or lawfully established civilian authorities, or any other cause beyond Owner's control. Economic hardship is not considered a Force Majeure event.
- d. Disputes: Module A paragraph 12 of the Tariff shall apply to the resolution of any dispute hereunder.
- e. Liability: In no event shall Owner or its suppliers be liable under this Service Agreement or under any cause of action related to the subject matter of this Service Agreement, whether based on contract, warranty, tort (including negligence), strict liability, indemnity, or otherwise for any incidental, special, punitive or consequential damages including, but not limited to, loss of use, increased costs of purchased or replacement power, interest charges, inability to operate at full capacity, lost profits, or claims of Customer's customers. Owner shall not be liable to the Customer for damages caused by interruption of service, voltage or frequency variations, single phase to three phase lines, reversal of phase rotation, or carrier-current frequencies imposed by Owner for system operations or equipment control except such as result from the failure of Owner to exercise Good Utility Practice in furnishing the service. Customer should install the proper protective equipment if such occurrences might damage its apparatus. Owner's total liability to Customer for all claims arising out of or related to the subject matter of this Service Agreement, whether based on contract, warranty, tort (including negligence), strict liability, indemnity, or otherwise shall not exceed the aggregate of the Payments by Customer to Owner during the Term of this Service Agreement. The remedies set forth in this Service Agreement are

the Customer's sole and exclusive remedies.

- f. Governing Law: This Service Agreement is governed by and shall be construed in accordance with laws of the State of Iowa, without regard for any principles of conflicts of laws.
- g. No Waiver: It is mutually understood that any failure by Owner or inconsistency to enforce or require the strict keeping and performance by Customer of any of the provisions of this Service Agreement shall not constitute a waiver by Owner of such provisions, and shall not affect or impair such provisions in any way, or the right of Owner at any time to avail itself of such remedies as it may have for any breach or breaches of such provisions. The waiver, illegality, invalidity and/or unenforceability of any provision appearing in this Service Agreement shall not affect the validity of this Service Agreement as a whole or the validity or any other provisions therein.
- h. Waiver of Jury: TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SERVICE AGREEMENT. **EACH PARTY FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.**

X. Contacts

Owner's Representative and Address

ITC Midwest LLC
6750 Chavenelle Road
Dubuque, Iowa 52002

Customer's Representative and Address

MidAmerican Energy Company
4299 Northwest Urbandale Drive
Urbandale, IA 50322

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

ITC Midwest LLC, a Michigan limited liability company, by ITC Holdings Corp., a Michigan corporation, its sole member MidAmerican Energy Company, an Iowa corporation;

By: /s/ Rejji Hayes

By: /s/ Adam L. Wright

Name: Rejji Hayes

Name: Adam L. Wright

Title: Senior Vice President, CFO and Treasurer

Title: Vice President, Wind Generation and Development

EXHIBIT I**Levelized Fixed Charge Rate Calculation**

6				
7	Company Name:	ITC Midwest LLC		
8				
9	Cost Year	2013		
10				
11	Recovery Period	initial period June 1, 2014 thru May 31, 2015 and for 19 years thereafter, 20 years total		
12				
13	Levelized Fixed Charge Computation			
14				
15	Initial Network Upgrade Capital Cost			\$2,033,022
16	Levelized Fixed Charge Rate	(Line 35)		0.13877524
17	Annual Network Upgrade Charge	(Line 15 x Line 16)		\$282,133
18	Monthly Payment	(Line 17 / 12)		\$23,511
19				
20	Fixed Charge Rate Calculation:			
21				
22	Investment	(Line 15)		2,033,022
23	PWtax depreciation	(Line 84)		1,142,472
24	Tax rate	(Line 38)		0.4146
25	Tax benefit	(Line 23 x Line 24)		473,669
26	Present Worth cashflow	(Line 22 - Line 25)		1,559,353
27	Revenue conversion factor	[1/(1 - Line 38)]		1.70823369
28	Present Worth Revenue Requirement	(Line 26 x Line 27)		2,663,739
29				
30	Recovery period			20
31	Annualization factor	$[i(1+i)^{BL}]/[(1+i)^{BL}-1]$		0.10591618
32				
33	Levelized Amount	(Line 28 x Line 31)		282,133
34				
35	Levelized Fixed Charge Rate	(Line 33 / Line 22)		0.13877524
36				
37				
38	Combined tax rate (Attachment O, p3, Line 21)			0.4146
39				
40	Interest (Attachment O, p4, Line 21)			27,977,327
41				
42	Preferred Dividends (Attachment O, p4, Line 22)			
43				
44		Amount	Weight	Cost
45				Weighted Cost
46	(Attachment O, page 4, Lines 27-30):			
47	Long-Term Debt	593,576,923	0.399982	0.047133448
48	Preferred		0	0
49	Common Equity	890,432,476	0.600018	0.1238
50	Capitalization	1,484,009,399	1	0.09313477
51				
52	Discount rate		(Line 50 - (Line 38 x Line 47))	0.08531851
53				
54				
55				

56

57

58 MACRS Depreciation Rates:

59

60	(a)	(b)	(c)	(d)	(d)
61 Year		MACRS	MACRS	Present	Present
62		Rates	Depr	Worth	Worth
63				Factor	Tax
64				$1/(1+i)^n$	Depreciation
65					
66	0			1	
67	1	0.05	101,651	0.921389	93,660
68	2	0.095	193,137	0.848957	163,965
69	3	0.0855	173,823	0.782219	135,968
70	4	0.077	156,543	0.720728	112,825
71	5	0.0693	140,888	0.66407	93,560
72	6	0.0623	126,657	0.611867	77,497
73	7	0.059	119,948	0.563767	67,623
74	8	0.059	119,948	0.519448	62,307
75	9	0.0591	120,152	0.478614	57,506
76	10	0.059	119,948	0.440989	52,896
77	11	0.0591	120,152	0.406322	48,820
78	12	0.059	119,948	0.374381	44,906
79	13	0.0591	120,152	0.34495	41,446
80	14	0.059	119,948	0.317833	38,124
81	15	0.0591	120,152	0.292848	35,186
82	16	0.0295	59,974	0.269827	16,183
83					
84	Total				1,142,472
85					

Document Content(s)

Transmittal Letter ITC-MidAm FSA H021.PDF.....1-6

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