<u>STUNTZ, DAVIS & STAFFIER, P.C.</u>
ATTORNEYS AT LAW

555 Twelfth Street, N.W.
Suite 630
Washington, D.C. 20004
(202) 638-6588 Telephone
(202) 638-6581 Facsimile

January 30, 2015

Ms. Kimberly Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: ITC Midwest LLC
Authorization for Return on Equity Incentive for Independence
Docket No. ER15-___-000

via eTariff Filing

Dear Ms. Bose:

Pursuant to Sections 205 and 219 of the Federal Power Act ("FPA"), 16 U.S.C. §§ 824d, 824s, and Section 35.13 of the regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 35.13, ITC Midwest LLC ("ITC Midwest") and the Midcontinent Independent System Operator, Inc. ("MISO") submit a revision to the ITC Midwest formula rate in Attachment O of the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff") to implement a 100 basis point return on equity ("ROE") incentive for independent transmission ownership.[1]

Approval of the incentive is consistent with Section 219 of the FPA and the Commission's longstanding recognition of the benefits of independent transmission ownership.

ITC Midwest requests an effective date 60 days after the date of this filing, as discussed below. ITC Midwest further requests Commission authorization to defer collection of the independence incentive until after the issuance of a final order in Docket No. EL14-12-000, at which point the independence incentive will be applied back to the effective date of this filing.[2]

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[1] MISO joins in this filing in its capacity as administrator of the MISO Tariff, but takes no position on the substance of this filing.
[2] This request is consistent with the deferral of collection requested by the MISO Transmission Owners, including ITC Midwest, for an ROE incentive for membership in a regional transmission organization ("RTO") that was

I. BACKGROUND

ITC Midwest's business strategy is to operate, maintain and invest in transmission infrastructure to enhance system integrity and reliability, to reduce transmission constraints and provide greater access to electric markets and to allow new power generating sources to interconnect to its transmission system. By pursuing this strategy, ITC Midwest strives to lower the delivered cost of electricity and improve accessibility to power generation sources of choice, including renewable energy.

Like its affiliates International Transmission Company d/b/a/ ITC*Transmission*, Michigan Electric Transmission Company, LLC ("METC") and ITC Great Plains, LLC ("ITC Great Plains"), each of which receives the independence incentive, ITC Midwest is focused singularly on developing, owning and operating transmission. Because transmission is ITC Midwest's only business, it faces no internal competition for capital from generation or other market affiliates. As a result, ITC Midwest is motivated to invest in its system and achieve and maintain best-in-class performance for the benefit of its customers. This is unlike vertically-integrated utilities that face competing demands for available capital and that consider the implications of transmission investment on the profitability of their generation assets when making their investment decisions. Because the independence incentive will apply to the ITC Midwest system, rather than a specific project, it will operate continuously to encourage greater system efficiency through improved operations, maintenance and capital investment, and will offset in part the ongoing burdens borne by independent transmission companies, including strict limitations on dealings with any market participants.

While producing substantial benefits for consumers, adherence to the independent model imposes significant burdens and business risks on ITC Midwest. Opportunities for partnerships are constrained by the requirement to maintain absolute independence from market participants. Unlike traditional vertically integrated utilities, ITC Midwest has limits on its ability to diversify its business, which makes withstanding inevitable business cycle fluctuations or policy changes more challenging. ITC Midwest also is subject to additional Commission oversight of its business relationships and ownership structure that traditional vertically integrated utilities do not face.

A. The Commission Approves Return On Equity Incentives To Reflect The Benefits Of The Independent Transmission Company Model.

The Commission has a long track record of awarding incentives for independent ownership of transmission. ITC Midwest's affiliates ITC*Transmission* and METC were the first independent transmission companies awarded 100 basis point ROE incentives under FPA Section 205 in recognition that the independent model of transmission ownership best assures the most effective planning, investment in and operation of transmission for consumers.

approved by the Commission in Docket No. ER15-358-000. *See Midcontinent Independent System Operator, Inc*., 150 FERC ¶ 61,004 (2015) ("RTO Incentive Order"). *See* discussion *infra* at II.C.

In its order approving the independence incentive for ITC*Transmission*, the Commission recognized that "transfer of transmission facilities to an independent entity is one of the most effective means of separating transmission interests from generation interests and achieving independence through a for-profit transmission company."[3] Benefits to customers flow from enhanced competition and reliability and new investment in infrastructure that the independence incentive encourages.[4] The Commission acknowledged that the single-focus independent business model, when contrasted with vertically integrated utilities, brings significant benefits through "improved asset management, development of innovative services, and improved access to capital markets."[5] Structural independence also lessens the potential for the exercise of undue discrimination in providing transmission service.[6]

The Commission continues to award incentives for independent ownership and operation of transmission by independent transmission companies.[7] The Commission has done so because the independence incentive has produced desired transmission investment. As the Commission wrote in *ITC Great Plains*:

> We find that the 100 basis point adder is appropriate here because of the very significant transmission investment that has been undertaken by transcos to date. Furthermore, the Commission has found that the singular focus of transmission-only companies, the elimination of competition for capital between generation and transmission investments, and the access to capital markets all support the value of the transco business model for getting new transmission built. In addition, the purpose of our policy of incentives for transcos is to build much needed transmission infrastructure and ITC Great Plains' proposal is consistent with this policy. It is for these reasons that the Commission adopted incentive-based rate treatments applicable to transcos that would both encourage Transco formation and attract investment.[8]

The Commission confirmed the benefits of the independent transmission company model in June 2013 in approving the merger and acquisition and disposition of jurisdictional facilities proposed by ITC Holdings Corp. ("ITC Holdings") and Entergy Corporation in Docket No. EC12-145-000:

> The Commission has noted the benefits that the independent transmission company business model can provide on previous occasions. Specifically, the Commission has noted that "[b]y eliminating the competition for capital between generation and

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[3] *ITC Holdings Corp., et al.*, 102 FERC ¶ 61,182, P 1 ("*ITC Holdings*"), *reh'g denied,* 104 FERC ¶ 61,033 (2003).
[4] *Id*.
[5] *Id*., P 62. *See also Michigan Electric Transmission Co., LLC*, 105 FERC ¶ 61,214, P 20 (2003) ("*METC*") ("Independent ownership and operation of transmission is an important policy objective of the Commission because it will bring significant benefits including, among other things, lessened potential for discrimination, improved access to capital markets for transmission investment, improved asset management, and development of innovative services").
[6] *ITC Holdings*, P 62.
[7] In 2009, the Commission granted independence incentives for new independent transmission companies in *Green Power Express LP*, 127 FERC ¶ 61,031 (2009) ("*Green Power Express*") (approving 100 basis points for independence), *reh'g denied,* 135 FERC ¶ 61,141 (2011) and *ITC Great Plains, LLC*, 126 FERC ¶ 61,223 (2009) ("*ITC Great Plains*"), *reh'g pending.*
[8] *ITC Great Plains*, P 93 (footnotes omitted).

transmission functions and thereby focusing only on transmission investment, the Transco model responds more rapidly and precisely to market signals indicating when and where transmission investment is needed." As Applicants explain, ITC Holdings' only business is electric transmission, and the company "is structured to be free from influence by entities that buy or sell energy as a commodity"; does not own generation or distribution assets (or fuel suppliers); and makes no retail or wholesale electricity sales.[9]

The Commission recently reaffirmed the validity of the independence incentive. Rejecting a challenge to the independence incentives for ITC*Transmission* and METC, the Commission determined that "ongoing operation as an independent transmission company justifies continued provision of the independence incentive."[10] Again, the Commission found that the independent transmission company business model "provides benefits to consumers that justify the incentive."[11] The Complaint Order also confirmed that utilities requesting the independence incentive do not have to provide a cost-benefit analysis.[12]

B. The Commission's Award Of Independence Incentives Is Consistent With FPA Section 219 And Order No. 679.

Section 219 of the FPA[13] was enacted through Section 1241 of the Energy Policy Act of 2005.[14] Section 219, Transmission Infrastructure Investment, directed the Commission to promulgate incentives to increase transmission investment. Among other things, Congress required that the rule to implement Section 219 shall promote capital investment in transmission facilities and "provide a return on equity that attracts new investment in transmission facilities."[15]

The Commission promulgated Order No. 679[16] to comply with the mandates of FPA Section 219.[17] Order No. 679 was a logical extension of, and fully consistent with, the Commission's previous award of policy-based independence incentives under FPA Section 205. In fact, those FPA Section 205 policy-based decisions laid the groundwork for the Transco[18] ROE incentive provided under Order No. 679. "Order No. 679 determined that Transcos satisfy

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[9] *See ITC Holdings Corp. and Entergy Corp.*, 143 FERC ¶ 61,256, P 125 (2013) (footnotes omitted), *reh'g pending*.
[10] *Association of Businesses Advocating Tariff Equity Coalition, et al., v. Midcontinent Independent System Operator, Inc., et al.*, 149 FERC ¶ 61,049, P 201 (2014) ("Complaint Order").
[11] *Id.*
[12] Complaint Order, P 203.
[13] 16 U.S.C. § 824s.
[14] Pub. L. No. 109-58, 119 Stat. 594 (August 8, 2005).
[15] 16 U.S.C. § 824s(b)(1) and (2).
[16] *Promoting Transmission Investment through Pricing Reform*, Order No. 679, *FERC Statutes and Regulations* ¶31,222, *order on reh'g*, Order No. 679-A, *FERC Statutes and Regulations* ¶31,236 (2006), *order on reh'g*, 119 FERC ¶61,062 (2007).
[17] The Commission's regulations in Section 35.35(d)(1)(i) authorize an incentive-based rate treatment that includes a rate of return on equity sufficient to attract new investment in transmission facilities. Additionally, the regulations in section 35.35(d)(2)(i) authorize the Commission to approve an ROE that both encourages Transco formation and is sufficient to attract investment.
[18] "Transcos" are defined, as relevant here, as stand-alone transmission companies approved by the Commission that sell transmission services at wholesale. 18 C.F.R. 35.35(b)(1).

section 219 of the FPA because this business model promotes increased investment in new transmission, which in turn reduces costs and increases competition."[19]

The purpose of the Commission's "policy of incentives for Transcos is to build much needed transmission infrastructure."[20] The Commission determined to grant an ROE to Transcos "that both encourages Transco formation and is sufficient to attract investment after the Transco is formed."[21] The Commission relied on the benefits of the independence incentives authorized for ITC*Transmission* and METC to support the establishment of the Transco incentive in Order No. 679.[22] In the Notice of Proposed Rulemaking that led to Order No. 679, the Commission took the view that "[c]ontinuing to allow a higher ROE (that falls within a zone of reasonableness) in recognition of the benefits transcos provide, we believe, is an appropriate way to ensure that the objectives of new FPA section 219 are achieved."[23]

As the Commission explained in *Startrans IO*:

> Recognizing the proven and encouraging track record of Transco investment in transmission infrastructure and the need for increased transmission in general, Order No. 679 concluded that certain incentives are appropriate to encourage Transco formation and new transmission infrastructure investment. Moreover, Transcos' for-profit nature, combined with a transmission-only business model, enhances asset management and access to capital markets and provides greater incentives to develop innovative services. Order No. 679 also observed that this business model responds more rapidly and precisely to market signals. Accordingly, Order No. 679 determined that Transcos satisfy section 219 of the FPA because this business model promotes increased investment in new transmission, which in turn reduces costs and increases competition. [24]

Almost five years after the issuance of Order No. 679, the Commission undertook an evaluation of the scope and implementation of its transmission incentives regulations and policies.[25] In November 2012, the Commission issued a policy statement on "Promoting Transmission Investment Through Pricing Reform" ("Policy Statement") to provide additional

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[19] *New York Regional Interconnect, Inc.*, 124 FERC ¶ 61,259, P 41 ("*NYRI")* (2008).
[20] Order No. 679, P 231.
[21] Order No. 679 at P 221. *See also* the Commission's regulations in 18 C.F.R. Section 35.35(d)(2)(i).
[22] *See* discussion in Order No. 679, PP 222-223. *See also* Order No. 679-A, P 77: "[T]he Final Rule described at great length the very significant transmission investment that has been undertaken by Transcos, to date. . . . their singular focus on transmission investment by transmission-only companies, the elimination of competition for capital between generation and transmission investments, and the access to capital markets have all been cited in support of the value of the Transco business model for getting new transmission built. For all of these reasons, the Commission adopted incentive-based rate treatments applicable to Transcos that would both encourage Transco formation and attract investment."
[23] Notice of Proposed Rulemaking, *Promoting Transmission Investment through Pricing Reform*, 113 FERC ¶ 61,182, P 40 (2005).
[24] *Startrans IO, L.L.C.*, 122 FERC ¶ 61,306, P 19 (footnotes omitted) (2008), *reh'g denied,* 130 FERC ¶ 61,209 (2010), 133 FERC ¶ 61,154 (2010). *See also NYRI*, P 41.
[25] Notice of Inquiry, *Promoting Transmission Investment Through Pricing Reform*, 76 Fed. Reg. 30,869 (2011) ("NOI").

guidance on its evaluation of applications for transmission incentives under FPA Section 219.[26] The Policy Statement evidences the Commission's continuing obligation to provide transmission incentives under FPA Section 219. While other changes were made, the Commission elected not to make any changes in its policy on Transco incentives.[27]

In summary, the Commission consistently has found that:

- The independence ROE incentive will encourage new investment in infrastructure, which will benefit customers through enhanced competition and reliability.[28]
- The independent transmission model brings significant benefits in terms of "lessened potential for discrimination, improved access to capital markets for transmission investment, improved asset management, and development of innovative services."[29]
- The independent, single-focus business model has performed as the Commission anticipated when it approved incentive rate treatments.[30]
- An ROE incentive is important to continue to attract investment after a stand-alone transmission company is formed.[31]

II. PURPOSE OF THE FILING

This filing seeks authorization for ITC Midwest to collect the 100 basis point ROE incentive for independent ownership of transmission. The Commission in *ITC Great Plains* awarded a 100 basis point independence incentive based on a finding that ITC Great Plains was independent.[32] Similarly, in *Green Power Express*, the Commission "grant[ed] the 100 basis point incentive adder based on Green Power's status as an independent transmission company."[33]

ITC Midwest has been approved by the Commission as a fully independent, transmission only-company, and is an independent transmission company member of MISO pursuant to Appendix I of the MISO Tariff.[34] ITC Midwest thus qualifies for the independence ROE incentive based on its status as an independent transmission company.

The Commission continues to approve ROE incentives for qualified entities. Approval of the independence incentive for ITC Midwest would be in accord with the RTO Incentive

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[26] Policy Statement, *Promoting Transmission Investment Through Pricing Reform*, 77 Fed. Reg. 69,754 (2012) ("Policy Statement").
[27] "In Order No. 679 and subsequent cases applying incentives policies, the Commission has addressed the granting of incentive ROEs that are not based on the risks and challenges of a project, such as incentive ROEs for RTO membership or Transco formation. With respect to aspects of the Commission's incentives policies not addressed in this policy statement, we decline to provide additional guidance at this time." Policy Statement, P 5.
[28] *ITC Holdings*, P 1.
[29] *METC*,P 20.
[30] *See Michigan Electric Transmission Co., LLC,* 113 FERC ¶ 61,343, P 19 (2005), *order on reh'g,* 116 FERC ¶ 61,164, PP 17, 20 (2006).
[31] *See* Order No. 679, P 221.
[32] *See ITC Great Plains*, PP 93-95.
[33] *See Green Power Express*, P 86.
[34] *ITC Holdings Corp., et al.*, 121 FERC ¶ 61,229, P 87 (2007) ("ITC Midwest Order").

Order,[35] in which the Commission found that the MISO Transmission Owners qualified by virtue of their status as members of MISO to receive an ROE incentive for their continuing RTO participation.

There can be no serious allegation that ITC Midwest is not an independent transmission company as defined by the Commission in its *Policy Statement Regarding Evaluation of Independent Ownership and Operation of Transmission*.[36] ITC Midwest should be granted the 100 basis point incentive approved for other independent transmission companies.

A. Award Of The Independence Incentive To ITC Midwest Now Is Appropriate.

In the proceeding for approval of the acquisition of its jurisdictional assets in 2007, ITC Midwest sought authorization for the 100 basis point independence incentive based on its status as an independent transmission company.

The Commission declined to award the independence incentive in 2007. However, the Commission's action was based solely on its finding that ITC Midwest had not demonstrated that its proposed ROE, including the 100 basis point independence incentive, fell within the range of reasonable returns, due to what the Commission described as "a number of difficulties" with the analysis submitted by ITC Midwest to support its requested ROE.[37] The Commission ordered ITC Midwest to use the 12.38 percent base ROE applicable to all MISO transmission owners. Importantly, the Commission also explained that its rejection of ITC Midwest's proposed ROE was "without prejudice to ITC Midwest making a new section 205 filing seeking to change its ROE" supported by a DCF analysis of a proxy group of companies with comparable risks.[38]

Commissioner Kelly filed a partial concurrence to emphasize that she would have supported the independent ownership incentive had ITC Midwest demonstrated that the resulting ROE fell within the zone of reasonableness.

In the Complaint Order, the Commission confirmed that the earlier denial of ITC Midwest's request for the independence incentive was not a substantive rejection of the incentive: "The Commission's rejection of incentives in that case was based on ITC Midwest's failure to demonstrate that the resulting ROE, including the incentives, would be within the zone of reasonableness, and not because ITC Midwest was ineligible for such incentives or that such incentives would provide less value to consumers than their costs."[39]

Even while declining to approve the 2007 request, the Commission confirmed ITC Midwest's independence, based on ITC Midwest's showing that ITC Midwest would not be affiliated with a traditional public utility company that engages in sales and distribution of electric power to captive retail customers, or with a traditional public utility company that owns

[35] *See* footnote 2, *infra*.
[36] 111 FERC ¶ 61,473 (2005).
[37] ITC Midwest Order, PP 42-44.
[38] *Id*., P 44.
[39] Complaint Order, P 202 (footnote omitted).

and operates generation assets. ITC Midwest's parent, ITC Holdings, had adopted – and continues to adhere to – rigorous provisions to secure its independence, including restrictions on Market Participants holding 5 percent or more of the common stock of ITC Holdings. The composition of ITC Holdings' Board of Directors, as well as the corporate governance structure of ITC Holdings, support ITC Midwest's full independence.[40] Under ITC's Policy on Independence, ITC Holdings' Board and all ITC officers and employees are precluded from having any direct financial interest in a Market Participant.[41]

Thus, the Commission's action in 2007 in declining to authorize the independence incentive for ITC Midwest does not present any bar to the Commission's authorizing the incentive in this proceeding. ITC Midwest is independent, as the Commission has found, and therefore entitled to receive the incentive in order to achieve the benefits that flow from its singular focus on transmission. Moreover, ITC Midwest agrees to be bound by the outcome of the MISO ROE complaint case in Docket No. EL14-12-000 with respect to the zone of reasonableness. This addresses the deficiency found by the Commission in ITC Midwest's prior request for an independence ROE incentive.

The Commission has continuing authority under Section 205 to provide policy-based incentives to encourage transmission investment. This authority pre-dates Order No. 679, and was the basis for the independence incentives authorized for ITC*Transmission* and METC. Recently the Commission has confirmed that "incentives identified in Order No. 679 can also be granted under the Commission's section 205 authority under certain circumstances, such as to promote important public policy goals."[42] As discussed above, the independence incentive achieves the Commission's policy to encourage transmission investment, as well as furthering the purpose of FPA Section 219 to promote "capital investment in the enlargement, improvement, maintenance, and operation of all facilities for the transmission of electric energy in interstate commerce" and to provide "a return on equity that attracts new investment in transmission facilities."[43]

B. With the Independence Incentive Included, The Authorized ROE For ITC Midwest Will Be Just And Reasonable.

To meet the requirement that rates be just and reasonable, the Commission has required that the overall ROE including any incentives must remain within the zone of reasonable returns.[44] Here the requested 100 basis point incentive would be applied to the base MISO-wide

[40] *See* Application in Docket Nos. EC07-89-000, *et al*., at p. 51, and ITC Midwest Order, PP 77, 87. *See also ITC Holdings Corp. and Entergy Corp.*, 143 FERC ¶ 61,256, P 125 (2013) ("The ITC Holdings Policy on Independence and Articles of Incorporation, which restrict potential ownership of stock in the company by market participants, also bolster and help maintain ITC Holdings' independence." (Footnote omitted.)

[41] The Policy on Independence establishes specific requirements to safeguard and maintain the independence of ITC Holdings and all of its Commission-regulated operating subsidiaries, including ITC Midwest. Restrictions on director, officer and employee financial interests in Market Participants appear in Section 4. The Policy on Independence is available at: http://www.itc-holdings.com/images/itc-greatplains/regulatory/14PolicyOnIndependence112514.pdf.

[42] *Xcel Energy Transmission Development Co., LLC*, 149 FERC ¶ 61,181, P 13 (2014) (footnote omitted).

[43] 16 U.S.C. § 824s(b)(1) and (2).

[44] *See, e.g., Commonwealth Edison Co. and Commonwealth Edison Co. of Indiana, Inc.*, 119 FERC ¶ 61,238 at P 77 (2007); *Southern California Edison Co.*, 121 FERC ¶ 61,168 at P 158 (2007), *reh'g denied,* 123 FERC ¶ 61,293

ROE to be determined in EL14-12-000. ITC Midwest understands the Commission's standing policy and agrees that its ROE, including the independence incentive requested here, will be bound by the upper end of the zone of reasonableness as determined in Docket No. EL14-12-000. The Commission recently accepted a similar commitment to apply an ROE incentive to the base MISO-wide ROE shown to be just and reasonable based on an updated discounted cash flow ("DCF") analysis, and subject to the resulting ROE being within the zone of reasonableness determined by the DCF analysis, as determined in Docket No. ER14-12-000.[45]

C. Request For Deferral Of Collection

The attached tariff sheets reflect the requested 100 basis point ROE incentive becoming effective 60 days from the date of this filing, or April 1, 2015. However, as the result of the complaint in Docket No. EL14-12-000, ITC Midwest's base ROE is being collected subject to refund, and there is the possibility of a change in the MISO-wide base ROE and the range of reasonable returns. ITC Midwest requests that it be authorized to defer collection of the independence ROE incentive from the effective date until such time as a final order is entered in Docket No. EL14-12-000.

Good cause exists to grant ITC Midwest's request. Deferral of the collection of the independence ROE incentive pending the outcome of the Complaint Proceeding will avoid unnecessary rate volatility that would result if the incentive is collected now, but then the base ROE is modified by the outcome of the complaint proceeding. Deferral of collection of the requested incentive also avoids the potential for increased refund liability, should the current MISO base ROE be reduced. The proposed deferral does not affect the effective date of the incentive, only the timing of its collection. Upon resolution of the complaint proceeding, ITC Midwest would apply the independence ROE incentive back to the effective date (60 days after the January 30, 2015, filing date, or April 1, 2015) in calculating any refunds or surcharges that may result from the complaint proceeding. The Commission approved a similar request for deferral of collection of an approved ROE incentive in the RTO Incentive Order[46] in the interests of administrative efficiency.

III. DOCUMENTS SUBMITTED IN THIS FILING; REQUEST FOR WAIVERS

This filing consists of the following:

1. This transmittal letter; and
2. Clean and redlined tariff sheets under Attachment O of the MISO Tariff for ITC Midwest to implement the independence incentive.

In light of ITC Midwest's commitment to limit its total ROE in accordance with any new range of reasonable returns adopted by the Commission in a final order in Docket No. EL14-12-000, ITC Midwest requests a waiver of the provisions of the Commission's rules in Section 35.13 that require the submission of cost of service information and statements in connection

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(2008); *Potomac-Appalachian Transmission Highline, L.L.C.*, 122 FERC ¶ 61,188 at P 28 (2008).
[45] RTO Incentive Order, P 44.
[46] *Id.*, P 47.

with the requested rate change, and testimony and exhibits to support the requested rate change (including the required discounted cash flow analysis). Such information would be duplicative of exhibits and testimony that have been or may be filed in Docket No. EL14-12-000, and is unnecessary here to enable the Commission to judge the justness and reasonableness of the resulting ROE, given ITC Midwest's commitment to adhere to any range of reasonable returns that the Commission may establish in Docket No. EL14-12-000. A comparable waiver was granted in the RTO Incentive Order.[47]

Thus, ITC Midwest respectfully requests waiver of the filing requirements in the Commission's regulations in 18 C.F.R. §§ 35.13 (a), (c), (d), (e), and (h).[48] ITC Midwest further requests waiver of any other applicable requirement of Part 35 to the extent necessary to permit the Commission to accept this filing.

No agreement to the filing of this rate change is required. None of the costs related to this filing has been alleged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory practices.

In accordance with Section 35.2(e) of the Commission's regulations, MISO has served a copy of this filing, including attachments, electronically on all Tariff Customers under the MISO Tariff, MISO Members, Member representatives of Transmission Owners and Non-Transmission Owners, the MISO Advisory Committee participants, as well as state commissions within the MISO region and the Organization of MISO States. In addition, the filing has been posted electronically on the MISO's website at www.misoenergy.org for other parties interested in this matter.

IV. PROPOSED EFFECTIVE DATE

ITC Midwest requests that the 100 basis point independence incentive be effective 60 days after the date of this filing (or on April 1, 2015).

V. COMMUNICATIONS

All communications regarding this filing should be directed to:

Stephen J. Videto*
Andrew M. Jamieson
ITC Holdings Corp.
27175 Energy Way, Fifth Floor
Novi, MI 48377
T: 248-946-3540
F: 248-946-3552
svideto@itctransco.com

Linda G. Stuntz*
Ellen S. Young
Stuntz, Davis & Staffier, PC
555 Twelfth Street, NW, Suite 630
Washington, DC 20004
T: 202-638-6588
F: 202-638-6581
lstuntz@sdsatty.com

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[47] *Id.*, P 45.

[48] Similar waivers were granted by the Commission in *Baltimore Gas & Elec. Co.*, 120 FERC ¶ 61,084 at P 73 (2006); *PEPCO Holdings, Inc.*, 121 FERC ¶ 61,169 at P 19-20 (2007).

Jacob T. Krouse*
Attorney
Midcontinent Independent
System Operator, Inc.
P.O. Box 4202
Carmel, IN 46082-4202
Telephone: 317-249-5715
Fax: 317-249-5912
jkrouse@misoenergy.org

Individuals designated for inclusion on the Commission's official service list in this proceeding are shown with an asterisk (*).

VI. CONCLUSION

The Commission consistently has recognized the benefits of the independent transmission company model in awarding return on equity incentives to fully independent, stand-alone transmission-only companies. The Commission's practice was ratified by Congress in the Energy Policy Act of 2005, and the Commission has recently affirmed the ongoing benefits of the independence incentive.

The Commission's policy of awarding incentives for fully independent transmission companies recognizes the significant "cost" to independence. If the burdens and risks of the independent business model are not addressed by incentives, consumers could face the loss of the benefits of structural independence that the Commission has recognized repeatedly for more than a decade. ITC Midwest's ROE, including the independence incentive, will be within the zone of reasonable returns authorized in Docket No. EL14-12-000, and will be just and reasonable.

For the foregoing reasons, the Commission should authorize ITC Midwest to implement a 100 basis point return on equity incentive for independent transmission ownership.

Respectfully submitted,

/s/ Linda G. Stuntz

Stephen J. Videto
Andrew M. Jamieson
ITC Holdings Corp.
27175 Energy Way, Fifth Floor
Novi, MI 48377
T: 248-946-3540
F: 248-946-3552
svideto@itctransco.com

Linda G. Stuntz
Ellen S. Young
Stuntz, Davis & Staffier, PC
555 Twelfth Street, NW, Suite 630
Washington, DC 20004
T: 202-638-6588
F: 202-638-6581
lstuntz@sdsatty.com

Counsel to **ITC Midwest LLC**

/s/ Jacob T. Krouse

Jacob T. Krouse
Attorney
Midcontinent Independent
System Operator, Inc.
P.O. Box 4202
Carmel, IN 46082-4202
Telephone: 317-249-5715
Fax: 317-249-5912
jkrouse@misoenergy.org

Counsel to MISO