

Attachment 3



ITC MIDWEST
6750 Chavenelle Road
Dubuque, IA 52002
phone: 563.585.3600
www.itctransco.com

August 17, 2009

Mr. Dave Duebner
Midwest Independent Transmission System Operator
1125 Energy Park Drive
St. Paul, MN 55108

Dear Mr. Duebner:

ITC Midwest LLC ("ITC Midwest") hereby formally requests that the Midwest Independent Transmission System Operator, Inc. ("MISO") reevaluate the cost sharing eligibility of project #1340 (commonly referred to as the Salem-Lore-Hazleton 345 kV project). MISO has identified the project as not eligible for regional cost sharing. More specifically, the MISO determined this project failed to meet the minimum provisions to be qualified as either a RECB I (reliability) or a RECB II (economic) project. The MISO did recognize the project as having benefits applicable to both RECB I and RECB II, but MISO does not have a process to cost share in projects that demonstrate benefits applicable to both RECB I and II while not independently meeting the minimum requirements of either one.

ITC Midwest believes recent events warrant MISO to reevaluate the merits of the Salem-Hazleton project in regards to cost sharing status. Wisconsin Power and Light announced its withdrawal of the Nelson-Dewey coal-fired generating unit in southwest Wisconsin. MISO's analysis of the Salem-Hazleton project included the Nelson Dewey project along with its associated transmission upgrades. Because of the proximity of the Nelson Dewey project in relation to the Salem-Hazleton 345kV project, ITC Midwest believes there is a potential that a reevaluation of the Salem-Hazleton project by MISO would conclude different results in terms of cost sharing under RECB I and II provisions.

ITC Midwest understands that MISO typically does not reconsider cost sharing eligibility of projects but ITC Midwest believes that it is appropriate to do so when one of the major system assumptions changes. In this case, it is not appropriate to evaluate the merits of ITC Midwest's project by basing evaluations upon models which include defunct projects (i.e. Nelson-Dewey generation) of another entity. Since the ITC Midwest Project will not be in service for almost two years from now, there is ample time for MISO to communicate to stakeholders a change in the cost sharing status if evaluations conclude cost sharing is warranted.

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As a secondary notification of this letter, ITC Midwest is clarifying submitted changes to project #1340. The line routing study process has determined that 345 kV access to the Lore substation site from the south to be impractical. In response, ITC Midwest is modifying the Salem-Lore-Hazleton 345 kV project with the alternative Salem-Hazleton 345 kV project. The alternative project will construct a new 345kV line from Salem to Hazleton and not be routed through the Lore substation. In addition, a 2nd Salem 448 MVA transformer will be installed instead of the Lore 345 kV source. This alternative was also studied by MISO in the Eastern Iowa Study. ITC Midwest believes this change to be immaterial.

ITC Midwest believes the completion of this project is important to improving the reliability and efficiency of the transmission grid in the MISO region. Notably, the Minnesota Public Utilities Commission and the Minnesota Department of Commerce recently have also recognized the value of this project. This demonstrates the regional benefits of the project. ITC Midwest believes the project to have significant benefits to Eastern Iowa and to the MISO region. In combination with the recent changes in the area, ITC Midwest believes that reevaluation of cost sharing eligibility is warranted.

Sincerely,

A handwritten signature in black ink, appearing to read 'JEFF EDDY', is written over a faint circular stamp or watermark.

Jeff Eddy
Manager, Planning
ITC Midwest

CC Jeff Webb, MISO
John Lawhorn, MISO
Douglas C. Collins, ITC Midwest
Thomas Vitez, ITC Midwest

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