

Attachment 4

September 28, 2009

Jeff Eddy
ITC Midwest
6750 Chavenelle Road
Dubuque, IA 52002

RE: P1340 Salem-Lore-Hazelton 345 kV line reevaluation

Dear Mr. Eddy:

I received your August letter requesting the reevaluation of the P1340 Salem-Lore-Hazelton 345 kV line project which was approved in MTEP08 as an Other project which was not eligible for cost sharing. The Midwest ISO appreciates your concerns that there are a number of changes of generation and transmission plans in the area of this project which would change the evaluation of this project in regards to RECB I and RECB II criteria. However, reevaluation of a project is not allowed under these circumstances.

If a project is approved in Appendix A, its tariff classification and cost allocation is done based on the topology known and projected at the time of the MTEP approval. That classification and associated allocation percentages (Baseline Reliability, Generator Interconnection, Regionally Beneficial, Other) are not revisited over time and/or once the project is complete. This is intended to provide increased cost certainty and avoid gaming by those seeking either additional or reduced allocation on an ongoing basis as conditions may change. This fixed allocation is true even if we later make tariff and/or policy changes (the recent N-2 business practices as an example). Tariff changes are applied on a going forward basis only. This policy holds true even if a project is deferred a few years, but still is ultimately constructed.

We appreciate that there are changes in plans in the area of the project. The state of the "Plan" is always in flux. Therefore, without the "no change" policy, all approved projects would be constantly subject to reevaluation for these reasons.

The tariff and our business practice do allow that a project could be substantially modified or replaced with a better project if system conditions change. For example, a reliability project that was meant to meet load growth could be cancelled if the need changes. This allows the Transmission Owners to make prudent planning adjustments and invest in what is needed. We have had a handful of cancellations, over the course of the last few years.

If any project, reliability or economic, is significantly modified (major facility component changes) or replaced with another better project (say one that addresses the previously targeted reliability fix plus an additional reliability fix), the significantly modified/replaced project would be considered a new project (original withdrawn, new project replacing). That new project would be reassessed for inclusion in Appendix A, including an assessment of the appropriate cost sharing treatment under the new MTEP topology, and would require Board of Director approval as a new project.

In this case, we do not believe that ITCM is substantially modifying the design of the 345 kV line between Salem and Hazelton, nor that the underlying driver for the project has changed, such that a cancellation of that project and replacement with a wholly different alternative is in order. The change in the scope of P1340 from Salem-Lore-Hazelton 345 kV line to a Salem-Hazelton 345 kV line with Lore 345/161 transformation moved to Salem is not a substantial change in the project or driver. The major project element is the 345 kV line between Salem and Hazelton. The location of the 345/161 kV transformation is flexible.

Midwest ISO agrees that the Salem-Hazleton 345 kV line project will be a used and useful addition to the transmission system in this area. However, we cannot grant your reevaluation request.

Sincerely,

David Duebner
Manager, Expansion Planning
Midwest ISO

cc: Jeff Webb, Midwest ISO
Douglas Collins, ITC Midwest
Thomas Vitez, ITC Midwest