

## APPENDIX I AGREEMENT

This Appendix I Agreement (“Agreement”) is entered into as of this 20th day of December 2007, by and between ITC Midwest LLC (“ITC Midwest”) and the Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”). ITC Midwest is an Independent Transmission Company within the Midwest ISO, and also is a signatory to the Agreement of the Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation (“Transmission Owners Agreement”). In recognition of ITC Midwest’s status as an Independent Transmission Company, this Agreement establishes ITC Midwest as an Appendix I member of the Midwest ISO. This Agreement supplements the terms of the Transmission Owners Agreement, the terms of which are incorporated herein, except that this Agreement controls in the event of any conflict between this Agreement and the Transmission Owners Agreement.

For purposes of this Agreement, unless otherwise specified, capitalized terms used herein shall have the same meaning as such terms have under the Transmission Owners Agreement. In addition:

“ITC Midwest System” shall mean the transmission facilities owned by ITC Midwest in the ITC Midwest Zone.

“ITC Midwest Zone” shall mean the Midwest ISO pricing zone for which ITC Midwest’s rates as accepted or approved by FERC shall apply.

### 1. FERC APPROVAL; TERMINATION; TERMS

- 1.1 FERC Acceptance As A Prerequisite. This Agreement shall become effective upon the latter of the date on which this Agreement is approved by the Federal Energy Regulatory Commission (“FERC”) and ITC Midwest’s execution of the Transmission Owners Agreement (the “Effective Date”).
- 1.2 ITC Midwest shall be entitled on one year’s written notice to Midwest ISO to withdraw its facilities from the Transmission System in accordance with the procedures set forth in Article Five of the Midwest ISO Agreement or Article VII of the Midwest ISO Agreement and may as of the effective date of such withdrawal terminate this Agreement. With respect to any other Member of the Midwest ISO hereafter taking service under Appendix I (or any successor appendix to or part of the Midwest ISO Agreement) or as an Independent Transmission Company (“ITC”), should such Member have withdrawal or termination rights which are more favorable to such Member than those contained in this Section 1, such more favorable rights shall be treated for purposes of this Agreement the same as a Superior Term under Section 1.3 hereof and shall be made a part hereof, subject to FERC approval, if required.

- 1.3 Notwithstanding any other provision of this Agreement, Midwest ISO shall not discriminate against ITC Midwest *vis a vis* other Midwest ISO Members (including without limitation Owners or other ITCs) or Users to which it supplies identical or substantially similar services. In furtherance of the foregoing and not in limitation thereof, in the event that, subsequent to the date hereof, Midwest ISO enters into any agreement or arrangement with or with respect to any current or future Midwest ISO Member or any other ITC, User or transmission customer containing any term with respect to the cost or provision of, or liability for, services which are identical or substantially similar in nature to those being provided under or as contemplated by this Agreement, which term is more favorable to such Midwest ISO Member or ITC, User or customer (a “Superior Term”) than any comparable term contained herein is to ITC Midwest or any Relevant Customer (as the case may be), at the option of ITC Midwest and subject to FERC approval, if required, this Agreement shall be deemed amended, on and as of the later of the effectiveness of such Superior Term or any required FERC approval, to the extent necessary or appropriate to incorporate such Superior Term herein in lieu of any such comparable term so that such Superior Term thereafter governs the cost or provision of, or liability for (as the case may be) services under or as contemplated by this Agreement and the relationship of Midwest ISO and ITC Midwest (for itself and with respect to Relevant Customers) under this Agreement.
- 1.4 In the event that ITC Midwest acquires transmission facilities after the Effective Date of this Agreement which are not already subject to Midwest ISO’s operational control, such facilities shall not become part of the ITC Midwest System subject to the functional control of the Midwest ISO or otherwise become subject to Midwest ISO’s operational control unless ITC Midwest chooses to assign such facilities to Midwest ISO’s operational control under this Agreement, which assignment may occur on a case-by-case basis or on a continuous basis at ITC Midwest’s option.

## 2. REVENUE DISTRIBUTION

- 2.1 Redistribution of Revenues. ITC Midwest may distribute the revenues due it in accordance with Appendix C of the Midwest ISO Agreement in any manner it wishes subject to receiving any necessary regulatory approvals, without involvement of the Midwest ISO.

### 3. LOSSES

- 3.1 Right to File. ITC Midwest shall possess the unilateral right to file at FERC, without any Midwest ISO approval, a mechanism for determining loss responsibility within the ITC Midwest Zone, provided that this method does not affect the losses received by Owners and generators in areas outside of the ITC Midwest Zone.

### 4. TARIFF ADMINISTRATION

- 4.1 ITC Midwest shall make all decisions on rate discounts for ITC Midwest-only transactions.
- 4.2 Tariff Terms. ITC Midwest shall have the right to establish tariff rates, terms and conditions of service under the Midwest ISO Tariff for transactions within the ITC Midwest Zone. Midwest ISO shall administer the Midwest ISO Tariff and operate the ITC Midwest System for the purpose of providing transmission service under the Midwest ISO Tariff and any ITC Midwest specific tariff schedules.
- 4.3 Studies. If a system impact or other study is required to evaluate the ability of the ITC Midwest System to provide the transmission service and the transaction is within the ITC Midwest System, then ITC Midwest shall assume responsibility for the study, subject to coordination with the Midwest ISO. If a facilities study is required to study a constraint within the ITC Midwest System, then ITC Midwest shall assume responsibility for the study in coordination with the Midwest ISO. With regard to such studies, the Midwest ISO shall administer the contracts with the customers and shall provide the notices and make the filings under the Transmission Tariff.
- 4.4 ATC. The Midwest ISO shall administer the ATC calculation in accordance with this Agreement and shall calculate capacity benefit margin and transmission reserve margin, provided that ITC Midwest shall possess the unilateral right to provide the ratings, operating guides, and assumptions to be used in calculating ATC over the ITC Midwest facilities. If the Midwest ISO disagrees with these ratings, operating guides, or assumptions, ITC Midwest's position shall prevail pending dispute resolution.

## 5. OPERATIONS

- 5.1 Ratings and Operating Procedures. ITC Midwest may establish ratings and operating procedures for its facilities subject to dispute resolution if the Midwest ISO disagrees. ITC Midwest's position shall prevail pending dispute resolution.
- 5.2 Transmission Maintenance. ITC Midwest may set its own transmission maintenance and outage schedules subject to dispute resolution if the Midwest ISO disagrees. ITC Midwest shall coordinate such transmission maintenance and outage schedules with the Midwest ISO. For all facilities rated 100 kV and above, ITC Midwest shall provide to the Midwest ISO notice of the initial schedule, and any change to the schedule of a planned outage within the time requirements of the Midwest ISO Agreement and the Business Practice Manuals. With regard to such schedules, ITC Midwest's position shall prevail during the dispute resolution process unless the Midwest ISO determines that system reliability is involved, in which case the Midwest ISO's determination shall prevail pending dispute resolution.
- 5.3 Generation Maintenance. Midwest ISO shall promptly provide ITC Midwest with any advance notice it receives of scheduled generator outages that affect the ITC Midwest system, to permit ITC Midwest to schedule transmission outages on the ITC Midwest system and perform its other functions hereunder, and to permit Midwest ISO to exercise its responsibilities under the Midwest ISO Tariff with respect to generator outages. ITC Midwest may agree to coordinate with generators to modify its planned transmission outage schedules in coordination with generator outage schedules.

## 6. PLANNING

- 6.1 ITC Midwest Plan. ITC Midwest may develop its plan for the construction of transmission facilities within the ITC Midwest System. ITC Midwest shall inform and provide a copy of its plan to the Midwest ISO as soon as it is available and shall coordinate with the Midwest ISO to the maximum extent practicable. Midwest ISO approval is not required for the ITC Midwest plan (subject to any dispute resolution), which shall become part of the Midwest ISO regional plan. Projects included in any ITC Midwest plan shall only qualify for cost allocation under the Midwest ISO Regional Expansion Criteria and Benefits Filings (Attachment FF) through which costs would be sought to be recovered from Pricing Zones outside the ITC Midwest Zone, if the projects have been included in the Midwest ISO transmission expansion planning process. If the Midwest ISO believes that an ITC Midwest planned facility will have a material impact on facilities outside of the ITC Midwest System which are located within the Midwest ISO, the ITC Midwest plan shall not be implemented until such time as the Midwest ISO has a reasonable time to review the ITC Midwest plan and any disputes are resolved.
- 6.2 Regional Planning. Nothing in this Section 6 is intended to change the responsibility of the Midwest ISO to develop a regional plan, including the ITC Midwest facilities, as provided in the Midwest ISO Agreement.

## 7. BILLING AND REMITTANCE

- 7.1 ITC Midwest Responsibilities. For transactions occurring solely within the ITC Midwest Zone or where the load is located within the ITC Midwest Zone, ITC Midwest possesses the right to perform the billing, credit, and accounting responsibilities for those transactions, subject to mutual agreement between ITC Midwest and the Midwest ISO on the terms and arrangements under which ITC Midwest performs such billing.
- 7.2 At ITC Midwest's election, Midwest ISO will act as billing agent for ITC Midwest with respect to identification, billing and collection of all revenues arising from transmission transactions on the ITC Midwest system ("Billing Service"). In performing the Billing Service, Midwest ISO shall invoice each applicable Relevant Customer for transmission service, ancillary services, and energy market charges as set forth in the Midwest ISO Tariff. ITC Midwest shall have no responsibility to Midwest ISO with respect to the payment obligations of Relevant Customers. All invoices issued to Relevant Customers shall direct that payment be made in accordance with the Funds Trust Agreement. The Trustee shall remit such payments to ITC Midwest in accordance with such payment instructions as ITC Midwest shall provide to the Trustee from time to time.

8. DISPUTE RESOLUTION

8.1 Dispute resolution as used in this Appendix I Agreement refers to the dispute resolution procedures included as Appendix D to the Midwest ISO Agreement, as it may be amended. The Midwest ISO shall consider whether any changes to its dispute resolution procedures need to be made to implement this Appendix I Agreement.

9. NOTIFICATION OF ASSUMPTION OF RESPONSIBILITIES

9.1 ITC Midwest hereby provides notice to the Midwest ISO of its election to assume the responsibilities described in this Appendix I Agreement, and its election pursuant to Section 7.2 of this Agreement that Midwest ISO will act as the billing agent for ITC Midwest as specified therein.

10. OPERATING PROCEDURES AND PROTOCOLS

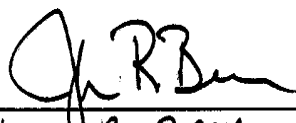
10.1 ITC Midwest and the Midwest ISO shall cooperate and use their best efforts to develop the necessary operating procedures and protocols pursuant to this Appendix I Agreement. ITC Midwest and Midwest ISO shall seek agreement (where time limitations allow) on real-time operational decisions affecting the ITC Midwest system not otherwise specified in the Midwest ISO Operating Guides. In the absence of such agreement, or if time limitations do not permit reaching agreement, the Midwest ISO shall exercise its authority to direct operations. Any disagreements shall be resolved pursuant to dispute resolution. Once such procedures and protocols have been developed, either through agreement or after dispute resolution, the Midwest ISO shall post such procedures and protocols on its website.

11. RESPONSIBILITY FOR GENERATOR INTERCONNECTION SERVICE

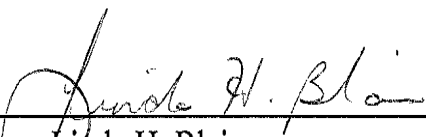
11.1 ITC Midwest shall be responsible for generator interconnection service within the ITC Midwest Zone and shall have the right to establish the terms and conditions thereof, provided that FERC has approved ITC Midwest's plans and processes for such interconnection service. Until FERC approval of such plans and processes, on and after the Effective Date, Midwest ISO's interconnection requirements found in Attachment R (small generator interconnections) and Attachment X (large generator interconnections) shall govern the provision of generator interconnection service within the ITC Midwest Zone.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

MIDWEST INDEPENDENT TRANSMISSION  
SYSTEM OPERATOR, INC.

By:   
Name: John R. Bear  
Title: President and Chief Operating Officer

ITC MIDWEST LLC

By:   
Name: Linda H. Blair  
Title: Executive Vice President – Chief Business Officer,  
ITC Holdings Corp., its sole member