

REVENUE DISTRIBUTION AGREEMENT

THIS REVENUE DISTRIBUTION AGREEMENT, dated this 26th day of October, 2006 ("Agreement"), is entered into by and between the International Transmission Company, ("ITC") and the Michigan Public Power Agency ("MPPA"). ITC and MPPA shall sometimes be referred to herein as "Party" and collectively as "Parties."

The Parties hereby agree as follows:

1. **Designated Transmission Owner.** Consistent with Appendix C Section III (A)(8) of the "Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc." ("Midwest ISO TOA"), ITC shall serve as the designated transmission owner to receive the revenues allocated to the ITC transmission pricing zone.
2. **MPPA Component.** For each period, the Parties agree that the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") shall determine and identify MPPA's share of the total revenue distributions made by the Midwest ISO to ITC (the "MPPA Component") to be distributed to MPPA through ITC. The MPPA Component shall not include any amounts that the Midwest ISO has distributed or will distribute directly to MPPA, and shall be net of any related charges or related pass-through amounts as calculated and invoiced by the Midwest ISO. The Midwest ISO's shall calculate the MPPA Component in accordance with Attachment "A" hereto; provided, however, that ITC shall have no responsibility to ensure that the Midwest ISO properly calculates and remits to ITC the MPPA Component.
3. **Revenue Distribution.** Effective January 1, 2005, ITC shall distribute to MPPA the MPPA Component on a frequency consistent with ITC's receipt of revenues from the Midwest ISO.
 - (a) In the event that the Midwest ISO levies a penalty on a Transmission Customer, those revenues shall not be subject to this Agreement.
 - (b) ITC will distribute the MPPA Component within ten (10) business days after receipt by ITC. Such distribution shall be made by electronic transfer to:

Bank One - Grand Rapids, MI
for Michigan Public Power Agency
ABA Routing No. 072000326
Account No. 270-204-214-001

unless directed otherwise by MPPA by advance written notice delivered to ITC in accordance with Section 12 of this Agreement.

- (c) If ITC distributes revenues to MPPA and it is thereafter determined that such revenues were collected, received, or distributed in error, then ITC shall promptly notify MPPA of the error. Absent agreement between ITC and MPPA to correct such error in another manner within fifteen (15) days of ITC's notice to MPPA of such error, ITC shall be entitled to deduct or add, as the case may be, such amount from distributions otherwise due to be paid over to MPPA pursuant to Section 2, above, to correct the error. In the event that there is insufficient revenue distribution due or to become due to MPPA in order to correct any overpayment(s) to MPPA, MPPA shall pay to ITC any such overpayment(s) within fifteen (15) days of ITC's notice to MPPA of such error. Whenever it issues notice of any such error, ITC shall contemporaneously provide to MPPA documentation to explain the error, and shall likewise provide documentation to support any deduction or addition made to future distributions to correct such error.
 - (d) If ITC distributes revenues to MPPA and the Midwest ISO later informs ITC that such revenues were collected, received, or distributed in error or that refunds of such amounts are due, then ITC shall promptly notify MPPA of the error. Absent agreement between ITC and MPPA to correct such error in another manner within fifteen (15) days of ITC's notice to MPPA of such error, ITC shall be entitled to deduct or add, as the case may be, such amount from distributions otherwise due to be paid over to MPPA pursuant to Section 2, above, to make the required correction or refund payments to the Midwest ISO. In the event that there is insufficient revenue distribution due or to become due to MPPA in order to correct any overpayment(s) to MPPA, MPPA shall pay to ITC any such overpayment(s) within fifteen (15) days of ITC's notice to MPPA of such error. Whenever it issues notice of any such error, ITC shall contemporaneously provide to MPPA documentation to explain the error or basis for the refund, and shall likewise provide documentation to support any deduction made from future distributions to correct such error. Such documentation shall include a copy of the relevant correspondence between ITC and the Midwest ISO.
- 4. **Coordination with Midwest ISO.** The Parties agree to coordinate and cooperate with the Midwest ISO as necessary to implement this Agreement.
- 5. **Term and Termination.** This Agreement shall remain in effect until the earlier of: (a) the date either ITC or MPPA withdraws from the Midwest ISO; (b) a date upon which the Parties mutually agree; or (c) the date the Midwest ISO structure or process changes so that Midwest ISO no longer distributes revenue to ITC that is to be further distributed to MPPA; provided, however, that ITC's obligations to distribute the MPPA Component received by ITC from the Midwest ISO shall survive termination of this Agreement until such time as ITC has made full and complete distributions to MPPA under this Agreement, or for so long as ITC continues to receive from the Midwest ISO revenues to be distributed to MPPA.

6. **Support of Agreement.** In the event that FERC requires any modification of this Agreement, or conditions its approval of this Agreement in a manner not acceptable to the Party to which the condition applies, the Parties to this Agreement shall exercise best efforts to modify this Agreement in a mutually agreeable manner, recognizing that MPPA shall be entitled to receive its revenues collected by the Midwest ISO and distributed to ITC for remittance to MPPA, if and as received by ITC.
7. **Indemnity/Liability.** Each Party is responsible for its own rate that comprises a portion of the ITC pricing zone, for defending claims against that rate or the Party's rate calculation or revenue requirement, and for paying any refunds of revenue collected as a result of its rate that comprises a portion of the ITC pricing zone.
 - (a) ITC shall have no duty to defend any third party (i) challenge to MPPA's right to receive revenues from Midwest ISO through ITC as contemplated under this Agreement, (ii) claim for a refund of such revenues; (iii) claim of set off or any other defense to, or argument for, the non-payment of MPPA's revenues received or to be received under this Agreement. ITC shall have no liability to MPPA for revenues not received from the Midwest ISO or revenues required to be refunded to Midwest ISO or to a customer of Midwest ISO. To the extent permitted by law, MPPA shall defend and hold ITC harmless from third party claims against ITC pertaining to the charging, collection or distribution of the MPPA Component.
 - (b) This Agreement shall not affect either Party's liability for its share of, or exemption from, all charges, assessments, refunds or fees imposed by FERC or incurred under or pursuant to the Midwest ISO tariff or the Midwest ISO TOA or other applicable Regional Transmission Organization ("RTO") tariff or agreement on file with the FERC, including, but not limited to, any charges arising under any applicable Schedules to the Midwest ISO tariff, and any other congestion costs, lost revenue charges, exit fees or other charges, assessments or fees under the Midwest ISO tariff, the Midwest ISO TOA or any other applicable RTO tariff or agreement.
8. **Descriptive Headings.** The descriptive headings of the Sections and other provisions of this Agreement have been inserted for convenience of reference only and shall not define, modify, restrict, construe, or otherwise affect the construction or interpretation of any of the provisions of this Agreement.
9. **Governing Law.** This Agreement shall be interpreted, construed, and governed by the laws of the State of Michigan, except for matters subject to the exclusive jurisdiction of the FERC.
10. **Successors and Assigns.** This Agreement shall inure to the benefit of, and be binding upon, the Parties, their respective successors and assigns.

11. **No Joint Venture.** This Agreement is entered into solely to facilitate the distribution of revenue from the Midwest ISO to MPPA through ITC related to certain Designated Transmission Facilities. By entering into this Agreement and by performing their respective obligations hereunder, the Parties do not intend to establish, and this Agreement shall not be interpreted or construed to establish, any partnership, joint venture or agency relationship of any kind or nature between ITC and MPPA. By entering into this Agreement, ITC makes no representation regarding the propriety of the revenue distribution by Midwest ISO to MPPA.
12. **Delivery of Notices.** Except as otherwise expressly provided herein, notices required under this Agreement shall be in writing and shall be sent to a Party by U.S. mail, overnight courier, hand delivery, fax, or other reliable electronic means. Any notice required under this Agreement shall be deemed to have been given either upon delivery, if by U.S. mail, overnight courier, or hand delivery, or upon confirmation, if given by fax or other reliable electronic means.
13. **Entire Agreement.** This Agreement constitutes the entire agreement among the Parties with respect to the subject matter of this Agreement, and no previous or contemporary oral or written representations, agreements, or understandings made by any officer, agent, or employee of any Party shall be binding on any Party unless contained in this Agreement.
14. **Section 205 and 206 Rights.** Each Party shall retain all rights it may have pursuant to section 205 and 206 of the Federal Power Act, 16 U.S.C. §§824b and 824c. The standard of review for any changes to this Agreement that are agreed upon by the Parties shall be the “just and reasonable standard.” The standard of review for any changes to this Agreement that are not agreed upon by the Parties shall be the “public interest” standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.* 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

**INTERNATIONAL TRANSMISSION
COMPANY.**

MICHIGAN PUBLIC POWER AGENCY

By: /s/ Joseph Welch

Joseph Welch

President

International Transmission Company

39500 Orchard Hill Place, Suite 200

Novi, MI 48375

(248) 374-7000

By: /s/ Gary Zimmerman

Gary Zimmerman

General Manager

Michigan Public Power Agency

809 Centennial Way

Lansing, MI 48917

(517) 323-8919

ATTACHMENT A

The MPPA Component shall be calculated by the Midwest ISO based on the formula below:

MPPA Component = Allocable Share x Qualifying Revenue

Allocable Share

The formula for calculation of the Allocable Share is as follows:

Schedule 9 Monthly Rate ITC Pricing Zone – Page 1, Line 17, Column E ITC Attachment O x 1000

Schedule 9 Monthly Rate ITC Pricing Zone

The Allocable Share shall be recalculated: (i) at least annually, using the most currently available and applicable data; or (ii) at such time that the underlying components change, including either ITC's or MPPA's annual revenue requirements submitted to and accepted by the Midwest ISO.

Schedule 9 Monthly Rate ITC Pricing Zone is the applicable Midwest ISO rate for tariff Schedule 9 per MegaWatt-Month (\$/MW-MO) for International Transmission Company.

Qualifying Revenue

The Qualifying Revenue, includes but is not limited to, certain Base Transmission revenues, charges, and pass throughs as invoiced to or on behalf of ITC by the Midwest ISO from time to time for Schedules 7, 8 and 9 transmission service. Schedule 7 and Schedule 8 revenues, charges and pass throughs must meet all of the following criteria to be considered Qualifying Revenue: (i) sink contains DECO; (ii) revenue distribution exception equals 1.00, 2.00, 3.00 or 4.00; (iii) base transmission revenue is greater than \$0.00; and (iv) TPF revenue equals \$0.00