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FILE NO: 57007.000001

May 13, 2004

By First Class Registered Mail
Return Receipt Requested

Mr. Stephen G. Kozey
Vice President, Secretary and General Counsel
Midwest Independent Transmission
System Operator, Inc
701 City Center Drive
Carmel, Indiana 46032

Mr. Ronald J. Brothers
Chair, Midwest ISO ADR Committee
Cinergy Services, Inc.
1000 E. Main Street
Plainfield, IN 46168

Re: Request for Arbitration of Dispute Regarding Allocation of Revenues to American Transmission Company LLC

Dear Messers Kozey and Brothers:

Pursuant to Appendix D, Section IV.B. of the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc. (TO Agreement), American Transmission Company LLC (ATCLLC) hereby submits a written demand for arbitration to resolve a dispute regarding the appropriate distribution of revenues by the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) to ATCLLC.

This dispute began on or about December 8, 2003 with the Midwest ISO's decision to change the manner in which it allocates to Transmission Owners revenues it receives for certain point-to-point transmission service taken by Xcel Energy (Xcel). The Midwest ISO's decision to change its allocation procedures violates the terms of the TO Agreement to the detriment of ATCLLC and its customers.

By e-mail letter dated March 26, 2004, the ADR Committee notified ATCLLC that the Committee "has determined mediation would be highly unlikely to lead to a resolution of this dispute." Thus, ATCLLC requests that the ADR Committee promptly begin arbitration proceedings to resolve this matter in accordance with Appendix D, Section IV of the TO Agreement.

The following is a brief description of the claim and the relief requested as required in Appendix D, Section IV. This is not intended to recite all relevant facts and allegations or preclude ATCLLC from making additional arguments at a later date.

BRIEF DESCRIPTION OF THE CLAIM

From February 1, 2002 through November 30, 2003, the Midwest ISO distributed revenues associated with certain point-to-point transmission service under the Midwest ISO OATT taken by Xcel[1] in accordance with the revenue distribution provisions in the TO Agreement, Appendix C, Section III.A.2 (Section III.A.2). Although this point-to-point service was reserved by Xcel, it was used by Wisconsin Public Service Corp. (WPSC) to transmit to the ATCLLC border the energy and capacity WPSC purchased under a power purchase agreement between WPSC and Northern States Power Marketing (NSPM), a marketing subsidiary of Xcel.[2] WPSC used its partial path network service to move the energy and capacity from the ATCLLC border to its native load.

In late 2002, the Midwest ISO refused to merge the two pre-Midwest ISO partial path transmission reservations, thereby refusing to grant WPSC roll-over rights for the point-to-point transmission portion of its power purchase agreement with NSPM. Midwest ISO argued that the point-to-point transmission service reservation belonged to NSPM and only NSPM could exercise roll-over rights. WPSC eventually filed a complaint at FERC. FERC agreed with the Midwest ISO and held that the roll-over rights belonged to NSPM and not WPSC.

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[1] The point-to-point service corresponds to the original reservations #75002343, #75172763, #75198449, and #75240401 under the Midwest ISO OATT.

[2] WPSC paid NSPM directly for the cost of the point-to-point service transmission service under the power purchase agreement.

The FERC orders in that proceeding did not rule on the appropriate point-to-point revenue allocation under the TO Agreement for this transaction.[3]

On October 22, 2003, Xcel submitted to the Midwest ISO a Request for Dispute Resolution, claiming that the Midwest ISO's distribution of revenues to ATCLLC under Section III.A.2 of the TO Agreement relating to the WPSC reservations should instead be distributed to Transmission Owners based on the formula in Appendix C, Section III.A.7 of the TO Agreement (Section III.A.7). On December 8, 2003, in response to Xcel's October 22, 2003 letter, the Midwest ISO, *without notice to ATCLLC*, changed its longstanding revenue distribution methodology in accordance with Xcel's request. As a result, effective as of the December 1, 2003 billing period, the Midwest ISO has stopped paying ATCLLC (as the Host Zone under Section III.A.2) approximately $290,000/month and has instead been improperly allocating those revenues to all Transmission Owners in accordance with the formula in Section III.A.7.

In addition, the Midwest ISO has indicated its intent to collect revenues related to the change in allocation methodology retroactive to February 1, 2002, the date the Midwest ISO began operating. Such a retroactive application of Midwest ISO's change in revenue distribution will improperly impose costs on ATCLLC's customers of approximately $6.2 million.

After unsuccessful informal attempts between the Midwest ISO and ATCLLC to resolve the dispute, on January 23, 2004, ATCLLC filed a Notification of Billing Dispute and Request for Dispute Resolution with the Midwest ISO outlining ATCLLC's objections to the Midwest ISO's improper resolution of Xcel's October 22, 2003 billing dispute. On March 26, 2004, the ADR Committee notified ATCLLC that mediation would be highly unlikely to lead to a resolution of the dispute. Copies of relevant correspondence regarding this dispute are attached hereto in Appendix 1.

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[3] *Wisconsin Public Service Corp. v. Midwest Independent Transmission System Operator, Inc.*, 102 FERC ¶ 61,255 (March 31, 2003 Order), *order on reh'g*, 106 FERC ¶ 61,203 (March 3, 2004 Order).

BASIS FOR THE CLAIM

1. When it began operations on February 1, 2002, the Midwest ISO determined that the revenues associated with the WPSC/NSPM point-to-point transaction should be treated under Section III.A.2, with 100% of the revenues allocated to ATCLLC as the Host Zone. Section III.A.2 requires that revenues collected by the Midwest ISO for transmission services involving retail electric load in a state with retail access shall be fully distributed to the Host Zone. There is no dispute that (i) WPSC used the point-to-point transmission service to serve its native load in Wisconsin and Michigan and (ii) Michigan is a state with retail access. Thus, there should be no question that the revenues associated with that service should be distributed to ATCLLC as the Host Zone, in accordance with Section III.A.2. Midwest ISO's reliance on FERC's March 3, 2003 and March 3, 2004 FERC orders regarding WPSC's rollover rights is misplaced. Those orders did not rule on the question of the proper allocation of revenues under the TO Agreement. Thus, since December 1, 2003, the Midwest ISO has been allocating revenues to Transmission Owners in a manner that is contrary to the provisions of the TO Agreement.

2. Midwest ISO has indicated that it intends to collect revenues that have already been distributed to ATCLLC during the time period February 1, 2002 through November 30, 2003. Such retroactive application of the Midwest ISO's reallocation of revenues is improper under the TO Agreement for the same reasons that prospective reallocation is improper, as discussed in paragraph 1 above, as well as for the reasons discussed in paragraphs 3 through 5, below.

3. Retroactive reallocation of revenues should not be allowed because it will unjustly enrich Xcel and unfairly penalize WPSC and ATCLLC's other transmission customers. WPSC has already paid Xcel (through its direct payments to NSPM) for the cost of the point-to-point service. If the Midwest ISO is allowed to retroactively reallocate its distribution of revenues, ATCLLC will have to collect from WPSC and ATCLLC's other customers monies that the Midwest ISO will in turn give to Xcel and the other Transmission Owners in accordance with the formula in Section III.A.7. Xcel will thus receive "double payment" for the same point-to-point transmission service (at least to the extent it receives revenues allocated under Section III.A.7).

4. Retroactive reallocation of revenues is precluded by the Midwest ISO's OATT and Billing Dispute Resolution Manual. OATT Section 12.1 states that all billing disputes

must be initiated with the Transmission Provider within 90 days from the date of the invoice.[4] Xcel did not dispute revenue distribution invoices it received prior to October 22, 2003 and, thus, such retroactive reallocation is prohibited. Allowing parties to circumvent the billing and settlement provisions of the OATT and the TO Agreement would undermine the finality of financial transactions in the Midwest ISO markets.

5. Because retroactive reallocation of revenues is precluded under the TO Agreement and the OATT, Midwest ISO's attempt to collect from ATCLLC monies to reallocate to all Transmission Owners violates the Federal Power Act's restriction on retroactive ratemaking.

6. Midwest ISO did not follow its dispute resolution procedures when it failed to notify ATCLLC of the allocation dispute filed by Xcel on October 22, 2003. Section 5 of the Midwest ISO's Billing and Accounting Manual states that the Midwest ISO "is responsible for notifying all parties involved in the situation when a dispute occurs" and "providing parties with appropriate information on a timely basis." Billing and Accounting Manual, Section 5, Version 1. The Midwest ISO did not provide ATCLLC with notice of Xcel's dispute even though the dispute directly affected the amount of revenues to be allocated to ATCLLC. Midwest ISO's failure to follow its own procedures, having the result of favoring one Transmission Owner over another, is a violation of the TO Agreement and the OATT.

RELIEF REQUESTED

ATCLLC requests that the Midwest ISO be required to comply with the provisions of the TO Agreement, which require that the revenues regarding the firm point-to-point transaction for Xcel be allocated to ATCLLC as the Host Zone, in accordance with Section III.A.2. ATCLLC

[4] Section 2.2.1 of the Billing Dispute Resolution Manual defines a billing dispute as "items to argue about, debate about or to question the truth or validity of with respect to invoices and the billing/revenue determinants used to calculate the charges to Transmission Customers *or revenues distributed to Transmission Owners.*" (emphasis added) ATCLLC notes that Section 3.3 of the Billing Dispute Resolution Manual states that billing disputes must be initiated *within 12 months* from the date of invoice. Because this provision conflicts with the tariff, it should not be valid.

also requests that Midwest ISO be required to re-calculate the revenue allocations made since December 1, 2003 and give ATCLLC the revenues it should have received had Midwest ISO complied with the TO Agreement since that time. Finally, ATCLLC requests that the Midwest ISO cease its intention to collect revenues from ATCLLC associated with a retroactive reallocation of revenues as though the point-to-point transactions had been treated under Section III.A.7 since February 1, 2002.

PARTIES TO THE DISPUTE

The parties to the dispute and their designated contacts are:

For ATCLLC:

Walter T. Woelfle
Vice President, Legal and Secretary
ATC Management Inc.
N19 W23993 Ridgeview Parkway West
Waukesha, WI 53188
Tel: (262) 506-6830
Fax: (262) 506-6711
wwoelfle@atcllc.com

Julie Voeck
Manager -- Strategic Policy/Planning
ATC Management Inc.
N19 W23993 Ridgeview Parkway West
Waukesha, WI 53188
Tel: (262) 506-6846
Fax: (262) 506-6711
jvoeck@atcllc.com

Linda L. Walsh
Hunton & Williams LLP
1900 K Street, N.W.
Washington, D.C. 20006
Tel: (202) 955-1526
Fax: (202) 778-2201
lwalsh@hunton.com

For the Midwest ISO: (based on previous correspondence in this matter):

Stephen G. Kozey
Vice President, Secretary and General Counsel
Midwest Independent Transmission System Operator, Inc
701 City Center Drive
Carmel, Indiana 46032
Tel: (317) 249-5431
skozey@midwestiso.org

Michael Holstein
Chief Financial Officer
Midwest Independent Transmission System Operator, Inc
701 City Center Drive
Carmel, Indiana 46032
Tel: (317) 249-5400
mholstein@midwestiso.org

Other Parties:

Since December 1, 2003, ATCLLC's network customers have been harmed by the Midwest ISO's improper allocation of transmission service revenues in the amount of $290,000/month. In addition, ATCLLC's network customers will have to pay nearly $6.2 million if the Midwest ISO is allowed to change its allocation method retroactive to February 1, 2002. Thus, the following ATCLLC network customers should be allowed to be parties in this proceeding (complete addresses are included in Appendix 2):

Adams-Columbia Electric Cooperative
Alliant Energy
Central Wisconsin Electric Cooperative
Badger Power Marketing Authority
Cloverland Electric Cooperative
Consolidated Water Power
Dairyland Power Cooperative
Edison Sault Electric Co.
Kiel Utilities
Manitowoc Public Utilities
City of Marshfield
Madison Gas and Electric
Rock County Electric Coop. Assoc.
Stratford Water & Electric Utility
Upper Peninsula Power Company
Village of Pardeeville
Washington Island Electric Cooperative
We Energies
City of Wisconsin Rapids
Wisconsin Public Power Cooperative
Wisconsin Public Service Corp.

Several of these customers have already expressed an interest in participating in this proceeding. See the March 8, 2004 letter from Walter Woelfle at ATCLLC to Stephen Kozey at Midwest ISO, attached in Appendix 1.

In addition, several transmission owners have expressed an interest in participating in this proceeding. See the March 1, 2004 letter from Stephen Kozey at Midwest ISO to Walter Woelfle at ATCLLC, attached in Appendix 1.

CONCLUSION

For the foregoing reasons, ATCLLC requests that the ADR Committee promptly begin arbitration proceedings to resolve this matter in accordance with Appendix D, Section IV of the TO Agreement.

Sincerely,

Linda L. Walsh

cc: Midwest ISO ADR Committee Members:

Wayne Harris, Vice Chair:
Robert J. Tallman
Joanne K. Borrell
Doug Curry
Richard Seide

APPENDIX 1

Copies of Correspondence

1. October 22, 2003 letter from Patricia K. Vincent at Xcel Energy to Stephen Kozey at Midwest ISO.

2. December 8, 2003 email letter from Stephen Kozey at Midwest ISO to Mary J. Fisher at Xcel Energy.

3. December 30, 2003 letter from Stephen Kozey at Midwest ISO to Julie Voeck at ATCLLC.

4. January 23, 2004 letter from Walter Woelfle at ATCLLC to Stephen Kozey at Midwest ISO, (as corrected by Letter dated January 30, 2004 from Walter Woelfle to Stephen Kozey).

5. February 4, 2004 email from Donna Dare at Midwest ISO to Midwest ISO Transmission Owner group, attaching a sample copy of a January 27, 2004 letter from Stephen Kozey to Midwest ISO Transmission Owners.

6. March 1, 2004 letter from Stephen Kozey at Midwest ISO to Walter Woelfle at ATCLLC.

7. March 8, 2004 letter from Walter Woelfle at ATCLLC to Stephen Kozey at Midwest ISO.

8. March 15, 2003 letter from Stephen Kozey at Midwest ISO to Walter Woelfle at ATCLLC.

9. March 26, 2004 letter from Ronald J. Brothers, Chair of ADR Committee, to Julie Voeck and Walter Woelfle at ATCLLC, and Michael Holstein, Stephen Kozey, and James Dimos at Midwest ISO.

Xcel Energy[SM]

414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

October 22, 2003

Delivered by Email
Follow-up by Certified Mail

Mr. Stephen G. Kozey
Vice President, General Counsel and Secretary
Midwest Independent Transmission System Operator, Inc.
701 City Center Drive
Carmel, IN 46032

Re: Request for Dispute Resolution
Revenue Allocation for Partial Path Reservations

Dear Mr. Kozey:

In accordance with Appendix D to the *Agreement of Transmission Facilities Owners to Organize the Midwest Independent System Operator, Inc., a Delaware Non-Stock Corporation* ("Midwest ISO Agreement"), Midwest ISO members Northern States Power Company and Northern States Power Company (Wisconsin) (jointly the "NSP Companies") hereby submits this request to initiate the Dispute Resolution Procedures outlined therein.

This letter outlines a dispute between the Midwest ISO and the NSP Companies over the revenue distribution associated with four transmission service reservations under the Midwest ISO open access transmission tariff ("MISO OATT"): #75002343, #75172763, #75198449 and #75240401. The factual background regarding the NSP Companies dispute with the Midwest ISO is described in Attachment 1 to this letter. We hope this information will help facilitate prompt resolution of the dispute.

Designated XES Employees for Communications

Pursuant to Part II of Appendix D, Xcel Energy Services Inc. ("XES"), the service company affiliate of the NSP Companies, designates the following employees as the Initial Contact and Officer for resolution of this dispute:

Initial Contact:

David Grover
Manager, Transmission Tariffs
Xcel Energy Services Inc.
414 Nicollet Mall - 6th Floor
Minneapolis, MN 55401
Phone: (612) 330-2857
Email: david.b.grover@xcelenergy.com

Responsible Officer:

Patricia Vincent - Vice President
Northern States Power Co.
c /o Xcel Energy Services Inc.
1225 17th Street
Denver, CO 80202

I delegate the Responsible Officer function to the following Executive of XES:

Mary Fisher
Vice President, Transmission and Planning
Xcel Energy Services Inc.
1225 17th Street
Denver, CO 80202
Phone: (303) 294-2131
Email: mary.j.fisher@xcelenergy.com.

In addition, XES requests that the following counsel for the NSP Companies be copied on all communications regarding this matter:

James P. Johnson
Assistant General Counsel
Xcel Energy Services Inc.
800 Nicollet Mall - Suite 2900
Minneapolis, MN 55402
Phone: (612) 215-4592
Email: james.p.johnson@xcelenergy.com;

Requested Procedures

Mr. David Grover has previously discussed this matter with Midwest ISO Settlement and Tariff Administration staff, including Elaine Chambers, Doug Moss and Roy Jones. The Midwest ISO Staff did not feel any action by Midwest ISO was possible, and recommended that the NSP Companies initiate dispute resolution procedures as the next step. As such, the NSP Companies believe they have complied with Part II.B.1 of Appendix D.

The NSP Companies thus request that the matter be promptly referred to the Responsible Officers for discussion pursuant to Part II.B.2 of Appendix D and, if necessary, to mediation under Part III of Appendix D. However, if the Alternate Dispute Resolution Committee ("ADR Committee") determines that mediation would be highly unlikely to lead to resolution of the dispute, the NSP Companies request that the dispute be promptly be referred to Arbitration under Part IV of Appendix D. (Alternatively, the NSP Companies will initiate regulatory or judicial proceedings to resolve the dispute.)

Requested Time Line

The dispute needs to be resolved as promptly as possible. As such, the NSP Companies respectfully request expedited review and action by the ADR Committee. The NSP Companies will fully cooperate with the ADR Committee to provide additional information, if requested.

Conclusion

The NSP Companies appreciate your prompt attention to this matter. Please feel free to contact Mr. Grover or Mr. Johnson with questions.

Sincerely,

Patricia K. Vincent
Vice President
Northern States Power Company
Northern States Power Company (Wisconsin)

Cc: Midwest ISO Dispute Resolution Committee Members
Tom Imbler – Xcel Energy Markets
Mary Fisher – Xcel Energy Transmission
Dave Grover – Xcel Energy Transmission
Jim Johnson – Xcel Energy Legal Services

Midwest Independent Transmission System Operator, Inc.
2003 ADR Committee Members

Chair	James R. Stanton Manager of Market Design 4100 Underwood Pasadena, TX 77507 832-476-4453 (phone) 281-228-0946 (fax) jstanton@calpine.com	Term Expires: 12/31/04
Vice Chair	Ronald J. Brothers Cinergy Services, Inc. 1000 E. Main Street Plainfield, IN 46168 317-838-1254 (phone) 317-838-1842 (fax) rbrothers@cinergy.com	Term Expires: 12/31/04
Members	Doug Curry General Counsel Lincoln Electric System 1040 "O" Street P.O. Box 80869 Lincoln, NB 68501-0869 402-473-3200 (phone) 402-475-9759 (fax) dcurry@les.com	Term Expires: 12/31/05
	Robert J. Tallman Senior Transmission Market Analyst LG&E Energy Corporation 220 W. Main Street Louisville, KY 40202 502-627-3414 (phone) 502-217-2674 (fax) robert.tallman@lgeenergy.com	Term Expires: 12/31/03
	Richard Seide Director, Market Policy PSEG Power Midwest, LLC 9541 Bluewing Terrace Cincinnati, OH 45241 513-891-5684 (phone) 513-891-6475 (fax) richard.seide@pseg.com	Term Expires: 12/31/05
	Wayne Harris Senior Counsel ACES Power Marketing LLC 6100 West 96th Street, Suite 175 Indianapolis, IN 46278 317-344-7017 (phone) 317-344-7001 (fax) wayneh@acespower.com	Term Expires: 12/31/03

Attachment 1

Factual Background

The subject transmission service reservations (75002343, 75172763, 75198449 and 75240401) are long-term firm point-to-point reservations that were originally granted under the Xcel Energy Operating Companies Joint OATT (and previously the NSP Companies OATT), but were assigned to the Midwest ISO effective on February 1, 2002 when MISO began regional transmission services under the MISO OATT. Copies of the four current OASIS reservations are appended as Attachment 1-A.

Prior to February 1, 2002, the revenues to the NSP Companies from these reservations were over $7 million annually when transmission service was provided under the NSP Companies or Xcel Energy OATT. Since February 2002, the Midwest ISO has billed the customer (NSP-Energy Markets) for these reservations at the point-to-point rate for the American Transmission Company ("ATCo") load zone (or "host zone") and has distributed all revenue from these current point-to-point reservations (and reservations 75002989, 75001659, and 75001660 which were for prior periods to the current reservations) to the ATCo.

As noted in the OASIS comments on the subject reservations, they are "partial path" reservations, good only for delivery across the NSP Companies' transmission system to the border between the NSP Companies and ATCo transmission systems. The OASIS comments also note that in order to use these reservations to schedule power to the sink companies (WEC or WPS), the partial path reservations on the NSP Companies' system must be combined with network reservations on the ATCo system. Because the revenue from such network reservations is distributed 100% to the host zone, namely ATCo, when these point-to-point reservations on the NSP system are combined with network reservations on the ATCo system, ATCo is collecting their full zonal rate **twice** for these reservations. This is clearly inappropriate (and unfair), and provides a windfall to ATCO. We believe that the revenues associated with these "partial Path reservations should be distributed among the Midwest ISO Transmission Owners in accordance with Section III, A (7) of Appendix C to the Midwest ISO Owner's Agreement: 50% based on flows and 50% based on transmission investment.

The appropriateness of maintaining these partial path reservations, with rollover rights was reviewed by FERC and accepted in an order dated March 3, 2003 in Docket No. EL03-40-000. In paragraph 23 of the Order, FERC discussed the revenue distribution of the point-to-point and network service reservations. While this revenue distribution was not an issue in the proceeding, the Order does note:

> *Under the license plate rate formula adopted by the Midwest ISO, the revenues associated with the point-to-point transaction are allocated to the transmission owner systems that support the service pursuant to a point-to-point revenue*

distribution method. Therefore, WPSC will ultimately receive a portion of these revenues. WPSC's network service revenues will also flow back to the transmission owner on whose transmission system the transactions sink.

The discussion in the Order is consistent with our position on revenue distribution for the point-to-point reservations. Attachment 1-B is a copy of the FERC order.

<u>Requirements of the MISO Agreement</u>

Section III of Appendix C to the Midwest ISO Agreement outlines the revenue distribution procedures applicable to all revenue associated with charges under Schedules 7, 8 and 9 to the Midwest ISO Transmission Tariff. Section III, A (7) states that:

> *All other Company transmission revenues (i.e., other than those revenues specified in Paragraph 1-6 above) shall be distributed among Zones as follows: (i) fifty percent (50%) of such revenue shall be distributed in proportion to transmission investment (calculated each month based on the relative proportion of transmission investment reflected in the then applicable rates determined by the formula in Attachment O to the Transmission Tariff); and (ii) fifty percent (50%) of such revenue shall be shared based upon power flows. Such power flows shall be calculated using load flow analysis techniques to develop transaction participation factors. The methodology for developing transaction participation factors is described in Appendix C-1. Participation factors less than three percent (3%) shall be ignored.*

The NSP Companies believe these provisions should apply to these four reservations, since none of the six exceptions apply to these reservations. Each of the six exceptions is discussed below.

1. Exception Number 1:

Except by mutual agreement of the parties to a Grandfathered Agreement, the Company shall not collect or distribute any revenues for transmission service related to such agreements during the Transition Period. The Owner providing the transmission service under a Grandfathered Agreement shall continue to receive payment directly from the customer under the Grandfathered Agreement. Nothing contained in this paragraph affects any rights of any party to unilaterally make application to FERC to alter, amend, or terminate a Grandfathered Agreement.

This exception does not apply because the subject reservations are not grandfathered agreements. <u>They are point-to-point reservations under the MISO OATT.</u>

2. Exception Number 2:

Revenues collected by the Company for transmission services involving retail electric load that had the right to choose a different supplier under a state retail access program or legislation, shall be fully distributed to the Host Zone, regardless of whether the customers comprising such retail electric load have exercised such right to choose.

The subject reservations do not involve retail electric load with a choice of supplier served under a state retail access program. Neither Minnesota nor Wisconsin, where the source and sink of these reservations are located, respectively, has a retail choice program.

3. Exception Number 3:

Revenues collected by the Company for transmission services associated with power transactions where the generation source(s) and load(s) are physically located within the same Host Zone shall be fully distributed to that Host Zone whether the generation source is controlled by the Owner or another entity.

These reservations are not used to serve load in the same zone where the generation source is located. The generation source is located in the NSP zone, while the load is located on the WEP and WPS systems in the ATCO zone.

4. Exception Number 4:

Revenues collected by the Company for Network Transmission Service shall be fully distributed to the Host Zone.

These are point-to-point reservations, not Network Transmission Service.

5. Exception Number 5:

Revenues collected by the Company for Point-to-Point Transmission Service for delivery directly to a wholesale requirements customer or a former wholesale requirements customer shall be distributed to the Host Zone.

These reservations are not for delivery to a wholesale requirements customer, or a former wholesale requirements customer. WEP and WPS were not requirements customers of either NSP or ATCo.

6. Exception Number 6:

Revenues collected by the Company for Drive-in Point-to-Point Transmission Service shall be fully distributed to the Border Transmission Owner if that Owner *purchases power from outside the Company for delivery to its Zone and pays the Company for such transmission service to effectuate that purchase.*

These reservations are not drive-in service to the Midwest ISO. Both the NSP Companies and ATCo are Midwest ISO Transmission Owners.

Conclusion and Requested Resolution:

As the discussion above illustrates, none of the six exceptions apply, therefore there is no justification for distributing the revenue from the subject point-to-point reservations to the host zone (ATCo). Clearly, Section III A (7) of Appendix C to the MISO Agreement applies to these reservations, and the revenues collected by the Midwest ISO for these reservations should be distributed among all pricing zones, 50% based on flows and 50% based on transmission investment.

The point-to-point transmission service revenues have been incorrectly allocated since the commencement of services under the MISO OATT on February 1, 2002. XES thus requests that the Midwest ISO recalculate the revenue distribution using the 50/50 method and implement a true-up through its settlement procedures to re-distribute all revenue associated with these reservations (and all associated preceding and subsequent reservations due to exercise of rollover rights) retroactive to February 1, 2002.

This resolution does not affect net revenues to the Midwest ISO, but only the allocation of revenue between Midwest ISO Transmission Owners.

Attachment 1-A

OASIS Reservations

MISO

Transmission Request #75002343 Details

Goto:

Refresh

Customer Information

Name
DARWINPORTER

Company NSPP
DUNS 961772399

Affiliated with Provider
No

Phone 612-330-5819
Fax 612-330-6280

E-mail
darwin.j.porter@xcelenergy.com

Comments
Update Comments
This reservation has rollover rights.

Status Notification

Seller/Provider Information

Name
OASIS_Merge

Company MISO
DUNS 158944798

Phone (317) 249-5523
Fax (317) 249-5860

E-mail
tariffadministration@midwestiso.org

Comments Update Comments
NODE:MAPP;PROVIDER:NSP;335808; Trans Service rep partial path reservation confmd service to the NSP bord with WEC-not into WEC. Any req using this serv to WEC or Redirect of serv eval in Q order. SINK left as WEC per Steve B @ NSP & Joe G @ MISO.

Provider Comments
POD changed to NSP per AHeinle

Path and POR/POD Information

POR NSP
POD NSP

Path Name
_/MISO/NSP-NSP//

Source NSP
Sink WEC

Transmission Service

Increment	Type	Class
YEARLY	POINT_TO_POINT	FIRM

Period	Window	Sub Class
FULL_PERIOD	FIXED	

NERC Curtailment Priority
7

Other Curtailment Priority
9

Dates and Times

Start Date and Time
11/01/2001 00:00:00 ES

Stop Date and Time

Request Information

Capacity Requested
155 MW

11/01/2003 00:00:00 ES

Queued Date and Time
08/29/2000 16:38:25 ES

Approval Date and Time
01/04/2002 16:44:45 ES

Confirmation Date and Time
01/04/2002 16:44:45 ES

Rebid Date and Time

Time Of Last Status Change
01/04/2002 16:44:45 ES

Last Updated Date and Time
09/22/2003 01:10:53 ES

Capacity Granted
155 MW

Bid Price	Offer Price	Price Units
18584.3674	18584.3674	$/MW-Year

Ceiling Price
9999.0000

Negotiated Price

Status	Preconfirmed
CONFIRMED	No

Status Comments

Type	Competing Flag	Impacted
ORIGINAL		2464

Reduction

Expiration Dates and Times

Approval Time Limit	Confirmation Time Limit	Rebid Time Limit

Reference Numbers

Assignment	Deal	Request	Sale	Posting	Related	Seller
75002343						

Ancillary Services

Service	Requirement	Company	Link Type	Ref#	Capacity
SC	Mandatory	MISO	Assignment	73028136	
RF	Unknown	-- None --	Future		
EI	Unknown	-- None --	Future		
TL	Unknown	-- None --	Future		
SP	Unknown	-- None --	Future		
BS	Unknown	-- None --	Future		
DT	Unknown	-- None --	Future		
SU	Unknown	-- None --	Future		
RV	Mandatory	MISO	Assignment	73028137	

Reassignment Information

Reference#	Capacity	Start Time	Stop Time

{CA-28-00-00-01-00-12-9E-3C-25}{Open Access Technology International Inc}

JTSIN OASIS Map |

CN=Dave Grover | E=david.b.grover@xcelenergy.com O=Xcel Energy Real Time Services | OU=NSP Preferences	MISO Home Page | MISO Home Page | Help	Refresh	

ALSTOM ESCA
OASIS v3.4.5
09/22/2003 08:04:05 ES

MISO

Transmission Request #75172763 Details

Goto:

Refresh

Customer Information

Name
WILLIAM_RAIHALA

Company	**DUNS**
NSPP	961772399

Affiliated with Provider
No

Phone	**Fax**
(612) 330-7563	(612) 330-6280

E-mail
william.k.raihala@xcelenergy.com

Comments
Update Comments

Status Notification

Seller/Provider Information

Name
OASIS_Merge

Company	**DUNS**
MISO	158944798

Phone	**Fax**
(317) 249-5523	(317) 249-5860

E-mail
tariffadministration@midwestiso.org

Comments Update Comments
Rollover of #75002989; partial path reservation from NSP to NSP/WPS boarder. This reservation cannot be used to schedule power into WPS unless it is combinêd or associated with a reservation sinking into WPS

Provider Comments

Path and POR/POD Information

POR	**POD**
NSP	NSP

Path Name
_/MISO/NSP-NSP//

Source	**Sink**
NSP	WPS

Transmission Service

Increment	**Type**	**Class**
MONTHLY	POINT_TO_POINT	FIRM
Period	**Window**	**Sub Class**
FULL_PERIOD	FIXED	

NERC Curtailment Priority
7

Other Curtailment Priority
8

Dates and Times

Start Date and Time
11/01/2002 00:00:00 ES

Stop Date and Time
11/01/2003 00:00:00 ES

Queued Date and Time
10/21/2002 10:34:04 ES

Request Information

Capacity Requested
100 MW

Capacity Granted
100 MW

Bid Price	**Offer Price**	**Price Units**

Approval Date and Time 10/25/2002 07:53:18 ES	1535.5805 1535.5805 $/MW-Month
Confirmation Date and Time 10/25/2002 09:40:57 ES	**Ceiling Price** 9999.0000
Rebid Date and Time	**Negotiated Price**
Time Of Last Status Change 10/25/2002 09:38:20 ES	**Status** CONFIRMED **Preconfirmed** No
Last Updated Date and Time 09/21/2003 01:01:33 ES	**Status Comments**
	Type ORIGINAL **Competing Flag** **Impacted** 1397 Reduction

Expiration Dates and Times

Approval Time Limit	Confirmation Time Limit	Rebid Time Limit

Reference Numbers

Assignment	Deal	Request	Sale	Posting	Related	Seller
75172763						

Ancillary Services

Service	Requirement	Company	Link Type	Ref#	Capacity
SC	Mandatory	MISO	Assignment	73325734	
RF	Optional	-- None --	Future		
EI	Unknown	-- None --	Future		
TL	Unknown	-- None --	Future		
SP	Optional	-- None --	Future		
BS	Unknown	-- None --	Future		
DT	Unknown	-- None --	Future		
SU	Optional	-- None --	Future		
RV	Mandatory	MISO	Assignment	73325735	

Reassignment Information

Reference#	Capacity	Start Time	Stop Time

{CA-28-00-00-01-00-12-9E-3C-25}{Open Access Technology International Inc}
CN=Dave

JTSIN OASIS Map |
MISO Home Page |

Grover | E=david.b.grover@xcelenergy.com O=Xcel Energy Real Time Services | OU=NSP Preferences	MISO Home Page | Help	Refresh	

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OASIS v3.4.5
09/22/2003 08:05:34 ES

MISO

Transmission Request #75198449 Details

Goto:

Refresh

Customer Information

Name
WILLIAM_RAIHALA

Company NSPP
DUNS 961772399

Affiliated with Provider
No

Phone (612) 330-7563
Fax (612) 330-6280

E-mail
william.k.raihala@xcelenergy.com

Comments Update Comments

Status Notification
mailto:william.k.raihala@xcelenergy.com

Seller/Provider Information

Name
OASIS_Merge

Company MISO
DUNS 158944798

Phone (317) 249-5523
Fax (317) 249-5860

E-mail
tariffadministration@midwestiso.org

Comments Update Comments
Rollover of TSR 75001659 - Partial path reservation from NSP to NSP-WPS interface. Additional reservation required to sink in WPS - 100 MW of this request assigned to TSR 7352251 for Dec 03

Provider Comments

Path and POR/POD Information

POR NSP
POD NSP

Path Name
_/MISO/NSP-NSP//

Source NSP
Sink WPS

Transmission Service

Increment YEARLY
Type POINT_TO_POINT
Class FIRM

Period FULL_PERIOD
Window FIXED
Sub Class

NERC Curtailment Priority
7

Other Curtailment Priority
9

Dates and Times

Start Date and Time
05/01/2003 00:00:00 ES

Stop Date and Time
11/01/2005 00:00:00 ES

Queued Date and Time
11/19/2002 17:58:45 ES

Request Information

Capacity Requested
100 MW

Capacity Granted
100 MW

Price

Approval Date and Time
12/11/2002 13:25:06 ES
Confirmation Date and Time
12/12/2002 10:48:00 ES
Rebid Date and Time

Time Of Last Status Change
12/12/2002 10:48:28 ES
Last Updated Date and Time
09/22/2003 01:11:20 ES

Bid Price	**Offer Price**	**Units**
18426.9660	18426.9660	$/MW-Year

Ceiling Price
9999.0000
Negotiated Price

Status	**Preconfirmed**
CONFIRMED	No

Status Comments

Type	**Competing Flag**	**Impacted**	
RENEWAL		619	Reduction

Expiration Dates and Times

Approval Time Limit	**Confirmation Time Limit**	**Rebid Time Limit**
12/19/2002 17:58:45 ES		

Reference Numbers

Assignment	**Deal**	**Request**	**Sale**	**Posting**	**Related**	**Seller**
75198449					75001659	

Ancillary Services

Service	**Requirement**	**Company**	**Link Type**	**Ref#**	**Capacity**
SC	Mandatory	MISO	Assignment	73369238	
RF	Optional	-- None --	Future		
EI	Unknown	-- None --	Future		
TL	Unknown	-- None --	Future		
SP	Optional	-- None --	Future		
BS	Unknown	-- None --	Future		
DT	Unknown	-- None --	Future		
SU	Optional	-- None --	Future		
RV	Mandatory	MISO	Assignment	73369239	

Reassignment Information

Reference#	**Capacity**	**Start Time**	**Stop Time**

{CA-28-00-00-01-00-12-9E-3C-25}{Open Access Technology International Inc}

JTSIN OASIS Map |

CN=Dave Grover | E=david.b.grover@xcelenergy.com O=Xcel Energy Real Time Services | OU=NSP Preferences	MISO Home Page | MISO Home Page | Help	Refresh	

ALSTOM ESCA
OASIS v3.4.5
09/22/2003 08:06:27 ES

MISO

Transmission Request #75240401 Details

Goto:

Refresh

Customer Information

Name
WILLIAM_RAIHALA

Company	**DUNS**
NSPP	961772399

Affiliated with Provider
No

Phone	**Fax**
(612) 330-7563	(612) 330-6280

E-mail
william.k.raihala@xcelenergy.com

Comments Update Comments
Rollover of #75001660. Start/Stop time changed from 01:00 to 00:00 to change from CST to EST. Will mitigate Ft Calhoun-South constraint if still necessary. Mitigation already arranged through April 30, 2003 using MAPP Sched F #494427. Replaces #75104774.

Status Notification
mailto:william.k.raihala@xcelenergy.com

Seller/Provider Information

Name
OASIS_Merge

Company	**DUNS**
MISO	158944798

Phone	**Fax**
(317) 249-5523	(317) 249-5860

E-mail
tariffadministration@midwestiso.org

Comments Update Comments
FRD documentation received. P-P spec sheet received. This partial path rollover needs to mitigate FTCAL_S for the duration of the request (impacted by 9.5%). Details of the mitigation scheme in FRD forms and spec sheet.

Provider Comments

Path and POR/POD Information

POR	**POD**
NSP	NSP

Path Name
_/MISO/NSP-NSP//

Source	**Sink**
NSP	WEC

Transmission Service

Increment	**Type**	**Class**
YEARLY	POINT_TO_POINT	FIRM
Period	**Window**	**Sub Class**
FULL_PERIOD	FIXED	

NERC Curtailment Priority
7

Other Curtailment Priority
9

Dates and Times

Start Date and Time
11/01/2002 00:00:00 ES

Request Information

Capacity Requested

Stop Date and Time 11/01/2003 00:00:00 ES **Queued Date and Time** 01/06/2003 11:18:06 ES **Approval Date and Time** 04/15/2003 07:24:36 ES **Confirmation Date and Time** 04/15/2003 09:04:45 ES **Rebid Date and Time** **Time Of Last Status Change** 04/15/2003 09:04:56 ES **Last Updated Date and Time** 09/22/2003 01:11:07 ES	75 MW **Capacity Granted** 75 MW **Bid Price** 19546.7387 · **Offer Price** 19546.7387 · **Price Units** $/MW-Year **Ceiling Price** 9999.0000 **Negotiated Price** **Status** CONFIRMED · **Preconfirmed** No **Status Comments** **Type** RENEWAL · **Competing Flag** · **Impacted** 539 · Reduction

Expiration Dates and Times

Approval Time Limit	Confirmation Time Limit	Rebid Time Limit
01/06/2003 11:18:06 ES	04/15/2003 07:24:36 ES	

Reference Numbers

Assignment	Deal	Request	Sale	Posting	Related	Seller
75240401					75001660	

Ancillary Services

Service	Requirement	Company	Link Type	Ref#	Capacity
SC	Mandatory	MISO	Assignment	73439366	
RF	Optional	-- None --	Future		
EI	Unknown	-- None --	Future		
TL	Unknown	-- None --	Future		
SP	Optional	-- None --	Future		
BS	Unknown	-- None --	Future		
DT	Unknown	-- None --	Future		
SU	Optional	-- None --	Future		
RV	Mandatory	MISO	Assignment	73439367	

Reassignment Information

Reference#	Capacity	Start Time	Stop Time

{CA-28-00-00-01-00-12-9E-3C-25}{Open Access Technology International Inc} CN=Dave Grover | E=david.b.grover@xcelenergy.com O=Xcel Energy Real Time Services | OU=NSP Preferences	JTSIN OASIS Map | MISO Home Page | MISO Home Page | Help	Refresh	

ALSTOM ESCA
OASIS v3.4.5
09/22/2003 08:06:42 ES

Attachment 1-B

FERC Order in Docket No. EL03-40-000

102 FERC 61, 255

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

Wisconsin Public Service Corporation
Complainant,

Docket No. EL03-40-000

v.

Midwest Independent Transmission System
Operator, Inc.

Respondent.

ORDER DENYING COMPLAINT

(Issued March 3, 2003)

1. In this order, the Commission denies the complaint filed on January 13, 2003 by Wisconsin Public Service Corporation (WPSC) against the Midwest Independent Transmission System Operator, Inc. (Midwest ISO). WPSC alleges that the Midwest ISO is violating the terms of its Open Access Transmission Tariff (OATT) and its Business Practices by refusing to allow WPSC to roll over its network transmission service reservation as a complete path from source to sink, and reassign the receipt point for this transmission path to an alternate point. This order benefits customers by providing certainty to the Midwest ISO's customers concerning contractual and rollover rights to transmission capacity.

Background

A. **WPSC Complaint**

2. WPSC is a network service customer of the Midwest ISO.[1] In its complaint, WPSC identified several agreements that form the basis for this complaint. First, there is a five-year power supply agreement with Northern States Power Marketing (NSPM), an Xcel Energy subsidiary, for the purchase of 150 MW Winter/200 MW Summer of capacity and energy, and with a term expiring May 2003 (Sales Contract). Second, the transmission for this energy transaction is covered by two separate "partial path" transmission service agreements. Prior to the formation of the Midwest ISO, the energy covered under the Sales Contract was delivered by Northern States Power (NSP) to an interconnection point between NSP and the WPSC transmission system pursuant to a long-term point-to-point transmission agreement between NSPM and NSP as the transmission provider (NSPM partial path). To complete the transaction, the transmission of the energy within WPSC's control area was provided under a Network Integration Service Agreement between WPSC and American Transmission Company, LLC (ATCLLC) (WPSC partial path).

3. After the formation of the Midwest ISO, these transmission agreements were assigned to the Midwest ISO and service was then provided under the Midwest ISO OATT.[2] NSP assigned its transmission service agreement with NSPM to the Midwest ISO effective February 1, 2002 (MISO/NSPM partial path).[3] ATCLLC assigned its network service agreement with WPSC to the Midwest ISO on January 29, 2001 (MISO/WPSC partial path).[4]

4. WPSC states that it began looking for another energy supplier in the summer of 2002 when it learned that NSPM could not continue to meet the required level of

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[1]Service agreement filed in Docket No. ER02-1091-000, and designated as Midwest ISO Service Agreement No. 150.

[2]On February 1, 2002, the Midwest ISO commenced providing transmission service within its footprint.

[3]Service agreement filed in Docket No. ER02-951-000, and designated as MISO Service Agreement 250.

[4]Service agreement filed in Docket No. ER02-1091-000, and designated as Midwest ISO Service Agreement No. 150.

capacity to serve WPSC's native load customers under the Sales Contract. WPSC also began discussions with the Midwest ISO about rolling over the two underlying "partial path" transmission agreements, and reassigning the point of receipt to another new supplier that would deliver the capacity and energy over the same transmission path.

5. According to WPSC, however, the Midwest ISO is refusing to permit the rollover of the two "partial path" transmission agreements as one "seamless" transmission reservation. WPSC alleges that, while the Midwest ISO will allow WPSC to roll over and reassign the receipt point related to the MISO/WPSC partial path, the Midwest ISO notified WPSC that it does not have rights to the entire transmission path, and that WPSC will need the consent of NSPM, as the holder of the MISO/NSPM partial path before the Midwest ISO will roll over and reassign the entire transmission path. WPSC states that NSPM refuses to assign this "partial path" transmission path to WPSC.

6. WPSC argues that the Midwest ISO violated its Business Practices which required Midwest ISO to merge these two "partial path" service agreements at the time of the Midwest ISO's formation. WPSC claims it believed the Midwest ISO had in fact, merged the two partial paths because the Midwest ISO treated the two agreements as one seamless reservation for scheduling and operational purposes. In addition to the Midwest ISO treating the transactions as one, WPSC states it has been paying for the MISO/NSPM transmission capacity pursuant to the Sales Contract.

7. Finally, WPSC also argues that it is paying the Midwest ISO twice for transmission service. WPSC explains that prior to the commencement of the Midwest ISO operations, WPSC paid pancaked transmission rates for transmission service from the NSPM network resource to the WPSC network load. WPSC paid the NSP transmission rate to NSPM pursuant to the terms of the Sales Contract, and paid a separate network service charge first to ATCLLC, then to the Midwest ISO. According to WPSC, once the Midwest ISO began operations, WPSC should only be required to pay a single network rate to the Midwest ISO for its network integration transmission service. Instead, WPSC alleges that it is paying the Midwest ISO network service rate, and the point-to-point transmission rate for the MISO/NSPM transmission service.

8. WPSC requests the Commission to order the Midwest ISO to formally merge the two "partial path" transmission agreements, to permit WPSC to roll over the transmission path and reassign the receipt point to an alternate point, and to eliminate the point-to-point transmission charges associated with the MISO/NSPM partial path.

B. The Midwest ISO Answer

9. In its January 27, 2003 answer, the Midwest ISO requests the Commission to dismiss WPSC's complaint and require WPSC to use the Internal Dispute Resolution Procedures in Section 12.1 of the Midwest ISO OATT to resolve this matter. According to the Midwest ISO, the issues raised by WPSC in its complaint are the type of issues the Commission directed ISO's and RTO's to handle through their own dispute resolution mechanism in order to prevent an undue burden being imposed on Commission resources.

10. The Midwest ISO argues that the MISO/NSPM partial path and the MISO/WPSC partial path transmission agreements establish separate rollover rights. The Midwest ISO also argues that it properly did not merge the two "partial paths" because it was dealing with two separate and distinct reservations made by two separate customers, even though the reservations are being used together. The Midwest ISO points out that NSPM has not agreed to a merger of its "partial path" with that of WPSC. The Midwest ISO acknowledges that while the two "partial paths" are treated as a single path for certain operational purposes, this treatment does not affect or change the respective contractual ownership rollover rights of NSPM or WPSC.[5] The Midwest ISO concludes therefore that NSPM has the right to renew and rollover its right to transmission service over its partial path, as does WPSC over its partial path, and that WPSC's rollover rights extend only over its part of the subject path.

11. Finally, the Midwest ISO argues that it properly accounted for WPSC's payments under separate network service and point-to-point transmission service agreements. The Midwest ISO points out that WPSC has been receiving firm point-to-point transmission from the NSPM under a service agreement that remains in force and effect. In addition, WPSC has been receiving network service from the Midwest ISO pursuant to a Network Interconnection Transmission Service Agreement assigned to the Midwest ISO by ATCLLC. In short, WPSC has received two services for which it is required to pay two separate rates.

12. The Midwest ISO therefore requests the Commission to dismiss the complaint and order the WPSC to use the Dispute Resolution Provisions of the Midwest ISO's OATT or

---

[5]The Midwest ISO also points out that while it treats the two "partial paths" as a single transmission transaction for the Sales Contract, the NSPM point-to-point transmission path also continues to exist as a separate "partial path" on the Midwest ISO's OASIS.

in the alternative, to affirm that the Midwest ISO has acted in accordance with its OATT and Business Practices by not granting WPSC's request to receive NSPM's rights to the MISO/NSPM partial path.

Notice of Filing and Responsive Pleadings

13. Notice of WPSC's complaint was published in the Federal Register, 68 Fed. Reg. 3878 (2003), with interventions and protests due on or before January 27, 2003. Midamerican Energy Company and Reliant Resources, Inc. filed timely motions to intervene. Wisconsin Electric Power Company filed a timely motion to intervene with comments supporting WPSC's complaint, and requesting the Commission to require the Midwest ISO to merge the two transmission paths as required under the Midwest ISO OATT and Business Practices.

14. Xcel Energy Services, Inc., filing on behalf of Northern States Power Company (Minnesota) and Northern States Power Company (Wisconsin) (collectively, NSP) arguing that NSP properly owns the rollover rights associated with the NSPM "partial path" transmission agreement, that the Midwest ISO properly decided against merging the two separate "partial path" transmission agreements, and that WPSC is not being double charged for the transmission service underlying these two "partial path" transmission agreements. NSP, therefore, requests the Commission to reject WPSC's complaint and to confirm that the Midwest ISO was correct to find that the two "partial path" transmission agreements are separate and distinct and should not be rolled over to WPSC.

15. On February 6, 2003, WPSC filed an answer to the Midwest ISO's answer.

Discussion

A. **Procedural Matters**

16. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedures,[6] the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure prohibits an answer unless otherwise permitted by a decisional authority.[7] We are not persuaded to allow WPSC's answer.

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[6] 18 C.F.R. § 385.214 (2002).

[7] 18 C.F.R. § 385.213(a)(2) (2002).

B. Decision on Complaint

17. We find that the Midwest ISO appropriately followed its Business Practices by not merging the two separate and distinct partial path reservations of NSPM and WPSC. Further, we find that the Midwest ISO did not inappropriately deny rollover rights to WPSC.

18. Under its Business Practices, the Midwest ISO provides only an option to merge partial path reservations that meet specific criteria.[8] Additionally, under its procedures, the Midwest ISO only merges partial path transactions having the same owner, at the owner's request. The partial paths at issue here involve separate arrangements with different transmission services and customers that can not be merged without the consent of both transmission customers.

19. Given that NSPM, the customer under the MISO/NSPM partial path contract, has not agreed to relinquish these rights, the Midwest ISO is correct to apply transmission rights to the rightful owner of each partial path transmission customer. NSPM has the contractual rights to the point-to-point transmission service across NSP's transmission system. WPSC has the contractual rights to the network transmission service over ATCLLC's transmission system. The fact that the Midwest ISO treated the combined transactions as one for scheduling purposes, and that WPSC reimburses NSPM for the MISO/NSPM partial path transmission service under the terms of the Sales Contract, do not confer contractual rights to the transmission capacity to permit such a merger, as claimed by WPSC. We find that the Midwest ISO has appropriately followed Section 10.1 of its Business Practices and that the transactions do not qualify for merging.

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[8]Section 10.1 of the Midwest ISO's Business Practices describes the specific process used to place pre-OATT services on the Midwest ISO OASIS. Under Section 10.1, the Midwest ISO first undertook a conversion process through the use of a merge tool. The Midwest ISO used the following criteria to determine if partial path reservations can be combined: (1) whether the type of services sold is identical; (2) whether the time period of the service originally sold is identical; and (3) whether the reservations identified by the customer form a continuous path.

20. In addition, the Midwest ISO did not inappropriately deny rollover rights to WPSC under its OATT.[9] Both NSPM and WPSC are entitled to maintain their existing contractual rights and exercise their individual rollover rights with respect to each such partial path agreement. NSPM has the right to renew and rollover its rights to transmission service over the MISO/NSPM partial path, as does WPSC over its partial path. We find that the Midwest ISO can only allow WPSC to rollover its partial path transmission service, consistent with its pre-existing partial path transmission rights on the ATCLLC system.[10]

21. Under Section 2.2 of the Midwest ISO OATT, all existing firm service customers with a contract term of one year or more have the right to continue to take service from the Midwest ISO when the contract expires, rolls over or is renewed. In addition, Section 9.3.1 of the Midwest ISO's Business Practices states that the Midwest ISO "will not sell new transmission service that would cause a customer's rollover right to be denied prior to the customer's rollover rights notification deadline." Therefore, the Midwest ISO cannot grant WPSC rollover rights to a transmission path to which WPSC is not entitled to the detriment of NSPM, the party holding such rights.

22. Finally, we find that WPSC paid the appropriate rates for two separate services under two separate agreements. WPSC has been receiving power delivered pursuant to NSPM's firm point-to-point transmission service through a five-year Sales Contract with NSPM. NSPM is the transmission service customer under the Midwest ISO OATT, for which WPSC reimburses NSPM pursuant to the Sales Contract. In addition, WPSC has been receiving network service from the Midwest ISO pursuant to a Network Integration Service Agreement that was assigned by ATCLLC to the Midwest ISO.[11] WSPC has been receiving and paying for two distinct services, the point-to-point service (as a customer of NSPM for power supply) and the network service (as a direct customer).

---

[9]Section 9.3 and10 establish procedures for implementing rollover rights for long-term firm transmission services under Midwest ISO OATT.

[10]On March 1, 2002, the Midwest ISO filed a Notice of Succession for the assignment of certain ATCLLC service agreements to the Midwest ISO OATT. Among these was a partial path Network Integration Transmission Service Agreement between ATCLLC and WPSC which provided service from the NSP/WPSC interface point to WPSC load.

[11]Midwest ISO Service Agreement No. 150, MISO OATT, Original Sheet No. 534.

23. In addition, we find that the Midwest ISO has not been unjustly enriched under the transactions. Under the license plate rate formula adopted by the Midwest ISO, the revenues associated with the point-to-point transaction are allocated to the transmission owner systems that support the service pursuant to a point-to-point revenue distribution method. Therefore, WPSC will ultimately receive a portion of these revenues. WPSC's network service revenues will also flow back to the transmission owner on whose transmission system the transactions sink.

24. WPSC argues that it will have no other alternative but to construct up to 76 MW of diesel generation in its service territory with the denial of the partial path merger and rollover rights. The Midwest ISO, however, notes that WPSC will continue to have partial path rights to approximately 165-175 MW Winter and 76 MW Summer through ATCLLC as an alternative.

25. The Commission will not require this proceeding to go through dispute resolution procedures as suggested by the Midwest ISO. Timely action is required so that WPSC can make alternative arrangements to serve its native load customers. We believe that the facts as presented in this proceeding are sufficient for the Commission's decision in this instance.

The Commission orders:

WPC's complaint is hereby denied, as discussed in the body of this order.

By the Commission.

(SEAL)

Magalie R. Salas,
Secretary.

December 8, 2003

Ms. Mary J. Fisher

By e-mail transmission to Mary.J.Fisher@xcelenergy.com

Re: Letter of October 22, 2003, Dispute Resolution

Dear Ms. Fisher:

Upon Review of Mr. Grover's October 22, 2003 submittal and consistent with our conversation last week I am able to report the following:

I have verified that the revenue distribution regarding the particular point-to-point reservations identified in Mr. Grover's letter are as he has stated; they are being distributed to American Transmission Company, LLC.

I have verified that at the present time, there are no other within MISO partial path point to point reservations held by one party linking to network service sinking in another MISO zone where the holder of the point to point service is different than the holder of the network service.

I have reviewed the FERC's Order Denying Complaint in Docket No. EL03-40-000 issued on March 3, 2003 (102 FERC ¶61,255). In particular, paragraph 23 of that Order presumes that the revenue distribution for the point-to-point service is distinct from assignment to the ATCo zone.

I have reviewed the Company's Business Practices for Partial Path OASIS Treatment and for Partial Path Reservations. Neither of these requires the distribution of the revenue from the point-to-point service to ATCo LLC.

I have reviewed the provisions of Appendix C to the Midwest ISO Agreement Section III. A.

Upon completion of this review, it is my conclusion that it is appropriate to resolve the dispute with Xcel by agreeing with Xcel. The Midwest ISO is providing point-to-point service on this portion of the path. The FERC has upheld MISO's and Xcel's view that this service is separate and distinct from the network service held by Wisconsin Public Service Corporation that is used to deliver the energy to network load. Therefore, none of the six stated directions in Appendix C Section III. A. Paragraphs 1-6 properly applies to the transmission revenue associated with these reservations. Instead, the appropriate treatment is for them to be dealt with according to the procedure described in Paragraph 7.

A copy of this letter is being transmitted to our settlements function, to the Officer responsible for that function and to the Chief financial Officer. I expect to be able to report to you shortly on the timing and mechanics of reversing the prior treatment accorded to these reservations and implementing the appropriate revenue distribution. A single month action would seem to present an overly large disruption. Because of the effect this will have on ATCo LLC, I request your permission to inform that transmission owner of the existence of your dispute and the basis for its resolution.

Please let me know from your viewpoint if this constitutes a full resolution of your dispute.

Yours truly,

Stephen G. Kozey

Cc: Jim Stanton, ADR Committee
Michael Holstein, Chief Financial Officer
William Phillips, Vice President
Joe Gardner

CC: Wolfe
Bertsch
Hofbauer

STEPHEN G. KOZEY
Vice President, Secretary and
General Counsel
Direct Dial: 317-249-5431
E-mail: skozey@midwestiso.org

MISO

MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.

December 30, 2003

Ms. Julie Voeck, Manager
Regulatory Policy and Strategic Planning
ATC Management Inc.
N 19 W23993 Ridgeview Parkway W.
Waukesha, Wisconsin 53188

Dear Ms. Voeck:

In our conversation of December 23, 2003, it was determined that you would be the appropriate person at American Transmission Company, LLC ("ATCLLC") to receive the written reply I committed to make during the call. I have referred below to the five items that I committed to respond to. The balance of the letter presents responses to each of the items. I will be out of the office until Monday the 12th of January, but if you need to discuss the matter further before then, Mike Holstein will be back on Monday the 5th.

Five Points to be addressed:

1. Send ATCLLC a copy of Xcel Energy's October 22nd initiation of formal dispute and the Midwest ISO's December 8th communication to Mary Fisher;
2. Why was no notice of Xcel Energy's use of the Alternate Dispute Resolution process given to ATCLLC;
3. Why Section 12.1 of the Midwest ISO OATT does not apply to this situation;
4. Why Appendix C Section III A (2) of the Midwest ISO Agreement[1] does not require the assignment of the point-to-point revenue from the four reservations to ATCLLC; and
5. What relevance Article IX Section K of the Midwest ISO Agreement has to the resolution of this dispute.

Item 1 – Response

Copies of Xcel Energy Services, Inc.'s ("Xcel") October 22, 2003, letter to Stephen G. Kozey and the Midwest ISO's December 8, 2003, response accompany this letter.

1 The Agreement of Transmission Facilities Owners To Organize The Midwest Independent Transmission System Operator, Inc., A Delaware Non-Stock Corporation. The Midwest ISO Agreement is on file with the Federal Energy Regulatory Commission as Midwest ISO FERC Electric Tariff, First Revised Rate Schedule No. 1.

Item 2 – Response

The processing of disputes under Appendix D to the Midwest ISO Agreement upon their initial submission and first stage processing has been undertaken on a confidential basis. That is, the existence of the dispute, identity of the disputing entity and progress of the dispute have been kept confidential. The Alternate Dispute Resolution Committee does not disclose this information and neither has the Midwest ISO.

The provisions of Appendix D do not call for the Midwest ISO to provide notice to anyone. The only point at which the interests of third parties are identified and dealt with is Appendix D Section IV (E), which deals with arbitration. In that section discretion is given to the arbitrator to permit intervention upon application. That process has been implemented in the past by notice being given to all Owners in the only prior dispute that has gone to arbitration.

The Midwest ISO has, after securing a waiver of any objection to disclosure from Xcel Energy Services, brought the matter to ATCLLC's attention because of the effect that the resolution of the dispute is expected to have on ATCLLC. At this time, the Midwest ISO has not given notice of Xcel Energy's dispute or the Midwest ISO's change of interpretation on the proper revenue distribution for the four point-to-point reservations at issue to all other Owners and similarly situated ITCs. Each transmission entity that receives distribution of point-to-point revenue will be financially affected by resolution of this matter.

Item 3 – Response

Section 12.1 of the Midwest ISO OATT covers disputes "involving transmission service under the Tariff." The section further states, "All disputes involving invoices under the Tariff shall further be governed by the Billing Dispute Resolution Manual." The Xcel Energy Services dispute with the Midwest ISO was not a dispute involving Transmission Service under the Tariff. Neither did it involve invoices under the Tariff. Article Three Section IV B of the Midwest ISO Agreement directs that the provisions of Appendix D be used to resolve disputes that are not covered by the Transmission Tariff. On its face and as presented to the Midwest ISO it was a dispute concerning the Midwest ISO's performance in distributing transmission revenue among Owners pursuant to the requirements of Appendix C to the Midwest ISO Agreement.

Item 4- Response

Appendix C Section III A (2) states as follows:

> Revenues collected by the Midwest ISO for transmission services involving retail electric load that had the right to choose a different supplier under a state retail access program or legislation, shall be fully distributed to the Host Zone, regardless of whether the customers comprising such retail electric load have exercised such right to choose.

The transmission service at issue is service reserved, purchased by and invoiced to Northern States Power ("NSP") through its affiliate Xcel Energy Services, Inc. The Federal Energy Regulatory Commission, in March of this year, dismissed the complaint of Wisconsin Public Service Corporation against the Midwest ISO regarding the treatment of roll-over rights associated with the point-to-point reservations as to which the Midwest ISO's revenue distribution behavior is now at issue. 102 FERC ¶61,255 (2003). That decision establishes that the point-to-point service is contractually and legally distinct from the network service Wisconsin Public Service Corporation purchases under the Midwest

ISO OATT. The point-to-point service is bought by Xcel Energy (Northern States Power). The delivery for the service is at the NSP/ATCLLC border. As point-to-point service it can be, and is routinely, redirected by the contractual party who is the customer.

That point-to-point service does not involve retail electric load in a choice state as the Midwest ISO understands that term. To "involve" retail load, the Midwest ISO has interpreted the requirement to mean that the seller to the retail load has purchased transmission service from the Midwest ISO and that such service is sinking in the host zone. Such examples of transmission service where choice has been exercised would include aggregators, alternate electric retail suppliers or the retail entity itself. Where choice has not been exercised the incumbent utility's purchase of service, network or point-to-point service to sink in its zone is credited to its zone. This requirement is more directly dealt with by direction 4 in Appendix C Section III A, "Revenues collected by the Midwest ISO for Network Transmission Service shall be fully distributed to the Host Zone." Transmission service purchased by third parties on the Midwest ISO system receives its own treatment under Appendix C.

Item 5 – Response

The Midwest ISO does not believe that Article IX Section K is implicated in the instant dispute or its resolution. The referenced section states: "No Owner, Member, or User shall be liable to any other Owner, Member, or User for any actions taken pursuant to the direction of the Midwest ISO except in cases of the gross negligence or intentional wrong-doing of such Owner, Member or User."

No lawsuit or proceeding to determine liability under contract, tort or any other theory is underway or threatened. The Midwest ISO believes the quoted section should be read in concert with Article IV Section II D of the Midwest ISO Agreement that provides for assumption of liability by Owners and for indemnification of the Midwest ISO and the indemnified Owners. Section K – "Limitation On Liability" would relate to the liabilities assumed earlier in the Midwest ISO Agreement.

Yours truly,

Stephen G. Kozey

enclosures

Cc: Dave Grover, Xcel Energy
Michael Holstein, Midwest ISO
Joe Gardner, Midwest ISO
Doug Moss, Midwest ISO

AMERICAN TRANSMISSION COMPANY[LLC]
THE ENERGY ACCESS COMPANY

WALTER T. WOELFLE
VICE PRESIDENT, LEGAL AND SECRETARY

January 23, 2004

Mr. Stephen G. Kozey
Vice President, General Counsel and Secretary
Midwest Independent Transmission System Operator, Inc.
701 City Center Drive
Carmel, IN 46032

Re: Notification of Billing Dispute – Invoice No. 47007101
And
Request for Dispute Resolution

Dear Mr. Kozey:

Pursuant to Sections 7.3 and 12.1 of the Open Access Transmission Tariff for the Midwest Independent System Operator, Inc. ("MISO OATT") and to the extent applicable, pursuant to Appendix D to the Agreement of Transmission Facilities Owners to organize the Midwest Independent System Operator, Inc., a Delaware non-stock corporation ("TOA"), ATC Management Inc. ("ATCMI") as corporate manager of and on behalf of American Transmission Company LLC ("ATC") hereby formally disputes $364,389 of Schedule 11 charges billed to ATC by MISO on Invoice No. 47007101, dated January 8, 2004.

This letter will describe the nature of ATC's billing dispute and the reasons why ATC is disputing the invoice. The dispute involves the following: (a) MISO's change to its long-standing allocation of point-to-point transmission revenues associated with transmission service reservations under the MISO OATT, (b) MISO's improper attempt to bill for and to recover presently, revenues previously allocated to ATC under its prior interpretation regarding point-to-point revenue allocation and (c) MISO's failure to deal fairly with ATC, one of its members, as a result of its *ex parte* resolution of a Request for Dispute Resolution filed by Xcel Energy ("Xcel"). The transmission service reservations mentioned above relate to point-to-point transmission service on the system of Northern States Power Company ("NSP"), the cost of which is included in bundled power purchases by Wisconsin Public Service Corporation ("WPSC"), which are designated network resources.

As described in detail below, ATC disputes MISO's *ex parte* action changing a long-standing interpretation of revenue allocation, in effect amending, without authority, the TOA and its attempt to retroactively apply a new methodology. MISO's actions cannot stand.

A. MISO's change to its long-standing allocation of the point-to-point revenues at issue is incorrect.

From February 1, 2002 to December 8, 2003, the period of time involving the vast majority of MISO's provision of transmission service under its OATT, MISO allocated the revenues received from the point-to-point transactions pursuant to the provisions of TOA Appendix C, Section III.A.2. ("Section III.A.2.")[1] Under this provision, 100% of the revenues associated with the point-to-point transactions at issue were allocated to ATC as the Host Zone. On December 8, 2003 MISO, via a letter from Mr. Stephen G. Kozey, Vice President, General Counsel and Secretary, to Ms. Mary J. Fisher, Xcel Energy Services (the "December 8 Letter"), determined that the point-to-point revenues at issue should be allocated according to the provisions of TOA Appendix C, Section III.A.7. ("Section III.A.7."). Under this provision, the point-to-point revenues are allocated across MISO's network customer base on the basis of flow and transmission investment. MISO, in the December 8 Letter and a letter dated December 30, 2003 from Mr. Kozey to Ms. Julie Voeck, Manager Regulatory Policy and Strategic Planning, ATCMI. ("December 30 Letter"), provided four reasons for the allocation change from Section III.A.2. to Section III.A.7. None of these four reasons provide any justification for making the allocation change.

(i) In the December 8 Letter, it is stated that "I have reviewed the company's business practices for partial path OASIS treatment and for partial path reservations. Neither of these requires the distribution of the revenue from the point-to-point service to ATCo LLC." While the statement is correct, it is irrelevant. Article Three, Section III.E. of the TOA directs MISO to distribute revenue to its owners in an amount determined in accordance with Appendix C to the TOA. Thus, for revenue distribution purposes, Appendix C governs. MISO's business practices should implement Appendix C, not override it.

(ii) The December 8 Letter refers to a FERC Order holding that the point-to-point transactions involving WPSC are separate and distinct from the network service held by WPSC and concludes that Section III.A.7. is the appropriate allocation methodology.

(iii) In its December 30 Letter, MISO again references the FERC Order as justification for the Section III.A.7. allocation – This will respond to the

[1] Section III.A.2. reads as follows: "Revenues collected by the Midwest ISO for transmission services involving retail electric load that had the right to choose a different supplier under a state retail access program or legislation, shall be fully distributed to the Host Zone, regardless of whether the customers comprising such retail electric load have exercised such right to choose.

FERC Order issues raised in both the December 8 Letter and December 30 Letter.

On January 13, 2003 WPSC filed a complaint against MISO which was docketed as EL03-40. The complaint involved WPSC's assertion of rollover rights for the point-to-point transactions it was using in conjunction with its network service to bring power from designated network resources to its native load. The complaint did not involve the allocation of point-to-point revenues among MISO network transmission customers. The only issue involving revenues was WPSC's assertion that it was paying twice for the same service, one point-to-point charge and its network service charge. FERC upheld the pricing. The distribution of the point-to-point revenues was not at issue except to show that MISO did not keep the revenues. The appropriateness of MISO's allocation of the point-to-point revenues was not part of the case and Paragraph 23 of the Order in Docket EL03-40 issued March 3, 2003 discussing the revenue allocation is *dicta* insofar as providing any support for use of Section III.A.7. instead of the long-standing practice of allocating according to Section III.A.2.

It should be noted that WPSC filed a request for rehearing which was granted for purposes of further consideration on May 2, 2003. The issue is still pending. MISO's reliance on *dicta* in a FERC Order which is subject to a pending rehearing as the basis for seeking millions of dollars from ATC and its customers, is not well founded.

(iv) The December 30 Letter also attempts to justify use of Section III.A.7. for allocation claiming that point-to-point service does not "involve" retail electric load in a choice state. It goes on to indicate that to "involve" retail load, MISO has interpreted the requirement to mean that the seller to the retail load has purchased transmission service from the Midwest ISO and that such service is sinking in the Host Zone. MISO's attempt to justify what the word "involving" means in the context of Section III.A.2. is contradicted by its own pleadings in Docket EL03-40. In that proceeding there was no question that the point-to-point transactions were used to serve WPSC's native load customers.

MISO, in its Motion to Dismiss and Answer of the Midwest Independent Transmission System Operator, Inc. filed on January 27, 2003 in Docket EL03-40 stated that "taken together, the NSPM 'partial path' and the WPS 'partial path' formed a full path transaction which is the subject of the WPS complaint.[9]" The referenced footnote provides clear indication that the point-to-point transaction was one clearly "involving" retail electric service in a state with retail access. Footnote 9 reads as follows:

> "Prior to implementation and operation of the Midwest ISO, WPS and NSPM had entered into a Power Sales Agreement ('PSA') for NSPM to provide WPS energy and capacity resources necessary to meets its system load requirements through an initial term that expires on May 1, 2003." The PSA required that NSPM arrange for transmission services necessary to deliver such energy and capacity, and WPS had agreed to reimburse NSPM for the cost of such transmission service. Such transmission service currently is being provided over the NSPM "partial path".

At page 11 of its Motion to Dismiss and Answer, MISO indicates that:

> "In order to complete the transaction from the NSPM 'partial path', WPS entered into a Network Integration Service Agreement with ATC LLC.[24] This Network Integration Service Agreement constitutes the WPS 'partial path' which, together with the NSPM 'partial path' establishes the necessary operational 'complete' path for WPS to serve its network load.[25]"

Footnote 25 reads as follows:

> "In order for the PSA to be designated as a network resource, and for WPS to procure such network transmission service from ATC LLC, WPS would have been required to show that it had transmission service to receive power at the ATC LLC interface with NSP TP. The NSPM-NSP TP long-term, firm point-to-point transmission service agreement was thus a necessary component of the "complete" path required by WPS."

For MISO to now take the position that the point-to-point transactions were ones not "involving" retail service to a state which had retail access, given statements in its pleading in Docket EL03-40 is simply not credible. In fact, MISO even says that the point-to-point transactions are necessary for WPSC to service its native load. WPSC and its affiliate Upper Peninsula Power Company provide retail electric service in Michigan, a state with retail access. We Energies and its affiliate also provide retail electric service in Michigan.

As noted above, MISO in the December 30 Letter takes the position that it now interprets "involving retail load" to mean that the seller of the retail load has purchased transmission service from MISO and that such service is sinking in the Host Zone. MISO's interpretation that the purchaser of the point-to-point service must be the seller to retail load not only is contrary to its statements in pleadings as discussed above, but is offered without explanation as to why MISO's long-standing previous interpretation should be changed.

Finally, MISO's attempt to significantly change the long-standing distribution of revenues under Section III.A.2. is not a change in interpretation but it is an attempt to modify the TOA as to matters, the sole power over, rests in the Transmission Owners. TOA Article Two Section IX.C.6. provides that:

> "The distribution of transmission service revenues collected by the Midwest ISO and the methodology for determining such distribution, as set forth in Appendix C to this Agreement, and the return of start-up costs, provided for in Appendix C to this Agreement, also shall not be changed except by unanimous vote of the Owners."

The Owners, not MISO, have the exclusive power, exercisable only by unanimous vote, to change the distribution of transmission service revenues as well as the methodology for determining such distribution as set forth in Appendix C. MISO's change in "interpretation" and its indication in the December 8 Letter that it will seek to recover from ATC revenues allocated to ATC under Section III.A.2., ostensibly dating back to February 1, 2002 constitutes, in effect, an amendment to Appendix C. The amount at issue is in excess of $6 million. This reflects the difference between what ATC received under the Section III.A.2. allocation and what it would receive under the Section III.A.7. allocation. MISO simply does not have unilateral authority to amend the application of Appendix C.

B. Even if MISO is correct in its ability to change its long-standing revenue allocation prospectively, it cannot take back and redistribute revenues distributed in accordance with Section III.A.2. prior to its December 8, 2003 decision, nor can it seek to use Section III.A.7. to allocate revenues prior to December 8, 2003 which had previously not been billed or allocated.

As noted above, the invoice which ATC is disputing is based upon allocation of revenues pursuant to Section III.A.7. for the entire month of December despite the fact that MISO only determined on December 8 to change its long-standing prior allocation methodology.[2] MISO's actions are incorrect and unsupported.

From a monetary standpoint, the more significant and egregious position that MISO has taken is set forth in its December 8 Letter in which it indicates that it would seek to reverse the prior allocation (ostensibly back to February 1, 2002) and look to ATC for these revenues.

Assuming for the sake of argument that the two sentences in FERC's Order in Docket EL03-40 relating to revenue allocation are not *dicta*, that MISO's recent decision to use Section III.A.7. is the correct allocation method to apply and that MISO's change in interpretation is not such that it is a prohibited amendment of the TOA by MISO are all true, MISO still cannot apply its change of allocation interpretation retroactively. In neither its December 8 Letter nor in its December 30 Letter does MISO site any authority to support its position that it can go back almost two years to take back and reallocate revenues received by one transmission owner.

Looking to MISO's OATT as guidance, since the revenues that are allocated under the TOA are derived from transmission service under the MISO OATT, there is no support for MISO's position of unlimited retroactive adjustments, but just the opposite. The MISO OATT allows a limited period to challenge and effect correction of billing disputes. MISO OATT Section 7.1 requires that all transmission charges for a month be billed within a reasonable time after the first day of the next month. Section 12.1 of the MISO OATT permits challenges to the invoices issued under MISO OATT Section 7.1 to a 90-day period subsequent to the date of the invoice.

[2] On a monthly basis, MISO sends two electronic files to ATC, File MR and File MC. File MR sets forth revenue credits allocations and File MC provides the basis for charges which are then summarized in an invoice. With respect to the revenue credits and charges for the month of December, 2003, MISO in File MR included revenues allocated according to its long-standing methodology Section III.A.2. as well as revenues allocated according to Section III.A.7. In File MC and in invoice #47007101, the revenues associated with Section III.A.2. methodology are shown as charges. The effect then, through the use of the invoice, is to allocate revenues to ATC only on the basis of the Section III.A.7. methodology. MISO has made this allocation for the entire month of December despite the fact that it did not determine to change methodologies until December 8.

Absent any provision in an agreement between MISO and its transmission owners addressing MISO's retroactive reallocation authority, it would appear that MISO's general authority through its OATT and the filing of the TOA as a rate schedule should be no greater under the Federal Power Act than FERC's own authority regarding retroactive application. Rate changes filed under Section 205 of the Federal Power Act are prospective. Section 206 proceedings involving charges that existing rates are unjust or unreasonable brought either by FERC on its own motion or by affected parties, are also prospective in that if refunds are ordered the refund effective date is between 60 days after the complaint was filed and five months after such 60 days.

MISO apparently wishes to retroactively reallocate revenues going back a period of over two years. Particularly troubling is that under MISO's apparent theory, there would be nothing to prevent it from deciding ten years from now that revenues which had been allocated one way should be taken back and reallocated. Given this possible situation, MISO's position is simply not sustainable.

There are other provisions of the TOA which must be consulted regarding the responsibility for revenue allocation decisions. Article Three, Section IV.A. of the TOA indicates that:

> "A. Assume Liability. With respect to the signatories to this Agreement, the Midwest ISO shall assume liability for any injury or damage to persons or property arising from the Midwest ISO's own acts or neglect, including the acts or neglect of its Directors, Officers, employees, agents, and contractors, and shall release, indemnify, and hold harmless each Owner, and the Owners as a group, from and against all damages, losses, claims, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising from the Midwest ISO's performance or neglect of its obligations under this Agreement, except in cases where, and only to the extent that, the gross negligence or intentional wrongdoing of an Owner, or the Owners as a group, contributes to the claimed injury or damage."

In addition, Article Nine, Section K of the TOA provides that:

> "K. Limitations On Liability. No Owner, Member, or User shall be liable to any other Owner, Member, or User for any actions taken pursuant to the direction of the Midwest ISO except in cases of the gross negligence or intentional wrong-doing of such Owner, Member or User."

If MISO was wrong in its February, 2002 decision to allocate the point-to-point revenues at issue pursuant to Section III.A.2., then it should be liable for that mistake. If, on the other hand, MISO was not negligent but was acting on a good faith understanding of FERC policy at the time, which policy arguably was changed in the March 3, 2003 Order in Docket EL03-40, then the correct date for applying the changed allocation, on a prospective basis, would be December 8, 2003, when MISO made its determination.

In any event, it is clear from the December 8 Letter that as a result of its changed interpretation MISO would look to ATC to refund monies so that MISO could reallocate them to all of the MISO transmission owners. MISO is clearly indicating that it is holding ATC liable to it and the other transmission owners for following MISO's directions as to receipt of revenue allocations. Under the provisions of TOA Article Nine, Section K, ATC cannot be held liable for following MISO's directions.

C. <u>MISO's failure to notify ATC of Xcel's formal dispute request and thus to allow ATC the opportunity to participate was a denial of fundamental due process</u>.

Xcel's request for dispute resolution was filed with MISO on October 22, 2003. MISO, in its December 8 Letter came to the conclusion that Xcel's position regarding the allocation of the point-to-point revenues using Section III.A.7. was correct. ATC learned of the filing of the formal request for dispute resolution and MISO's decision on December 9, when an ATC representative at a MISO meeting was informed of this by MISO staff. Subsequently, a telephone conference was held on December 23 among representatives of MISO, Xcel and ATC for the purpose of providing information to ATC concerning MISO's decision and its ramifications. MISO agreed to respond to certain questions raised at the telephone conference and in its December 30 Letter it responded to the question of why it had not informed ATC of the filing of the formal dispute resolution request by saying that:

> "The provisions of Appendix D do not call for the Midwest ISO to provide notice to anyone. The only point at which the interests of third parties are identified and dealt with is Appendix D Section IV(E), which deals with arbitration."

MISO's position not only misses the point but is arbitrary, capricious and in violation of its duty to act in good faith under the TOA, the nondiscrimination provisions of the OATT and MISO's commitment to an open stakeholder process. The TOA does not prohibit MISO from notifying an owner of the existence of a formal dispute, the resolution of which would affect such owner. The general obligation to act in good faith requires such notice.

MISO knew that if the Xcel position was adopted, it would look to ATC to refund revenues which would be reallocated. This is clear from the December 8 Letter. However, knowing that ATC would be affected by its decision MISO intentionally chose not to inform ATC that a dispute had been filed. Thus it prevented ATC from presenting any information and prevented ATC from bringing the matter before a neutral arbitrator.

MISO derives any authority it may have to oversee operations of the transmission system and to resolve various disputes through the filing of tariffs and rate schedules with FERC, which has been given authority to regulate the transmission of power in interstate commerce by Congress through the passage of the Federal Power Act. FERC, in exercising its Federal Power Act authority always provides notice of proceedings and allows intervention by those persons who may be affected by the outcome of the proceeding. This is fundamental due process. MISO must provide the same degree of due process to disputes as it does to other matters involving its OATT and other filed rate schedules, unless a party who may be affected by MISO's decisions waives notice and the right to intervene and participate in disputes before MISO, the resolution of which could affect them. ATC has not waived its right to notice and participation. The TOA contains no provision prohibiting MISO from informing potentially interested parties that a dispute has been filed and allowing for intervention. MISO's *ex parte* decision cannot be binding on ATC and thus MISO had no authority to issue the invoice to ATC, which is the subject of this dispute and which implements MISO's changed position regarding revenue allocation.

MISO's conscious act to keep the Xcel dispute secret contradicts MISO's commitment to have an open and transparent stakeholder process. For example, at page 2 of its Motion for Leave to Answer and Answer of the Midwest Independent Transmission System Operator, Inc. in Docket No. ER03-1118, MISO indicates that:

> "Successful energy markets are best developed through extensive stakeholder involvement and through a highly iterative process.[2]"

The referenced footnote "2" reads as follows:

> "Robust stakeholder input frequently consists of: strawman proposals, collaborative discussions, revised proposals, additional stakeholder feedback, refined proposals, more discussions, Commission filings, protests, responses, and Commission orders."

D. The invoice reflects MISO's request to net the MR and MC files and ATC disputes the resulting reduction in point-to-point revenue allocation.

MISO's course of dealing has been to issue an invoice for monthly transmission charges on the fifth business day of the following month. Together with the invoice are two electronic files, "MC" and "MR" which provide details concerning costs and revenues being allocated back to transmission owners. The invoice relating to costs must be paid within 15 days, while the revenue allocation is distributed per the details contained in the MR file on the 16th day following the date of the invoice. ATC, in the past, had requested MISO to net out revenues being allocated per the MR file with costs being charged under the MC file and MISO has refused.

With regard to Invoice 47007101 which is the subject of this dispute, Mr. Randy Lange, Financial Systems Administrator, has received verbal instructions from MISO billing personnel not to pay the invoice charges relating to the point-to-point transactions and in return MISO will not credit ATC with the revenues shown on the MR file allocated pursuant to the old allocation methodology. MISO is thus trying to net out revenue allocations against costs, something which in the past it has refused to do. Mr. Lange acquiesced to the netting as an accommodation to MISO's billing process. Mr. Lange's action was not intended to, nor did it signify agreement on the part of ATC with MISO's reallocation of revenues. As a result of the netting requested by MISO, ATC will be allocated point-to-point revenues reflecting MISO's new Section III.A.7. interpretation. Notwithstanding, MISO's attempt to net, ATC will remit the full amount of the invoice, $373,440.44 of which it disputes $364,389. ATC directs MISO to put the disputed amount in escrow. For the reasons given above, ATC disputes the reduction in point-to-point revenues resulting from the application of the Section III.A.7. allocation procedure.

Conclusion

For the reasons outlined above, ATC denies liability for the Schedule 11 charges it is disputing and contests any attempt to require it to return any revenue previously allocated to it by MISO pursuant to Section III.A.2.

Designated Contact Person

Initial Contact:
Ms. Julie Voeck
Manager- Strategic Policy/Planning
N19 W23993 Ridgeview Parkway West
Waukesha, WI 53188
262-506-6846

Responsible Officer

Walter T. Woelfle
Vice President, Legal and Secretary
N19 W23993 Ridgeview Parkway West
Waukesha, WI 53188
262-506-6830

Very truly yours,

American Transmission Company LLC
By its corporate manager ATC Management Inc.

Walter T. Woelfle
Vice President, Legal and Secretary

Cc: David Grover
Patricia Vincent
Mary Fisher
James P. Johnson
Barbara Swan (Alliant)
Mark Maranger and James Boll (MG&E)
William Bourbonnais (WPS)
James Keller and Arthur Iler (We Energies)
J. LeRoy Thilly and Michael Stuart (WPPI)

AMERICAN TRANSMISSION COMPANY LLC
THE ENERGY ACCESS COMPANY

WALTER T. WOELFLE
VICE PRESIDENT, LEGAL AND SECRETARY

January 30, 2004

Mr. Stephen G. Kozey
Vice President, General Counsel and Secretary
Midwest Independent Transmission System Operator, Inc.
701 City Center Drive
Carmel, IN 46032

Re: Correction to Our Correspondence of January 23, 2004

Dear Mr. Kozey:

On January 23, 2004 we sent correspondence to you disputing Schedule 11 charges billed to ATC by MISO on Invoice No. 47007101, dated January 8, 2004. It has been brought to my attention that two numbers were transposed in the amount of the invoice being disputed. The correct amount should be $364,839.

Very truly yours,

American Transmission Company LLC
By its corporate manager ATC Management Inc.

Walter T. Woelfle
Vice President, Legal and Secretary

Cc: David Grover
Patricia Vincent
Mary Fisher
James P. Johnson
Barbara Swan (Alliant)
Mark Maranger and James Boll (MG&E)
William Bourbonnais (WPS)
James Keller and Arthur Iler (We Energies)
J. LeRoy Thilly and Michael Stuart (WPPI)

MAILING ADDRESS: P.O. BOX 47 ▪ WAUKESHA, WI 53187-0047 ▪ Phone: 262-506-6830 ▪ Fax: 262-506-6710 ▪ wwoelfle@atcllc.com
STREET ADDRESS: N19 W23993 RIDGEVIEW PARKWAY WEST ▪ WAUKESHA, WI 53188-1000

Woelfle, Walter T.

From: Landgren, Dale
Sent: Wednesday, February 04, 2004 5:13 PM
To: Woelfle, Walter T.; Bertsch, Mal; Hofbauer, Michael
Cc: Voeck, Julie; Rauh, Jeff; Dykstra, Steven
Subject: FW: Follow-up to ADR Involving Revenue Distribution

Importance: High

01-27-04 Letters to Transmissi... DISPUTE .UTION ACKNOWLE

fyi

-----Original Message-----
From: Donna Dare [mailto:DDare@midwestiso.org]
Sent: Wednesday, February 04, 2004 4:06 PM
To: Andrea Stomberg; Bill Doty; Carl Huslig; Landgren, Dale; David Dahlberg; David Sandefur; Doug Collins; Ed Stoneburg; Gary Zimmerman; Gayle Mayo; Karl Kohlrus; Mary Fisher; Mike Holtsclaw; Paul Thompson; Peggy Ladd; Rick Coons; Rodney Scheel; Roger Engle; Ron Jackups; Terry Bundy; Thomas Ferguson; Timothy Reeves; Frank Venhuizen; Joseph Welch; Stanley Szwed; Ed Tymofichuk
Cc: Stephen Kozey; Lori Spence; Dorothy Shute; Heather Cain
Subject: Follow-up to ADR Involving Revenue Distribution
Importance: High

On January 27, 2004, Mr. Kozey sent individual letters to the Midwest ISO Transmission Owners, Independent Transmission Companies and Coordination Member concerning an informal dispute resolution process it is currently engaged in with ATCLLC with respect to the distribution of revenues (see attached).

As a follow-up to Mr. Kozey's January 27, 2004 correspondence, in the event that you wish to participate in the anticipated informal resolution of this dispute, please complete the attached "Dispute Resolution Acknowledgement and Inclusion Form" and fax to Mr. Kozey's attention at 317-249-5912 NO LATER THAN TUESDAY, FEBRUARY 10, 2004.

Thank you for your attention to this matter.

Donna Dare, Sr. Regulatory Paralegal
Midwest ISO
701 City Center Drive
Carmel, Indiana 46032
Telephone (317) 249-5427
Facsimile (317) 249-5912
Email: ddare@midwestiso.org

STEPHEN G. KOZEY
Vice President, Secretary and
General Counsel
Direct Dial: 317-249-5431
E-mail: skozey@midwestiso.org

MISO

MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.

January 27, 2004

Dale Landgren
Vice President/Chief Strategic Officer
American Transmission Company, LLC
P.O. Box 47
Waukesha, WI 53187-0047

Re: Alternate Dispute Resolution Involving Revenue Distribution

Dear Mr. Landgren:

On October 22, 2003, the Midwest ISO received a notice of dispute involving the distribution of revenues associated with certain point-to-point transmission service reservations held by Xcel Energy Services during the period commencing with February 2002 through the present. The revenue from these transactions had been assigned to ATCLLC. Xcel disputed that treatment, claiming that the revenues from those reservations should have been distributed pursuant to the procedures called for in Section III.A.7 of the Agreement of Transmission Facilities Owners To Organize The Midwest Independent Transmission System Operator, Inc. ("Transmission Owners Agreement"). The dispute was brought pursuant to Appendix D of the Transmission Owners Agreement, which governs those disputes arising under the auspices of the Transmission Owners Agreement. The Midwest ISO agreed that its treatment of the revenue had been incorrect and beginning with distribution of revenue for December 2003, began distribution pursuant to the sharing formula in Section III.A.7 of the Transmission Owners Agreement. ATCLLC believes that the original revenue distribution treatment was correct. ATCLLC has disputed, among other things, the Midwest ISO's conclusion, the process it followed and its authority to reach the conclusion it has.

The Midwest ISO is currently engaged in the informal dispute resolution process outlined by Appendix D to the Transmission Owners Agreement in an effort to amicably resolve the issue at hand. Given the nature and substance of the dispute, the Midwest ISO recognizes that any decision arrived at in the resolution of the dispute may have an effect on all of its transmission owning members. As such, the Midwest ISO is sending this letter to provide its Transmission Owners the opportunity to participate in the anticipated informal resolution of this dispute. To be included in any correspondence or conference calls and to be invited to any meetings on this matter, please sign the enclosed form and send it to me via facsimile at (317) 249-5912.

While the Midwest ISO recognizes that Appendix D's dispute resolution procedures explicitly allow for Owner or Member intervention at the arbitration stage of the dispute resolution process, the Midwest ISO believes that this earlier involvement will serve the practical goal of fair resolution of the dispute.

Sincerely,

Stephen G. Kozey | mkh

Stephen G. Kozey
Vice President, General Counsel & Secretary

DISPUTE RESOLUTION ACKNOWLEDGEMENT AND INCLUSION FORM

The undersigned hereby indicates its interest and desire to be included in the dispute raised by a Midwest ISO Transmission Owner involving the distribution of revenues associated with reservations for certain point-to-point transmission service during the period commencing February 2002 to the present. While the undersigned and the Midwest ISO acknowledge that the actual dollar amount in dispute cannot be determined at this time, both parties recognize that any decision arrived at in the resolution of this dispute may have an effect on all Midwest ISO transmission owning members. The undersigned and the Midwest ISO agree that this form is not intended to act as a waiver or relinquishment of any alternate dispute resolution rights the undersigned may have under the Agreement of Transmission Facilities Owners To Organize The Midwest Independent Transmission System Operator, Inc.

____
Name:
Title:
Entity:

Please direct all correspondence involving this matter to:

Entity Name: ________________________

Contact Name: ________________________

Title: ________________________

Address: ________________________

____

E-mail: ________________________

STEPHEN G. KOZEY
Vice President, Secretary and
General Counsel
Direct Dial: 317-249-5431
E-mail: skozey@midwestiso.org

MISO

MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.

March 1, 2004

Walter Woelfle
Vice President, Legal and Secretary
American Transmission Company LLC
P. O. Box 47
Waukesha, WI 53187-0047

Re: American Transmission Company LLC Revenue Distribution Dispute

Dear Walter:

On January 27, 2004, the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") issued a letter inviting Transmission Owner participation in the above-referenced matter. A follow-up email was sent on February 4, 2004, to Transmission Owners as a reminder to return such Acknowledgment forms to the Midwest ISO. The following Transmission Owner Companies have represented that they have an interest in this dispute that is not adequately represented by another:

Transmission Owners

Acknowledgement Signed by:	Designated Contact Person
Doug Collins – Alliant Energy	Doug Collins
Stan Szwed – ATSI FirstEnergy	Richard Ziegler
Karl Kohlrus – City of Springfield	Karl Kohlrus
John Flynn – ITC	Greg Ioanidis
Mark Johnson – LG&E	Mark Johnson
Terry Bundy – Lincoln Electric System	Doug Curry
Royal Lefere – METC	Jennifer Nassabi
David Dahlberg - Northwestern Wisconsin Electric Company	David Dahlberg
Daryl Hanson – Otter Tail	Daryl Hanson
Michael Chambliss – Vectren Energy	Mike Chambliss
Mary Fisher – Xcel Energy	Dave Grover

Pursuant to the dispute resolution procedures outlined in Appendix D of the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO Agreement"), the Midwest ISO suggests that the attached notice be provided to the Alternate Dispute Resolution Committee (the "Committee") to notify the Committee of the existence and nature of the dispute, so that it may determine whether mediation should commence under the procedures of Section III B of Appendix D to the Midwest ISO Agreement, or whether from the nature of the dispute, the positions of the parties and other relevant facts and circumstances that mediation would be highly unlikely to lead to resolution of the dispute under its responsibilities pursuant to Section III A of Appendix D. The draft notice attached hereto is available for your consideration.

Very truly yours,

Stephen G. Kozey

cc: Julie Voeck, ATCLLC
Michael Holstein, Midwest ISO

Attachments

Notice to the
Alternate Dispute Resolution Committee
Of the
Midwest ISO
Of the Existence and Nature of a Dispute

American Transmission Company, LLC ("ATCLLC") and the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") hereby notify the Alternate Dispute Resolution Committee of the Midwest ISO ("the "Committee") of the existence of a dispute among them and request the Committee to commence the processes called for in Section III of Appendix D to the Midwest ISO Agreement regarding their dispute.

The nature of the dispute is explained in the attached letter sent by ATCLLC representatives to the appropriately designated Midwest ISO representative. The dispute involves the distribution of revenues associated with Point-to-Point Transmission Service under certain individual reservations to and among its Transmission Owner members for certain transactions that took place prior to December, 2003. The revenue for these transactions were given entirely to ATCLLC. Upon the initiation of an informal dispute by XCEL Energy Services, Inc., the Midwest ISO determined that such distribution was in error. It proposes that the revenue distribution for past months be recalculated. The Midwest ISO changed its treatment of these revenues on a prospective basis beginning in December, 2003. ATCLLC contends the revenue distribution determination for the past period and conducted by the Midwest ISO for December service and continuing is in conflict with the procedures governing revenue distribution contained in Appendix C of the Midwest ISO Agreement. The Midwest ISO believes its actions are not in conflict with Appendix C and are proper.

The parties report that they have exhausted the procedures called for in Section II of Appendix D and that an impasse in resolution of the dispute at that stage has been reached.

The Midwest ISO requests that the Committee notify the following persons of its actions in this matter by contacting the following:

For the Midwest ISO – Michael Holstein and Stephen Kozey at mholstein@midwestiso.org and skozey@midwestiso.org, respectively;

For ATCLLC – Walter Woelfle at wwoelfle@atcllc.com and Julie Voeck at jvoeck@atcllc.com.

AMERICAN TRANSMISSION COMPANY LLC
THE ENERGY ACCESS COMPANY

WALTER T. WOELFLE
VICE PRESIDENT, LEGAL AND SECRETARY

March 8, 2004

Mr. Stephen G. Kozey
Vice President, General Counsel and Secretary
Midwest Independent Transmission System Operator, Inc.
701 City Center Drive
Carmel, IN 46032

Re: American Transmission Company LLC Billing and Revenue Distribution Dispute

Dear Steve:

I received your March 1, 2004 letter regarding our dispute referenced above. I agree that a notice should be provided to the Alternate Dispute Resolution Committee letting them know of the existence and nature of the dispute so that it may determine whether mediation should commence or whether, based on the facts and circumstances, mediation would be unlikely to lead to resolution.

Your letter also contained a list of the transmission owners who have indicated that they have an interest in the dispute that is not adequately represented by other parties. Upon receipt of your January 27, 2004 letter asking entities to indicate their interest in participating, American Transmission Company LLC ("ATCLLC") notified its network customers of the dispute and of the "Dispute Resolution Acknowledgment and Inclusion Form" ("Form") which you had asked be completed and filed by February 10, 2004. I understand that in addition to Alliant Energy, the following entities completed and submitted the Form expressing interest in participating in the proceeding: Dairyland Cooperative, Adams-Columbia Electric Cooperative, Manitowoc Public Utilities, We Energies, Wisconsin Public Service Corporation, Upper Peninsula Power Company, Badger Power Marketing Authority, Madison Gas and Electric Company, Cloverland and Edison Sault.

It has been reported to me that Midwest ISO is taking the position that only Transmission Owners should be allowed to participate in any dispute resolution process. If the Midwest ISO's position is upheld, certain of the above-referenced entities could be exposed to significant liability. They clearly are entities that have an interest in the proceeding and ATCLLC insists that they be made part of any proceedings. In addition,

MAILING ADDRESS: P.O. BOX 47 ▪ WAUKESHA, WI 53187-0047 ▪ Phone: 262-506-6830 ▪ Fax: 262-506-6710 ▪ wwoelfle@atcllc.com
STREET ADDRESS: N19 W23993 RIDGEVIEW PARKWAY WEST ▪ WAUKESHA, WI 53188-1000

any other network customers in the ATCLLC pricing zone who would be affected must also be allowed to participate in the resolution of this dispute.

In response to your solicitation of my comments on your draft notice to the Alternate Dispute Resolution Committee, I have enclosed a red-lined draft.

Very truly yours,

American Transmission Company LLC
By its corporate manager ATC Management Inc.

Walt T. Woelfle

Walter T. Woelfle
Vice President, Legal and Secretary

Enclosure

Cc: Dale Landgren
Julie Voeck
Terry Peterson
Mal Bertsch
Dan Sanford
Doug Collins (Alliant)
Ben Porath and Bob Ruddy (Dairyland)
Chuck Spargo (Adams-Columbia)
Dale Koch and Nilaksh Kothari (Manitowoc Public Utilities)
Jim Keller (We Energies)
Bill Bourbonnais and Don Carlson (WPSC)
Terrie Taylor and Gary Erickson (UPPCO)
Andy Onesti (Badger Power Marketing)
Mark Maranger and Gary Mathis (MG&E)

Notice to the
Alternate Dispute Resolution Committee
Of the
Midwest ISO
Of the Existence and Nature of a Dispute

American Transmission Company, LLC ("ATCLLC") and the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") hereby notify the Alternate Dispute Resolution Committee of the Midwest ISO ("the "Committee") of the existence of a dispute among them and request the Committee to commence the processes called for in Section III of Appendix D to the Midwest ISO Agreement regarding their dispute.

The nature of the dispute is explained in the attached letter sent by ATCLLC representatives to the appropriately designated Midwest ISO representative. The dispute involves the redistribution of revenues associated with Point-to-Point Transmission Service under certain individual reservations to and among its Transmission Owner members for certain transactions that took place prior to December, 2003 and Midwest ISO's ability to bill and collect from ATCLLC revenue distributed to ATCLLC from 2/1/02 to December, 2003 under the previous allocation method. The revenue for these transactions were given entirely to ATCLLC. Upon the initiation of an informal dispute by XCEL Energy Services, Inc., the Midwest ISO determined that such distribution was in error. It proposes that the revenue distribution for past months be recalculated. The Midwest ISO changed its treatment of these revenues on a prospective basis beginning in December, 2003. ATCLLC contends the revenue distribution determination for both the past period and that conducted by the Midwest ISO for December service and continuing is in conflict with the procedures governing revenue distribution contained in Appendix C of the Midwest ISO Agreement. The Midwest ISO believes its actions are not in conflict with Appendix C and are proper.

The above description of the dispute is for convenience only and is not intended to limit the scope of the dispute.

The parties report that they have exhausted the procedures called for in Section II of Appendix D and that an impasse in resolution of the dispute at that stage has been reached.

The Midwest ISO requests that the Committee notify the following persons of its actions in this matter by contacting the following:

For the Midwest ISO – Michael Holstein and Stephen Kozey at mholstein@midwestiso.org and skozey@midwestiso.org, respectively;

For ATCLLC – Walter Woelfle at wwoelfle@atcllc.com and Julie Voeck at jvoeck@atcllc.com.

STEPHEN G. KOZEY
Vice President, Secretary and
General Counsel
Direct Dial: 317-249-5431
E-mail: skozey@midwestiso.org

MISO

MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.

March 15, 2004

Walter Woelfle
Vice President, Legal and Secretary
American Transmission Company LLC
P. O. Box 47
Waukesha, WI 53187-0047

Re: American Transmission Company LLC ("ATCLLC") Revenue Distribution Dispute

Dear Walter:

We received your letter dated, March 8, 2004, to the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") regarding your concerns that the appropriate parties be included in the dispute resolution process. As stated in the Midwest ISO's March 1, 2004 letter, the Midwest ISO issued a letter inviting **Transmission Owner** participation in the above-referenced matter. A follow-up email was sent on February 4, 2004, to Transmission Owners as a reminder to return such Acknowledgment forms to the Midwest ISO. You mention several members of ATCLLC had expressed an interest in becoming a party to the dispute resolution process. It continues to be the belief of the Midwest ISO that at this stage of the dispute these entities should be adequately represented by ATCLLC's participation in the dispute resolution process. Once the Alternative Dispute Resolution Committee makes its determination on mitigation versus arbitration there will be an opportunity for these parties to petition the mediator or arbitration panel to participate.

With regard to the Notice to the Dispute Resolution Committee ("Committee"), the Midwest ISO is willing to accept all of the suggested revisions to the Notice. The Midwest ISO will proceed with the notification process to the Committee of the existence and nature of the dispute, so that it may determine whether mediation should commence under the procedures of Section III B of Appendix D to the

Midwest ISO Agreement, or whether from the nature of the dispute, the positions of the parties and other relevant facts and circumstances that mediation would be highly unlikely to lead to resolution of the dispute under its responsibilities pursuant to Section III A of Appendix D. The Midwest ISO attaches a copy of the final Notice for your records.

Very truly yours,

/s/ Stephen G. Kozey

Stephen G. Kozey

cc: Julie Voeck, ATCLLC
Michael Holstein, Midwest ISO

Attachments

Notice to the
Alternate Dispute Resolution Committee
Of the
Midwest ISO
Of the Existence and Nature of a Dispute

American Transmission Company, LLC ("ATCLLC") and the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") hereby notify the Alternate Dispute Resolution Committee of the Midwest ISO ("the "Committee") of the existence of a dispute among them and request the Committee to commence the processes called for in Section III of Appendix D to the Midwest ISO Agreement regarding their dispute.

The nature of the dispute is explained in the attached letter sent by ATCLLC representatives to the appropriately designated Midwest ISO representative. The dispute involves the redistribution of revenues associated with Point-to-Point Transmission Service under certain individual reservations to and among its Transmission Owner members for certain transactions that took place prior to December 2003 and the Midwest ISO's ability to bill and collect from ATCLLC revenue distributed to ATCLLC from February 1, 2002 to December 2003, under the previous allocation method. The revenue for these transactions were given entirely to ATCLLC. Upon the initiation of an informal dispute by XCEL Energy Services, Inc., the Midwest ISO determined that such distribution was in error. It proposes that the revenue distribution for past months be recalculated. The Midwest ISO changed its treatment of these revenues on a prospective basis beginning in December, 2003. ATCLLC contends the revenue distribution determination for both the past period and that conducted by the Midwest ISO for December service and continuing is in conflict with the procedures governing revenue distribution contained in Appendix C of the Midwest ISO Agreement. The Midwest ISO believes its actions are not in conflict with Appendix C and are proper.

The above description of the dispute is for convenience only and is not intended to limit the scope of the dispute.

The parties report that they have exhausted the procedures called for in Section II of Appendix D and that an impasse in resolution of the dispute at that stage has been reached.

The Midwest ISO requests that the Committee notify the following persons of its actions in this matter by contacting the following:

For the Midwest ISO – Michael Holstein and Stephen Kozey at mholstein@midwestiso.org and skozey@midwestiso.org, respectively;

For ATCLLC – Walter Woelfle at wwoelfle@atcllc.com and Julie Voeck at jvoeck@atcllc.com.

March 26, 2004
(Via E-Mail Delivery)

Ms. Julie Voeck
Mr. Walter Woelfle
Mr. Michael Holstein
Mr. Stephen Kozey
Mr. James Dimos

Re: March 18, 2004 Notice Of Dispute
Response Of The ADR Committee

Lady and Gentlemen:

Reference is made to the March 18, 2004 Notice to the Alternate Dispute Resolution Committee of the Midwest ISO of the Existence and Nature of a Dispute issued by American Transmission Company, LLC ("ATCLLC") and the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO"). Reference is also made to the January 23, 2004 letter from Walter T. Woelfle to Stephen G. Kozey ("January 23, 2004 Letter"), referenced in and attached to this Notice of Dispute.

This Notice of Dispute requests that the Alternate Dispute Resolution Committee ("ADR Committee") "commence the processes called for in Section III of Appendix D" to the Agreement Of Transmission Facilities Owners To Organize The Midwest Independent Transmission System Operator, Inc. ("Midwest ISO Agreement") "regarding their dispute." This Notice of Dispute states that the "dispute" involves:

> "(T)he redistribution of revenues associated with Point-to-Point Transmission Service under certain individual reservations to and among its Transmission Owner members for certain transactions that took place prior to December 2003 and the Midwest ISO's ability to bill and collect from ATCLLC revenue distributed to ATCLLC from February 1, 2002 to December 2003, under the previous allocation method."

This Notice of Dispute further states that "the revenue for these transactions were given entirely to ATCLLC"; however, upon the "initiation of an informal dispute by XCEL Energy Services, Inc., the Midwest ISO determined that such distribution was in error." This Notice of Dispute also states that the Midwest ISO "proposes that the revenue distribution for past months be recalculated" and that the Midwest ISO has "changed its treatment of these revenues on a prospective basis beginning in December, 2003." This Notice of Dispute further states that: (i) "ATCLLC contends the revenue distribution determination for both the past period and that conducted by the Midwest ISO for December service and continuing is in conflict with the procedures governing revenue distribution contained in Appendix C of the Midwest ISO Agreement"; and (ii) "Midwest ISO believes that its actions are not in conflict with Appendix C and are proper". This Notice of Dispute concludes that the "parties report that they have exhausted the procedure called for in Section II of Appendix D and that an impasse in resolution of the dispute at that stage has been reached." (Section II of Appendix D of the Midwest ISO Agreement provides for an informal dispute resolution process for disputes governed by Appendix D.)

Section III of Appendix D provides for non-binding mediation subsequent to exhaustion of the informal dispute resolution procedures of Section II, but prior to the initiation of arbitration, regulatory, judicial, or other dispute resolution proceedings, unless the ADR Committee determines, from the nature of the dispute, the positions of the parties, and other relevant facts and circumstances, that mediation would be highly unlikely to lead to resolution of the dispute.

The ADR Committee, having reviewed and considered the information contained in the Notice of Dispute, including the information contained in the January 23, 2004 Letter, hereby notifies you that the ADR Committee has determined mediation would be highly unlikely to lead to resolution of this dispute. This determination is based upon the nature of the dispute, the positions of the parties, and other relevant facts and circumstances, including the likelihood that a mediated resolution of this dispute could impact the distribution of revenues to entities who would not be participants in such mediation.

If either ATCLLC or Midwest ISO desires to pursue this dispute through the arbitration procedures set forth in Section IV of Appendix D of the Midwest ISO Agreement, then such party needs to fulfill the requirements of Section IV, including submitting to the ADR Committee a demand for arbitration stating: (i) each claim for which arbitration is being demanded; (ii) the relief being sought; (iii) a brief summary of the grounds for such relief and the basis for the claim; and (iv) the identity of all other parties to the dispute.

Sincerely,
Ronald J. Brothers
Chair of the ADR Committee

APPENDIX 2

Customer Addresses

Chuck Spargo
Adams Columbia Electric Cooperative
Operations Manager
P.O. Box 70
401 East Lake Street
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cspargo@acecwi.com

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(608) 458-8107 -

Andy Onesti
Badger Power Marketing Authority
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Greg Blum, President/CEO
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Don Wozniak, General Manager
Cloverland Electric Cooperative
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Wayne Krolikowski, Energy Manager
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Ben Porath, Transmission Strategist
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Gary Mathis, Exec. Director - Electric Trans. and Dist.
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Nilaksh Kothari, General Manager
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Joseph C. Pacovsky, Utility Manager
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Shane Larson, Manager
Rock County Electric Cooperative Association
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Roseanne Johnson, Utility Billing Clerk
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Ernest Wolff, Jr.
Village Administrator,
Village of Pardeeville
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Pardeeville, WI 53954

Robert Cornell, Manager
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