

original cost of transmission investment. This number is then divided by the capability of the transmission system to compute an annual rate for transmission service stated in \$/kW. Charges for shorter periods can be derived from this figure, e.g., a monthly rate would be computed by dividing the annual rate by 12.

Annual fixed costs can be calculated using either a levelized or nonlevelized fixed charge rate. With a levelized fixed charge rate, the capital recovery component of the rate does not vary from year to year. Instead, the rate is designed using essentially the same method used to develop fixed-rate home mortgage payments, i.e., the monthly payment does not vary. Most of the monthly payment reflects interest (return on investment in the context of utility rates) in the early years, and most of the monthly payment reflects principal repayment (depreciation in

the context of utility rates) in the later years. In contrast, nonlevelized rates decline over time. In the early years of a facility's life, nonlevelized rates will be higher than levelized rates and, in the later years of the facility's service life, nonlevelized rates will be lower than levelized rates. However, under either approach, the utility recovers, on a net present value basis, the same total revenues. See *Maine Public Service Company*, 71 FERC ¶ 61,249 (1995).

As explained in the NOPR, the levelized fixed charge method used by many utilities and the Commission is available on the Commission's Bulletin Board in spreadsheet format. This method is the basis for both of the Stage One options proposed in the NOPR. One option uses the levelized fixed charge method to compute a company-specific transmission cost using company-specific Form No. 1 data.

The other option uses a uniform 17.5% fixed charge rate for all

companies. The 17.5% rate is based upon an average of the results of suspension analyses¹ over the last two years using the levelized fixed charge method to evaluate public utility filings involving either transmission service or the transmission component of a power sale.² For those filings, the Commission's preliminary fixed charge rate analyses ranged from 13.3% to 29.8% and the arithmetic average was 17%. The arithmetic average of the common equity returns reflected in those fixed charge rates was about 10%.

For purposes of Stage One implementation, the Commission proposed setting the fixed charge rate at 17.5% to reflect the fact that current equity returns (and related income taxes) are somewhat higher than the preliminary equity returns used in the surveyed analyses.

Lois D. Cashell,
Secretary.

APPENDIX—TRANSMISSION FIXED CHARGE RATES

Company	Docket No.	Trans- mission fixed charge rate (%)
Arizona Public Service Co	ER94-1681-000	17.18
Atlantic City Electric Co	ER93-927-000	21.75
Boston Edison Co	ER95-108-000	17.64
Black Hills Power & Light Co	ER94-1542-000	15.65
Carolina Power & Light Co	ER95-10-000	14.04
Central Illinois Public Service Co	ER94-1611-000	14.64
Central Maine Power Co	ER94-1153-000	17.88
Commonwealth Edison Co	ER95-5-000	16.13
Consolidated Edison Co. of New York	ER94-1666-000	22.05
Dayton Power & Light Co	ER94-1469-000	17.78
Delmarva Power & Light Co	ER94-1501-000	16.52
Duke Power Co	ER94-1429-000	16.77
Edison Sault Electric Co	ER94-1502-000	20.63
Energy Operating Co.'s	ER94-1440-000	15.91
Fitchburg Gas & Electric Light Co	ER94-1203-000	13.34
Florida Power Corp	ER95-100-000	15.46
Green Mountain Power Corp	ER95-84-000	20.11
Idaho Power Co	ER94-1231-000	14.94
Interstate Power Co	ER94-1346-000	14.82
Kentucky Utilities Co	ER94-1678-000	15.45
Louisville Gas & Electric Co	ER94-1480-000	14.75
Madison Gas & Electric Co	ER94-1147-000	14.25
Maine Public Service Co	ER94-1481-000	21.81
Midwest Power Systems	ER94-1278-000	15.29
Minnesota Power & Light Co	ER94-1556-000	17.61
Mississippi Power & Light Co	ER94-1306-000	16.43
Missouri Public Service Co	ER94-1692-000	17.34
Montana Power Co	ER94-1189-000	17.96
New England Power Co	ER94-1338-000	18.37
Niagara Mohawk Power Corp	ER94-1641-000	20.96
Northern States Power Co.'s (Wisc./Minn.)	ER94-1622-000	19.95
New York State Electric & Gas Corp	ER95-108-000	17.65
Ohio Power Co	ER94-1555-000	19.02
Oklahoma Gas & Electric Co	ER94-1266-000	15.06
Orange & Rockland Utilities Inc	ER94-1262-000	29.83
Otter Tail Power Co	ER94-1147-000	17.90
PacifiCorp	ER94-1233-000	13.54

¹ If the Commission's preliminary review of a rate filing indicates that it may not be just and reasonable, the Commission can suspend the rate

for up to five months and set it for hearing. The preliminary analysis used to determine the need for a hearing and the appropriate length of any suspension period is called a suspension analysis.

² The Appendix contains a list of those filings.