

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

March 14, 2006

In Reply Refer To:
Midwest Independent Transmission
System Operator, Inc.
Docket No. ER06-522-000

Midwest Independent Transmission
System Operator, Inc.
Attn: Lori A. Spence, Esq.
Associate General Counsel
701 City Center Drive
Carmel, IN 46032

Dear Ms. Spence:

1. On January 20, 2006, the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) and the Midwest ISO Transmission Owners¹ (collectively, Filing

¹ The Midwest ISO Transmission Owners for this filing consist of: Ameren Services Company, as agent for Union Electric Company d/b/a AmerenUE, Central Illinois Public Service Company d/b/a AmerenCIPS, Central Illinois Light Co. d/b/a Ameren CILCO, and Illinois Power Company d/b/a AmerenIP; Alliant Energy Corporate Services, Inc. on behalf of its operating company affiliate Interstate Power and Light Company (f/k/a IES Utilities Inc. and Interstate Power Company); American Transmission Systems, Incorporated, a subsidiary of FirstEnergy Corp.; Aquila, Inc. d/b/a Aquila Networks (f/k/a Utilicorp United, Inc.); Cinergy Services, Inc. (for Cincinnati Gas & Electric Co., PSI Energy, Inc., and Union Light Heat & Power Co.); City of Columbia Water and Light Department (Columbia, MO); City Water, Light & Power (Springfield, IL); Great River Energy; Hoosier Energy Rural Electric Cooperative, Inc.; Indiana Municipal Power Agency; Indianapolis Power and Light Company; LG&E Energy LLC (for Louisville Gas and Electric Company and Kentucky Utilities Company); Lincoln Electric System; Michigan Electric Transmission Company, LLC; Minnesota Power (and its subsidiary Superior Water, L&P); Montana-Dakota Utilities Co.; Northern Indiana Public Service Company; Northern States Power Company and Northern States Power Company (Wisconsin), subsidiaries of Xcel Energy Inc.; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Southern Illinois Power Cooperative; Southern Indiana Gas & Electric Company (d/b/a Vectren Energy Delivery of Indiana); and Wabash Valley Power Association, Inc.

Parties) filed proposed revisions to Midwest ISO Tariff Attachment N-1² for the purposes of: 1) correcting the formula to use gross plant rather than net transmission plant investment in the denominator;³ 2) deleting return on equity (ROE) references; 3) updating Form No. 1 references; and 4) presenting the formula as a blank formula without sample values.

2. Notice of the filing was published in the *Federal Register*, 71 Fed. Reg. 5825 (2006), with interventions and protests due on or before February 10, 2006. Four entities⁴ filed timely interventions with the Commission. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), the timely unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

3. The proposed changes are accepted for filing, effective March 21, 2006, with the exception of those changes specifically addressed below.

4. The Filing Parties propose to delete the reference to the ROE on Sheet No. 1310, Line 10. Additionally, the Filing Parties propose to strike the value included on Sheet No. 1313, Line 29, to allow the relevant Commission-accepted Attachment O ROE to apply without the need to update the reference in Line 29 each time the ROE is updated. Finally, the Filing Parties propose to modify Note P in a manner which they claim will ensure that the applicable ROE will be that approved by the Commission.

5. The various references to the ROE found in Attachment N-1 permit parties to validate the formula's outcomes without making the process overly burdensome by having to go to other Midwest ISO Tariff Attachments for the then-effective ROE. Additionally, despite the claims of the Filing Parties, the Commission does not believe that updating the ROE in Attachment N-1 concurrently with updating the ROE in Attachment O is unduly burdensome. Thus, the Commission denies the Filing Parties' proposal to: 1) delete the reference to the ROE on Sheet No. 1310, Line 10; and 2) strike the ROE value on Sheet No. 1313, Line 29. Finally, since we have denied the request to alter Sheet No. 1313, Line 10, there is no need to alter Note P. Therefore, we deny the proposed revisions to Note P.

² Attachment N sets forth charges for direct assignment of network upgrades. Attachment N-1 defines the formula for calculating the fixed charge rate.

³ This change will decrease the facility carrying charge, and the resultant direct assignment charge.

⁴ American Transmission Company LLC, International Transmission Company, Southern Minnesota Municipal Power Agency and WPS Resources Corporation, and its subsidiaries Wisconsin Public Service Corporation, Upper Peninsula Power Company, WPS Energy Services, Inc., and WPS Power Development, LLC (collectively "WPS Companies").

6. In proposed Note V,⁵ the Filing Parties provide a mechanism that would allow depreciation values to be restated with a shorter depreciation life (equal to the time period over which the payments are assessed) should the parties paying the resulting charges so agree. Proposed Note V also states that “Transmission Owners *may* (emphasis added) submit a filing under 205 of the Federal Power Act to revise the formula.”

7. As a general matter, the Commission has no objection to proposing rates based on a shorter depreciation life. However, in Commission Order No. 618,⁶ the Commission stated that “[t]o change prices charged for power sales or transmission service (whether determined by stated rates or formula rates) to reflect a change in depreciation, a utility would first have to make a filing with us, pursuant to sections 205 or 206, 16 U.S.C. 824d, 824e, as appropriate to that effect.” Thus, we direct the Filing Parties to modify and resubmit, within fifteen (15) days of the date of this order, proposed Note V to provide that the Transmission Owners must make such a filing.

By direction of the Commission.

Magalie R. Salas,
Secretary.

⁵ Proposed Note V is found on Sheet No. 1314. Proposed Note V is referenced on Sheet No. 1311, Line 8.

⁶ *Depreciation Accounting*, Order No. 618, 65 Fed. Reg. 47,664 (Aug. 3, 2000), FERC Stats. & Regs. ¶ 31,104 at 31,695 (July 27, 2000).