

ATTACHMENT H-2A

Baltimore Gas and Electric Company			2006
Formula Rate		Notes	FERC Form 1 Page # or Instruction
Shaded cells are input cells			
Allocators			
Wages & Salary Allocation Factor			
1	Transmission Wages Expense		8,571,875
2	Total Wages Expense		111,076,993
3	Less A&G Wages Expense		19,066,702
4	Total		92,010,291
5	Wages & Salary Allocator		9.3162%
Plant Allocation Factors			
6	Electric Plant in Service		4,060,207,695
7	Common Plant In Service - Electric	(Note A)	332,510,302
8	Total Plant In Service		4,392,717,997
9	Accumulated Depreciation (Total Electric Plant)		1,644,458,743
10	Accumulated Intangible Amortization	(Note A)	16,164,950
11	Accumulated Common Amortization - Electric	(Note A)	0
12	Accumulated Common Plant Depreciation - Electric	(Note A)	99,359,521
13	Total Accumulated Depreciation		1,759,983,214
14	Net Plant		2,632,734,783
15	Transmission Gross Plant		656,519,235
16	Gross Plant Allocator		14.9456%
17	Transmission Net Plant		384,540,368
18	Net Plant Allocator		14.6061%
Plant Calculations			
Plant In Service			
19	Transmission Plant In Service		595,781,348
20	For Reconciliation only - remove New Transmission Plant Additions for Current Calendar Year	For Reconciliation Only	0
21	New Transmission Plant Additions for Current Calendar Year (weighted by months in service)	(Note B)	13,334,715
22	Total Transmission Plant In Service		609,116,063
23	General & Intangible		176,314,159
24	Common Plant (Electric Only)	(Notes A)	332,510,302
25	Total General & Common		508,824,461
26	Wage & Salary Allocation Factor		9.31621%
27	General & Common Plant Allocated to Transmission		47,403,172
28	Plant Held for Future Use (Including Land)	(Note C)	379,626
29	TOTAL Plant In Service		656,898,861
Accumulated Depreciation			
30	Transmission Accumulated Depreciation		257,238,970
31	Accumulated General Depreciation		42,693,214
32	Accumulated Intangible Amortization		16,164,950
33	Accumulated Common Amortization - Electric		0
34	Common Plant Accumulated Depreciation (Electric Only)	(Notes A)	99,359,521
35	Total Accumulated Depreciation		158,217,685
36	Wage & Salary Allocation Factor		9.31621%
37	General & Common Allocated to Transmission		14,739,897
38	TOTAL Accumulated Depreciation		271,978,867
39	TOTAL Net Property, Plant & Equipment		384,919,994

Adjustment To Rate Base				
Accumulated Deferred Income Taxes				
40	ADIT net of FASB 106 and 109		Attachment 1	-67,120,941
41	Accumulated Investment Tax Credit Account No. 255	(Notes A & I)	p266.h	1,345,337
42	Net Plant Allocation Factor		(Line 18)	14.61%
43	Accumulated Deferred Income Taxes Allocated To Transmission		(Line 41 * 42) + Line 40	-66,924,439
Transmission O&M Reserves				
44	Current Period Changes in Transmission Related Account 242 Reserves	Enter Negative	Attachment 5	0
Prepayments				
45	Prepayments	(Note A)	Attachment 5	19,587,089
46	Total Prepayments Allocated to Transmission		(Line 45)	19,587,089
Materials and Supplies				
47	Undistributed Stores Exp	(Note A)	p227.6c & 16.c	-342,742
48	Wage & Salary Allocation Factor		(Line 5)	9.32%
49	Total Transmission Allocated		(Line 47 * 48)	-31,931
50	Transmission Materials & Supplies		p227.8c	70,216
51	Total Materials & Supplies Allocated to Transmission		(Line 49 + 50)	38,285
Cash Working Capital				
52	Operation & Maintenance Expense		(Line 84)	35,138,153
53	1/8th Rule		x 1/8	12.5%
54	Total Cash Working Capital Allocated to Transmission		(Line 52 * 53)	4,392,269
Network Credits				
55	Outstanding Network Credits	(Note N)	From PJM	0
56	Less Accumulated Depreciation Associated with Facilities with Outstanding Network Credits	(Note N)	From PJM	0
57	Net Outstanding Credits		(Line 55 - 56)	0
58	TOTAL Adjustment to Rate Base		(Line 43 + 44 + 46 + 51 + 54 - 57)	-42,906,796
59	Rate Base		(Line + 58)	342,013,199
O&M				
Transmission O&M				
60	Transmission O&M		p321.112.b	20,350,704
61	Less extraordinary property losses		Attachment 5	0
62	Plus amortization of extraordinary property losses		Attachment 5	0
63	Less Account 565		p321.96.b	0
64	Plus Schedule 12 payments billed to Transmission Owner and booked to Account 565	(Note O)	PJM Data	0
65	Plus Transmission Lease Payments	(Note A)	P200.4.c	0
66	Transmission O&M		(Lines 60 - 61 + 62 - 63 + 64 + 65)	20,350,704
Allocated General & Common Expenses				
67	Common Plant O&M	(Note A)	p356	0
68	Total A&G		p323.197.b	162,061,480
69	Less Property Insurance Account 924		p323.185.b	1,264,308
70	Less Regulatory Commission Exp Account 928	(Note E)	p323.189.b	19,763
71	Less General Advertising Exp Account 930.1		p323.191.b	4,041,151
72	Less EPRI Dues	(Note D)	p352-353	196,244
73	General & Common Expenses		(Lines 67 + 68) - Sum (69 to 72)	156,540,014
74	Wage & Salary Allocation Factor		(Line 5)	9.3162%
75	General & Common Expenses Allocated to Transmission		(Line 73 * 74)	14,583,602
Directly Assigned A&G				
76	Regulatory Commission Exp Account 928	(Note G)	p323.189b	18,954
77	General Advertising Exp Account 930.1	(Note K)	p323.191.b	0
78	Subtotal - Transmission Related		(Line 76 + 77)	18,954
79	Property Insurance Account 924		p323.156b	1,264,308
80	General Advertising Exp Account 930.1	(Note F)	p323.191.b	1,551
81	Total		(Line 79 + 80)	1,265,859
82	Net Plant Allocation Factor		(Line 18)	14.61%
83	A&G Directly Assigned to Transmission		(Line 81 * 82)	184,893
84	Total Transmission O&M		(Line 66 + 75 + 78 + 83)	35,138,153

Depreciation & Amortization Expense

85	Depreciation Expense			
	Transmission Depreciation Expense		p336.7b&c	12,396,201
86	General Depreciation		p336.10 b&c	6,139,601
87	Intangible Amortization	(Note A)	p336.1d&e	7,110,923
88	Total		(Line 86 + 87)	13,250,524
89	Wage & Salary Allocation Factor		Line 5	9.3162%
90	General Depreciation Allocated to Transmission		(Line 88 * 89)	1,234,447
91	Common Depreciation - Electric Only	(Note A)	p336.11.b	10,986,129
92	Common Amortization - Electric Only	(Note A)	p356 or p336.11d	7,567,246
93	Total		(Line 91 + 92)	18,553,375
94	Wage & Salary Allocation Factor		(Line 5)	9.3162%
95	Common Depreciation - Electric Only Allocated to Transmission		(Line 93 * 94)	1,728,472
96	Total Transmission Depreciation & Amortization		(Line 85 + 90 + 95)	15,359,120

Taxes Other than Income

97	Taxes Other than Income		Exhibit B	11,254,459
98	Total Taxes Other than Income		(Line 97)	11,254,459

Return / Capitalization Calculations

Long Term Interest				
99	Long Term Interest		p117.62c through 67c	97,662,218
100	Less LTD Interest on Securitization Bonds	(Note P)	Attachment 8	0
101	Long Term Interest		(Line 99)	97,662,218
102	Preferred Dividends	enter positive	p118.29c	13,209,000
Common Stock				
103	Proprietary Capital		p112.16c	1,841,616,975
104	Less Preferred Stock	enter negative	(Line 192)	-190,000,000
105	Plus Securitization Adjustment		Attachment 8	0
105	Less Account 216.1	enter negative	p112.12c	12,015,920
106	Common Stock		(Sum Lines 103 to 105)	1,663,632,895
Capitalization				
107	Long Term Debt		p112.18d through 21d	1,716,720,975
108	Less Loss on Reacquired Debt	enter negative	p111.81.c	-21,950,737
109	Plus Gain on Reacquired Debt	enter positive	p113.61c	26,352
110	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	5,441,755
111	Less LTD on Securitization Bonds	(Note P)	Attachment 8	0
112	Total Long Term Debt		(Sum Lines 107 to 111)	1,700,238,345
113	Preferred Stock		p112.3c	190,000,000
114	Common Stock		(Line 106)	1,663,632,895
115	Total Capitalization		(Sum Lines 112 to 114)	3,553,871,240
116	Debt %	Total Long Term Debt	(Line 112 / 115)	48%
117	Preferred %	Preferred Stock	(Line 113 / 115)	5%
118	Common %	Common Stock	(Line 114 / 115)	47%
119	Debt Cost	Total Long Term Debt	(Line 101 / 112)	0.0574
120	Preferred Cost	Preferred Stock	(Line 102 / 113)	0.0695
121	Common Cost	Common Stock	(Note J) Fixed	0.1130
122	Weighted Cost of Debt	Total Long Term Debt (WCLTD)	(Line 116 * 119)	0.0275
123	Weighted Cost of Preferred	Preferred Stock	(Line 117 * 120)	0.0037
124	Weighted Cost of Common	Common Stock	(Line 118 * 121)	0.0529
125	Total Return (R)		(Sum Lines 122 to 124)	0.0841
126	Investment Return = Rate Base * Rate of Return		(Line 59 * 125)	28,761,497

Composite Income Taxes				
Income Tax Rates				
127	FIT=Federal Income Tax Rate			35.00%
128	SIT=State Income Tax Rate or Composite	(Note I)		7.00%
129	p	(percent of federal income tax deductible for state purposes)	Per State Tax Code	0.00%
130	T	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		39.55%
131	T / (1-T)			65.43%
ITC Adjustment				
132	Amortized Investment Tax Credit	(Note I)	p266.17f	-1,345,337
133	T/(1-T)	enter negative	(Line 131)	65.43%
134	Net Plant Allocation Factor		(Line 18)	14.6061%
135	ITC Adjustment Allocated to Transmission		[Line 129 * (1 + Line 130) * Line 131]	-325,065
136	Income Tax Component =	$CIT=(T/1-T) * Investment\ Return * (1-(WCLTD/R)) =$	[Line 131 * 126 * (1-(122 / 125))]	12,668,299
137	Total Income Taxes		(Line 135 + 136)	12,343,234
REVENUE REQUIREMENT				
Summary				
138	Net Property, Plant & Equipment		(Line 39)	384,919,994
139	Adjustment to Rate Base		(Line 58)	-42,906,796
140	Rate Base		(Line 59)	342,013,199
141	O&M		(Line 84)	35,138,153
142	Depreciation & Amortization		(Line 96)	15,359,120
143	Taxes Other than Income		(Line 98)	11,254,459
144	Investment Return		(Line 126)	28,761,497
145	Income Taxes		(Line 137)	12,343,234
146	Gross Revenue Requirement		(Sum Lines 141 to 145)	102,856,463
Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities				
147	Transmission Plant In Service		(Line 19)	595,781,348
148	Excluded Transmission Facilities	(Note M)	Attachment 5	0
149	Included Transmission Facilities		(Line 147 - 148)	595,781,348
150	Inclusion Ratio		(Line 149 / 147)	100.00%
151	Gross Revenue Requirement		(Line 146)	102,856,463
152	Adjusted Gross Revenue Requirement		(Line 150 * 151)	102,856,463
Revenue Credits & Interest on Network Credits				
153	Revenue Credits		Attachment 3	4,966,616
154	Interest on Network Credits	(Note N)	PJM Data	-
155	Net Revenue Requirement		(Line 152 - 153 + 154)	97,889,848
Net Plant Carrying Charge				
156	Net Revenue Requirement		(Line 155)	97,889,848
157	Net Transmission Plant		(Line 19 - 30)	338,542,378
158	Net Plant Carrying Charge		(Line 156 / 157)	28.9151%
159	Net Plant Carrying Charge without Depreciation		(Line 156 - 85) / 157	25.2535%
160	Net Plant Carrying Charge without Depreciation, Return, nor Income Taxes		(Line 156 - 85 - 126 - 137) / 157	13.1118%
Net Plant Carrying Charge Calculation per 100 basis point increase in ROE				
161	Net Revenue Requirement Less Return and Taxes		(Line 155 - 144 - 145)	56,785,116
162	Return and Taxes per 100 basis point increase in ROE		Attachment 4	43,753,246
163	Net Revenue Requirement per 100 basis point increase in ROE		(Line 161 + 162)	100,538,362
164	Net Transmission Plant		(Line 19 - 30)	338,542,378
165	Net Plant Carrying Charge per 100 basis point increase in ROE		(Line 163 / 164)	29.6974%
166	Net Plant Carrying Charge per 100 basis point increase in ROE without Depreciation		(Line 162 - 85) / 164	26.0358%
167	Net Revenue Requirement		(Line 155)	97,889,848
168	True-up amount		Attachment 6	7,103,179
169	Plus any increased ROE calculated on Attachment 7 other than PJM Sch. 12 projects		Attachment 7	25,338
170	Facility Credits under Section 30.9 of the PJM OATT paid by Utility		Attachment 5	-
171	Net Zonal Revenue Requirement		(Line 167 + 168 + 169 + 170)	105,018,365
Network Zonal Service Rate				
172	1 CP Peak	(Note L)	PJM Data	7,198
173	Rate (\$/MW-Year)	(Note Q)	(Line 171 / 172)	14,590
174	Network Service Rate (\$/MW/Year)		(Line 173)	14,590

Notes

- A Electric portion only
- B Exclude Construction Work In Progress and leases that are expensed as O&M (rather than amortized). New Transmission plant included which is expected to be placed in service in the current calendar year weighted by number of months it is expected to be in-service. For the true-up, new transmission plant which was actually placed in service weighted by the number of months it was actually in service
- C Transmission Portion Only
- D All EPRI Annual Membership Dues
- E All Regulatory Commission Expenses
- F Safety related advertising included in Account 930.1
- G Regulatory Commission Expenses directly related to transmission service, RTO filings, or transmission siting itemized in Form 1 at 351.h.
- I The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and $p =$ "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by $(1/1-T)$. A utility must not include tax credits as a reduction to rate base and as an amortization against taxable income.
- J Per FERC's order in Docket No. ER07-576, the Conastone and Waugh Chapel substation projects get an ROE of 12.3%. The rest of transmission rate base gets an ROE of 11.3%.
- K Education and outreach expenses relating to transmission, for example siting or billing
- L As provided for in Section 34.1 of the PJM OATT and the PJM established billing determinants will not be revised or updated in the annual rate reconciliations per settlement in ER05-515.
- M Amount of transmission plant excluded from rates, includes investment in generation step-up transformers to the extent included in Plant in Service.
- N Outstanding Network Credits is the balance of Network Facilities Upgrades Credits due Transmission Customers who have made lump-sum payments (net of accumulated depreciation) towards the construction of Network Transmission Facilities consistent with Paragraph 657 of Order 2003-A. Interest on the Network Credits as booked each year is added to the revenue requirement to make the Transmission Owner whole on Line 154.
- O Payments made under Schedule 12 of the PJM OATT that are not directly assessed to load in the zone under Schedule 12 are included in Transmission O&M. If they are booked to account 565, they are included in on line 64.
- P Securitization bonds may be included in the capital structure per settlement in ER05-515.
- Q On November 16, 2007, the Federal Energy Regulatory Commission (FERC) granted Baltimore Gas and Electric (BGE) in Docket No. ER07-576 incentive rate treatment for 6 projects designated in the PJM Regional Transmission Expansion Plan (RTEP) as Transmission Owner Initiated (TOI). Specifically, FERC granted an additional 100 basis points to the return on equity (ROE) for these projects, resulting in a final ROE, for these projects, of 12.3%. See Note J above for two other projects that were previously awarded an authorized ROE of 12.3%. FERC's November 16, 2007 order authorized a rate effective date of June 1, 2007. The impact of this incentive rate treatment on BGE's network transmission service rate will be gradual because each of the involved projects will be placed in service on successive dates. Also, rate stability will be preserved for the remaining period of the current formula rate billing cycle. This is because, in accordance with the annual adjustments utilized in BGE's formula rate, the June 1, 2007 effective date for the incentive adders approved in the November 16, 2007 order will be reflected in BGE's next annual adjustment to be posted no later than May 15, 2008, effective June 1, 2008. This approved procedure will avoid the need for an out-of-cycle billing adjustment for the June 1, 2007 - May 31, 2008 billing cycle that would otherwise be necessitated to implement invoicing by PJM in mid-cycle based on the timing of issuance of the November 16, 2007 order.