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May 15, 2015

Ms. Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E. Room 1A  
Washington, DC 20426

Re: Potomac Electric Power Company (“Pepco”)  
Informational Filing of 2015 Formula Rate Annual Update in  
Docket No. ER09-1159 and Pursuant to Approved Settlement Agreement  
in Docket Nos. ER05-515-000, *et al.*

Dear Ms. Bose,

Pepco hereby submits electronically, for informational purposes, its 2015 Annual Formula Rate Update. On April 19, 2006, the Commission approved an uncontested settlement agreement (“Settlement”) filed in Docket Nos. ER05-515-000, *et al.*, (115 FERC ¶ 61,066). Formula rate implementation protocols contained in the Settlement provide that:

[o]n or before May 15 of each year, Pepco [Potomac Electric Power Company] shall recalculate its Annual Transmission Revenue Requirements, producing an “Annual Update” for the upcoming Rate Year, and:

- (i) post such Annual Update on PJM’s Internet website via link to the Transmission Services page or a similar successor page; and
- (ii) file such Annual Update with FERC as an informational filing.<sup>1</sup>

The same information contained in this informational filing has been transmitted to PJM for posting on its website as required by the formula rate implementation protocols. Thus, all interested parties should have ample notice of and access to the Annual Update. The protocols provide specific procedures for notice, review, exchanges of information and potential challenges to aspects of the Annual Update. Consequently,

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<sup>1</sup> See Settlement, Exhibit B-1 containing PJM Tariff Attachment H9-B, Section 1.b.

and as the Commission has concluded, there is no need for the Commission to notice this informational filing for comment.<sup>2</sup>

Pepco's 2015 Annual Update contains no expenses or costs that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices, as defined in 18 C.F.R. § 35.13(b)(7).

Pepco has made no Material Accounting Changes as defined in the Settlement.<sup>3</sup> Pepco has made no change to Other Post-Employment Benefits ("OPEB") charges that exceed the filing threshold set forth in the Settlement.<sup>4</sup> Additionally, Pepco has not recorded any extraordinary property losses in FERC Account 182.1. Therefore, no amortization is required over the periods described in the Settlement.<sup>5</sup>

Thank you for your attention to this informational filing. Please direct any questions to the undersigned.

Very truly yours,

/s/ Amy L. Blauman

Amy L. Blauman  
Associate General Counsel  
Potomac Electric Power Company

Enclosures

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<sup>2</sup> See Letter Order Re: Annual Update to Formula Rate in Docket No. ER09-1159 (February 17, 2010).

<sup>3</sup> See Settlement, Exhibit B-3 containing PJM Tariff Attachment H-9B, Section 1.f (iii). For the Commission's information, Pepco no longer records PHI Service Company costs in Account 923 "Outside Services Employed," if those costs meet the definition of Account 928 "Regulatory Commission Expenses."

<sup>4</sup> See Settlement, Exhibit B-3 containing PJM Tariff Attachment H-9B, Section 1.g.

<sup>5</sup> See Settlement, Exhibit B-3 containing PJM Tariff Attachment H-9B, Section 1.h.



**O&M**

Transmission O&M			
60	Transmission O&M		28,496,500
61	Less extraordinary property loss	p321.112.b (see attachment 5)	0
62	Plus amortized extraordinary property loss	Attachment 5	0
63	Less Account 565	p321.96.b	0
64	Plus Schedule 12 Charges billed to Transmission Owner and booked to Account 565	PJM Data	0
65	Plus Transmission Lease Payments	p200.3.c	0
66	Transmission O&M	(Lines 60 - 63 + 64 + 65)	28,496,500
Allocated General & Common Expenses			
67	Common Plant O&M	(Note A) p356	0
68	Total A&G	p323.197.b (see attachment 5)	129,601,920
69	Less Property Insurance Account 924	p323.185b	1,057,996
70	Less Regulatory Commission Exp Account 928	(Note E) p323.189b	2,561,515
71	Less General Advertising Exp Account 930.1	p323.191b	1,910,540
72	Less DE Enviro & Low Income and MD Universal Funds	p335.b	0
73	Less EPRI Dues	(Note D) p352-353	275,846
74	General & Common Expenses	(Lines 67 + 68) - Sum (69 to 73)	123,796,023
75	Wage & Salary Allocation Factor	(Line 5)	9.9549%
76	General & Common Expenses Allocated to Transmission	(Line 74 * 75)	12,323,788
Directly Assigned A&G			
77	Regulatory Commission Exp Account 928	(Note G) p323.189b	127,892
78	General Advertising Exp Account 930.1	(Note K) p323.191b	0
79	Subtotal - Transmission Related	(Line 77 + 78)	127,892
80	Property Insurance Account 924	p323.185b	1,057,996
81	General Advertising Exp Account 930.1	(Note F) p323.191b	0
82	Total	(Line 80 + 81)	1,057,996
83	Net Plant Allocation Factor	(Line 18)	19.69%
84	A&G Directly Assigned to Transmission	(Line 82 * 83)	208,312
85	Total Transmission O&M	(Line 66 + 76 + 79 + 84)	41,156,492

**Depreciation & Amortization Expense**

Depreciation Expense			
86	Transmission Depreciation Expense	p336.7b&c	26,757,876
86a	Amortization of Abandoned Transmission Plant	Attachment 5	0
87	General Depreciation	p336.10b&c	9,171,997
88	Intangible Amortization	(Note A) p336.1d&e	1,353,007
89	Total	(Line 87 + 88)	10,525,004
90	Wage & Salary Allocation Factor	(Line 5)	9.9549%
91	General Depreciation Allocated to Transmission	(Line 89 * 90)	1,047,755
92	Common Depreciation - Electric Only	(Note A) p336.11.b	0
93	Common Amortization - Electric Only	(Note A) p356 or p336.11d	0
94	Total	(Line 92 + 93)	0
95	Wage & Salary Allocation Factor	(Line 5)	9.9549%
96	Common Depreciation - Electric Only Allocated to Transmission	(Line 94 * 95)	0
97	Total Transmission Depreciation & Amortization	(Line 86 + 86a + 91 + 96)	27,805,631

**Taxes Other than Income**

98	Taxes Other than Income	Attachment 2	9,870,628
99	Total Taxes Other than Income	(Line 98)	9,870,628

**Return / Capitalization Calculations**

Long Term Interest			
100	Long Term Interest		116,829,335
101	Less LTD Interest on Securitization Bonds	(Note P)	0
102	Long Term Interest	"(Line 100 - line 101)"	116,829,335
103	Preferred Dividends	enter positive p118.29c	-
Common Stock			
104	Proprietary Capital	p112.16c	\$ 2,087,549,365
105	Less Preferred Stock	enter negative (Line 114)	0
106	Less Account 216.1	enter negative p112.12c	-1,646,367
107	Common Stock	(Sum Lines 104 to 106)	2,085,902,998
Capitalization			
108	Long Term Debt	p112.17c through 21c	2,146,100,811
109	Less Loss on Reacquired Debt	enter negative p111.81c	-21,945,861
110	Plus Gain on Reacquired Debt	enter positive p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative Attachment 1	8,960,824
112	Less LTD on Securitization Bonds	(Note P) enter negative Attachment 8	0
113	Total Long Term Debt	(Sum Lines 108 to 112)	2,133,115,774
114	Preferred Stock	p112.3c	0
115	Common Stock	(Line 107)	2,085,902,998
116	Total Capitalization	(Sum Lines 113 to 115)	4,219,018,772
117	Debt %	Total Long Term Debt (Line 113 / 116)	51%
118	Preferred %	Preferred Stock (Line 114 / 116)	0%
119	Common %	Common Stock (Line 115 / 116)	49%
120	Debt Cost	Total Long Term Debt (Line 102 / 113)	0.0548
121	Preferred Cost	Preferred Stock (Line 103 / 114)	0.0000
122	Common Cost	(Note J) Fixed	0.1130
123	Weighted Cost of Debt	Total Long Term Debt (WCLTD) (Line 117 * 120)	0.0277
124	Weighted Cost of Preferred	Preferred Stock (Line 118 * 121)	0.0000
125	Weighted Cost of Common	Common Stock (Line 119 * 122)	0.0559
126	Total Return ( R )	(Sum Lines 123 to 125)	0.0836
127	Investment Return = Rate Base * Rate of Return	(Line 59 * 126)	56,677,048

**Composite Income Taxes**

Income Tax Rates			
128	FIT=Federal Income Tax Rate		35.00%
129	SIT=State Income Tax Rate or Composite	(Note I)	8.97%
130	p	(percent of federal income tax deductible for state purposes)	0.00%
131	T	$T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =$	40.83%
132	T / (1-T)		69.01%
ITC Adjustment			
133	Amortized Investment Tax Credit	(Note I) enter negative	-319,014
134	T/(1-T)	p266.8f (Line 132)	69.01%
135	Net Plant Allocation Factor	(Line 18)	19.6893%
136	ITC Adjustment Allocated to Transmission	(Line 133 * (1 + 134) * 135)	-106,157
137	Income Tax Component =	$CIT=(T/1-T) * Investment\ Return * (1-(WCLTD/R)) =$	26,150,589
138	Total Income Taxes	(Line 136 + 137)	26,044,431

**REVENUE REQUIREMENT**

Summary			
139	Net Property, Plant & Equipment	(Line 39)	869,543,562
140	Adjustment to Rate Base	(Line 58)	-191,254,606
141	Rate Base	(Line 59)	678,288,956
142	O&M	(Line 85)	41,156,492
143	Depreciation & Amortization	(Line 97)	27,805,631
144	Taxes Other than Income	(Line 99)	9,870,628
145	Investment Return	(Line 127)	56,677,048
146	Income Taxes	(Line 138)	26,044,431
147	Gross Revenue Requirement	(Sum Lines 142 to 146)	161,554,230
Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities			
148	Transmission Plant In Service	(Line 19)	1,229,617,975
149	Excluded Transmission Facilities	(Note M) Attachment 5	0
150	Included Transmission Facilities	(Line 148 - 149)	1,229,617,975
151	Inclusion Ratio	(Line 150 / 148)	100.00%
152	Gross Revenue Requirement	(Line 147)	161,554,230
153	Adjusted Gross Revenue Requirement	(Line 151 * 152)	161,554,230
Revenue Credits & Interest on Network Credits			
154	Revenue Credits	Attachment 3	6,220,764
155	Interest on Network Credits	(Note N) PJM Data	-
156	Net Revenue Requirement	(Line 153 - 154 + 155)	155,333,467
Net Plant Carrying Charge			
157	Net Revenue Requirement	(Line 156)	155,333,467
158	Net Transmission Plant	(Line 19 - 30)	812,894,404
159	Net Plant Carrying Charge	(Line 157 / 158)	19.1087%
160	Net Plant Carrying Charge without Depreciation	(Line 157 - 86) / 158	15.8170%
161	Net Plant Carrying Charge without Depreciation, Return, nor Income Taxes	(Line 157 - 86 - 127 - 138) / 158	5.6408%
Net Plant Carrying Charge Calculation per 100 Basis Point increase in ROE			
162	Net Revenue Requirement Less Return and Taxes	(Line 156 - 145 - 146)	72,611,987
163	Increased Return and Taxes	Attachment 4	88,389,194
164	Net Revenue Requirement per 100 Basis Point increase in ROE	(Line 162 + 163)	161,001,171
165	Net Transmission Plant	(Line 19 - 30)	812,894,404
166	Net Plant Carrying Charge per 100 Basis Point increase in ROE	(Line 164 / 165)	19.8059%
167	Net Plant Carrying Charge per 100 Basis Point in ROE without Depreciation	(Line 163 - 86) / 165	16.5142%
168	Net Revenue Requirement	(Line 156)	155,333,467
169	True-up amount	Attachment 6	(3,096,305)
170	Plus any increased ROE calculated on Attachment 7 other than PJM Sch. 12 projects	Attachment 7	1,418,063
171	Facility Credits under Section 30.9 of the PJM OATT and Facility Credits to Vineland per settlement in ER05-515	Attachment 5	-
171a	MAPP Abandonment recovery pursuant to ER13-607	Attachment 5	14,624,812
172	Net Zonal Revenue Requirement	(Line 168 - 169 + 171)	168,280,036
Network Zonal Service Rate			
173	1 CP Peak	(Note L) PJM Data	6.345
174	Rate (\$/MW-Year)	(Line 172 / 173)	26,521
175	Network Service Rate (\$/MW/Year)	(Line 174)	26,521

## 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 that is expected to be placed in service in the current calendar year weighted by number of months it is expected to be in-service. New Transmission plant expected to be placed in service in the current calendar year that is not included in the PJM Regional Transmission Plan (RTEP) must be separately detailed on Attachment 5. For the Reconciliation, new transmission plant that was actually placed in service weighted by the number of months it was actually in service CWIP will be linked to Attachment 6 which shows detail support by project (incentive and non-incentive).
- 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 includes taxes in more than one state, it must explain in Attachment 5 the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to use 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. Per FERC order in Docket No. ER08-10, the ROE is 11.30%, which includes a 50 basis-point RTO membership adder as authorized by FERC to become effective on December 1, 2007. Per FERC orders in Docket Nos. ER08-686 and ER08-1423, the ROE for specific projects identified or to be identified in Attachment 7 is 12.80%, which includes a 150 basis-point transmission incentive ROE adder as authorized by FERC to become effective June 1, 2008 and November 1, 2008 respectively. Per FERC order in Docket No. ER13-607 the ROE for the MAPP abandoned plant is 10.8% effective March 1, 2013.
- J 1, 2008 respectively. Per FERC order in Docket No. ER13-607 the ROE for the MAPP abandoned plant is 10.8% effective March 1, 2013.
- 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 per Attachment 5.
- 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 155.
- 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 Acct 565, they are included in on line 64
- P Securitization bonds may be included in the capital structure per settlement in ER05-515.
- Q ACE capital structure is initially fixed at 50% common equity and 50% debt per settlement in ER05-515 subject to moratorium provisions in the settlement.
- R Per the settlement in ER05-515, the facility credits of \$15,000 per month paid to Vineland will increase to \$37,500 per month (prorated for partial months) effective on the date FERC approves the settlement in ER05-515.

Potomac Electric Power Company

Attachment 1 - Accumulated Deferred Income Taxes (ADIT) Worksheet

	Only Transmission Related	Plant Related	Labor Related	Total ADIT
ADIT- 282	0	(1,307,213,107)	(10,390,208)	
ADIT-283	(4,683,528)	(121,838,345)	(97,958,654)	
ADIT-190	2,480,061	244,265,091	10,666,509	
Subtotal	(2,203,467)	(1,184,786,360)	(97,682,353)	
Wages & Salary Allocator			9.9549%	
Gross Plant Allocator		18.2575%		
ADIT	(2,203,467)	(216,312,007)	(9,724,195)	(228,239,668)

Note: ADIT associated with Gain or Loss on Reacquired Debt is included in Column A here and included in Cost of Debt on Appendix A, Line 111  
Amount (8,960,824)

In filling out this attachment, a full and complete description of each item and justification for the allocation to Columns B-E and each separate ADIT item will be listed, dissimilar items with amounts exceeding \$100,000 will be listed separately.

A	B Total	C Gas, Prod Or Other Related	D Only Transmission Related	E Plant Related	F Labor Related	G Justification
ADIT-190						
Deferred Compensation(stk)	2,412,330				2,412,330	For book purposes, deferred compensation and deferred payments are expensed when accrued. For tax purposes, they are deducted when paid. Affects company personnel across all functions.
Bad Debt Reserve Amort	6,751,178			6,751,178		Under the Tax Reform Act of 1986, taxpayers were required to switch from the reserve method for bad debts to the specific write-off method. The amounts previously accumulated in a reserve were required to be included in taxable income over a four year period. The reserve method is used for book purposes. Related to all revenues.
Excess Accrued Vacation Pay	2,885,550				2,885,550	For book purposes, accrued vacation pay is expensed during the current year. For tax purposes, only the portion of the vacation allowance actually taken or paid by March 15th of the following year can be deducted currently. Affects company personnel across all functions.
FAS 109 - Deferred Taxes on ITC	1,014,952			1,014,952		Pursuant to the requirements of FAS 109, Pepco's accumulated deferred taxes must encompass all timing differences regardless of whether the difference is normalized or flowed-through. These balances primarily represent the deferred taxes on prior flow-through items, including the amount of the required gross-up necessary for full recovery of the prior flow-through amount. Related to all plant.
FAS 109 Regulatory Receivable/Liability	1,652,297			1,652,297		Pursuant to the requirements of FAS 109, Pepco's accumulated deferred taxes must encompass all timing differences regardless of whether the difference is normalized or flowed-through. These balances primarily represent the deferred taxes on prior flow-through items, including the amount of the required gross-up necessary for full recovery of the prior flow-through amount. Related to all plant.
PG County Right of Way	451,318	451,318				For book purposes, these taxes were accrued when the proposed tax was enacted by the PG County Council. Since Maryland counties are prohibited from enacting any tax without the authority of the state legislature, for tax purposes they are not deductible until the tax is affirmed. Related to both T & D.
Mirant Settlement	4,104,266	4,104,266				Represents a payment from Mirant to Pepco to settle some of the Company's claims. For book purposes the payment was accounted for on the balance sheet as a contingent liability. For tax purposes, since the funds were received, a portion of the payment was treated as currently taxable.
Health Care Plans	1,093,339				1,093,339	Additions to the reserve for health insurance payments are deducted currently for book purposes but are deducted for tax purposes when they are paid. Affects company personnel across all functions.
Severance Pay/Other Comp/Incentive Bonus	2,908,883				2,908,883	For book purposes, the costs are expensed when a formal plan is adopted and the employees to be severed have been identified. For tax purposes, the costs are deductible when they are paid to the severed individual. Affects company personnel across all functions.
Accrued Retired Executive Compensation	1,366,408				1,366,408	This adjustment relates to the PNC Deferred Compensation Plans. For tax purposes, the book income/expense generated on the plans is reversed and then the tax income/expense is picked up.
Accrued Liability - Environmental Site Exp	7,776,968	7,776,968				For book purposes, environmental expenses are expensed when accrued. For tax purposes, they are deducted when paid.
Contribution Carryforward	4,581,843	4,581,843				PHI's consolidated return is in an NOL situation, therefore, Pepco's charitable contributions are carried forward until such time as PHI is in a taxable income position. For book purposes, the contributions are expensed when incurred. Related to all functions.
Capital Loss Limitation	90,482	90,482				Capital losses are limited to the amount of capital gains.
FAS 106 OPEB Adjustment	30,954,574				30,954,574	FAS No. 106 requires accrual basis instead of cash basis accounting for post retirement health care and life insurance benefits for book purposes. Amounts paid to participants or funded through the VEBA or 401(h) accounts are currently deductible for tax purposes. Affects company personnel across all functions.
Regulatory Assets- FERC True Up	2,480,061		2,480,061			For book purposes, a regulatory asset has been established for the FERC Formula Rate Filing true-up and book income has been increased. For tax purposes, this Regulatory Asset is not recognized and the book income must be reversed.
Federal/State NOL	230,401,239			230,401,239		PHI's consolidated return is in an NOL situation, therefore, they are carried forward until such time as PHI is in a taxable income position.
Interest on Contingent Taxes	306,867	306,867				Estimated book interest expense on prior year taxes not deductible for tax purposes
Miscellaneous	5,958,178	(1,154,496)		7,112,674		Relates to deferred taxes on regulatory assets and accrued liabilities. For regulatory assets books credits income and tax reverses the income and amortizes. For accrued liabilities books accrues expense and for tax the expense can only be deducted when paid.
Subtotal - p234	307,190,733	16,157,249	2,480,061	246,932,340	41,621,083	
Less FASB 109 Above if not separately removed	2,667,249			2,667,249		
Less FASB 106 Above if not separately removed	30,954,574				30,954,574	
Total	273,568,910	16,157,249	2,480,061	244,265,091	10,666,509	

Instructions for Account 190:  
 1. ADIT items related only to Non-Electric Operations (e.g., Gas, Water, Sewer) or Production are directly assigned to Column C  
 2. ADIT items related only to Transmission are directly assigned to Column D  
 3. ADIT items related to Plant and not in Columns C & D are included in Column E  
 4. ADIT items related to labor and not in Columns C & D are included in Column F  
 5. Deferred income taxes arise when items are included in taxable income in different periods than they are included in rates, therefore if the item giving rise to the ADIT is not included in the formula, the associated ADIT amount shall be excluded

Deferred Income Taxes (ADIT) Worksheet

A	B	C	D	E	F	G
ADIT- 282	Total	Gas, Prod Or Other Related	Only Transmission Related	Plant Related	Labor Related	Justification
Accelerated Depreciation	(461,043,816)			(461,043,816)		This amount represents the difference between the tax depreciation on assets placed in service after 1974 as computed pursuant to the Internal Revenue Code and the book depreciation associated with all assets.
Repair Allowance	(491,367,140)			(491,367,140)		Deferred tax represents the difference between tax deductible repairs and book capitalization of repair costs. Affects company personnel across all functions.
Adj. Tax Gain - TDR's	871,366			871,366		This adjustment reflects the disposition or salvage relating to TDRs. For tax purposes salvage is required to be recognized currently as taxable income for certain depreciation vintages. For book purposes salvage is credited to the depreciation reserve. Related to plant in all functions.
Adjust. Tax Gain (Operating)	4,876,650			4,876,650		This adjustment reflects the disposition or salvage relating to operating assets. For tax purposes salvage is required to be recognized currently as taxable income for certain depreciation vintages. For book purposes salvage is credited to the depreciation reserve. Related to all assets.
Control Center - Depreciation/Amort	(96,116,641)			(96,116,641)		For book purposes, the rental payments on the control center are expensed during the current year. For tax purposes, control center is treated as if Pepco continues to own it. The rent expense is added back to book income, the assets are depreciated and interest expense is imputed and deducted. Sale/lease back of center used for control of T & D.
Removal Cost Adjustment	(104,084,192)			(104,084,192)		Removal costs are deductible for tax purposes but are recorded as a reduction to the depreciation reserve for book purposes. Removal costs relating to post-1980 assets are required to be normalized under the Internal Revenue Code. Related to all assets.
Capitalized Interest	45,664,298			45,664,298		The Tax Reform Act of 1986 eliminated the current deduction for interest incurred during construction and required that it be capitalized and depreciated over the tax life of the asset. This deferred tax is due to the differences in the way AFUDC-debt is calculated versus the way interest must be calculated for tax purposes. Related to all plant.
AFUDC Debt	(11,077,273)			(11,077,273)		For book purposes, AFUDC is capitalized and depreciated. For tax purposes, AFUDC is not recognized. Related to all plant.
Capitalized Real Estate Taxes	(7,809)			(7,809)		For book purposes, certain real estate taxes were expensed. For tax purposes, those taxes were capitalized and are being depreciated. Related to all plant.
Extraordinary Gain-Nova	(8,303,806)	(8,303,806)				This deferred tax balance relates to a prior Internal Revenue Service audit related to the sale of Pepco's northern Virginia sales territory and assets located therein. Retail related
Construction Per. Interest(Net)	264,333			264,333		For tax purposes some interest was required to be capitalized related to self constructed assets. For book purposes, AFUDC is used. Related to all plant.
FAS 109 - CCRF/AFUDC Equity	(49,716,646)			(49,716,646)		See the explanation for Account 190.
69 KV Line Amortization	218,609	218,609				This deferred tax balance relates to a prior Internal Revenue Service audit related to the depreciation period for 69kv line costs. Distribution related.
Simplified Service Method	(328,272,213)			(328,272,213)		For book purposes, certain overhead costs are capitalized and depreciated over the life of the related asset. For tax purposes, these overheads are currently deducted. Related to all plant.
EUM Assets	6,253,612	6,253,612				This deferred tax balance relates to a prior Internal Revenue Service audit related to the depreciation of Energy Use Mgt. assets. Retail related
Casualty Losses	(21,077,814)			(21,077,814)		This deferred tax balance relates to the run out of the depreciation expense related to the 1998 casualty loss claim filed with the IRS. This item was previously included in depreciation above.
Control Center - Lease Payment	123,785,093			123,785,093		For book purposes, the rental payments on the control center are expensed during the current year. For tax purposes, control center is treated as if Pepco continues to own it. The rent expense is added back to book income, the assets are depreciated and interest expense is imputed and deducted. Sale/lease back of center used for control of T & D.
CIAC	86,394,707			86,394,707		Under the Tax Reform Act of 1986, post '86 CIAC must be included in income for tax purposes. Under IRS Notice 87-51, if CIAC are not grossed up, the deferred taxes must be included in rate base in order for the Company to be in compliance with the depreciation normalization provisions of the Internal Revenue Code. Related to both T & D plant.
Connection Fees	(3,622,884)	(3,622,884)				Connection fees are considered taxable income by the Internal Revenue Service and their costs are capitalized and depreciated for tax purposes. For book purposes, connection fees are excluded from income and from the depreciable cost of the assets as a contribution in aid of construction. Retail related.
Preliminary Survey Costs	43,637	43,637				For tax purposes, survey costs are to be capitalized under 263A and depreciated.
Conservation Costs (DSM)	(11,325,757)	(11,325,757)				DSM related. Retail related.
Pension Curtailment	3,496,754	3,496,754				For book purposes, these costs were expensed when the gain on the divestiture sale were recorded. For tax purposes, the costs are deducted when paid. Related to sale of generation assets.
SFAS 121 Impairment Loss	859,870	859,870				Write down of Benning/Buzzard point plant to fair market value based on the SFAS 121 impairment test for book purposes. For tax purposes, an asset can not be written down for the loss. Generation related.
Capitalized A&G	1,567,398			1,567,398		Prior to the Tax Reform Act of 1986, these amounts were deducted in the year incurred for tax purposes, but capitalized and depreciated for book purposes. Related to all plant.
Capit'd Fringe Benefits	2,998,500			2,998,500		Prior to the Tax Reform Act of 1986, these amounts were deducted in the year incurred for tax purposes, but capitalized and depreciated for book purposes. Related to all plant.
Capit'd Payroll & Use Tax	1,467,352			1,467,352		Prior to the Tax Reform Act of 1986, these amounts were deducted in the year incurred for tax purposes, but capitalized and depreciated for book purposes. Related to all plant.
Leased Vehicles	(173,282)			(173,282)		For tax purposes leased vehicles are capitalized and depreciated. For book purposes, the vehicles are treated as leases, with a monthly lease amount being calculated. For tax purposes, a portion of the monthly lease amount needs to be added back.
Control Center - Interest Expense	(81,648,520)			(81,648,520)		See the explanation for the control center transaction in Account 190.
FAS 109 - CCRF Equity	(15,743,143)	(15,743,143)				See the explanation for Account 190.
Capitalized Pension	19,765,896			19,765,896		For book purposes, a portion of pension is capitalized based on labor dollars charged to capital construction projects. For tax purposes, this capitalization must be reversed and replaced with tax capitalization. Tax capitalization is based on the same capitalization percentage, but is applied to the current period funding rather than the book expenses.
Capitalized OPEB	(10,390,208)				(10,390,208)	For book purposes, a portion of OPEB is capitalized based on labor dollars charged to capital construction projects. For tax purposes, this capitalization must be reversed and replaced with tax capitalization. Tax capitalization is based on the same capitalization percentage, but is applied to the current period funding rather than the book expenses.
Subtotal - p275 (Form 1-F filer: see note 6 below)	(1,395,443,059)	(28,123,109)	-	(1,356,929,753)	(10,390,208)	
Less FASB 109 Above if not separately removed	(65,459,789)	(15,743,143)	-	(49,716,646)	-	
Less FASB 106 Above if not separately removed	-	-	-	-	-	
<b>Total</b>	<b>(1,329,983,280)</b>	<b>(12,379,965)</b>	<b>-</b>	<b>(1,307,213,107)</b>	<b>(10,390,208)</b>	

- Instructions for Account 282:
- ADIT items related only to Non-Electric Operations (e.g., Gas, Water, Sewer) or Production are directly assigned to Column C
  - ADIT items related only to Transmission are directly assigned to Column D
  - ADIT items related to Plant and not in Columns C & D are included in Column E
  - ADIT items related to labor and not in Columns C & D are included in Column F



5. Deferred income taxes arise when items are included in taxable income in different periods than they are included in rates, therefore if the item giving rise to the ADIT is not included in the formula, the associated ADIT amount shall be excluded

6. Re: Form 1-F filer: Sum of subtotals for Accounts 282 and 283 should tie to Form No. 1-F, p.113.57.c

Deferred Income Taxes (ADIT) Worksheet

A	B	C	D	E	F	G
ADIT-283	Total	Gas, Prod Or Other	Only Transmission	Plant	Labor	Justification
		Related	Related	Related	Related	
Amort Loss on Reacquisition	(8,960,824)	(8,960,824)				The cost of bond redemption is deductible currently for tax purposes and is amortized over the life of the new bond issue for book purposes. Related to all functions. Excluded here since it is included in Cost of Debt.
FAS 109 - Flowthrough Items	(60,379,015)			(60,379,015)		See the explanation for Account 190.
Prepaid Interest	1,535,921				1,535,921	For book purposes, prepaid expenses, which related to a future period but are paid in the current period, must be capitalized and amortized to the balance sheet as an asset. For tax purposes, there is "12-month rule" which allows taxpayers that meet the 12-month rule to currently deduct the amount, as long as the benefits does not extend beyond 12 months. The prepaid interest relates to the Life Insurance plans, that is why this is labor related.
Pension Plan Contribution	(124,761,271)			(54,894,959)	(69,866,312)	The company is allowed to deduct for tax purposes all payments made to fund the General Retirement Plan per ERISA. For book purposes pension plan contributions are governed by FAS 106. This timing difference represents the excess tax payment over book. Affects company personnel across all functions.
Customer Sharing	(2,875,643)	(2,875,643)				For book purposes, the gain on the divestiture of the generating assets to be shared with customers was expensed when the gain on the sale was recorded. For tax purposes, gain to be shared is deducted when paid. Generation
Blueprint for the Future	(630,533)			(630,533)		For book purposes, the cost of the Blueprint project is being currently deducted. For tax purposes, this amount can not be deducted current and must be capitalized.
Regulatory Assets- FERC True Up	(1,046,816)		(1,046,816)			For book purposes, a regulatory asset has been established for the FERC Formula Rate Filing true-up and book income has been increased. For tax purposes, this Regulatory Asset is not recognized and the book income must be reversed.
Regulatory Assets - MAPP - Transmission Only	(3,636,712)		(3,636,712)			This regulatory asset represents MAPP abandonment cost with no potential future value other than through rate recovery; it is considered worthless for tax purposes and is deductible under IRC Section 165(a) as an abandonment loss.
Regulatory Assets	(185,009,855)	(96,878,687)		(58,502,904)	(29,628,264)	When a regulatory asset is established, books credits income, which for tax purposes needs to be reversed along with the associated amortization.
MD Property Taxes	(7,809,949)			(7,809,949)		For book purposes, the MD property taxes are accrued over the fiscal year. For tax purposes payments are deducted when paid based on the lien date.
Interest on Contingent Taxes	(6,571,438)	(6,571,438)				Estimated book interest income on prior year taxes not included for tax purposes
<b>Subtotal - p277 (Form 1-F filer: see note 6, below)</b>	<b>(400,146,135)</b>	<b>(115,286,593)</b>	<b>(4,683,528)</b>	<b>(182,217,360)</b>	<b>(97,958,654)</b>	
Less FASB 109 Above if not separately removed	(60,379,015)	-	-	(60,379,015)	-	
Less FASB 106 Above if not separately removed	-	-	-	-	-	
<b>Total</b>	<b>(339,767,119)</b>	<b>(115,286,593)</b>	<b>(4,683,528)</b>	<b>(121,838,345)</b>	<b>(97,958,654)</b>	

Instructions for Account 283:

- ADIT items related only to Non-Electric Operations (e.g., Gas, Water, Sewer) or Production are directly assigned to Column C
- ADIT items related only to Transmission are directly assigned to Column D
- ADIT items related to Plant and not in Columns C & D are included in Column E
- ADIT items related to labor and not in Columns C & D are included in Column F

5. Deferred income taxes arise when items are included in taxable income in different periods than they are included in rates, therefore if the item giving rise to the ADIT is not included in the formula, the associated ADIT amount shall be excluded

6. Re: Form 1-F filer: Sum of subtotals for Accounts 282 and 283 should tie to Form No. 1-F, p.113.57.c

Attachment 1- Accumulated Deferred Income Taxes (ADIT) Worksheet

ADITC-255

	Item	Balance	Amortization
1	Rate Base Treatment		
2	Balance to line 41 of Appendix A	Total	
3	Amortization		
4	Amortization to line 133 of Appendix A	Total	2,485,709
5	Total	2,485,709	319,014
6	Total Form No. 1 (p 266 & 267)	Form No. 1 balance (p	2,485,709
7	Difference /1	-	-

/1 Difference must be zero

## Potomac Electric Power Company

### Attachment 2 - Taxes Other Than Income Worksheet

<i>Other Taxes</i>	<i>Page 263 Col (i)</i>	<i>Allocator</i>	<i>Allocated Amount</i>
<b>Plant Related</b>	<b>Gross Plant Allocator</b>		
1 Transmission Personal Property Tax (directly assigned to Transmission)	\$ 9,290,948	100%	\$ 9,290,948
1a Other Personal Property Tax (excluded)	\$ 30,555,266	0%	\$ -
2 Capital Stock Tax		18.2575%	\$ -
3 Gross Premium (insurance) Tax		18.2575%	\$ -
4 PURTA		18.2575%	\$ -
5 Corp License		18.2575%	\$ -
<b>Total Plant Related</b>	<b>39,846,214</b>		<b>9,290,948</b>
<b>Labor Related</b>	<b>Wages &amp; Salary Allocator</b>		
6 Federal FICA & Unemployment & state unemployment	5,737,178		
<b>Total Labor Related</b>	<b>5,737,178</b>	<b>9.9549%</b>	<b>571,131</b>
<b>Other Included</b>	<b>Gross Plant Allocator</b>		
7 Miscellaneous	46,823		
<b>Total Other Included</b>	<b>46,823</b>	<b>18.2575%</b>	<b>8,549</b>
<b>Total Included</b>			<b>9,870,628</b>
<b>Currently Excluded</b>			
8 Franchise	22,397,793		
9 kWhTax - State Gross Receipt (Excise Tax)	84,109,711		
10 Electric environmental surcharge	2,107,593		
11 Universal service fee	8,280,540		
12 Montgomery County Fuel	143,017,665		
13 PSC assessment	9,258,851		
14 Real property (State, Municipal or Local)	6,611,440		
15 DC Right of Way	22,801,869		
16 Use & Sales Tax	4,552,933		
17 FHUT	9,680		
18 DC Ballpark	16,500		
19 DC Reliable Energy Trust Fund	17,172,192		
20 Misc. Other	115,998		
21 Total "Other" Taxes (included on p. 263)	366,082,982		
22 Total "Taxes Other Than Income Taxes" - acct 408.10 (p. 114.14)	<u>366,082,982</u>		
23 Difference		(0)	

**Criteria for Allocation:**

- A Other taxes that are incurred through ownership of plant including transmission plant will be allocated based on the Gross Plant Allocator. If the taxes are 100% recovered at retail they will not be included
- B Other taxes that are incurred through ownership of only general or intangible plant will be allocated based on the Wages and Salary Allocator. If the taxes are 100% recovered at retail they will not be included
- C Other taxes that are assessed based on labor will be allocated based on the Wages and Salary Allocator
- D Other taxes except as provided for in A, B and C above, that are incurred and (1) are not fully recovered at retail or (2) are directly or indirectly related to transmission service will be allocated based on the Gross Plant Allocator; provided, however, that overheads shall be treated as in footnote B above
- E Excludes prior period adjustments in the first year of the formula's operation and reconciliation for the first year



## Potomac Electric Power Company

### Attachment 3 - Revenue Credit Workpaper

<b>Account 454 - Rent from Electric Property</b>		
1 Rent from Electric Property - Transmission Related (Note 3)		11,641,767
2 Total Rent Revenues	(Sum Lines 1)	11,641,767
 <b>Account 456 - Other Electric Revenues (Note 1)</b>		
3 Schedule 1A		\$ 607,137
4 Net revenues associated with Network Integration Transmission Service (NITS) for which the load is not included in the divisor (difference between NITS credits from PJM and PJM NITS charges paid by Transmission Owner) (Note 4)		
5 Point to Point Service revenues for which the load is not included in the divisor received by Transmission Owner (Note 4)		2,169,500
6 PJM Transitional Revenue Neutrality (Note 1)		
7 PJM Transitional Market Expansion (Note 1)		
8 Professional Services (Note 3)		-
9 Revenues from Directly Assigned Transmission Facility Charges (Note 2)		-
10 Rent or Attachment Fees associated with Transmission Facilities (Note 3)		-
11 Gross Revenue Credits	(Sum Lines 2-10)	14,418,404
12 Less line 17g		(8,197,641)
13 Total Revenue Credits		6,220,764
 <b>Revenue Adjustment to determine Revenue Credit</b>		
14	Note 1: All revenues related to transmission that are received as a transmission owner (i.e., not received as a LSE), for which the cost of the service is recovered under this formula, except as specifically provided for elsewhere in this Attachment or elsewhere in the formula will be included as a revenue credit or included in the peak on line 173 of Appendix A.	
15	Note 2: If the costs associated with the Directly Assigned Transmission Facility Charges are included in the Rates, the associated revenues are included in the Rates. If the costs associated with the Directly Assigned Transmission Facility Charges are not included in the Rates, the associated revenues are not included in the Rates.	
16	Note 3: Ratemaking treatment for the following specified secondary uses of transmission assets: (1) right-of-way leases and leases for space on transmission facilities for telecommunications; (2) transmission tower licenses for wireless antennas; (3) right-of-way property leases for farming, grazing or nurseries; (4) licenses of intellectual property (including a portable oil degasification process and scheduling software); and (5) transmission maintenance and consulting services (including energized circuit maintenance, high-voltage substation maintenance, safety training, transformer oil testing, and circuit breaker testing) to other utilities and large customers (collectively, products). Company will retain 50% of net revenues consistent with Pacific Gas and Electric Company, 90 FERC ¶ 61,314. Note: in order to use lines 17a - 17g, the utility must track in separate subaccounts the revenues and costs associated with each secondary use (except for the cost of the associated income taxes).	
17a	Revenues included in lines 1-11 which are subject to 50/50 sharing.	11,641,767
17b	Costs associated with revenues in line 17a	4,753,514
17c	Net Revenues (17a - 17b)	6,888,253
17d	50% Share of Net Revenues (17c / 2)	3,444,127
17e	Costs associated with revenues in line 17a that are included in FERC accounts recovered through the formula times the allocator used to functionalize the amounts in the FERC account to the transmission service at issue.	-
17f	Net Revenue Credit (17d + 17e)	3,444,127
17g	Line 17f less line 17a	(8,197,641)
18	Note 4: If the facilities associated with the revenues are not included in the formula, the revenue is shown here but not included in the total above and is explained in the Cost Support; for example revenues associated with distribution facilities. In addition, Revenues from Schedule 12 are not included in the total above to the extent they are credited under Schedule 12.	52,809,791
19	Amount offset in line 4 above	153,080,405
20	Total Account 454, 456 and 456.1	220,308,600
21	Note 4: SECA revenues booked in Account 447.	

Potomac Electric Power Company

Attachment 4 - Calculation of 100 Basis Point Increase in ROE

A	Return and Taxes with 100 Basis Point increase in ROE 100 Basis Point increase in ROE and Income Taxes	(Line 127 + Line 138)	88,389,184
B	100 Basis Point increase in ROE		1.00%

**Return Calculation**

59	Rate Base		(Line 39 + 58)	678,288,956
Long Term Interest				
100	<b>Long Term Interest</b>		p117.62c through 67c	116,829,335
101	Less LTD Interest on Securitization E(Note P)		Attachment 8	0
102	Long Term Interest		"(Line 100 - line 101)"	116,829,335
103	Preferred Dividends	enter positive	p118.29c	0
Common Stock				
104	Proprietary Capital		p112.16c	2,087,549,365
105	Less Preferred Stock	enter negative	(Line 114)	0
106	Less Account 216.1	enter negative	p112.12c	-1,646,367
107	Common Stock		(Sum Lines 104 to 106)	2,085,902,998
Capitalization				
108	Long Term Debt		p112.17c through 21c	2,146,100,811
109	Less Loss on Reacquired Debt	enter negative	p111.81c	-21,945,861
110	Plus Gain on Reacquired Debt	enter positive	p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	8,960,824
112	Less LTD on Securitization Bonds	enter negative	Attachment 8	0
113	Total Long Term Debt		(Sum Lines 108 to 112)	2,133,115,774
114	Preferred Stock		p112.3c	0
115	Common Stock		(Line 107)	2,085,902,998
116	Total Capitalization		(Sum Lines 113 to 115)	4,219,018,772
117	Debt %	Total Long Term Debt	(Line 113 / 116)	51%
118	Preferred %	Preferred Stock	(Line 114 / 116)	0%
119	Common %	Common Stock	(Line 115 / 116)	49%
120	Debt Cost	Total Long Term Debt	(Line 102 / 113)	0.0548
121	Preferred Cost	Preferred Stock	(Line 103 / 114)	0.0000
122	Common Cost	Common Stock	Appendix A % plus 100 Basis Pts	0.1230
123	Weighted Cost of Debt	Total Long Term Debt (WCLTD)	(Line 117 * 120)	0.0277
124	Weighted Cost of Preferred	Preferred Stock	(Line 118 * 121)	0.0000
125	Weighted Cost of Common	Common Stock	(Line 119 * 122)	0.0608
126	Total Return ( R )		(Sum Lines 123 to 125)	0.0885
127	Investment Return = Rate Base * Rate of Return		(Line 59 * 126)	60,030,541

**Composite Income Taxes**

<b>Income Tax Rates</b>				
128	FIT=Federal Income Tax Rate			35.00%
129	SIT=State Income Tax Rate or Composite			8.97%
130	p = percent of federal income tax deductible for state purposes		Per State Tax Code	0.00%
131	T	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		40.83%
132	T/ (1-T)			69.01%
<b>ITC Adjustment</b>				
133	Amortized Investment Tax Credit	enter negative	p266.8f	(319,014)
134	T/(1-T)		(Line 132)	69%
135	Net Plant Allocation Factor		(Line 18)	19.6893%
136	<b>ITC Adjustment Allocated to Transmission</b>	(Note I from Appendix A)	(Line 133 * (1 + 134) * 135)	<b>-106,157</b>
137	<b>Income Tax Component =</b>	$CIT=(T/1-T) * Investment Return * (1-(WCLTD/R)) =$		28,464,800
138	<b>Total Income Taxes</b>			<b>28,358,643</b>

Potomac Electric Power Company

Attachment 5 - Cost Support

**Electric / Non-electric Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Electric Portion	Non-electric Portion	Details
<b>Plant Allocation Factors</b>							
10	Accumulated Intangible Amortization	(Note A)	p200.21c	\$ 73,901,130	73,901,130	0	Respondent is Electric Utility only.
11	Accumulated Common Amortization - Electric	(Note A)	p356	0	0	0	
12	Accumulated Common Plant Depreciation - Electric	(Note A)	p356	0	0	0	
<b>Plant In Service</b>							
24	Common Plant (Electric Only)	(Notes A & B)	p356	0	0	0	
<b>Accumulated Deferred Income Taxes</b>							
41	Accumulated Investment Tax Credit Account No. 255	(Notes A & I)	p266.h	\$ 2,485,709	2,485,709	0	Respondent is Electric Utility only.
<b>Materials and Supplies</b>							
47	Undistributed Stores Exp	(Note A)	p227.6c & 16.c	\$ 2,222,147	2,222,147	0	Respondent is Electric Utility only.
<b>Allocated General &amp; Common Expenses</b>							
65	Plus Transmission Lease Payments	(Note A)	p200.3.c				
67	Common Plant O&M	(Note A)	p356	0	0	0	
<b>Depreciation Expense</b>							
88	Intangible Amortization	(Note A)	p336.1d&e	\$ 1,353,007	1,353,007	0	Respondent is Electric Utility only.
92	Common Depreciation - Electric Only	(Note A)	p336.11.b	0	0	0	
93	Common Amortization - Electric Only	(Note A)	p356 or p336.11d	0	0	0	

**Transmission / Non-transmission Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Transmission Related	Non-transmission Related	Details
28	Plant Held for Future Use (Including Land)	(Note C)	p214	\$ 58,346,977	0	58,346,977	Specific identification based on plant records. The following plant investments are included: 1 2 3 4 5

**CWIP & Expensed Lease Worksheet**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	CWIP In Form 1 Amount	Expensed Lease in Form 1 Amount	Details
<b>Plant Allocation Factors</b>							
6	Electric Plant in Service	(Note B)	p207.104g	\$ 7,159,709,418	0	0	See ARO Exclusion - Cost Support section below for Electric Plant in Service without AROs
<b>Plant In Service</b>							
19	Transmission Plant In Service	(Note B)	p207.58.g	\$ 1,229,617,975	0	0	See Form 1
24	Common Plant (Electric Only)	(Notes A & B)	p356	0	0	0	
<b>Accumulated Depreciation</b>							
30	Transmission Accumulated Depreciation	(Note B)	p219.25.c	\$ 416,723,571	0	0	See Form 1

Potomac Electric Power Company

Attachment 5 - Cost Support

**EPRI Dues Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	EPRI Dues	Details
73	Allocated General & Common Expenses Less EPRI Dues	(Note D)	p352-353	\$ 275,846	275,846	See Form 1

**Regulatory Expense Related to Transmission Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Transmission Related	Non-transmission Related	Details
70	Allocated General & Common Expenses Less Regulatory Commission Exp Account 928	(Note E)	p323.189b	\$ 2,561,515	127,892	2,433,623	FERC Form 1 page 351.1 line 28, transmission related only.
77	Directly Assigned A&G Regulatory Commission Exp Account 928	(Note G)	p323.189b	\$ 2,561,515	127,892	2,433,623	FERC Form 1 page 351.1 line 28, transmission related portion only.

**Safety Related Advertising Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Safety Related	Non-safety Related	Details
81	Directly Assigned A&G General Advertising Exp Account 930.1	(Note F)	p323.191b	\$ 1,910,540	-	1,910,540	None

**MultiState Workpaper**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				State 1	State 2	State 3	State 4	State 5	Details
129	Income Tax Rates SIT=State Income Tax Rate or Composite	(Note I)	8.972%	Maryland 8.25%	DC 9.975%	Enter State Enter %	Enter State Enter %	Enter State Enter %	Enter Calculation Apportioned: MD 4.67%, DC 4.30%

**Education and Out Reach Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Education & Outreach	Other	Details
78	Directly Assigned A&G General Advertising Exp Account 930.1	(Note K)	p323.191b	\$ 1,910,540	0	1,910,540	None

**Excluded Plant Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Excluded Transmission Facilities	Description of the Facilities
149	Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities Excluded Transmission Facilities	(Note M)	Attachment 5	0	General Description of the Facilities
Instructions:				Enter \$	None
1 Remove all investment below 69 kV or generator step up transformers included in transmission plant in service that are not a result of the RTEP Process					
2 If unable to determine the investment below 69kV in a substation with investment of 69 kV and higher as well as below 69 kV, the following formula will be used:				Or	
<b>Example</b>				Enter \$	
A Total investment in substation				1,000,000	
B Identifiable investment in Transmission (provide workpapers)				500,000	
C Identifiable investment in Distribution (provide workpapers)				400,000	
D Amount to be excluded (A x (C / (B + C)))				444,444	

Add more lines if necessary

Potomac Electric Power Company

Attachment 5 - Cost Support

**Transmission Related Account 242 Reserves**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		Total	Allocation	Transmission Related	Details
		Enter \$		Amount	
44	Transmission Related Account 242 Reserves (exclude current year environmental site related reserves)	-	100%	-	
	Directly Assignable to Transmission	68,796,164	9.95%	6,848,599	
	Labor Related, General plant related or Common Plant related	3,730,311	18.26%	681,060	
	Plant Related		0.00%	-	
	Other			-	
	Total Transmission Related Reserves	72,526,475		7,529,660	

**Prepayments**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Description of the Prepayments
45	Prepayments		To Line 45	
5	Wages & Salary Allocator		9.955%	
	Pension Liabilities, if any, in Account 242	-	9.955%	-
	Prepayments	\$ 20,675,181	9.955%	2,058,197
	Prepaid Pensions if not included in Prepayments	\$ 315,642,341	9.955%	31,421,925
		336,317,522	9.95%	33,480,122

Prepaid Pension is recorded in FERC account 186 (see FERC Form 1 page 233).

**Outstanding Network Credits Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Outstanding Network Credits	Description of the Credits
				Enter \$	
55	Network Credits			0	General Description of the Credits
	Outstanding Network Credits	(Note N)	From PJM		None
56	Less Accumulated Depreciation Associated with Facilities with Outstanding Network Credits	(Note N)	From PJM	0	None

Add more lines if necessary

**Extraordinary Property Loss**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Amount	Number of years	Amortization	w/ Interest
61	Less extraordinary property loss		Attachment 5	\$ -			
62	Plus amortized extraordinary property loss		Attachment 5	\$ -	5	\$ -	\$ -



Potomac Electric Power Company

Attachment 5 - Cost Support

**Interest on Outstanding Network Credits Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Interest on Network Credits	Description of the Interest on the Credits
155	Revenue Credits & Interest on Network Credits Interest on Network Credits	(Note N)	PJM Data	0	General Description of the Credits
				Enter \$	None
<i>Add more lines if necessary</i>					

**Facility Credits under Section 30.9 of the PJM OATT and Facility Credits to Vineland per settlement in ER05-515**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Amount	Description & PJM Documentation
171	Net Revenue Requirement Facility Credits under Section 30.9 of the PJM OATT and Facility Credits to Vineland per settlement in ER05-515			-	

**PJM Load Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				1 CP Peak	Description & PJM Documentation
173	Network Zonal Service Rate 1 CP Peak	(Note L)	PJM Data	6,345.1	See Form 1

**Statements BG/BH (Present and Proposed Revenues)**

Customer	Billing Determinants	Current Rate	Proposed Rate	Current Revenues	Proposed Revenues	Change in Revenues
Pepco zone				-	-	-
Total				-	-	-

**Abandoned Transmission Plant**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions			
A	Beginning Balance of Unamortized Transmission Plant	Per FERC Order	
B	Months Remaining in Amortization Period	Per FERC Order	
C	Monthly Ammortization	A/B	
D	Months in Year to be Amortized		
E	Amortization in Rate Year	C*D	Line 86a
F	Deductions		
G	End of Year Balance in Unamortized Transmission Plant	A-E-F	Line 43b

Potomac Electric Power Company

Attachment 5 - Cost Support

**MAPP Abandonment recovery pursuant to ER13-607**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions					
			DPL	Pepco	Total
171a	2013-14 rate period	\$	9,750,649	\$ 12,725,412	\$ 22,476,061
171a	2014-15 rate period	\$	14,666,395	16,524,210	\$ 31,190,605
171a	2015-16 rate period	\$	12,208,522	14,624,812	\$ 26,833,334
	Total	\$	36,625,566	\$ 43,874,434	\$ 80,500,000

**Brandywine Fly Ash Landfill Environmental Expenses**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		
Step 9	Attachment 6 - Estimate and Reconciliation Worksheet - Footnote 1	\$ (2,617,572)

Pepco shall make a negative adjustment to its transmission revenue requirement in its 2015 Annual Update in the amount of \$2,617,572, to offset the \$2,617,572 of Brandywine fly ash landfill environmental expenses included in Pepco's 2014 Annual Update ("2013 Brandywine Fly Ash Expenses"). Pepco shall not include the 2013 Brandywine Fly Ash Expenses in a future Annual Update while recovery of such expenses is being pursued from a party outside of the PJM Tariff, but once Pepco is no longer pursuing recovery of such expenses outside of the PJM Tariff, Pepco may include such costs in a future Annual Update to the extent such expenses have not been recovered outside of the PJM Tariff, subject to SMECO's right to challenge such inclusion at that time on any grounds permitted pursuant to Attachment H-9, including the Formula Rate Implementation Protocols, as though the costs had been included in the 2014 Annual Update. Any payments to Pepco for its 2013 Brandywine Fly Ash Expenses shall not be included in any Pepco Annual Update.

**Supporting documentation for FERC Form 1 reconciliation**

Compliance with FERC Order on the Exelon Merger			
Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions			
		Form 1 Amount	Merger Costs Non Merger Related
60	Transmission O&M	p321.112.b	28,499,784 3,284 28,496,500
68	Total A&G	p323.197.b	132,079,068 2,477,148 129,601,920

**ARO Exclusion - Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions			
		Form 1 Amount	ARO's Non-ARO's
6	Electric Plant in Service	p207.104g	7,159,709,418 283,373 7,159,426,045
9	Accumulated Depreciation (Total Electric Plant)	p219.29c	2,669,328,195 132,110 2,669,196,085
23	General & Intangible	p205.5.g & p207.99.g	338,128,102 283,373 337,844,729
31	Accumulated General Depreciation	p219.28.c	135,804,682 132,110 135,672,572

Potomac Electric Power Company

Attachment 5a - Allocations of Costs to Affiliate

	Delmarva Power	Atlantic City	Pepco	Non - Regulated	Total
Executive Management	\$ 13,882,162	\$ 11,785,623	\$ 24,382,713	\$ 5,667,656	\$ 55,718,155
Procurement & Administrative Services	7,001,366	4,598,470	10,475,398	343,584	22,418,818
Financial Services & Corporate Expenses	13,502,547	10,768,241	20,331,591	2,392,152	46,994,531
Insurance Coverage and Services	2,519,625	2,187,093	3,305,370	887,190	8,899,278
Human Resources	3,653,925	2,428,050	5,847,877	1,046,090	12,975,941
Legal Services	2,651,005	2,242,024	6,008,665	1,200,772	12,102,467
Audit Services	980,075	750,029	1,750,164	234,556	3,714,825
Customer Services	50,507,172	38,945,027	33,693,424	59,420	123,205,044
Utility Communication Services	56,240	-	87,358	-	143,598
Information Technology	15,350,317	11,421,231	34,068,152	334,163	61,173,863
External Affairs	3,329,577	2,605,534	5,487,511	670,032	12,092,654
Environmental Services	1,774,836	1,370,486	1,976,135	117,173	5,238,631
Safety Services	380,152	421,829	615,823	-	1,417,804
Regulated Electric & Gas T&D	33,672,104	25,702,737	45,555,831	330,416	105,261,089
Internal Consulting Services	699,514	376,268	1,019,829	1,904	2,097,515
Interns	208,653	118,776	144,867	180	472,476
Cost of Benefits	12,791,136	7,921,448	21,384,267	1,993,351	44,090,202
Building Services	4,513	110,543	4,224,537	-	4,339,592
<b>Total</b>	<b>\$ 162,964,920</b>	<b>\$ 123,753,411</b>	<b>\$ 220,359,512</b>	<b>\$ 15,278,638</b>	<b>\$ 522,356,481</b>

Name of Respondent PHI Service Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2014
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**Schedule XVII - Analysis of Billing - Associate Companies (Account 457)**

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Potomac Electric Power Company	57,214,714	162,918,093	226,705	220,359,512
2	Delmarva Power & Light Company	39,247,411	123,549,735	157,774	162,954,920
3	Atlantic City Electric Company	24,854,235	98,773,234	125,942	123,753,411
4	Pepco Energy Services, Inc.	2,653,237	5,856,129	9,444	8,518,810
5	Connectiv, LLC	3,919	46,852	59	50,830
6	Potomac Capital Investment Corporation	146,353	120,088	661	267,100
7	Thermal Energy Limited Partnership	16,405	723,744	728	740,877
8	ATS Operating Services, Inc.	106	322,506	331	322,943
9	Atlantic Southern Properties, Inc.	7,201	184,696	197	192,094
10	Connectiv Energy Supply, Inc.	20,415	8,175	36	28,626
11	Pepco Holdings, Inc.	4,226,510	595,934	1,568	4,824,012
12	Connectiv Properties and Investments, Inc.	694	156,517	166	157,377
13	Connectiv Thermal Systems, Inc.	4,666	108,488	117	113,271
14	Connectiv Communications, Inc.	53	10,556	10	10,619
15	Atlantic City Electric Transition Funding LLC	31,698	5,736	35	37,469
16	Connectiv North East, LLC	253	4,677	5	4,935
17	Delaware Operating Services Company, LLC	177	118	8	303
18	ATE Investment, Inc.	773	1,097	3	1,873
19	Atlantic Generation, Inc.	80	13	1	94
20	Connectiv Services II, Inc.	33	7,227	7	7,267
21	Connectiv Solutions LLC	136	2		136
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	<b>Total</b>	<b>128,429,069</b>	<b>393,393,615</b>	<b>533,797</b>	<b>522,356,481</b>

Service Company Billing Analysis by Utility FERC Account  
YTD Dec 2014  
Total PHI

FERC Accounts	FERC Account Name	DPL	ACE	PEPCO	Non-Utility	Total	Inclusion in ATRR
107	Constr Work In Progress	25,452,371	16,528,974	35,163,211	-	77,144,556	Not Included
182.3	Other Regulatory Assets	7,284,203	200,422	10,839,283	-	18,323,908	Not Included
184	Clearing Accounts - Other	(4,608)	(24,809)	126,528	(66,205)	30,906	Not Included
408.1	Taxes other than inc taxes, utility operating inc	1,811	15,040	1,849	-	18,699	Not Included
416-421	Other Income -Below the Line	266,750	465,608	570,194	15,344,844	16,647,396	Not Included
426.1-426.5	Other Income Deductions - Below the Line	3,271,318	2,695,930	5,494,225	-	11,461,373	Not Included
430	Interest-Debt to Associated Companies	346,840	260,349	468,738	-	1,075,927	Not Included
431	Interest-Short Term Debt	(179,066)	(134,408)	(242,033)	-	(555,506)	Not Included
556	System cont & load dispatch	2,177,755	1,891,923	1,705,407	-	5,775,084	Not Included
557	Other expenses	1,173,401	1,130,377	1,461,250	-	3,765,028	Not Included
560	Operation Supervision & Engineering	2,417,695	2,277,855	3,665,108	-	8,360,658	100% Included
561	Load dispatching	-	11	-	-	11	100% Included
561.1	Load Dispatching - Reliability	13,206	11,642	-	-	24,847	100% Included
561.2	Load Dispatch - Monitor & Operate Transmission Sys	69,383	23,030	1,008,010	-	1,100,423	100% Included
561.3	Load Dispatch - Transmission Service & Scheduling	39,057	34,330	28,667	-	102,053	100% Included
561.5	Reliability, Planning and Standards	257,243	232,961	132,446	-	622,650	100% Included
563	Overhead line expenses	-	-	345	-	345	100% Included
562	Station expenses	-	-	8,533	-	8,533	100% Included
564	Underground Line Expenses - Transmission	-	-	6,641	-	6,641	100% Included
566	Miscellaneous transmission expenses	412,227	313,802	334,811	-	1,060,840	100% Included
568	Maintenance Supervision & Engineering	158,431	130,076	258,084	-	546,591	100% Included
569	Maint of structures	-	-	-	-	-	100% Included
569.2	Maintenance of Computer Software	571,924	291,641	454,366	-	1,317,931	100% Included
569.4	Maintenance of Transmission Plant	-	-	940	-	940	100% Included
570	Maintenance of station equipment	156,492	86,339	378,208	-	621,039	100% Included
571	Maintenance of overhead lines	146,461	170,076	249,124	-	565,660	100% Included
572	Maintenance of underground lines	35	272	9,974	-	10,281	100% Included
573	Maintenance of miscellaneous transmission plant	26,096	33,049	155,743	-	214,887	100% Included
580	Operation Supervision & Engineering	730,625	350,609	623,416	-	1,704,650	Not Included
581	Load dispatching	838,385	546,354	1,547,494	-	2,932,233	Not Included
582	Station expenses	837,194	-	115,333	-	952,527	Not Included
583	Overhead line expenses	77,312	125,967	29,052	-	232,331	Not Included
584	Underground line expenses	23,803	-	282,831	-	306,634	Not Included
585	Street lighting	11,177	-	41	-	11,218	Not Included
586	Meter expenses	786,669	575,817	1,622,146	-	2,984,632	Not Included
587	Customer installations expenses	69,822	341,159	487,591	-	898,572	Not Included
588	Miscellaneous distribution expenses	4,998,231	5,390,134	8,479,619	-	18,867,983	Not Included
589	Rents	30,570	6,315	20,959	-	57,844	Not Included
590	Maintenance Supervision & Engineering	865,163	720,247	338,570	-	1,923,980	Not Included
591	Maintain structures	-	-	1,937	-	1,937	Not Included
592	Maintain equipment	535,979	522,925	975,362	-	2,034,266	Not Included
593	Maintain overhead lines	1,107,894	653,471	1,798,778	-	3,560,142	Not Included
594	Maintain underground line	97,908	64,967	692,235	-	855,111	Not Included
595	Maintain line transformers	67	1,811	220,800	-	222,677	Not Included
596	Maintain street lighting & signal systems	44,641	37,249	8,246	-	90,136	Not Included
597	Maintain meters	27,120	31,452	41,070	-	99,642	Not Included
598	Maintain distribution plant	61,416	18,767	854,752	-	934,935	Not Included
800-894	Total Gas Accounts	2,210,101	-	-	-	2,210,101	Not Included
902	Meter reading expenses	188,544	49,162	49,142	-	286,847	Not Included
903	Customer records and collection expenses	41,899,731	39,033,339	33,166,986	-	114,100,056	Not Included
907	Supervision - Customer Svc & Information	82,458	10,418	108,745	-	201,620	Not Included
908	Customer assistance expenses	2,073,545	590,689	903,301	-	3,567,535	Not Included
909	Informational & instructional advertising	66,371	19,518	64,417	-	150,306	Not Included
912	Demonstrating and selling expense	7,962	-	-	-	7,962	Not Included
913	Advertising expense	30,520	-	-	-	30,520	Not Included
920	Administrative & General salaries	325,663	95,547	645,155	-	1,066,365	Wage & Salary Factor
921	Office supplies & expenses	14,314	12,513	24,279	-	51,106	Wage & Salary Factor
923	Outside services employed	48,702,231	40,630,932	84,352,816	-	173,685,978	Wage & Salary Factor
924	Property insurance	2,246	1,684	3,080	-	7,010	Net Plant Factor
925	Injuries & damages	2,046,510	1,624,059	3,293,661	-	6,964,230	Wage & Salary Factor
926	Employee pensions & benefits	6,990,629	3,656,906	11,806,837	-	22,454,372	Wage & Salary Factor
928	Regulatory commission expenses	1,280,938	532,794	1,787,129	-	3,600,860	Direct Transmission Only
929	Duplicate charges-Credit	240,484	131,613	1,078,264	-	1,450,360	Wage & Salary Factor
930.1	General ad expenses	273	-	13,789	-	14,062	Direct Transmission Only
930.2	Miscellaneous general expenses	1,268,142	1,121,501	2,354,056	-	4,743,699	Wage & Salary Factor
931	Rents	0	-	1	-	1	Wage & Salary Factor
935	Maintenance of general plant	331,262	221,104	287,172	-	839,538	Wage & Salary Factor
<b>Total</b>		<b>162,964,920</b>	<b>123,753,411</b>	<b>220,359,512</b>	<b>15,278,638</b>	<b>522,356,481</b>	

**Potomac Electric Power Company**

*Attachment 6 - Estimate and Reconciliation Worksheet*

Step Month Year Action

**Exec Summary**

- 1 April Year 2 TO populates the formula with Year 1 data from FERC Form 1 data for Year 1 (e.g., 2004)
- 2 April Year 2 TO estimates all transmission Cap Adds and CWIP for Year 2 weighted based on Months expected to be in service in Year 2 (e.g., 2005)
- 3 April Year 2 TO adds weighted Cap Adds to plant in service in Formula
- 4 May Year 2 Post results of Step 3 on PJM web site
- 5 June Year 2 Results of Step 3 go into effect for the Rate Year 1 (e.g., June 1, 2005 - May 31, 2006)
  
- 6 April Year 3 TO populates the formula with Year 2 data from FERC Form 1 for Year 2 (e.g., 2005)
- 7 April Year 3 Reconciliation - TO calculates Reconciliation by removing from Year 2 data - the total Cap Adds placed in service in Year 2 and adding weighted average in Year 2 actual Cap Adds and CWIP in Reconciliation (adjusted to include any Reconciliation amount from prior year)
- 8 April Year 3 TO estimates Cap Adds and CWIP during Year 3 weighted based on Months expected to be in service in Year 3 (e.g., 2006)
- 9 April Year 3 Reconciliation - TO adds the difference between the Reconciliation in Step 7 and the forecast in Line 5 with interest to the result of Step 7 (this difference is also added to Step 8 in the subsequent year)
- 10 May Year 3 Post results of Step 9 on PJM web site
- 11 June Year 3 Results of Step 9 go into effect for the Rate Year 2 (e.g., June 1, 2006 - May 31, 2007)

1 April Year 2 TO populates the formula with Year 1 data from FERC Form 1 data for Year 1 (e.g., 2004)  
161,071,338 Rev Req based on Year 1 data Must run Appendix A to get this number (without inputs in lines 20, 21 or 43a of Appendix A)

2 April Year 2 TO estimates all transmission Cap Adds and CWIP for Year 2 weighted based on Months expected to be in service in Year 2 (e.g., 2005)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	
	Monthly Additions	Monthly Additions	Monthly Additions	Monthly Additions		Other Plant In Service	Other Plant In Service	MAPP CWIP	MAPP In Service	Other Plant In Service	Other Plant In Service	MAPP CWIP	MAPP In Service	
	Other Plant In Service	Other Plant In Service	MAPP CWIP	MAPP In Service	Weighting	Amount (A x E)	Amount (B x E)	Amount (C x E)	Amount (D x E)	(F / 12)	(G / 12)	(H / 12)	(I / 12)	
Jan					11.5	-	-	-	-	-	-	-	-	
Feb					10.5	-	-	-	-	-	-	-	-	
Mar	7,134,930				9.5	67,781,835	-	-	-	5,648,486	-	-	-	
Apr					8.5	-	-	-	-	-	-	-	-	
May					7.5	-	-	-	-	-	-	-	-	
Jun					6.5	-	-	-	-	-	-	-	-	
Jul					5.5	-	-	-	-	-	-	-	-	
Aug					4.5	-	-	-	-	-	-	-	-	
Sep					3.5	-	-	-	-	-	-	-	-	
Oct	59,051,650				2.5	147,629,125	-	-	-	12,302,427	-	-	-	
Nov					1.5	-	-	-	-	-	-	-	-	
Dec					0.5	-	-	-	-	-	-	-	-	
Total	66,186,580					215,410,960	-	-	-	17,950,913	-	-	-	
New Transmission Plant Additions and CWIP (weighted by months in service)										17,950,913				
										17,950,913				
										Input to Line 21 of Appendix A				17,950,913
										Input to Line 43a of Appendix A				-
										Month In Service or Month for CWIP	8.75	#DIV/0!	#DIV/0!	#DIV/0!

3 April Year 2 TO adds weighted Cap Adds to plant in service in Formula  
 \$ 17,950,913 Input to Formula Line 21

4 May Year 2 Post results of Step 3 on PJM web site  
163,004,917 Must run Appendix A to get this number (with inputs on lines 21 and 43a of Attachment A)

5 June Year 2 Results of Step 3 go into effect for the Rate Year 1 (e.g., June 1, 2005 - May 31, 2006)  
 \$ 163,004,917

6 April Year 3 TO populates the formula with Year 2 data from FERC Form 1 for Year 2 (e.g., 2005)  
168,842,716 Rev Req based on Prior Year data Must run Appendix A to get this number (without inputs in lines 20, 21 or 43a of Appendix A)

7 April Year 3 Reconciliation - TO calculates Reconciliation by removing from Year 2 data - the total Cap Adds placed in service in Year 2 and adding weighted average in Year 2 actual Cap Adds and CWIP in Reconciliation (adjusted to include any Reconciliation amount from prior year)

Remove all Cap Adds placed in service in Year 2

For Reconciliation only - remove actual New Transmission Plant Additions for Year 2 \$ 88,449,794 Input to Formula Line 20

Add weighted Cap Adds actually placed in service in Year 2

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	
	Monthly Additions Other Plant In Service	Monthly Additions Other Plant In Service	Monthly Additions MAPP CWIP	Monthly Additions MAPP In Service	Weighting	Other Plant In Service Amount (A x E)	Other Plant In Service Amount (B x E)	MAPP CWIP Amount (C x E)	MAPP In Service Amount (D x E)	Other Plant In Service (F / 12)	Other Plant In Service (G / 12)	MAPP CWIP (H / 12)	MAPP In Service (I / 12)	
Jan	\$937,940				11.5	10,786,310	-	-	-	898,859	-	-	-	
Feb	\$1,355,632				10.5	14,234,140	-	-	-	1,186,178	-	-	-	
Mar	\$7,117,473				9.5	67,615,993	-	-	-	5,634,666	-	-	-	
Apr	\$35,918,085				8.5	305,303,723	-	-	-	25,441,977	-	-	-	
May	(\$14,279,483)				7.5	(107,096,126)	-	-	-	(8,924,677)	-	-	-	
Jun	\$1,632,392				6.5	10,610,549	-	-	-	884,212	-	-	-	
Jul	(\$3,484,222)				5.5	(19,163,221)	-	-	-	(1,596,935)	-	-	-	
Aug	(\$107,169)				4.5	(482,262)	-	-	-	(40,189)	-	-	-	
Sep	\$11,272,189				3.5	39,452,662	-	-	-	3,287,722	-	-	-	
Oct	\$124,247				2.5	310,616	-	-	-	25,885	-	-	-	
Nov	\$40,917,864				1.5	61,376,796	-	-	-	5,114,733	-	-	-	
Dec	\$7,044,847				0.5	3,522,423	-	-	-	293,535	-	-	-	
Total	88,449,794	-	-	-		386,471,603	-	-	-	32,205,967	-	-	-	
New Transmission Plant Additions and CWIP (weighted by months in service)										32,205,967	-	-	-	
										Input to Line 21 of Appendix A	32,205,967	-	-	32,205,967
										Input to Line 43a of Appendix A				
										Month In Service or Month for CWIP	7.63	#DIV/0!	#DIV/0!	#DIV/0!

163,107,606 Result of Formula for Reconciliation Must run Appendix A with cap adds in line 21 & line 20  
(Year 2 data with total of Year 2 Cap Adds removed and monthly weighted average of Year 2 actual Cap Adds added in)

8 April Year 3 TO estimates Cap Adds and CWIP during Year 3 weighted based on Months expected to be in service in Year 3 (e.g., 2006)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	
	Monthly Additions Other Plant In Service	Monthly Additions Other Plant In Service	Monthly Additions MAPP CWIP	Monthly Additions MAPP In Service	Weighting	Other Plant In Service Amount (A x E)	Other Plant In Service Amount (B x E)	MAPP CWIP Amount (C x E)	MAPP In Service Amount (D x E)	Other Plant In Service (F / 12)	Other Plant In Service (G / 12)	MAPP CWIP (H / 12)	MAPP In Service (I / 12)	
Jan					11.5	-	-	-	-	-	-	-	-	
Feb	8,172,728				10.5	85,813,645	-	-	-	7,151,137	-	-	-	
Mar					9.5	-	-	-	-	-	-	-	-	
Apr	51,852,352				8.5	440,744,994	-	-	-	36,728,749	-	-	-	
May					7.5	-	-	-	-	-	-	-	-	
Jun					6.5	-	-	-	-	-	-	-	-	
Jul					5.5	-	-	-	-	-	-	-	-	
Aug					4.5	-	-	-	-	-	-	-	-	
Sep					3.5	-	-	-	-	-	-	-	-	
Oct					2.5	-	-	-	-	-	-	-	-	
Nov					1.5	-	-	-	-	-	-	-	-	
Dec					0.5	-	-	-	-	-	-	-	-	
Total	60,025,080	-	-	-		526,558,638	-	-	-	43,879,887	-	-	-	
New Transmission Plant Additions and CWIP (weighted by months in service)										0				
										Input to Line 21 of Appendix A	43,879,887	-	-	43,879,887
										Input to Line 43a of Appendix A				
										Month In Service or Month for CWIP	3.23	#DIV/0!	#DIV/0!	#DIV/0!

171,376,341

9 April Year 3 Reconciliation - TO adds the difference between the Reconciliation in Step 7 and the forecast in Line 5 with interest to the result of Step 7 (this difference is also added to Step 8 in the subsequent year)

Footnote 1: See Attachment 5 - Cost Support in regards to Brandywine Fly Ash Environmental Expenses

The Reconciliation in Step 7                      The forecast in Prior Year  
 163,107,606                      -                      166,098,047                      =                      (2,990,442) See footnote 1 Attachment 5 - Cost Support 1

Interest on Amount of Refunds or Surcharges

Interest rate pursuant to 35.19a for March of		0.2800%					
Month	Yr	1/12 of Step 9	Interest rate for March of the Current Yr	Months	Interest	Surcharge (Refund) Owed	
Jun	Year 1	(249,203)	0.2800%	11.5	(8,024)	(257,228)	
Jul	Year 1	(249,203)	0.2800%	10.5	(7,327)	(256,530)	
Aug	Year 1	(249,203)	0.2800%	9.5	(6,629)	(255,832)	
Sep	Year 1	(249,203)	0.2800%	8.5	(5,931)	(255,135)	
Oct	Year 1	(249,203)	0.2800%	7.5	(5,233)	(254,437)	
Nov	Year 1	(249,203)	0.2800%	6.5	(4,536)	(253,739)	
Dec	Year 1	(249,203)	0.2800%	5.5	(3,838)	(253,041)	
Jan	Year 2	(249,203)	0.2800%	4.5	(3,140)	(252,343)	
Feb	Year 2	(249,203)	0.2800%	3.5	(2,442)	(251,646)	
Mar	Year 2	(249,203)	0.2800%	2.5	(1,744)	(250,948)	
Apr	Year 2	(249,203)	0.2800%	1.5	(1,047)	(250,250)	
May	Year 2	(249,203)	0.2800%	0.5	(349)	(249,552)	
Total		(2,990,442)				(3,040,681)	

		Amortization over			
		Balance	Interest rate from above	Rate Year	Balance
Jun	Year 2	(3,040,681)	0.2800%	(258,025)	(2,791,170)
Jul	Year 2	(2,791,170)	0.2800%	(258,025)	(2,540,959)
Aug	Year 2	(2,540,959)	0.2800%	(258,025)	(2,290,049)
Sep	Year 2	(2,290,049)	0.2800%	(258,025)	(2,038,435)
Oct	Year 2	(2,038,435)	0.2800%	(258,025)	(1,786,118)
Nov	Year 2	(1,786,118)	0.2800%	(258,025)	(1,533,093)
Dec	Year 2	(1,533,093)	0.2800%	(258,025)	(1,279,361)
Jan	Year 3	(1,279,361)	0.2800%	(258,025)	(1,024,917)
Feb	Year 3	(1,024,917)	0.2800%	(258,025)	(769,762)
Mar	Year 3	(769,762)	0.2800%	(258,025)	(513,892)
Apr	Year 3	(513,892)	0.2800%	(258,025)	(257,305)
May	Year 3	(257,305)	0.2800%	(258,025)	-
Total with interest				(3,096,305)	

The difference between the Reconciliation in Step 7 and the forecast in Prior Year with interest                      (3,096,305)  
 Rev Req based on Year 2 data with estimated Cap Adds and CWIP for Year 3 (Step 8)                      \$ 171,376,341  
 Revenue Requirement for Year 3                      168,280,036

10 May Year 3 Post results of Step 9 on PJM web site  
 \$ 168,280,036 Post results of Step 3 on PJM web site

11 June Year 3 Results of Step 9 go into effect for the Rate Year 2 (e.g., June 1, 2006 - May 31, 2007)  
 \$ 168,280,036











B1125 Convert Buzzard to Ritchie Line - 138kV to 230kV				b2008 Reconnector feeder Dickerson to Quince Orchard						
Yes				Yes						
35				35						
No				No						
0				0						
15.8170%				15.8170%						
15.8170%				15.8170%						
51,852,352				8,172,728						
1,481,496				233,507						
10.00				2.00						
Beginning	Depreciation	Ending	Revenue	Beginning	Depreciation	Ending	Revenue	Total	Incentive Charged	Revenue Credit
51,571,154	1,481,496	50,089,658	9,404,182	8,172,728	194,589	7,978,139	1,456,492	\$ 50,914,166	\$	\$ 50,914,166
51,571,154	1,481,496	50,089,658	9,404,182	8,172,728	194,589	7,978,139	1,456,492	\$ 52,332,228	\$ 52,332,228	\$
50,089,658	1,481,496	48,608,162	9,169,854	7,978,139	233,507	7,744,633	1,458,476	\$ 49,603,968	\$	\$ 49,603,968
50,089,658	1,481,496	48,608,162	9,169,854	7,978,139	233,507	7,744,633	1,458,476	\$ 50,975,805	\$ 50,975,805	\$
48,608,162	1,481,496	47,126,667	8,935,525	7,744,633	233,507	7,511,126	1,421,542	\$ 48,254,853	\$	\$ 48,254,853
48,608,162	1,481,496	47,126,667	8,935,525	7,744,633	233,507	7,511,126	1,421,542	\$ 49,580,464	\$ 49,580,464	\$
47,126,667	1,481,496	45,645,171	8,701,197	7,511,126	233,507	7,277,620	1,384,608	\$ 46,905,738	\$	\$ 46,905,738
47,126,667	1,481,496	45,645,171	8,701,197	7,511,126	233,507	7,277,620	1,384,608	\$ 48,185,123	\$ 48,185,123	\$
45,645,171	1,481,496	44,163,675	8,466,869	7,277,620	233,507	7,044,113	1,347,675	\$ 45,556,623	\$ 45,556,623	\$
45,645,171	1,481,496	44,163,675	8,466,869	7,277,620	233,507	7,044,113	1,347,675	\$ 46,789,782	\$ 46,789,782	\$
44,163,675	1,481,496	42,682,179	8,232,540	7,044,113	233,507	6,810,607	1,310,741	\$ 44,207,508	\$	\$ 44,207,508
44,163,675	1,481,496	42,682,179	8,232,540	7,044,113	233,507	6,810,607	1,310,741	\$ 45,394,441	\$ 45,394,441	\$
42,682,179	1,481,496	41,200,683	7,998,212	6,810,607	233,507	6,577,100	1,273,807	\$ 42,858,393	\$	\$ 42,858,393
42,682,179	1,481,496	41,200,683	7,998,212	6,810,607	233,507	6,577,100	1,273,807	\$ 43,999,100	\$ 43,999,100	\$
41,200,683	1,481,496	39,719,188	7,763,884	6,577,100	233,507	6,343,594	1,236,873	\$ 41,509,278	\$	\$ 41,509,278
41,200,683	1,481,496	39,719,188	7,763,884	6,577,100	233,507	6,343,594	1,236,873	\$ 42,603,759	\$ 42,603,759	\$
39,719,188	1,481,496	38,237,692	7,529,555	6,343,594	233,507	6,110,087	1,199,940	\$ 40,160,163	\$	\$ 40,160,163
39,719,188	1,481,496	38,237,692	7,529,555	6,343,594	233,507	6,110,087	1,199,940	\$ 41,208,418	\$ 41,208,418	\$
38,237,692	1,481,496	36,756,196	7,295,227	6,110,087	233,507	5,876,581	1,163,006	\$ 38,811,048	\$ 38,811,048	\$
38,237,692	1,481,496	36,756,196	7,295,227	6,110,087	233,507	5,876,581	1,163,006	\$ 39,813,077	\$ 39,813,077	\$
36,756,196	1,481,496	35,274,700	7,060,899	5,876,581	233,507	5,643,074	1,126,072	\$ 37,461,933	\$	\$ 37,461,933
36,756,196	1,481,496	35,274,700	7,060,899	5,876,581	233,507	5,643,074	1,126,072	\$ 38,417,736	\$ 38,417,736	\$
35,274,700	1,481,496	33,793,205	6,826,570	5,643,074	233,507	5,409,568	1,089,138	\$ 36,112,818	\$	\$ 36,112,818
35,274,700	1,481,496	33,793,205	6,826,570	5,643,074	233,507	5,409,568	1,089,138	\$ 37,022,395	\$ 37,022,395	\$
33,793,205	1,481,496	32,311,709	6,592,242	5,409,568	233,507	5,176,061	1,052,205	\$ 34,763,703	\$	\$ 34,763,703
33,793,205	1,481,496	32,311,709	6,592,242	5,409,568	233,507	5,176,061	1,052,205	\$ 35,627,054	\$ 35,627,054	\$
....	....	....	....	....	....	....	....	\$		\$
....	....	....	....	....	....	....	....	\$		\$
								\$	775,850,650	\$ 754,122,631

# Potomac Electric Power Company

## Attachment 8 - Company Exhibit - Securitization Workpaper

Line #

	Long Term Interest		
<b>101</b>	<b>Less LTD Interest on Securitization Bonds</b>		<b>0</b>
	Capitalization		
<b>112</b>	<b>Less LTD on Securitization Bonds</b>		<b>0</b>

Calculation of the above Securitization Adjustments

