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May 16, 2016

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 2016 Formula Rate Annual Update in
Docket No. ER09-1159 and Pursuant to Approved
Settlement Agreements in Docket Nos. ER05-515, EL13-48, EL15-27 and
ER16-456, *et al.*

Dear Ms. Bose,

Pepco hereby submits electronically, for informational purposes, its 2016 Annual Formula Rate Update. On November 3, 2015, the Commission approved an uncontested settlement agreement (“Settlement”) filed in Docket Nos. EL13-48, *et al.*¹. 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) cause such Annual Update to be posted at a publicly accessible location on PJM’s internet website;
- (ii) cause notice of such posting to be provided to PJM’s membership; and
- (iii) file such Annual Update with the FERC as an informational filing.²

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

¹ Baltimore Gas and Electric Company, *et al.*, 153 FERC ¶ 61,140 (2015)

² See Settlement, Exhibit A containing PJM Tariff Attachment H9-B, Section 2.b.

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, and as the Commission has concluded, there is no need for the Commission to notice this informational filing for comment.³

Pepco's 2016 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 accounting changes as defined in the Settlement (and any accounting change is discussed in applicable disclosure statements filed within the Securities and Exchange Commission Form 10-K and within the FERC Form No. 1).⁴ Pepco has made no change to Other Post-Employment Benefits ("OPEB") charges that exceed the filing threshold set forth in the Settlement.⁵

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

Enclosures

cc: All parties on Service Lists in Docket Nos. ER05-515, EL13-48 and EL15-27.

³ See Letter Order Re: Annual Update to Formula Rate in Docket No. ER09-1159 (February 17, 2010).

⁴ See Settlement, Exhibit A containing PJM Tariff Attachment H9-B, Section 2.f.(iii).(d).

⁵ See Settlement, Exhibit A containing PJM Tariff Attachment H9-B, Section 2.h.

ATTACHMENT H-9A

Potomac Electric Power Company

Formula Rate -- Appendix A

Shaded cells are input cells

Notes

FERC Form 1 Page # or Instruction

2015

Allocators

1	Wages & Salary Allocation Factor Transmission Wages Expense		p354.21b	\$ 7,262,569
2	Total Wages Expense		p354.28b	\$ 78,488,286
3	Less A&G Wages Expense		p354.27b	\$ 5,193,297
4	Total		(Line 2 - 3)	73,294,989
5	Wages & Salary Allocator		(Line 1 / 4)	9.9087%
Plant Allocation Factors				
6	Electric Plant In Service	(Note B)	p207.104g (See attachment 5)	\$ 7,529,237,341
7	Common Plant In Service - Electric		(Line 24)	0
8	Total Plant In Service		(Sum Lines 6 & 7)	7,529,237,341
9	Accumulated Depreciation (Total Electric Plant)		p219.29c See attachment 5)	\$ 2,728,801,768
10	Accumulated Intangible Amortization	(Note A)	p200.21c	\$ 23,998,638
11	Accumulated Common Amortization - Electric	(Note A)	p356	0
12	Accumulated Common Plant Depreciation - Electric	(Note A)	p356	0
13	Total Accumulated Depreciation		(Sum Lines 9 to 12)	2,752,800,406
14	Net Plant		(Line 8 - 13)	4,776,436,935
15	Transmission Gross Plant		(Line 29 - Line 28)	1,343,458,856
16	Gross Plant Allocator		(Line 15 / 8)	17.8432%
17	Transmission Net Plant		(Line 39 - Line 28)	903,194,886
18	Net Plant Allocator		(Line 17 / 14)	18.9094%

Plant Calculations

Plant In Service				
19	Transmission Plant In Service	(Note B)	p207.58.g	\$ 1,301,956,628
20	For Reconciliation only - remove New Transmission Plant Additions for Current Calendar Year	For Reconciliation Only	Attachment 6 - Enter Negative	
21	New Transmission Plant Additions for Current Calendar Year (weighted by months in service)		Attachment 6	11,057,930
22	Total Transmission Plant In Service		(Line 19 - 20 + 21)	1,313,014,558
23	General & Intangible		p205.5.g & p207.99.g (see attachment 5)	307,248,648
24	Common Plant (Electric Only)	(Notes A & B)	p356	0
25	Total General & Common		(Line 23 + 24)	307,248,648
26	Wage & Salary Allocation Factor		(Line 5)	9.90868%
27	General & Common Plant Allocated to Transmission		(Line 25 * 26)	30,444,298
28	Plant Held for Future Use (Including Land)	(Note C)	p214	0
29	TOTAL Plant In Service		(Line 22 + 27 + 28)	1,343,458,856
Accumulated Depreciation				
30	Transmission Accumulated Depreciation	(Note B)	p219.25.c	423,932,260
31	Accumulated General Depreciation		p219.28.c (see attachment 5)	140,823,556
32	Accumulated Intangible Amortization		(Line 10)	23,998,638
33	Accumulated Common Amortization - Electric		(Line 11)	0
34	Common Plant Accumulated Depreciation (Electric Only)		(Line 12)	0
35	Total Accumulated Depreciation		(Sum Lines 31 to 34)	164,822,194
36	Wage & Salary Allocation Factor		(Line 5)	9.90868%
37	General & Common Allocated to Transmission		(Line 35 * 36)	16,331,711
38	TOTAL Accumulated Depreciation		(Line 30 + 37)	440,263,971
39	TOTAL Net Property, Plant & Equipment		(Line 29 - 38)	903,194,886

Adjustment To Rate Base

Accumulated Deferred Income Taxes				
40	ADIT net of FASB 106 and 109		Attachment 1	-250,020,630
41	Accumulated Investment Tax Credit Account No. 255		p266.h	0
42	Net Plant Allocation Factor	Enter Negative	(Line 18)	18.91%
43	Accumulated Deferred Income Taxes Allocated To Transmission		(Line 41 * 42) + Line 40	-250,020,630
43a	Transmission Related CWIP (Current Year 12 Month weighted average balances)	(Note B)	p216.43.b as Shown on Attachment 6	0
43b	Unamortized Abandoned Transmission Plant		Attachment 5	0
Transmission O&M Reserves				
44	Total Balance Transmission Related Account 242 Reserves	Enter Negative	Attachment 5	-7,610,145
Prepayments				
45	Prepayments	(Note A)	Attachment 5	30,789,114
46	Total Prepayments Allocated to Transmission		(Line 45)	30,789,114
Materials and Supplies				
47	Undistributed Stores Exp	(Note A)	p227.6c & 16.c	2,422,856
48	Wage & Salary Allocation Factor		(Line 5)	9.91%
49	Total Transmission Allocated		(Line 47 * 48)	240,073
50	Transmission Materials & Supplies		p227.8c	6,158,611
51	Total Materials & Supplies Allocated to Transmission		(Line 49 + 50)	6,398,684
Cash Working Capital				
52	Operation & Maintenance Expense		(Line 85)	44,600,096
53	1/8th Rule		x 1/8	12.5%
54	Total Cash Working Capital Allocated to Transmission		(Line 52 * 53)	5,575,012
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 + 43a + 43b + 44 + 46 + 51 + 54 - 57)	-214,867,966
59	Rate Base		(Line 39 + 58)	688,326,920

O&M

Transmission O&M			
60	Transmission O&M		31,946,590
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)	31,946,590
Allocated General & Common Expenses			
67	Common Plant O&M	(Note A) p356	0
68	Total A&G	p323.197.b (see attachment 5)	128,631,062
68a	For informational purposes: PBOB expense in FERC Account 926	(Note S) Attachment 5	2,002,643
69	Less Property Insurance Account 924	p323.185b	974,882
70	Less Regulatory Commission Exp Account 928	(Note E) p323.189b	4,421,392
71	Less General Advertising Exp Account 930.1	p323.191b	1,499,269
72	Less DE Enviro & Low Income and MD Universal Funds	p335.b	0
73	Less EPRI Dues	(Note D) p352-353	268,880
74	General & Common Expenses	(Lines 67 + 68) - Sum (69 to 73)	121,466,639
75	Wage & Salary Allocation Factor	(Line 5)	9.9087%
76	General & Common Expenses Allocated to Transmission	(Line 74 * 75)	12,035,746
Directly Assigned A&G			
77	Regulatory Commission Exp Account 928	(Note G) p323.189b	433,416
78	General Advertising Exp Account 930.1	(Note K) p323.191b	0
79	Subtotal - Transmission Related	(Line 77 + 78)	433,416
80	Property Insurance Account 924	p323.185b	974,882
81	General Advertising Exp Account 930.1	(Note F) p323.191b	0
82	Total	(Line 80 + 81)	974,882
83	Net Plant Allocation Factor	(Line 18)	18.91%
84	A&G Directly Assigned to Transmission	(Line 82 * 83)	184,344
85	Total Transmission O&M	(Line 66 + 76 + 79 + 84)	44,600,096

Depreciation & Amortization Expense

Depreciation Expense			
86	Transmission Depreciation Expense	p336.7b&c	28,624,853
86a	Amortization of Abandoned Transmission Plant	Attachment 5	0
87	General Depreciation	p336.10b&c	9,843,397
88	Intangible Amortization	(Note A) p336.1d&e	-29,816
89	Total	(Line 87 + 88)	9,813,581
90	Wage & Salary Allocation Factor	(Line 5)	9.9087%
91	General Depreciation Allocated to Transmission	(Line 89 * 90)	972,397
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)	9.9087%
96	Common Depreciation - Electric Only Allocated to Transmission	(Line 94 * 95)	0
97	Total Transmission Depreciation & Amortization	(Line 86 + 86a + 91 + 96)	29,597,250

Taxes Other than Income

98	Taxes Other than Income	Attachment 2	11,115,313
99	Total Taxes Other than Income	(Line 98)	11,115,313

Return / Capitalization Calculations

Long Term Interest			
100	Long Term Interest	p117.62c through 67c	124,396,416
101	Less LTD Interest on Securitization Bonds	(Note P) Attachment 8	0
102	Long Term Interest	*(Line 100 - line 101)*	124,396,416
103	Preferred Dividends	enter positive p118.29c	-
Common Stock			
104	Proprietary Capital	p112.16c	\$ 2,240,754,792
105	Less Preferred Stock	(Line 114)	0
106	Less Account 216.1	enter negative p112.12c	-1,646,367
107	Common Stock	(Sum Lines 104 to 106)	2,239,108,425
Capitalization			
108	Long Term Debt	p112.17c through 21c	2,334,500,000
109	Less Loss on Reacquired Debt	p111.81c	-19,446,431
110	Plus Gain on Reacquired Debt	enter positive p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative Attachment 1	7,801,171
112	Less LTD on Securitization Bonds	(Note P) Attachment 8	0
113	Total Long Term Debt	(Sum Lines 108 to 112)	2,322,854,740
114	Preferred Stock	p112.3c	0
115	Common Stock	(Line 107)	2,239,108,425
116	Total Capitalization	(Sum Lines 113 to 115)	4,561,963,165
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)	0.0536
121	Preferred Cost	(Line 103 / 114)	0.0000
122	Common Cost	(Note J) Fixed	0.1050
123	Weighted Cost of Debt	Total Long Term Debt (WCLTD) (Line 117 * 120)	0.0273
124	Weighted Cost of Preferred	Preferred Stock (Line 118 * 121)	0.0000
125	Weighted Cost of Common	Common Stock (Line 119 * 122)	0.0515
126	Total Return (R)	(Sum Lines 123 to 125)	0.0788
127	Investment Return = Rate Base * Rate of Return	(Line 59 * 126)	54,243,195

Composite Income Taxes

Income Tax Rates			
128	FIT=Federal Income Tax Rate		35.00%
129	SIT=State Income Tax Rate or Composite	(Note I)	7.94%
130	p	(percent of federal income tax deductible for state purposes)	0.00%
131	T	$T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =$	40.16%
132	T / (1-T)		67.12%
ITC Adjustment			
133	Amortized Investment Tax Credit	(Note I) enter negative	-208,120
134	T/(1-T)	p266.8f (Line 132)	67.12%
135	Net Plant Allocation Factor	(Line 18)	18.9094%
136	ITC Adjustment Allocated to Transmission	(Line 133 * (1 + 134) * 135)	-65,768
137	Income Tax Component =	$CIT=(T/1-T) * Investment\ Return * (1-(WCLTD/R)) =$	[Line 132 * 127 * (1-(123 / 126))] 23,809,360
138	Total Income Taxes	(Line 136 + 137)	23,743,592

REVENUE REQUIREMENT

Summary			
139	Net Property, Plant & Equipment	(Line 39)	903,194,886
140	Adjustment to Rate Base	(Line 58)	-214,867,966
141	Rate Base	(Line 59)	688,326,920
142	O&M	(Line 85)	44,600,096
143	Depreciation & Amortization	(Line 97)	29,597,250
144	Taxes Other than Income	(Line 99)	11,115,313
145	Investment Return	(Line 127)	54,243,195
146	Income Taxes	(Line 138)	23,743,592
147	Gross Revenue Requirement	(Sum Lines 142 to 146)	163,299,446
Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities			
148	Transmission Plant In Service	(Line 19)	1,301,956,628
149	Excluded Transmission Facilities	(Note M) Attachment 5	0
150	Included Transmission Facilities	(Line 148 - 149)	1,301,956,628
151	Inclusion Ratio	(Line 150 / 148)	100.00%
152	Gross Revenue Requirement	(Line 147)	163,299,446
153	Adjusted Gross Revenue Requirement	(Line 151 * 152)	163,299,446
Revenue Credits & Interest on Network Credits			
154	Revenue Credits	Attachment 3	5,613,662
155	Interest on Network Credits	(Note N) PJM Data	-
156	Net Revenue Requirement	(Line 153 - 154 + 155)	157,685,784
Net Plant Carrying Charge			
157	Net Revenue Requirement	(Line 156)	157,685,784
158	Net Transmission Plant	(Line 19 - 30)	878,024,368
159	Net Plant Carrying Charge	(Line 157 / 158)	17.9592%
160	Net Plant Carrying Charge without Depreciation	(Line 157 - 86) / 158	14.6990%
161	Net Plant Carrying Charge without Depreciation, Return, nor Income Taxes	(Line 157 - 86 - 127 - 138) / 158	5.8169%
Net Plant Carrying Charge Calculation per 100 Basis Point increase in ROE			
162	Net Revenue Requirement Less Return and Taxes	(Line 156 - 145 - 146)	79,698,997
163	Increased Return and Taxes	Attachment 4	83,632,800
164	Net Revenue Requirement per 100 Basis Point increase in ROE	(Line 162 + 163)	163,331,797
165	Net Transmission Plant	(Line 19 - 30)	878,024,368
166	Net Plant Carrying Charge per 100 Basis Point increase in ROE	(Line 164 / 165)	18.6022%
167	Net Plant Carrying Charge per 100 Basis Point in ROE without Depreciation	(Line 163 - 86) / 165	15.3421%
168	Net Revenue Requirement	(Line 156)	157,685,784
169	True-up amount	Attachment 6	(13,338,160)
170	Plus any increased ROE calculated on Attachment 7 other than PJM Sch. 12 projects	Attachment 7	1,265,216
171	Facility Credits under Section 30.9 of the PJM OATT and Facility Credits to Vineland per settlement in ER05-615	Attachment 5	-
171a	MAPP Abandonment recovery pursuant to ER13-607	Attachment 5	-
172	Net Zonal Revenue Requirement	(Line 168 - 169 + 171)	145,612,840
Network Zonal Service Rate			
173	1 CP Peak	(Note L) PJM Data	6,268
174	Rate (\$/MW-Year)	(Line 172 / 173)	23,232
175	Network Service Rate (\$/MW/Year)	(Line 174)	23,232

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.

The ROE is 10.5% which includes a base ROE of 10.0% ROE per FERC order in Docket No. EL13-48 and a 50 basis point RTO membership adder as authorized by FERC; provided, that the projects identified in Docket Nos. ER08-686 and
- J ER08-1423 have been awarded an additional 150 basis point adder and, thus, their ROE is 12.0%.
- 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.
- S See Attachment 5 - Cost Support, section entitled "PBOP Expense in FERC Account 926" for additional information per FERC orders in Docket Nos. EL13-48 , EL15-27 and ER16-456.

Potomac Electric Power Company

Attachment 1 - Accumulated Deferred Income Taxes (ADIT) Worksheet

	Only Transmission Related	Plant Related	Labor Related	Total ADIT
ADIT-282	0	(1,516,848,835)	0	
ADIT-283	619,579	(7,434,306)	(130,289,315)	
ADIT-190	5,655,923	145,691,878	26,229,348	
Subtotal	6,275,502	(1,378,591,264)	(104,059,967)	
Wages & Salary Allocator			9.9087%	
Gross Plant Allocator		17.8432%		
ADIT	6,275,502	(245,985,159)	(10,310,974)	(250,020,630)

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 (7,801,171)

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	C	D	E	F	G
ADIT-190	Total	Gas, Prod Or Other Related	Only Transmission Related	Plant Related	Labor Related	Justification
Deferred Compensation	2,173,093	-	-	-	2,173,093	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.
Allowance for Doubtful Accounts	6,821,948	6,821,948	-	-	-	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.
Accrued Liabilities	24,056,254	-	-	-	24,056,254	These accrued liabilities are all related to labor. For book purposes the liabilities are accrued with an offset to book expense. For tax purposes, a deduction is not allowed until the liability is paid.
Environmental Expense	9,813,510	9,813,510	-	-	-	For book purposes an environmental reserve is established with an offset to book expense for future environmental costs to be paid for clean-up. For tax purposes, no deduction is allowed until the environmental liability is paid.
Charitable Contribution Carryforward	3,569,571	3,569,571	-	-	-	PHI's consolidated tax 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.
Capital Loss Limitation	91,980	91,980	-	-	-	Tax capital losses are limited to the amount of tax capital gains.
FAS 106 OPEB Adjustment	19,610,826	-	-	-	19,610,826	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 Liabilities	3,969,224	3,969,224	-	-	-	When a regulatory asset/liability is established, books credits/debits income, which for tax purposes needs to be reversed along with the associated amortization
FAS 109 - Deferred Taxes on ITC	913,682	-	-	913,682	-	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 Liability	2,499,913	-	-	2,499,913	-	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.
Regulatory Liability - FERC Formula Rate True-up	5,655,923	-	5,655,923	-	-	For book purposes, a regulatory liability has been established for the FERC Formula Rate Filing true-up and book income has been decreased. For tax purposes, this regulatory liability is not recognized and the book expense must be reversed.
Federal & State NOL	145,653,136	-	-	145,653,136	-	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.
Other 190 Deferred Taxes	1,041,647	1,002,905	-	38,742	-	Miscellaneous temporary differences related to DC Gross Receipts Tax and Sales and Use Tax (Plant), and deferred income taxes on a book reserve established for sound barriers at Buzzard Point. (Gas, Production, Other)
Subtotal - p234	225,870,708	25,269,139	5,655,923	149,105,473	45,840,173	
Less FASB 109 Above if not separately removed	3,413,596	-	-	3,413,596	-	
Less FASB 106 Above if not separately removed	19,610,826	-	-	-	19,610,826	
Total	202,846,287	25,269,139	5,655,923	145,691,878	26,229,348	

Instructions for Account 190:

- 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

A	B	C	D	E	F	G
ADIT- 282	Total	Gas, Prod Or Other Related	Only Transmission Related	Plant Related	Labor Related	Justification
Plant Related Deferred Taxes	(1,516,848,835)			(1,516,848,835)		This deferred tax balance relates to the life and method differences on property related items for book and tax.
FAS109 AFUDC Equity	(24,961,125)			(24,961,125)		Under SFAS 109, deferred income taxes must be provided on all book/tax temporary differences, including AFUDC-Equity. Deferred income taxes on AFUDC-Equity are not recognized for Regulatory purposes and are excluded from Rate Base.
CIAC - Non Rate Base	58,201,253	58,201,253				Contributions in Aid of Construction (CIAC) are a reduction to Plant for book accounting purposes, but are included in taxable income and depreciated for income tax purposes. This different book/tax treatment results in deferred income taxes which must be recorded in accordance with SFAS 109. The company collects an income tax gross-up from the customer which is reimbursement for the time value of money on the additional tax liability incurred until such time as the amounts are fully depreciated for tax purposes. The deferred income tax asset on CIAC's is excluded from Rate Base because the underlying plant is not included in Rate Base.
Leased Vehicles - Non Rate Base	(9,139,388)	(9,139,388)				The Company leases its vehicles under arrangements that are treated as Operating Leases for book purposes, but financing leases for tax purposes. The differing income tax treatment between Rent Expense deducted for book purposes and tax depreciation expense deducted for income tax purposes, results in deferred income taxes being recorded on the books. Since Leased Vehicles are not included in Rate Base, the deferred income taxes are being
Plant Related - FAS109 Deferred Taxes	(53,090,855)			(53,090,855)		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.
Subtotal - p275 (Form 1-F filer: see note 6 below)	(1,545,838,950)	49,061,865	-	(1,594,900,815)	-	
Less FASB 109 Above if not separately removed	(78,051,980)	-	-	(78,051,980)	-	
Less FASB 106 Above if not separately removed	-	-	-	-	-	
Total	(1,467,786,970)	49,061,865	-	(1,516,848,835)	-	

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	
		Related	Related	Related	Related	Justification
Reacquired Debt	(7,801,171)	(7,801,171)	-	-	-	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.
Maryland Property Taxes	(7,434,306)	-	-	(7,434,306)	-	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.
Prepaid Interest	(599,213)	-	-	-	(599,213)	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.
Prepayments	(27,712)	-	-	-	(27,712)	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.
Regulatory Asset - Blueprint	(18,377,487)	(18,377,487)	-	-	-	When a regulatory asset/liability is established, books credits/debits income, which for tax purposes needs to be reversed along with the associated amortization
Regulatory Asset - DSM	(117,290,880)	(117,290,880)	-	-	-	For books, Demand Side Management Costs are deferred. For tax these costs are expensed when paid. These deferred taxes are the result of this book/tax difference which is retail in nature.
Regulatory Asset - MAPP Transmission	2,507,381	-	2,507,381	-	-	Represents deferred taxes on MAPP abandonment costs that are currently deductible for income tax purposes, versus amounts included in the MAPP Regulatory Asset that are amortized to book expense over a longer time period
Regulatory Asset - FERC Formula Rate True-up	(1,887,801)	-	(1,887,801)	-	-	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	(76,081,599)	(63,352,069)	-	-	(12,729,530)	For book purposes, regulatory assets are established with an increase to book income. For tax purposes the regulatory assets are not recognized and book income is reversed.
Pension Plan Contribution	(116,932,860)	-	-	-	(116,932,860)	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.
FAS 109 - Regulatory Asset	(57,267,343)	-	-	(57,267,343)	-	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
Subtotal - p277 (Form 1-F filer: see note 6, below)	(401,192,991)	(206,821,606)	619,579	(64,701,649)	(130,289,315)	
Less FASB 109 Above if not separately removed	(57,267,343)	-	-	(57,267,343)	-	
Less FASB 106 Above if not separately removed	-	-	-	-	-	
Total	(343,925,648)	(206,821,606)	619,579	(7,434,306)	(130,289,315)	

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	2,277,589
5	Total	2,277,589	208,120
6	Total Form No. 1 (p 266 & 267)	Form No. 1 balance (p	2,277,589
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>
Plant Related			
		Gross Plant Allocator	
1 Transmission Personal Property Tax (directly assigned to Transmission)	\$ 10,510,035	100%	\$10,510,035
1a Other Personal Property Tax (excluded)	\$ 34,373,645	0%	\$ -
2 Capital Stock Tax		17.8432%	\$ -
3 Gross Premium (insurance) Tax		17.8432%	\$ -
4 PURTA		17.8432%	\$ -
5 Corp License		17.8432%	\$ -
Total Plant Related	44,883,680		10,510,035
Labor Related			
		Wages & Salary Allocator	
6 Federal FICA & Unemployment & state unemployment	6,035,162		
Total Labor Related	6,035,162	9.9087%	598,005
Other Included			
		Gross Plant Allocator	
7 Miscellaneous	40,763		
Total Other Included	40,763	17.8432%	7,273
Total Included			11,115,313

Currently Excluded

8 Franchise	24,247,858
9 kWhTax - State Gross Receipt (Excise Tax)	83,231,221
10 Electric environmental surcharge	2,173,795
11 Universal service fee	8,233,677
12 Montgomery County Fuel	142,725,925
13 PSC assessment	9,345,505
14 Real property (State, Municipal or Local)	7,542,745
15 DC Right of Way	23,157,138
16 Use & Sales Tax	3,959,248
17 FHUT	8,514
18 DC Ballpark	16,500
19 DC Reliable Energy Trust Fund	17,121,179
20 Misc. Other	0
21 Total "Other" Taxes (included on p. 263)	372,722,908
22 Total "Taxes Other Than Income Taxes" - acct 408.10 (p. 114.14)	<u>372,722,908</u>
23 Difference	-

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

Account 454 - Rent from Electric Property		
1 Rent from Electric Property - Transmission Related (Note 3)		11,326,926
2 Total Rent Revenues	(Sum Lines 1)	11,326,926
Account 456 - Other Electric Revenues (Note 1)		
3 Schedule 1A		\$ 597,392
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)		1,627,373
5 Point to Point Service revenues for which the load is not included in the divisor received by Transmission Owner (Note 4)		1,627,373
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)	13,551,691
12 Less line 17g		(7,938,029)
13 Total Revenue Credits		5,613,662
Revenue Adjustment to determine Revenue Credit		
14	<p>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.</p>	
15	<p>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.</p>	
16	<p>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).</p>	
17a	Revenues included in lines 1-11 which are subject to 50/50 sharing.	11,326,926
17b	Costs associated with revenues in line 17a	Attachment 5 - Cost Support 4,549,133
17c	Net Revenues (17a - 17b)	6,777,793
17d	50% Share of Net Revenues (17c / 2)	3,388,897
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)	3,388,897
17g	Line 17f less line 17a	(7,938,029)
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.	69,593,147
19	Amount offset in line 4 above	158,269,092
20	Total Account 454, 456 and 456.1	241,413,930
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)	83,632,800
B	100 Basis Point increase in ROE		1.00%

Return Calculation

59	Rate Base		(Line 39 + 58)	688,326,920
Long Term Interest				
100	Long Term Interest		p117.62c through 67c	124,396,416
101	Less LTD Interest on Securitization E(Note P)		Attachment 8	0
102	Long Term Interest		"(Line 100 - line 101)"	124,396,416
103	Preferred Dividends	enter positive	p118.29c	0
Common Stock				
104	Proprietary Capital		p112.16c	2,240,754,792
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)	2,239,108,425
Capitalization				
108	Long Term Debt		p112.17c through 21c	2,334,500,000
109	Less Loss on Reacquired Debt	enter negative	p111.81c	-19,446,431
110	Plus Gain on Reacquired Debt	enter positive	p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	7,801,171
112	Less LTD on Securitization Bonds	enter negative	Attachment 8	0
113	Total Long Term Debt		(Sum Lines 108 to 112)	2,322,854,740
114	Preferred Stock		p112.3c	0
115	Common Stock		(Line 107)	2,239,108,425
116	Total Capitalization		(Sum Lines 113 to 115)	4,561,963,165
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)	0.0536
121	Preferred Cost	Preferred Stock	(Line 103 / 114)	0.0000
122	Common Cost	Common Stock	Appendix A % plus 100 Basis Pts	0.1150
123	Weighted Cost of Debt	Total Long Term Debt (WCLTD)	(Line 117 * 120)	0.0273
124	Weighted Cost of Preferred	Preferred Stock	(Line 118 * 121)	0.0000
125	Weighted Cost of Common	Common Stock	(Line 119 * 122)	0.0564
126	Total Return (R)		(Sum Lines 123 to 125)	0.0837
127	Investment Return = Rate Base * Rate of Return		(Line 59 * 126)	57,621,649

Composite Income Taxes

Income Tax Rates				
128	FIT=Federal Income Tax Rate			35.00%
129	SIT=State Income Tax Rate or Composite			7.94%
130	p = percent of federal income tax deductible for state purposes		Per State Tax Code	0.00%
131	T	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		40.16%
132	T/ (1-T)			67.12%
ITC Adjustment				
133	Amortized Investment Tax Credit	enter negative	p266.8f	(208,120)
134	T/(1-T)		(Line 132)	67%
135	Net Plant Allocation Factor		(Line 18)	18.9094%
136	ITC Adjustment Allocated to Transmission	(Note I from Appendix A)	(Line 133 * (1 + 134) * 135)	-65,768
137	Income Tax Component =	$CIT=(T/1-T) * Investment Return * (1-(WCLTD/R)) =$		26,076,919
138	Total Income Taxes			26,011,151

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
Plant Allocation Factors							
10	Accumulated Intangible Amortization	(Note A)	p200.21c	\$ 23,998,638	23,998,638	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	
Plant In Service							
24	Common Plant (Electric Only)	(Notes A & B)	p356	0	0	0	
Accumulated Deferred Income Taxes							
41	Accumulated Investment Tax Credit Account No. 255	(Notes A & I)	p266.h	\$ 2,277,589	2,277,589	0	Respondent is Electric Utility only.
Materials and Supplies							
47	Undistributed Stores Exp	(Note A)	p227.6c & 16.c	\$ 2,422,856	2,422,856	0	Respondent is Electric Utility only.
Allocated General & Common Expenses							
65	Plus Transmission Lease Payments	(Note A)	p200.3.c				
67	Common Plant O&M	(Note A)	p356	0	0	0	
Depreciation Expense							
88	Intangible Amortization	(Note A)	p336.1d&e	\$ (29,816)	-29,816	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	\$ 78,605,231	0	78,605,231	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
Plant Allocation Factors							
6	Electric Plant In Service	(Note B)	p207.104g	\$ 7,529,520,714	0	0	See ARO Exclusion - Cost Support section below for Electric Plant In Service without AROs
Plant In Service							
19	Transmission Plant In Service	(Note B)	p207.58.g	\$ 1,301,956,628	0	0	See Form 1
24	Common Plant (Electric Only)	(Notes A & B)	p356	0	0	0	
Accumulated Depreciation							
30	Transmission Accumulated Depreciation	(Note B)	p219.25.c	\$ 423,932,260	0	0	See Form 1

EPRI Dues Cost Support

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	EPRI Dues	Details	
Allocated General & Common Expenses							
73	Less EPRI Dues	(Note D)	p352-353	\$ 268,880	268,880		See Form 1

Potomac Electric Power Company

Attachment 5 - Cost Support

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
Allocated General & Common Expenses							
70	Less Regulatory Commission Exp Account 928	(Note E)	p323.189b	\$ 4,421,392	433,416	3,987,976	FERC Form 1 page 351.1 line 28, transmission related only.
Directly Assigned A&G							
77	Regulatory Commission Exp Account 928	(Note G)	p323.189b	\$ 4,421,392	433,416	3,987,976	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
Directly Assigned A&G							
81	General Advertising Exp Account 930.1	(Note F)	p323.191b	\$ 1,499,269	-	1,499,269	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
Income Tax Rates									
129	SIT=State Income Tax Rate or Composite	(Note I)	7.942%	Maryland 8.25%	DC 9.400%	Enter State Enter %	Enter State Enter %	Enter State Enter %	Enter Calculation Apportioned: MD 4.62%, DC 3.32%

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
Directly Assigned A&G							
78	General Advertising Exp Account 930.1	(Note K)	p323.191b	\$ 1,499,269	0	1,499,269	None

Excluded Plant Cost Support

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Excluded Transmission Facilities	Description of the Facilities
Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities					
149	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	
Example				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	
<i>Add more lines if necessary</i>					

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
44	Transmission Related Account 242 Reserves (exclude current year environmental site related reserves)	Enter \$		Amount	
	Directly Assignable to Transmission	-	100%	-	
	Labor Related, General plant related or Common Plant related	69,988,241	9.91%	6,934,914	
	Plant Related	3,784,245	17.84%	675,231	
	Other		0.00%	-	
	Total Transmission Related Reserves	73,772,486		7,610,145	

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		9.909%	
	Pension Liabilities, if any, in Account 242	-	9.909%	
	Prepayments	\$ 19,243,254	9.909%	1,906,753
	Prepaid Pensions if not included in Prepayments	\$ 291,485,327	9.909%	28,882,361
		310,728,581	9.91%	30,789,114

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
Network Credits			Enter \$	
55	Outstanding Network Credits	(Note N) From PJM	0	General Description of the Credits
				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	6,267.7	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

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	

Potomac Electric Power Company

Attachment 5 - Cost Support

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 FER Form 1 reconciliation

Compliance with FER Order on the Exelon Merger			
Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions			
		Form 1 Amount	Non Merger Related
60	Transmission O&M	p321.112.b	31,957,925
68	Total A&G	p323.197.b	134,609,318

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	7,529,520,714	283,373
9	Accumulated Depreciation (Total Electric Plant)	p219.29c	2,728,947,644	145,876
23	General & Intangible	p205.5.g & p207.99.g	307,532,021	283,373
31	Accumulated General Depreciation	p219.28.c	140,969,432	145,876

PBOP Expense in FER 926							
Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions							
		Total A&G Form 1 Amount	Account 926 Form 1 Amount	PBOP in FER 926 current rate year	PBOP in FER 926 prior rate year	Explanation of change in PBOP in FER 926	
68	Total A&G	Total: p.323.197.b Account 926: p.323.187.b and c	134,609,318	31,319,735	2,002,643	2,007,879	The actuarially determined amount of OPEB expense in FER 926 increased \$ 149 million from the prior year: the increase reflects a \$1.2M increase in amortization of unrecognized gain/loss from assumption changes, primarily a change in the mortality table and decrease in the discount rate, \$0.3M increase in expected return on plan assets, offset by (\$0.6M) in service cost, and (\$0.7M) in interest cost. This increase was offset by a \$0.154 increase in OPEB costs directly charged to capital or other income deduction accounts (i.e. below the line).

Attachment 3 - Revenue Credit Workpaper

17b	Costs associated with revenues in line 17a	\$ 4,549,133
	Revenue Subject to 50/50 sharing (Attachment 3 - line 17a)	\$ 11,326,926
	Federal Income Tax Rate	35.00%
	Federal Tax on Revenue subject to 50/50 sharing	3,964,424
	Net Revenue subject to 50/50 sharing	7,362,502
	Composite State Income Tax Rate	7.942%
	State Tax on Revenue subject to 50/50 sharing	584,709
	Total Tax on Revenue subject to 50/50 sharing	\$ 4,549,133

Attachment 6 - Estimate and Reconciliation Worksheet

Step 9 - Reconciliation adjustment to reflect ROE Settlement in FERC Docket Nos. EL13-48 , EL15-27 and ER16-456

True-up amount - calculated at 11.3% ROE (Reconciliation Steps 1 - 8)	2,161,930 (a)
True-up amount - calculated at 10.5% ROE (Reconciliation Steps 1 - 9)	(2,244,354) (b)
# of days in rate year at 11.3% ROE (June 1, 2015 to March 7, 2016)	281 (c)
# of days in rate year at 10.5% ROE (March 8, 2016 to May 31, 2016)	85 (d)
	<u>366 (e)</u>
11.3% ROE proration factor	76.7760% (f)
10.5% ROE proration factor	23.2240% (g)
Prorated true-up amount at 11.3% ROE	1,659,843 (a) x (f)
Prorated true-up amount at 10.5% ROE	(521,230) (b) x (g)
Adjusted true-up for prorated ROE's	<u>1,138,613 (1)</u>
ROE Settlement refund per Article II section 2.2	(14,216,703) (h)
Interest associated with rate-year monthly amortization	(260,070) (i)
Total ROE Settlement refund	<u>(14,476,773) (2)</u>
Total true-up amount	<u><u>(13,338,160) (1) + (2)</u></u>
True-up per attachment 6 (step 9 - 11.3% ROE)	2,161,930 Attachment 6
True-up adjustment (carry to Attachment 6 - step 9)	(15,500,091) Attachment 6
True-up Summary:	
Prorated true-up amount at 11.3% ROE	1,659,843
Prorated true-up amount at 10.5% ROE	(521,230)
Total refund per ROE Settlement	<u>(14,476,773)</u>
Total true-up amount	<u>(13,338,160)</u>

Potomac Electric Power Company

Attachment 5a - Allocations of Costs to Affiliate

	Delmarva Power	Atlantic City	Pepco	Non - Regulated	Total
Executive Management	\$ 11,622,846	\$ 9,931,814	\$ 19,914,849	\$ 5,363,748	\$ 46,833,257
Procurement & Administrative Services	6,803,279	4,747,615	9,948,927	397,985	21,897,805
Financial Services & Corporate Expenses	14,392,550	11,405,597	20,949,763	2,548,058	49,295,968
Insurance Coverage and Services	2,936,213	2,443,681	3,976,915	972,086	10,328,895
Human Resources	4,702,235	3,243,502	7,277,658	960,297	16,183,692
Legal Services	2,445,274	2,313,475	6,008,550	2,088,341	12,855,641
Audit Services	950,754	845,150	1,487,115	241,906	3,524,925
Customer Services	61,881,891	53,570,456	52,835,175	7,688	168,295,210
Utility Communication Services	266,488	200,497	415,547	-	882,532
Information Technology	16,532,766	12,290,845	32,565,022	400,519	61,789,153
External Affairs	3,064,379	2,353,071	4,767,843	916,269	11,101,562
Environmental Services	2,147,139	1,834,467	1,986,566	111,504	6,079,676
Safety Services	367,769	465,172	587,283	-	1,420,224
Regulated Electric & Gas T&D	36,940,868	28,738,421	49,154,897	402,956	115,237,143
Internal Consulting Services	553,737	364,355	854,552	-	1,772,645
Interns	239,606	108,950	125,236	-	473,792
Cost of Benefits	13,366,740	8,288,720	22,656,508	1,048,369	45,360,337
Building Services	-	117,184	4,297,944	-	4,415,128
Total	\$ 179,214,534	\$ 143,262,973	\$ 239,810,349	\$ 15,459,727	\$ 577,747,583

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, 2015
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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	58,154,893	181,123,595	532,061	239,810,349
2	Delmarva Power & Light Company	43,706,288	135,113,643	394,603	179,214,534
3	Atlantic City Electric Company	29,494,183	113,464,006	304,784	143,262,973
4	Pepco Energy Services, Inc.	2,339,977	4,632,294	19,854	6,992,125
5	Pepco Holdings, Inc.	4,330,208	2,327,371	14,805	6,672,384
6	Thermal Energy Limited Partnership	16,780	741,989	1,763	760,532
7	ATS Operating Services, Inc.	96	278,232	741	279,069
8	Atlantic Southern Properties, Inc.	7,860	197,738	461	206,059
9	Potomac Capital Investment Corporation	95,414	69,901	502	165,817
10	Conectiv Properties & Investments, Inc.	175	148,928	363	149,466
11	Conectiv Thermal Systems, Inc.	2,476	94,635	254	97,365
12	Conectiv, LLC	11,532	69,455	214	81,201
13	Atlantic City Electric Transition Funding, LLC	41,005	5,674	101	46,780
14	Conectiv Energy Supply, Inc.	3,196	1,312	11	4,519
15	Conectiv Communications, Inc.	7	1,436	4	1,447
16	Delaware Operating Services Company, LLC	18	1,031		1,049
17	Conectiv Services II, Inc.	5	946	3	954
18	Conectiv North East, LLC	29	480	2	511
19	ATE Investment, Inc.	265	169	1	435
20	Atlantic Generation, Inc.	8	1		9
21	Conectiv Solutions LLC	4	1		5
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	Total	138,204,219	438,272,837	1,270,527	577,747,583

Service Company Billing Analysis by Utility FERC Account
YTD Dec 2015
Total PHI

FERC Accounts	FERC Account Name	DPL	ACE	PEPCO	Non-Utility	Total	Inclusion in ATRR
107	Constr Work In Progress	26,825,416	18,942,305	37,932,712	-	83,700,433	Not included
182.3	Other Regulatory Assets	5,460,712	412,293	10,748,214	-	16,621,219	Not included
184	Clearing Accounts - Other	112,531	(281,147)	243,565	(90,887)	(15,938)	Not included
408.1	Taxes other than inc taxes, utility operating inc	1,689	417	1,869	-	3,975	Not included
416-421.2	Other Income -Below the Line	560,693	639,225	1,007,672	15,550,614	17,758,203	Not included
426.1-426.5	Other Income Deductions - Below the Line	2,507,498	1,962,834	3,959,947	-	8,430,279	Not included
430	Interest-Debt to Associated Companies	421,083	325,336	567,737	-	1,314,155	Not included
431	Interest-Short Term Debt	(26,480)	(20,551)	(35,675)	-	(82,707)	Not included
556	System cont & load dispatch	2,079,683	1,803,109	1,792,244	-	5,675,037	Not included
557	Other expenses	1,284,612	1,190,052	1,810,559	-	4,285,224	Not included
560	Operation Supervision & Engineering	2,534,655	2,301,448	3,986,086	-	8,822,189	100% included
561.1	Load Dispatching - Reliability	14,024	13,489	-	-	27,513	100% included
561.2	Load Dispatch - Monitor & Operate Transmission Sys	92,489	27,473	1,053,426	-	1,173,387	100% included
561.3	Load Dispatch - Transmission Service & Scheduling	6,974	29,802	36,786	-	73,561	100% included
561.5	Reliability, Planning and Standards	318,713	306,817	72,469	-	697,999	100% included
563	Overhead line expenses	-	-	426	-	426	100% included
562	Station expenses	-	-	15,038	-	15,038	100% included
564	Underground Line Expenses - Transmission	-	-	6,022	-	6,022	100% included
566	Miscellaneous transmission expenses	575,150	466,977	400,103	-	1,442,231	100% included
568	Maintenance Supervision & Engineering	99,986	119,307	513,198	-	732,491	100% included
569.2	Maintenance of Computer Software	692,629	291,080	515,966	-	1,499,676	100% included
569.4	Maintenance of Transmission Plant	-	-	16	-	16	100% included
570	Maintenance of station equipment	179,932	81,307	368,761	-	630,000	100% included
571	Maintenance of overhead lines	208,286	171,938	336,455	-	716,679	100% included
572	Maintenance of underground lines	617	145	31,460	-	32,222	100% included
573	Maintenance of miscellaneous transmission plant	69,397	43,352	176,608	-	289,357	100% included
575.5	Andillary services market administration	-	-	9,466	-	9,466	Not included
580	Operation Supervision & Engineering	932,222	413,084	1,158,728	-	2,504,033	Not included
581	Load dispatching	897,505	609,744	1,583,486	-	3,090,735	Not included
582	Station expenses	925,717	-	110,189	-	1,035,906	Not included
583	Overhead line expenses	105,764	221,000	40,256	-	367,020	Not included
584	Underground line expenses	33,248	-	249,828	-	283,076	Not included
585	Street lighting	22,790	-	263	-	23,053	Not included
586	Meter expenses	820,745	363,152	1,120,091	-	2,303,988	Not included
587	Customer installations expenses	75,048	433,573	459,731	-	968,352	Not included
588	Miscellaneous distribution expenses	5,245,589	5,366,288	8,168,015	-	18,779,892	Not included
589	Rents	42,788	4,270	110,212	-	157,269	Not included
590	Maintenance Supervision & Engineering	849,079	650,593	353,503	-	1,853,176	Not included
591	Maintain structures	-	-	832	-	832	Not included
592	Maintain equipment	675,851	584,389	1,159,558	-	2,419,798	Not included
593	Maintain overhead lines	1,259,886	1,754,712	1,644,100	-	4,658,698	Not included
594	Maintain underground line	116,336	77,706	620,650	-	814,692	Not included
595	Maintain line transformers	1,601	1,660	206,550	-	209,810	Not included
596	Maintain street lighting & signal systems	57,840	39,098	13,385	-	110,323	Not included
597	Maintain meters	29,424	34,594	102,937	-	166,954	Not included
598	Maintain distribution plant	52,761	16,021	800,876	-	869,658	Not included
800-894	Total Gas Accounts	2,312,645	-	-	-	2,312,645	Not included
902	Meter reading expenses	159,479	49,499	57,472	-	266,450	Not included
903	Customer records and collection expenses	55,012,070	53,333,101	49,706,832	-	158,052,004	Not included
907	Supervision - Customer Svc & Information	89,859	155,383	136,073	-	381,314	Not included
908	Customer assistance expenses	2,242,487	540,910	814,118	-	3,597,515	Not included
909	Informational & instructional advertising	168,512	164,860	244,743	-	578,116	Not included
910	Miscellaneous customer service	1	-	-	-	1	Not included
912	Demonstrating and selling expense	185,430	-	-	-	185,430	Not included
913	Advertising expense	47,466	-	-	-	47,466	Not included
920	Administrative & General salaries	334,674	102,020	622,253	-	1,058,947	Wage & Salary Factor
921	Office supplies & expenses	17,141	15,321	28,536	-	60,998	Wage & Salary Factor
923	Outside services employed	49,753,374	42,003,778	83,770,249	-	175,527,401	Wage & Salary Factor
924	Property insurance	4,302	3,183	5,843	-	13,327	Net Plant Factor
925	Injuries & damages	2,185,302	1,663,383	3,526,490	-	7,375,175	Wage & Salary Factor
926	Employee pensions & benefits	7,447,074	3,965,508	12,073,981	-	23,486,563	Wage & Salary Factor
928	Regulatory commission expenses	1,269,715	439,944	1,723,002	-	3,432,661	Direct Transmission Only
929	Duplicate charges-Credit	246,073	146,790	1,304,156	-	1,697,018	Wage & Salary Factor
930.1	General ad expenses	93	92	9,323	-	9,508	Direct Transmission Only
930.2	Miscellaneous general expenses	1,143,547	1,008,970	1,998,079	-	4,150,596	Wage & Salary Factor
931	Rents	1	2	-	-	3	Wage & Salary Factor
935	Maintenance of general plant	430,806	273,340	334,877	-	1,039,024	Wage & Salary Factor
Total		179,214,534	143,262,973	239,810,349	15,459,727	577,747,583	

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)
 163,729,150 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	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)										43,879,887			
								Input to Line 21 of Appendix A					
								Input to Line 43a of Appendix A					43,879,887
								Month In Service or Month for CWIP	3.23	#DIV/0!	#DIV/0!	#DIV/0!	-

3 April Year 2 TO adds weighted Cap Adds to plant in service in Formula
 \$ 43,879,887 Input to Formula Line 21

4 May Year 2 Post results of Step 3 on PJM web site
 168,280,036 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)
 \$ 168,280,036

6 April Year 3 TO populates the formula with Year 2 data from FERC Form 1 for Year 2 (e.g., 2005)
 177,160,993 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)

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	=	2,088,013	See footnote 1 Attachment 5 - Cost Support 1
173,464,355	-			
	171,376,341			

Interest on Amount of Refunds or Surcharges

Interest rate pursuant to 35.19a for March o		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	174,001	0.2800%	11.5	5,603	179,604
Jul	Year 1	174,001	0.2800%	10.5	5,116	179,117
Aug	Year 1	174,001	0.2800%	9.5	4,628	178,630
Sep	Year 1	174,001	0.2800%	8.5	4,141	178,142
Oct	Year 1	174,001	0.2800%	7.5	3,654	177,655
Nov	Year 1	174,001	0.2800%	6.5	3,167	177,168
Dec	Year 1	174,001	0.2800%	5.5	2,680	176,681
Jan	Year 2	174,001	0.2800%	4.5	2,192	176,194
Feb	Year 2	174,001	0.2800%	3.5	1,705	175,706
Mar	Year 2	174,001	0.2800%	2.5	1,218	175,219
Apr	Year 2	174,001	0.2800%	1.5	731	174,732
May	Year 2	174,001	0.2800%	0.5	244	174,245
Total		2,088,013				2,123,092

		Amortization over			
		Balance	Interest rate from above	Rate Year	Balance
Jun	Year 2	2,123,092	0.2800%	180,161	1,948,876
Jul	Year 2	1,948,876	0.2800%	180,161	1,774,172
Aug	Year 2	1,774,172	0.2800%	180,161	1,598,979
Sep	Year 2	1,598,979	0.2800%	180,161	1,423,295
Oct	Year 2	1,423,295	0.2800%	180,161	1,247,119
Nov	Year 2	1,247,119	0.2800%	180,161	1,070,450
Dec	Year 2	1,070,450	0.2800%	180,161	893,287
Jan	Year 3	893,287	0.2800%	180,161	715,627
Feb	Year 3	715,627	0.2800%	180,161	537,470
Mar	Year 3	537,470	0.2800%	180,161	358,814
Apr	Year 3	358,814	0.2800%	180,161	179,658
May	Year 3	179,658	0.2800%	180,161	(0)
Total with interest				2,161,930	

The difference between the Reconciliation in Step 7 and the forecast in Prior Year with interest	2,161,930
True-up Adjustment for ROE Settlement	(15,500,091)
Attachment 5 - Cost Support	
Total true-up amount	(13,338,160)

Rev Req based on Year 2 data with estimated Cap Adds and CWIP for Year 3 (Step 8)	\$ 158,951,000
Revenue Requirement for Year 3	145,612,840

10 May Year 3 Post results of Step 9 on PJM web site
\$ 145,612,840 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)
\$ 145,612,840

B1125 Convert Buzzard to Ritchie Line - 138kV to 230kV				b2008 Reconnector feeder Dickerson to Quince Orchard						
Yes				Yes						
35				35						
No				No						
0				0						
14.6990%				14.6990%						
14.6990%				14.6990%						
51,852,352				8,623,505						
1,481,496				246,386						
10.00				2.00						
Beginning	Depreciation	Ending	Revenue	Beginning	Depreciation	Ending	Revenue	Total	Incentive Charged	Revenue Credit
50,089,658	1,481,496	48,608,162	8,626,417	8,428,916	246,386	8,182,530	1,449,137	\$ 46,777,945		\$ 46,777,945
50,089,658	1,481,496	48,608,162	8,626,417	8,428,916	246,386	8,182,530	1,449,137	\$ 48,043,160	\$ 48,043,160	
48,608,162	1,481,496	47,126,667	8,408,651	8,182,530	246,386	7,936,145	1,412,921	\$ 45,522,296		\$ 45,522,296
48,608,162	1,481,496	47,126,667	8,408,651	8,182,530	246,386	7,936,145	1,412,921	\$ 46,744,879	\$ 46,744,879	
47,126,667	1,481,496	45,645,171	8,190,886	7,936,145	246,386	7,689,759	1,376,705	\$ 44,266,648		\$ 44,266,648
47,126,667	1,481,496	45,645,171	8,190,886	7,936,145	246,386	7,689,759	1,376,705	\$ 45,446,597	\$ 45,446,597	
45,645,171	1,481,496	44,163,675	7,973,121	7,689,759	246,386	7,443,373	1,340,488	\$ 43,010,999		\$ 43,010,999
45,645,171	1,481,496	44,163,675	7,973,121	7,689,759	246,386	7,443,373	1,340,488	\$ 44,148,315	\$ 44,148,315	
44,163,675	1,481,496	42,682,179	7,755,356	7,443,373	246,386	7,196,987	1,304,272	\$ 41,755,351		\$ 41,755,351
44,163,675	1,481,496	42,682,179	7,755,356	7,443,373	246,386	7,196,987	1,304,272	\$ 42,850,033	\$ 42,850,033	
42,682,179	1,481,496	41,200,683	7,537,590	7,196,987	246,386	6,950,601	1,268,056	\$ 40,499,702		\$ 40,499,702
42,682,179	1,481,496	41,200,683	7,537,590	7,196,987	246,386	6,950,601	1,268,056	\$ 41,551,752	\$ 41,551,752	
41,200,683	1,481,496	39,719,188	7,319,825	6,950,601	246,386	6,704,215	1,231,839	\$ 39,244,053		\$ 39,244,053
41,200,683	1,481,496	39,719,188	7,319,825	6,950,601	246,386	6,704,215	1,231,839	\$ 40,253,470	\$ 40,253,470	
39,719,188	1,481,496	38,237,692	7,102,060	6,704,215	246,386	6,457,829	1,195,623	\$ 37,988,405		\$ 37,988,405
39,719,188	1,481,496	38,237,692	7,102,060	6,704,215	246,386	6,457,829	1,195,623	\$ 38,955,188	\$ 38,955,188	
38,237,692	1,481,496	36,756,196	6,884,294	6,457,829	246,386	6,211,444	1,159,407	\$ 36,732,756		\$ 36,732,756
38,237,692	1,481,496	36,756,196	6,884,294	6,457,829	246,386	6,211,444	1,159,407	\$ 37,656,906	\$ 37,656,906	
36,756,196	1,481,496	35,274,700	6,666,529	6,211,444	246,386	5,965,058	1,123,191	\$ 35,477,108		\$ 35,477,108
36,756,196	1,481,496	35,274,700	6,666,529	6,211,444	246,386	5,965,058	1,123,191	\$ 36,358,624	\$ 36,358,624	
35,274,700	1,481,496	33,793,205	6,448,764	5,965,058	246,386	5,718,672	1,086,974	\$ 34,221,459		\$ 34,221,459
35,274,700	1,481,496	33,793,205	6,448,764	5,965,058	246,386	5,718,672	1,086,974	\$ 35,060,343	\$ 35,060,343	
33,793,205	1,481,496	32,311,709	6,230,999	5,718,672	246,386	5,472,286	1,050,758	\$ 32,965,811		\$ 32,965,811
33,793,205	1,481,496	32,311,709	6,230,999	5,718,672	246,386	5,472,286	1,050,758	\$ 33,762,061	\$ 33,762,061	
.....	\$		\$
.....	\$	747,064,827	\$ 726,379,135

Potomac Electric Power Company

Attachment 8 - Company Exhibit - Securitization Workpaper

Line #

	Long Term Interest		
101	Less LTD Interest on Securitization Bonds		0
	Capitalization		
112	Less LTD on Securitization Bonds		0

Calculation of the above Securitization Adjustments

