

ATTACHMENT H-9A

Potomac Electric Power Company

Formula Rate – Appendix A

Notes FERC Form 1 Page # or Instruction

2008

Shaded cells are input cells

Allocators

Wages & Salary Allocation Factor			
1	Transmission Wages Expense	p354.21b	\$ 4,207,079
2	Total Wages Expense	p354.28b	\$ 53,083,661
3	Less A&G Wages Expense	p354.27b	\$ 4,492,531
4	Total	(Line 2 - 3)	48,591,130
5	Wages & Salary Allocator	(Line 1 / 4)	8.6581%
Plant Allocation Factors			
6	Electric Plant In Service	(Note B) p207.104g	\$ 5,207,636,430
7	Common Plant In Service - Electric	(Line 24)	0
8	Total Plant In Service	(Sum Lines 6 & 7)	5,207,636,430
9	Accumulated Depreciation (Total Electric Plant)	p219.29c	\$ 2,285,551,295
10	Accumulated Intangible Amortization	p200.21c	\$ 79,117,838
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)	2,364,669,133
14	Net Plant	(Line 8 - 13)	2,842,967,297
15	Transmission Gross Plant	(Line 29 - Line 28)	771,697,485
16	Gross Plant Allocator	(Line 15 / 8)	14.8186%
17	Transmission Net Plant	(Line 39 - Line 28)	421,400,675
18	Net Plant Allocator	(Line 17 / 14)	14.8226%

Plant Calculations

Plant In Service			
19	Transmission Plant In Service	(Note B) p207.58.g	\$ 725,351,802
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	15,380,924
22	Total Transmission Plant In Service	(Line 19 - 20 + 21)	740,732,726
23	General & Intangible	p205.5.g & p207.99.g	357,638,304
24	Common Plant (Electric Only)	(Notes A & B) p356	0
25	Total General & Common	(Line 23 + 24)	357,638,304
26	Wage & Salary Allocation Factor	(Line 5)	8.65812%
27	General & Common Plant Allocated to Transmission	(Line 25 * 26)	30,964,758
28	Plant Held for Future Use (Including Land)	(Note C) p214	0
29	TOTAL Plant In Service	(Line 22 + 27 + 28)	771,697,485
Accumulated Depreciation			
30	Transmission Accumulated Depreciation	(Note B) p219.25.c	329,956,613
31	Accumulated General Depreciation	p219.28.c	155,808,372
32	Accumulated Intangible Amortization	(Line 10)	79,117,838
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)	234,926,210
36	Wage & Salary Allocation Factor	(Line 5)	8.65812%
37	General & Common Allocated to Transmission	(Line 35 * 36)	20,340,196
38	TOTAL Accumulated Depreciation	(Line 30 + 37)	350,296,809
39	TOTAL Net Property, Plant & Equipment	(Line 29 - 38)	421,400,675

Adjustment To Rate Base

Accumulated Deferred Income Taxes			
40	ADIT net of FASB 106 and 109	Attachment 1	-107,161,913
41	Accumulated Investment Tax Credit Account No. 255	p266.h	0
42	Net Plant Allocation Factor	(Line 18)	14.82%
43	Accumulated Deferred Income Taxes Allocated To Transmission	(Line 41 * 42) + Line 40	-107,161,913
43a	Transmission Related CWIP (Current Year 12 Month weighted average balances)	(Note B) p216.43.b as Shown on Attachment 6	24,097,545
Transmission O&M Reserves			
44	Total Balance Transmission Related Account 242 Reserves	Enter Negative Attachment 5	-3,555,989
Prepayments			
45	Prepayments	(Note A) Attachment 5	26,570,669
46	Total Prepayments Allocated to Transmission	(Line 45)	26,570,669
Materials and Supplies			
47	Undistributed Stores Exp	(Note A) p227.6c & 16.c	2,874,523
48	Wage & Salary Allocation Factor	(Line 5)	8.66%
49	Total Transmission Allocated	(Line 47 * 48)	248,880
50	Transmission Materials & Supplies	p227.8c	3,926,742
51	Total Materials & Supplies Allocated to Transmission	(Line 49 + 50)	4,175,622
Cash Working Capital			
52	Operation & Maintenance Expense	(Line 85)	32,013,042
53	1/8th Rule	x 1/8	12.5%
54	Total Cash Working Capital Allocated to Transmission	(Line 52 * 53)	4,001,630
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 + 44 + 46 + 51 + 54 - 57)	-51,872,436
59	Rate Base	(Line 39 + 58)	369,528,239

O&M				
Transmission O&M				
60	Transmission O&M		p321.112.b	23,755,048
61	Less extraordinary property loss		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	(Note O)	PJM Data	0
65	Plus Transmission Lease Payments	(Note A)	p200.3.c	0
66	Transmission O&M		(Lines 60 - 63 + 64 + 65)	23,755,048
Allocated General & Common Expenses				
67	Common Plant O&M	(Note A)	p356	0
68	Total A&G		p323.197.b	96,622,624
69	Less Property Insurance Account 924		p323.185b	817,168
70	Less Regulatory Commission Exp Account 928	(Note E)	p323.189b	1,630,238
71	Less General Advertising Exp Account 930.1		p323.191b	101,657
72	Less DE Enviro & Low Income and MD Universal Funds		p335.b	0
73	Less EPRI Dues	(Note D)	p352-353	93,955
74	General & Common Expenses		(Lines 67 + 68) - Sum (69 to 73)	93,979,606
75	Wage & Salary Allocation Factor		(Line 5)	8.6581%
76	General & Common Expenses Allocated to Transmission		(Line 74 * 75)	8,136,868
Directly Assigned A&G				
77	Regulatory Commission Exp Account 928	(Note G)	p323.189b	0
78	General Advertising Exp Account 930.1	(Note K)	p323.191b	0
79	Subtotal - Transmission Related		(Line 77 + 78)	0
80	Property Insurance Account 924		p323.185b	817,168
81	General Advertising Exp Account 930.1	(Note F)	p323.191b	0
82	Total		(Line 80 + 81)	817,168
83	Net Plant Allocation Factor		(Line 18)	14.82%
84	A&G Directly Assigned to Transmission		(Line 82 * 83)	121,125
85	Total Transmission O&M		(Line 66 + 76 + 79 + 84)	32,013,042
Depreciation & Amortization Expense				
Depreciation Expense				
86	Transmission Depreciation Expense		p336.7b&c	15,543,180
87	General Depreciation		p336.10b&c	13,769,680
88	Intangible Amortization	(Note A)	p336.1d&e	7,282,131
89	Total		(Line 87 + 88)	21,051,811
90	Wage & Salary Allocation Factor		(Line 5)	8.6581%
91	General Depreciation Allocated to Transmission		(Line 89 * 90)	1,822,691
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)	8.6581%
96	Common Depreciation - Electric Only Allocated to Transmission		(Line 94 * 95)	0
97	Total Transmission Depreciation & Amortization		(Line 86 + 91 + 96)	17,365,871
Taxes Other than Income				
98	Taxes Other than Income		Attachment 2	7,015,262
99	Total Taxes Other than Income		(Line 98)	7,015,262
Return / Capitalization Calculations				
Long Term Interest				
100	Long Term Interest		p117.62c through 67c	80,019,744
101	Less LTD Interest on Securitization Bonds	(Note P)	Attachment 8	0
102	Long Term Interest		*(Line 100 - line 101)*	80,019,744
103	Preferred Dividends	enter positive	p118.29c	-
Common Stock				
104	Proprietary Capital		p112.16c	\$ 1,235,731,612
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)	1,234,085,245
Capitalization				
108	Long Term Debt		p112.17c through 21c	1,504,300,000
109	Less Loss on Reacquired Debt	enter negative	p111.81c	-38,887,461
110	Plus Gain on Reacquired Debt	enter positive	p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	368,747
112	Less LTD on Securitization Bonds	(Note P)	Attachment 8	0
113	Total Long Term Debt		(Sum Lines 108 to 112)	1,465,781,286
114	Preferred Stock		p112.3c	0
115	Common Stock		(Line 107)	1,234,085,245
116	Total Capitalization		(Sum Lines 113 to 115)	2,699,866,531
117	Debt %	Total Long Term Debt	(Line 113 / 116)	54%
118	Preferred %	Preferred Stock	(Line 114 / 116)	0%
119	Common %	Common Stock	(Line 115 / 116)	46%
120	Debt Cost	Total Long Term Debt	(Line 102 / 113)	0.0546
121	Preferred Cost	Preferred Stock	(Line 103 / 114)	0.0000
122	Common Cost	Common Stock	(Note J) Fixed	0.1130
123	Weighted Cost of Debt	Total Long Term Debt (WCLTD)	(Line 117 * 120)	0.0296
124	Weighted Cost of Preferred	Preferred Stock	(Line 118 * 121)	0.0000
125	Weighted Cost of Common	Common Stock	(Line 119 * 122)	0.0517
126	Total Return (R)		(Sum Lines 123 to 125)	0.0813
127	Investment Return = Rate Base * Rate of Return		(Line 59 * 126)	30,038,845

Composite Income Taxes

Income Tax Rates				
128	FIT=Federal Income Tax Rate			35.00%
129	SIT=State Income Tax Rate or Composite		(Note I)	8.23%
130	p	(percent of federal income tax deductible for state purposes)	Per State Tax Code	0.00%
131	T	$T=1 - ((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p) =$		40.35%
132	T/(1-T)			67.63%
ITC Adjustment				
133	Amortized Investment Tax Credit		(Note I) enter negative	
134	T/(1-T)		p266.8f (Line 132)	-2,034,384
135	Net Plant Allocation Factor		(Line 18)	14.8226%
136	ITC Adjustment Allocated to Transmission		(Line 133 * (1 + 134) * 135)	-505,500
137	Income Tax Component =	$CIT=(T/1-T) * Investment\ Return * (1-(WCLTD/R)) =$	[Line 132 * 127 * (1-(123 / 126))]	12,909,227
138	Total Income Taxes		(Line 136 + 137)	12,403,727

REVENUE REQUIREMENT

Summary				
139	Net Property, Plant & Equipment		(Line 39)	421,400,675
140	Adjustment to Rate Base		(Line 58)	-51,872,436
141	Rate Base		(Line 59)	369,528,239
142	O&M		(Line 85)	32,013,042
143	Depreciation & Amortization		(Line 97)	17,365,871
144	Taxes Other than Income		(Line 99)	7,015,262
145	Investment Return		(Line 127)	30,038,845
146	Income Taxes		(Line 138)	12,403,727
147	Gross Revenue Requirement		(Sum Lines 142 to 146)	98,836,746
Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities				
148	Transmission Plant In Service		(Line 19)	725,351,802
149	Excluded Transmission Facilities	(Note M)	Attachment 5	0
150	Included Transmission Facilities		(Line 148 - 149)	725,351,802
151	Inclusion Ratio		(Line 150 / 148)	100.00%
152	Gross Revenue Requirement		(Line 147)	98,836,746
153	Adjusted Gross Revenue Requirement		(Line 151 * 152)	98,836,746
Revenue Credits & Interest on Network Credits				
154	Revenue Credits		Attachment 3	5,708,546
155	Interest on Network Credits	(Note N)	PJM Data	-
156	Net Revenue Requirement		(Line 153 - 154 + 155)	93,128,200
Net Plant Carrying Charge				
157	Net Revenue Requirement		(Line 156)	93,128,200
158	Net Transmission Plant		(Line 19 - 30)	395,395,189
159	Net Plant Carrying Charge		(Line 157 / 158)	23.5532%
160	Net Plant Carrying Charge without Depreciation		(Line 157 - 86) / 158	19.6221%
161	Net Plant Carrying Charge without Depreciation, Return, nor Income Taxes		(Line 157 - 86 - 127 - 138) / 158	8.8879%
Net Plant Carrying Charge Calculation per 100 Basis Point increase in ROE				
162	Net Revenue Requirement Less Return and Taxes		(Line 156 - 145 - 146)	50,685,628
163	Increased Return and Taxes		Attachment 4	45,274,062
164	Net Revenue Requirement per 100 Basis Point increase in ROE		(Line 162 + 163)	95,959,691
165	Net Transmission Plant		(Line 19 - 30)	395,395,189
166	Net Plant Carrying Charge per 100 Basis Point increase in ROE		(Line 164 / 165)	24.2693%
167	Net Plant Carrying Charge per 100 Basis Point in ROE without Depreciation		(Line 163 - 86) / 165	20.3383%
168	Net Revenue Requirement		(Line 156)	93,128,200
169	True-up amount		Attachment 6	(4,679,645)
170	Plus any increased ROE calculated on Attachment 7 other than PJM Sch. 12 projects		Attachment 7	862,178
171	Facility Credits under Section 30.9 of the PJM OATT and Facility Credits to Vineland per settlement in ER05-515		Attachment 5	-
172	Net Zonal Revenue Requirement		(Line 168 - 169 + 171)	89,310,733
Network Zonal Service Rate				
173	1 CP Peak	(Note L)	PJM Data	6,751
174	Rate (\$/MW-Year)		(Line 172 / 173)	13,229
175	Network Service Rate (\$/MW/Year)		(Line 174)	13,229

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 $p = \frac{\text{FIT}}{\text{FIT} + \text{SIT}}$ "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.
- J
- 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.**

END

Potomac Electric Power Company

Attachment 1 - Accumulated Deferred Income Taxes (ADIT) Worksheet

	Only Transmission Related	Plant Related	Labor Related	Total ADIT
ADIT-282	0	(762,475,041)	8,589,132	
ADIT-283	0	(114,612,040)	(63,635,705)	
ADIT-190	0	178,344,215	13,262,265	
Subtotal	0	(698,745,866)	(41,784,308)	
Wages & Salary Allocator			6,6681%	
Gross Plant Allocator		14.8186%		
ADIT	0	(103,544,177)	(3,617,736)	(107,161,913)

Note: ADIT associated with Gain or Loss on Recaptured Debt is included in Column A here and included in Cost of Debt on Appendix A, Line 111
Amount (368,747)

In filing 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
Fuel Supply Sale	0	0				Deferred taxes related to the termination of Peppo's planned nuclear plant
Fuel Rights Sale	0	0				Deferred taxes related to the termination of Peppo's planned nuclear plant
Enrichment Contract Sale	0	0				Deferred taxes related to the termination of Peppo's planned nuclear plant
Fuel Excise Tax Write-off	0	0				Deferred taxes related Generation
Deferred Payments	0					For book purposes, deferred executive compensation and deferred payments are expensed when accrued. For tax purposes, they are deducted when paid. Affects company personnel across all functions.
Deferred Compensation(stk)	10,808,920				10,808,920	For tax purposes, they are deducted when paid. Affects company personnel across all functions.
Additional Rental Income	0				0	Rental of General Plant and therefore allocated on labor.
D. C. Gross Receipts Tax	0	0				Retail related
Control Center - Lease Payment	86,194,377			86,194,377		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 Peppo 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. Prior average payments per above customer's average meter readings on a yearly basis are made monthly payments based on this average. For tax purposes, payments are included in income upon receipt whereas for book purposes, income is based on the meters read basis. The debit to deferred tax arises
Avg. Payment Plan	0	0				
Customer Deposits	0	0				Customer deposits are treated as deferred liabilities for book purposes, for tax purposes deposits held over two years are included in taxable income. Retail related
Normalization Adjustment	0			0		This adjustment reflects the flowback to the customer for the difference resulting from taxes deferred at the 46% federal tax rate and the lower 34% corporate tax rate in accordance with the Tax Reform Act of 1986. Involves all plant and is not limited to retail.
Normalization-MD Case 8162	0			0		This adjustment reflects the flowback to the customer for the difference resulting from taxes deferred at the 46% federal tax rate and the lower 34% corporate tax rate in accordance with the Tax Reform Act of 1986 involves all plant and is not limited to retail.
CIAC	84,829,319			84,829,319		Notice 87-51, if CIAC are not grossed up, the deferred taxes must be included in rate base in order for the
Normalization - Unbilled Revenues	0			0		Relates to all revenues
Unbilled Revenues(1989 & TRA 1986)	0			0		Relates to all revenues
Unbilled Revenue Adj. DC Order #10387	0			0		Relates to all revenues
NPDES Permits (Net)	0	0				The cost of discharge permits for the Company's generating stations are expensed currently for book purposes and are required to be amortized over a 5 year period for tax purposes. Generation related
Csp. Construct Period Taxes	0			0		Pursuant to IRC Section 189, these taxes are capitalized and amortized over ten years for tax purposes whereas for book purposes, they are deducted currently. Related to all plant.
Bad Debt Reserve Amort	6,295,854			6,295,854		Under the Tax Reform Act of 1986, taxpayers were required to switch from the reserve method for bad debt 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.
Bad Debt Expense/Adjustment	0			0		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	2,456,452				2,456,452	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.
Connection Fees	(722,756)	(722,756)				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.
Service - Conn Fee Income	0	0				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
Dep - Conn Fee Income	0					capitalized and depreciated for tax purposes. For book purposes, connection fees are excluded from
Mine Closing Costs/Conemaugh Adj	0					Generation related
Const Audit Adj.	0			0		This deferred tax balance relate to prior Internal Revenue Service audits of the Company
FAS 109 - Deferred Taxes on ITC	4,082,080			4,082,080		Pursuant to the requirements of FAS 109, Peppo'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	5,147,314			5,147,314		Pursuant to the requirements of FAS 109, Peppo'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 - Flowthrough Items	0			0		Pursuant to the requirements of FAS 109, Peppo'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 - Normalization	0			0		Pursuant to the requirements of FAS 109, Peppo'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 - Earnings Effect	0			0		differences regardless of whether the difference is normalized or flowed-through. These balances primarily
Current Portion of Deferred Tax Liability	0			0		Represents the portion of the deferred taxes that have been identified as current. Related to all plant.
SMECO Contract Termination/Interest	0	0				For book purposes, the gain was recorded when the termination contract was entered into. For tax purposes, the gain is recognized when the terms of the contract are met. Generation related.
84/95 Audit-Human Resource Initiatives/Gude Capacity Pyrm	0	0				Relates to prior IRS audit adjustments. The tax amortization period is longer than the book's which currently expensed these costs. Gude is generation related
Customer Sharing	(3,143,338)	(3,143,338)				expensed when the gain on the sale was recorded. For tax purposes, gain to be shared is deducted when paid. Generation related
Pension Curtailment	4,311,753	4,311,753				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.
Transition Costs	1,287,846	1,287,846				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. Generation related
Severance Payments/Other	0				0	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 individuals. Affects company personnel across all functions.
Empowerment Zone Credit	0				0	PHI's consolidated return is in an NOL situation, therefore, Peppo's Empowerment Zone credit is carried forward until such time as PHI is in a taxable income position. Affects company personnel across all functions.
PG County Right of Way	404,166	404,166				Council. Since Maryland counties are prohibited from enacting any tax without the authority of the state
MD Adjustment	744,160	744,160				This deferred tax balance relates to a Maryland refund that was received in 2007 relating to the sale of Peppo generation.
Mirant Settlement	26,296,840	26,296,840				Represents a payment from Mirant to Peppo 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.
Accrued Retired Executive Compensation	(3,107)				(3,107)	PHI's consolidated return is in an NOL situation, therefore, Peppo'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.

Contribution Carryforward	748,833			748,833		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.
Leased Vehicles	275,831			275,831		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.
Subtotal - p234	230,014,544	29,178,671	0	187,873,608	13,262,265	
Less FASB 109 Above if not separately removed	9,229,394		0	9,229,394		
Less FASB 106 Above if not separately removed	0		0	0		
Total	220,785,150	29,178,671	0	178,344,215	13,262,265	

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. ADIT Items related to labor and not in Columns C & D are included in Column F
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

ADIT-282	A	B Total	C Gas, Prod Or Other	D Only Transmission	E Plant	F Labor	G	Justification	
								Related	Related
Accelerated Depreciation		(519,143,936)			(519,143,936)			computed pursuant to the Internal Revenue Code and the book depreciation associated with all assets.	
Depreciation (BG&E)/Gain On Sale Conemaugh		0	0					Generation related	
Repair Allowance		(25,174,154)			(25,174,154)			Deferred tax represents the difference between tax deductible repairs and book capitalization of repair costs. Affects company personnel across all functions.	
Repair Allowance Proceeds		0			0			previously expensed repair allowance property and is included in taxable income. For book purposes, proceeds are charged to the depreciation reserve. Affects company personnel across all functions.	
Disc on Bond Redemption		0			0			For book purposes, the discount is amortized over the life of the replacement bond issuance. For tax purposes, the discount is deducted currently. Related to all functions.	
Adj. Tax Gain - TDR's		325,526			325,526			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.	
Adj. Tax Gain - FAR's		0			0			This adjustment reflects the disposition or salvage relating to FARs. 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)		2,989,896			2,989,896			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.	
Disp of ACRS Mass Property		0			0			be currently recognized as taxable income or loss. For book purposes the proceeds from the disposition or	
Control Center - Depreciation/Amort		(51,838,371)			(51,838,371)			See the explanation for Account 190.	
Removal Cost Adjustment		(22,687,853)			(22,687,853)			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. Retail related.	
Removal Cost Adj. - MD		0	0					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. Retail related.	
Removal Cost Adj. - DC		0	0					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. Retail related.	
Book Deprec-Reloc Proceeds		0			0			For book purposes, the relocation proceeds are credited to the book depreciation reserve. For tax purposes relocation proceeds are included in income upon receipt. Related to all plant.	
Proceeds ACRS Mass Property		0			0			For tax purposes, any disposition or salvage related to post-1980 accelerated cost recovery property must be currently recognized as taxable income or loss. For book purposes the proceeds from the disposition or salvage of post-1980 property is credited to the depreciation reserve. Related to all plant.	
Disp of ACRS Non Mass Prop		0			0			be currently recognized as taxable income or loss. For book purposes the proceeds from the disposition or	
Normalization Adjustment		0			0			See the explanation for Account 190	
Normalization-MD Case 8162		0			0			See the explanation for Account 191	
Capitalized Interest		19,458,987			19,458,987			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	
AFUDC Debt		(2,127,698)			(2,127,698)			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			purpose, AFUDC is used. Related to all plant.	
FAS 109 Earnings Benefit 34.35%		0			0			See the explanation for Account 190.	
FAS 109 - Flowthrough Items		(45,505,845)			(45,505,845)			See the explanation for Account 190.	
FAS 109 - Normalization		0			0			See the explanation for Account 190.	
FAS 109 - CCRF/AFUDC Equity		(34,395,809)			(34,395,809)			See the explanation for Account 190.	
FAS 109 Earnings Effect - Nonoperating		0			0			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		(162,790,239)			(162,790,239)			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					Energy Use Mgt. assets. Retail related	
Reduction State Taxes		0			0			Related to all plant.	
MD Subtraction (Adj Gain or Loss)		0			0			the imposition of MD income tax on assets placed in service prior to the commencement of MD income taxes on operating income in 2009. Related to all assets.	
Spare Parts		0			0			to be depreciated for tax purposes. Related to all spare parts.	
DC Consolidated Adjustment		7,696,161			7,696,161			See the explanation for Account 190.	
Casualty Losses		(9,442,883)			(9,442,883)			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.	
Capitalized Pension		10,911,584				10,911,584		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 ant the book expenses.	
Capitalized OPEB		(2,322,451)				(2,322,451)		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 ant the book expenses.	
Subtotal - p275 (Form 1-F filer: see note 6 below)		(835,622,148)	(1,831,585)	0	(842,379,695)	8,589,132			
Less FASB 109 Above if not separately removed		(79,901,654)			(79,901,654)				
Less FASB 106 Above if not separately removed		0			0				
Total		(755,720,494)	(1,831,585)	0	(762,478,041)	8,589,132			

Instructions for Account 282:
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
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

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Deferred Income Taxes (ADIT) Worksheet

ADIT-283	A	B Total	C Gas, Prod Or Other	D Only Transmission	E Plant	F Labor	G	Justification	
								Related	Related
Capitalized A&G		445,268			445,268			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.	
Capitalized Fringe Benefits		851,817			851,817			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.	
Capitalized Payroll & Use Tax		500,788			500,788			but capitalized and depreciated for book purposes. Related to all plant.	
Doug Pitt Term Costs - G-E		0	0					Deferred taxes related to the termination of Pepco's planned nuclear plant. Generation related.	
G-E Term Costs - Non-Jur		0	0					Deferred taxes related to the termination of Pepco's planned nuclear plant. Generation related.	

Plant Abandonment	0	0			Deferred taxes related to the termination of Pepco's planned nuclear plant. Generation related.	
Invol Conv - Denwood Sub	0	0			For book purposes a loss from an involuntary conversion is deductible. For tax purposes, a loss from an involuntary conversion is deductible only if the converted property is used in a business or for the production of income. Distribution related.	
Invol Conv - Mid Prop MG016	0	0			For book purposes a loss from an involuntary conversion is deductible. For tax purposes, a loss from an involuntary conversion is deductible only if the converted property is used in a business or for the production of income.	
Invol Conv - Civic Center	0	0			For book purposes a loss from an involuntary conversion is deductible. For tax purposes, a loss from an involuntary conversion is deductible only if the converted property is used in a business or for the production of income.	
D.C. Adjustment	0	0			This represents the reversal of deferred taxes accrued at 48% that reversed at 46% to DC customers. Retail related.	
MD Adjustment	0	0			This represents the reversal of deferred taxes accrued at 48% that reversed at 46% to MD customers. Retail related.	
Excess Book Over Tax Gain	0	0			The deferred tax balance reflects the difference between the book gain and tax gain on the disposition/salvage of assets. Related to all assets.	
FAS 106 OPEB Adjustment	26,411,023			26,411,023	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.	
OPEB Adj DC Order #10387	0			0	manner in which the DC Commission ordered these costs to be recovered from customers. Retail related.	
Bk Depr on Poll Bond Int	(115,774)	(115,774)			Generation related.	
Book Deprac on AFUDC	0			0	Related to all assets.	
Envirotech Investment	0	0			Unregulated business.	
D.C. Street Lighting	0	0			The difference between the book gain and tax gain related to the non-operating sale of the DC street lights. Retail related.	
Exp - Redemp. Pref. Sbk	0	0		0	The deferred tax balance represents the difference between the book and tax treatment for the redemption of preferred stock. Related to all functions.	
PSI Cost-Caugh Proj	0	0			Pumped Hydro (CAUPH) project. These costs are being amortized for book purposes over a different period than for tax purposes. Generation related.	
Amort Loss on Reacquisition	(368,747)	(368,747)			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.	
D.C. Street Lighting Gain	0	0			The difference between the book gain and tax gain related to the non-operating sale of the DC street lights. Retail related.	
Health Care Plans	1,160,249			1,160,249	Health care plans. These costs are being amortized for book purposes over a different period than for tax purposes. Deducted for tax purposes when they are paid. Affects company personnel across all functions.	
Control Center - Interest Expense	(62,854,831)			(62,854,831)	See the explanation for the control center transaction in Account 190.	
Loss on Marketable Securities	(13,078,620)	(13,078,620)			The deferred tax balance reflects the difference between the book gain and tax gain on the disposition/salvage of marketable securities.	
Ordinary Gains/Losses	0			0	The difference between the book gain and tax gain on the disposition/salvage of assets. Related to all assets.	
Capital Gains/Losses-D.C.	0			0	The difference between the book gain and tax gain on the disposition/salvage of assets. Related to all assets.	
Legal Fees	0			0	For tax purposes, these costs are capital in nature and are amortized over a 30 year period. Related to all functions.	
Amort of Unit Train Costs	0	0			Generation related.	
Dividend Income Not Rec'd/Other Rental Income	0	0				
Normalization Adjust	0	0		0	See the explanation for Account 190.	
ESOP Deduction over ESOP ITC	0	0		0	Affects company personnel across all functions.	
Other Exp - Non Oper(PC)	0	0		0	Unregulated business.	
Normalization-MD Case #162	0			0	See the explanation for Account 190.	
Int Income - Basis Adj	0	0		0	Related to all functions.	
NPDES Permits, 1981-83	0	0		0	per ERISA. For book purposes pension plan contributions are governed by FAS 106. This timing difference purposes and are required to be amortized over a 5 year period for tax purposes. Generation related.	
Compensation	0			0	Deferred employee comp. Related to all functions.	
Contributions	0			0	Charitable contributions. Related to all functions.	
SFAS 121 Impairment Loss	859,870	859,870			book purposes. For tax purposes, an asset can not be written down for the loss. Generation related.	
FAS 109 - Flowthrough Items	0			0	See the explanation for Account 190.	
FAS 109 - Normalization	0			0	See the explanation for Account 190.	
FAS 109 - Regulatory Receivable/Liability	22,750,159			22,750,159	See the explanation for Account 190.	
FAS 109 - Earnings Effect - Nonoperating/Other	0	0		0	See the explanation for Account 190.	
FAS 109 - CCRF Equity	(15,743,143)	(15,743,143)			See the explanation for Account 190.	
CCRF - Operating/DSM 2000	0	0		0	DSM related. Retail related.	
CCRF - Common Facility Costs	0	0		0	DSM related. Retail related.	
CCRF Adj DC Order #10387	0	0		0	DSM related. Retail related.	
Gain/Loss on Disposal of Allowances	0	0		0	Generation related.	
Human Resource Initiatives	0			0	Payments are deducted when accrued for book purposes and when paid for tax. Affects company personnel across all functions.	
Severance Pay/Other Comp/Incentive Bonus	3,721,424			3,721,424	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.	
Pension Plan Contribution	(122,086,297)			(53,717,971)	(68,368,325)	per ERISA. For book purposes pension plan contributions are governed by FAS 106. This timing difference
VA GRT Adj	0	0			Retail related.	
SMECO Contract Termination	0	0			For book purposes, the gain is recognized when the terms of the contract are met. Generation related.	
Conservation Costs (DSM)	(11,733,934)	(11,733,934)			DSM related. Retail related.	
Merger Costs - Software	0	0		0	Related to BG&E/PEPCO merger. Related to all functions.	
Gains/Losses / '94-'95 IRS Audit Adjustment	0	0		0		
Amortization-DSM Debt (DC)	0	0		0	DSM related. Retail related.	
Empowerment Zone	0	0		0	See the explanation for Account 190.	
Miscellaneous	310,214	310,214			See the explanation for Account 190.	
Guide Landfill	0	0		0	See the explanation for Account 190.	
Other Comprehensive Income	0	0		0	See the explanation for Account 190.	
Blueprint for the Future	(997,361)			(997,361)	See the explanation for Account 190.	
DC Consolidated Adjustment	0	0		0	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 and is labor related.	
Prepaid Interest	(3,297,326)			(3,297,326)		
SERP	4,308,522			4,308,522	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.	
Subtotal - #277 (Form 1-F filer: see note 6, below)	(168,956,697)	(39,870,134)		(91,961,881)	(37,224,683)	
Less FASB 106 Above if not separately removed	22,750,159			22,750,159		
Less FASB 106 Above if not separately removed	26,411,023				26,411,023	
Total	(218,117,879)	(39,870,134)		(114,612,040)	(63,635,705)	

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

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	12,491,863 2,034,384
5	Total	12,491,863	2,034,384
6	Total Form No. 1 (p 266 & 267)	Form No. 1 balance	12,491,863 2,034,384
7	Difference /1		

Potomac Electric Power Company

Attachment 2 - Taxes Other Than Income Worksheet

Other Taxes	Page 263 Col (i)	Allocator	Allocated Amount
Plant Related			
		Gross Plant Allocator	
1 Transmission Personal Property Tax (directly assigned to Transmission)	\$ 6,614,159	100%	\$ 6,614,159
1a Other Personal Property Tax (excluded)	\$ 24,163,039	0%	\$ -
2 Capital Stock Tax		14.8186%	\$ -
3 Gross Premium (insurance) Tax		14.8186%	\$ -
4 PURTA		14.8186%	\$ -
5 Corp License		14.8186%	\$ -
Total Plant Related	30,777,198		6,614,159
Labor Related			
		Wages & Salary Allocator	
6 Federal FICA & Unemployment & state unemployment	4,632,674		
Total Labor Related	4,632,674	8.6581%	401,103
Other Included			
		Gross Plant Allocator	
7 Miscellaneous	0		
Total Other Included	0	14.8186%	0
Total Included			7,015,262

Currently Excluded

8 Franchise	0
9 kWhTax - State Gross Receipt (Excise Tax)	106,397,360
10 Electric environmental surcharge	2,143,816
11 Universal service fee	8,109,220
12 Montgomery County Fuel	89,500,539
13 PSC assessment	6,077,655
14 Real property (State, Municipal or Local)	7,532,069
15 DC Right of Way	20,262,132
16 Use & Sales Tax	3,606,927
17 FHUT	17,512
18 DC Ballpark	16,500
19 DC Reliable Energy Trust Fund	13,560,500
20 Misc. Other	0
21 Total "Other" Taxes (included on p. 263)	292,634,102
22 Total "Taxes Other Than Income Taxes" - acct 408.10 (p. 114.14)	292,634,102
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

Pepco
Allocation of Property taxes to
Transmission Function
Year Ended December 31, 2008

<u>Assessable Plant</u>	<u>Maryland</u>
Transmission	\$ 564,585,796
Distribution	\$ 1,972,320,736
General	\$ 151,126,860
Total T,D&Genl	<u>\$ 2,688,033,392</u>

<u>Plant ratios by Jurisdiction</u>	
Transmission Ratio	0.21003675
Distribution ratio	0.73374116
General Ratio	<u>0.05622209</u>
	1.00000000

<u>Property Taxes</u>	\$ 30,777,198
Transmission Property Tax	\$ 6,464,343
Distribution Property tax	\$ 22,582,497
General Property Tax	<u>\$ 1,730,358</u>
Total check	<u>\$ 30,777,198</u>

<u>Allocation of General to Transmission</u>	
General Property Tax	\$ 1,730,358
Trans Labor Ratio	0.086581213
Trans General	149,817

<u>Total Transmission Property Taxes</u>	
Transmission	\$ 6,464,343
General	\$ 149,817
Total Transmission Property Taxes	<u>\$ 6,614,159</u>

Potomac Electric Power Company
Attachment 3 - Revenue Credit Workpaper

Account 454 - Rent from Electric Property		
1 Rent from Electric Property - Transmission Related (Note 3)		8,910,666
2 Total Rent Revenues	(Sum Lines 1)	8,910,666
Account 456 - Other Electric Revenues (Note 1)		
3 Schedule 1A		\$ 610,672
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)		2,440,116
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)	11,961,454
12 Less line 17g		(6,252,908)
13 Total Revenue Credits		5,708,546
<u>Revenue Adjustment to determine Revenue Credit</u>		
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.	8,910,666
17b	Costs associated with revenues in line 17a	3,595,149
17c	Net Revenues (17a - 17b)	5,315,517
17d	50% Share of Net Revenues (17c / 2)	2,657,759
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)	2,657,759
17g	Line 17f less line 17a	(6,252,908)
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.	29,621,369
19	Amount offset in line 4 above	91,008,446
20	Total Account 454, 456 and 456.1	132,591,269
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)	45,274,062
B	100 Basis Point increase in ROE		1.00%

Return Calculation

59	Rate Base		(Line 39 + 58)	369,528,239
	Long Term Interest			
100	Long Term Interest		p117.62c through 67c	80,019,744
101	Less LTD Interest on Securitization E(Note P)		Attachment 8	0
102	Long Term Interest		"(Line 100 - line 101)"	80,019,744
103	Preferred Dividends	enter positive	p118.29c	0
	Common Stock			
104	Proprietary Capital		p112.16c	1,235,731,612
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)	1,234,085,245
	Capitalization			
108	Long Term Debt		p112.17c through 21c	1,504,300,000
109	Less Loss on Reacquired Debt	enter negative	p111.81c	-38,887,461
110	Plus Gain on Reacquired Debt	enter positive	p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	368,747
112	Less LTD on Securitization Bonds	enter negative	Attachment 8	0
113	Total Long Term Debt		(Sum Lines 108 to 112)	1,465,781,286
114	Preferred Stock		p112.3c	0
115	Common Stock		(Line 107)	1,234,085,245
116	Total Capitalization		(Sum Lines 113 to 115)	2,699,866,531
117	Debt %	Total Long Term Debt	(Line 113 / 116)	54%
118	Preferred %	Preferred Stock	(Line 114 / 116)	0%
119	Common %	Common Stock	(Line 115 / 116)	46%
120	Debt Cost	Total Long Term Debt	(Line 102 / 113)	0.0546
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)	0.0296
124	Weighted Cost of Preferred	Preferred Stock	(Line 118 * 121)	0.0000
125	Weighted Cost of Common	Common Stock	(Line 119 * 122)	0.0562
126	Total Return (R)		(Sum Lines 123 to 125)	0.0859
127	Investment Return = Rate Base * Rate of Return		(Line 59 * 126)	31,727,926

Composite Income Taxes

	Income Tax Rates			
128	FIT=Federal Income Tax Rate			35.00%
129	SIT=State Income Tax Rate or Composite			8.23%
130	p = percent of federal income tax deductible for state purposes		Per State Tax Code	0.00%
131	T	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		40.35%
132	T/ (1-T)			67.63%
	ITC Adjustment			
133	Amortized Investment Tax Credit	enter negative	p266.8f	(2,034,384)
134	T/(1-T)		(Line 132)	68%
135	Net Plant Allocation Factor		(Line 18)	14.8226%
136	ITC Adjustment Allocated to Transmission	(Note I from Appendix A)	(Line 133 * (1 + 134) * 135)	-505,500
137	Income Tax Component =	$CIT=(T/1-T) * Investment Return * (1-(WCLTD/R)) =$		14,051,636
138	Total Income Taxes			13,546,137

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	\$ 79,117,838	79,117,838	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	10,030,596	10,030,596	0	Respondent is Electric Utility only.
Materials and Supplies							
47	Undistributed Stores Exp	(Note A)	p227.6c & 16.c	\$ 2,874,523	2,874,523	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	\$ 7,282,131	7,282,131	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) Directly Assigned A&G	(Note C)	p214	986,410	0	986,410	Specific identification based on plant records: The following plant investments are included:
73	Regulatory Commission Exp Account 928	(Note C)	p323.160b	Enter	Enter	Enter	Enter Details
							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	\$ 5,207,636,430	0	0	See Form 1
Plant In Service							
19	Transmission Plant In Service	(Note B)	p207.58.g	\$ 725,351,802	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	329,956,613	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
73	Allocated General & Common Expenses Less EPRI Dues	(Note D)	p352-353	93955	93955	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
70	Allocated General & Common Expenses Less Regulatory Commission Exp Account 928	(Note E)	p323.189b	\$ 1,630,238	0	1,630,238	See FERC Form 1 pages 350-351.
77	Directly Assigned A&G Regulatory Commission Exp Account 928	(Note G)	p323.189b	1,630,238	0	1,630,238	FERC

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	101,657	-	101,657	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)	8.2255%	Maryland 8.25%	DC 9.975%	Enter State Enter %	Enter State Enter %	Enter State Enter %	Enter Calculation Apportioned: MD 4.39%, DC 3.8349

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	101,657	0	101,657	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				Or	
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:				Enter \$	
Example					
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			38,918,152	8.66%	3,369,581	
	Plant Related			1,257,933	14.82%	186,408	
	Other				0.00%	-	
	Total Transmission Related Reserves			40,176,085		3,555,989	

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		8.658%		
	Pension Liabilities, if any, in Account 242	-	8.658%	-	
	Prepayments	\$ 164,726,444	8.658%	14,262,215	
	Prepaid Pensions if not included in Prepayments	\$ 142,160,791	8.658%	12,308,454	
		306,887,235	8.66%	26,570,669	

Outstanding Network Credits Cost Support

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Outstanding Network Credits	Description of the Credits
55	Network Credits			Enter \$	
	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
					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
Revenue Credits & Interest on Network Credits					
155	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
Net Revenue Requirement					
171	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
Network Zonal Service Rate					
173	1 CP Peak	(Note L)	PJM Data	6,751.0	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				-	-	-

Potomac Electric Power Company

Attachment 5a - Allocations of Costs to Affiliate

	Delmarva Power	Atlantic City	Pepco	Non - Regulated	Total
Executive Management	\$ 6,088,669	\$ 4,685,228	\$ 13,055,598	\$ 11,843,832	\$ 35,673,327
Security Services Administration	448,463	281,895	1,103,634	215,476	2,049,468
Purchasing, Storeroom & Materials Mgt	764,668	401,128	2,292,990	162,133	3,620,919
Vehicle Resource Management	823,131	510,583	667,782	23,980	2,025,476
General Services	2,499,014	1,185,490	1,992,218	833,669	6,510,391
Building Services	845,609	719,336	2,002,356	650,304	4,217,605
Real Estate	1,062,693	914,165	168,676	123,622	2,269,156
Corporate Insurance Administration	161,286	107,288	243,862	132,157	644,593
Claims Administration	554,166	522,344	1,258,298	-	2,334,808
Regulatory Affairs	3,557,440	2,525,542	5,206,817	51,787	11,341,586
Accounts Payable Accounting Services	480,561	369,796	415,968	175,455	1,441,780
Payroll Services	345,067	197,596	527,080	82,924	1,152,667
Asset & Project Accounting Services	465,891	441,261	1,235,701	396,926	2,539,779
Investor Relations	163,900	137,954	391,953	232,342	926,149
Shareholder Services	239,252	200,704	573,491	340,459	1,353,906
Financial Reporting	714,616	611,787	1,710,178	1,032,682	4,069,263
Sarbanes-Oxley Compliance	170,005	155,738	406,322	240,877	972,942
Investment Financial Management	162,452	144,408	324,998	227,000	858,858
Other Financial Services	4,822,102	4,016,397	7,066,305	5,585,377	21,490,181
Insurance Premiums & Claims	2,183,779	1,532,480	3,622,824	2,853,195	10,192,278
Cost of Benefits	9,645,396	5,280,286	14,835,121	4,851,358	34,612,161
Executive Compensation Services	1,304,179	1,102,347	3,098,578	1,836,230	7,341,334
Other Human Resources Services	6,003,234	3,552,335	7,295,156	4,221,881	21,072,606
Legal Services	3,295,848	2,149,716	4,685,334	1,193,530	11,324,428
Audit Services	901,281	937,556	1,344,601	725,695	3,909,133
Special Billing	596,177	523,426	1,032,596	23,547	2,175,746
Other Customer Care	32,330,273	33,228,289	9,939,300	-	75,497,862
Marketing Services	1,337,414	901,584	2,152,837	71,686	4,463,521
Information Technology	6,446,316	4,108,253	28,658,896	2,414,853	41,628,318
PHI Corporate Contributions	4,413	3,760	10,600	6,249	25,022
Federal Government Affairs	236,465	199,898	565,539	334,717	1,336,619
Other Corporate Communications	965,371	576,380	1,674,735	591,134	3,807,620
Environmental Management Services	1,356,946	891,749	2,094,110	594,133	4,936,938
System Operations Shared	2,441,554	1,611,650	5,351,445	186,866	9,591,515
Electric Maintenance Meter Shop	1,353,932	767,471	-	-	2,121,403
Other Delivery Services	23,228,812	16,373,165	29,935,926	40,567	69,578,470
Power Procurement	1,691,047	1,405,532	2,847,431	-	5,944,010
Management & Administration	112,436	21,520	-	10,169,677	10,303,633
Merchant Functions	907,522	-	-	21,600,003	22,507,525
Engineering Administration	254,758	117,831	-	10,043,444	10,416,033
Internal Consulting Services	104,095	70,196	157,910	-	332,201
IT Voice Support	-	-	2,430	-	2,430
Interns	159,834	109,390	144,916	342	414,482
Total	\$ 121,230,067	\$ 93,593,454	\$ 160,094,512	\$ 84,110,109	\$ 459,028,142

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, 2008
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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	70,313,952	90,411,393	(630,833)	160,094,512
2	Delmarva Power & Light Company	37,169,665	84,325,788	(265,386)	121,230,067
3	Atlantic City Electric	22,993,733	70,823,730	(224,009)	93,593,454
4	Conectiv Energy Supply, Inc.	19,820,277	10,843,609	(37,598)	30,626,288
5	Conectiv Delmarva Generation, Inc.	5,683,137	11,664,701	(56,877)	17,290,961
6	Pepco Energy Services, Inc.	4,018,268	9,426,518	(70,597)	13,374,189
7	Conectiv Atlantic Generation, LLC	3,189,892	4,706,247	(26,309)	7,869,830
8	Conectiv Bethlehem, LLC	1,945,436	1,766,615	(31,160)	3,680,891
9	Pepco Holdings, Inc.	219,543	3,138,792	(86,688)	3,271,647
10	Potomac Capital Investment Corporation	1,300,935	1,086,853	(22,585)	2,365,203
11	PHI Operating Services Company	703,267	1,216,914	(951)	1,919,230
12	Thermal Energy Limited Partnership	108,347	684,357	(7,865)	784,839
13	Conectiv Mid-Merit, LLC	940,099	179,868	(902)	1,119,065
14	Conectiv Thermal Systems	138,656	160,340	(1,033)	297,963
15	Atlantic Southern Properties	53,082	90,180	(572)	142,690
16	Conectiv Communications, Inc.	732	37,058	(813)	36,977
17	ATE Investments, Inc.	1,310	26,026	(695)	26,641
18	Atlantic City Electric Transition Funding, LLC	51,570	670,171	(21,846)	699,895
19	Delaware Operating Services Company	2,006			2,006
20	Conectiv Properties and Investments, Inc.	9,125	62,047		71,172
21	Conectiv Pennsylvania Generation, LLC	14	6,175	(45)	6,144
22	Conectiv Solutions LLC	8,461	5,117		13,578
23	Conectiv North East, LLC	80,417	3,130	(37)	83,510
24	Atlantic Generation, Inc.	7,221	1,169	(8)	8,382
25	DCTC-Burney, Inc.	782	348		1,130
26	Conectiv Services II, Inc.	37,593	12,763		50,356
27	Vineland General, Inc.	12,660	150	(1)	12,809
28	Vineland Limited, Inc.		6		6
29	ACE REIT, Inc.	13	21	(1)	33
30	Conectiv	7,625	11,091	(334)	18,382
31	Atlantic Thermal Operating Company	49	119,384		119,433
32	Conectiv Energy Holding Company	424	223,071	(6,983)	216,512
33	Delta, LLC	347			347
34					
35					
36					
37					
38					
39					
40	Total	168,818,638	291,703,632	(1,494,128)	459,028,142

Potomac Electric Power Company
Attachment 6 - Estimate and Reconciliation Worksheet

Step Month Year Action

Exec Summary

- 1 April Year 2 TO populate 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 populate 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 populate the formula with Year 1 data from FERC Form 1 data for Year 1 (e.g., 2004)
87,100,863 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 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					10.5	-	-	-	-	-	-	-	-		
Mar					9.5	-	-	-	-	-	-	-	-		
Apr					8.5	-	-	-	-	-	-	-	-		
May					7.5	-	-	-	-	-	-	-	-		
Jun	2,204,241				6.5	14,327,567	-	-	-	1,193,964	-	-	-		
Jul					5.5	-	-	-	-	-	-	-	-		
Aug					4.5	-	-	-	-	-	-	-	-		
Sep					3.5	-	-	-	-	-	-	-	-		
Oct					2.5	-	-	-	-	-	-	-	-		
Nov					1.5	-	-	-	-	-	-	-	-		
Dec					0.5	-	-	-	-	-	-	-	-		
Total	2,204,241					14,327,567	-	-	-	1,193,964	-	-	-		
New Transmission Plant Additions and CWIP (weighted by months in service)										1,193,964	-	-	-		
										Input to Line 21 of Appendix A					
										Input to Line 43a of Appendix A					
										Month In Service or Month for CWIP	5.50	#DIV/0!	#DIV/0!	#DIV/0!	1,193,964

- 3 April Year 2 TO adds weighted Cap Adds to plant in service in Formula
 \$ 1,193,964 Input to Formula Line 21
- 4 May Year 2 Post results of Step 3 on PJM web site
87,226,269 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)
 \$ 87,226,269
- 6 April Year 3 TO populate the formula with Year 2 data from FERC Form 1 for Year 2 (e.g., 2005)
88,800,682 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 \$ 13,057,248 Input to Formula Line 20

Add weighted Cap Adds actually placed in service in Year 2

	(A) Monthly Additions Other Plant In Service	(B) Monthly Additions Other Plant In Service	(C) Monthly Additions MAPP CWIP	(D) Monthly Additions MAPP In Service	(E) Weighting	(F) Other Plant In Service Amount (A x E)	(G) Other Plant In Service Amount (B x E)	(H) MAPP CWIP Amount (C x E)	(I) MAPP In Service Amount (D x E)	(J) Other Plant In Service (F / 12)	(K) Other Plant In Service (G / 12)	(L) MAPP CWIP (H / 12)	(M) MAPP In Service (I / 12)		
Jan	-	-	-	-	11.5	-	-	-	-	-	-	-	-		
Feb	-	-	-	-	10.5	-	-	-	-	-	-	-	-		
Mar	-	-	-	-	9.5	-	-	-	-	-	-	-	-		
Apr	-	-	-	-	8.5	-	-	-	-	-	-	-	-		
May	-	-	-	-	7.5	-	-	-	-	-	-	-	-		
Jun	-	-	-	-	6.5	-	-	-	-	-	-	-	-		
Jul	289,703	-	-	-	5.5	1,593,367	-	-	-	132,781	-	-	-		
Aug	4,367	-	-	-	4.5	19,652	-	-	-	1,638	-	-	-		
Sep	212,224	-	-	-	3.5	742,784	-	-	-	61,899	-	-	-		
Oct	40,424	-	-	-	2.5	101,060	-	-	-	8,422	-	-	-		
Nov	272,625	-	939659	-	1.5	408,938	-	1,409,489	-	34,078	-	117,457	-		
Dec	12,237,905	-	205605	-	0.5	6,118,953	-	102,803	-	509,913	-	8,567	-		
Total	13,057,248	-	1,145,264	-		8,984,752	-	-	-	748,729	-	126,024	-		
New Transmission Plant Additions and CWIP (weighted by months in service)										748,729	-	126,024	-		
										Input to Line 21 of Appendix A			748,729		
										Input to Line 43a of Appendix A			126,024		
										Month In Service or Month for CWIP		11.31	#DIV/0!	10.68	#DIV/0!

87,588,042.26 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) Monthly Additions Other Plant In Service	(B) Monthly Additions Other Plant In Service	(C) Monthly Additions MAPP CWIP	(D) Monthly Additions MAPP In Service	(E) Weighting	(F) Other Plant In Service Amount (A x E)	(G) Other Plant In Service Amount (B x E)	(H) MAPP CWIP Amount (C x E)	(I) MAPP In Service Amount (D x E)	(J) Other Plant In Service (F / 12)	(K) Other Plant In Service (G / 12)	(L) MAPP CWIP (H / 12)	(M) MAPP In Service (I / 12)		
Jan	-	-	4978597	-	11.5	-	-	57,253,869	-	-	-	4,771,156	-		
Feb	-	-	3833333	-	10.5	-	-	40,250,000	-	-	-	3,354,167	-		
Mar	-	-	3833333	-	9.5	-	-	36,416,667	-	-	-	3,034,722	-		
Apr	-	-	3833333	-	8.5	-	-	32,583,333	-	-	-	2,715,278	-		
May	-	-	3833333	-	7.5	-	-	28,750,000	-	-	-	2,395,833	-		
Jun	-	-	3833333	-	6.5	-	-	24,916,667	-	-	-	2,076,389	-		
Jul	33,558,380	-	3833333	-	5.5	184,571,090	-	21,083,333	-	15,380,924	-	1,756,944	-		
Aug	-	-	3833333	-	4.5	-	-	17,250,000	-	-	-	1,437,500	-		
Sep	-	-	3833333	-	3.5	-	-	13,416,667	-	-	-	1,118,056	-		
Oct	-	-	3833333	-	2.5	-	-	9,583,333	-	-	-	798,611	-		
Nov	-	-	3833333	-	1.5	-	-	5,750,000	-	-	-	479,167	-		
Dec	-	-	3833333	-	0.5	-	-	1,916,667	-	-	-	159,722	-		
Total	33,558,380	-	47,145,264	-		184,571,090	-	-	-	15,380,924	-	24,097,545	-		
New Transmission Plant Additions and CWIP (weighted by months in service)										15,380,924	-	24,097,545	-		
										Input to Line 21 of Appendix A			15,380,924		
										Input to Line 43a of Appendix A			24,097,545		
										Month In Service or Month for CWIP		6.50	#DIV/0!	5.87	#DIV/0!

93990377.91

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)

The Reconciliation in Step 7		The forecast in Prior Year				
87,588,042		92,052,335		= (4,464,293)		
Interest on Amount of Refunds or Surcharges						
Interest rate pursuant to 35.19a for March of 0.3800%						
Month	Yr	1/12 of Step 9	Interest rate for March of the Current Yr	Months	Interest	Surcharge (Refund) Owed
Jun	Year 1	(372,024)	0.3800%	11.5	(16,257)	(388,282)
Jul	Year 1	(372,024)	0.3800%	10.5	(14,844)	(386,868)
Aug	Year 1	(372,024)	0.3800%	9.5	(13,430)	(385,454)
Sep	Year 1	(372,024)	0.3800%	8.5	(12,016)	(384,041)
Oct	Year 1	(372,024)	0.3800%	7.5	(10,603)	(382,627)
Nov	Year 1	(372,024)	0.3800%	6.5	(9,189)	(381,213)
Dec	Year 1	(372,024)	0.3800%	5.5	(7,775)	(379,800)
Jan	Year 2	(372,024)	0.3800%	4.5	(6,362)	(378,386)
Feb	Year 2	(372,024)	0.3800%	3.5	(4,948)	(376,972)
Mar	Year 2	(372,024)	0.3800%	2.5	(3,534)	(375,559)
Apr	Year 2	(372,024)	0.3800%	1.5	(2,121)	(374,145)
May	Year 2	(372,024)	0.3800%	0.5	(707)	(372,731)
Total		(4,464,293)				(4,566,079)

		Amortization over			
		Balance	Interest rate from above	Rate Year	Balance
Jun	Year 2	(4,566,079)	0.3800%	(389,970)	(4,173,459)
Jul	Year 2	(4,173,459)	0.3800%	(389,970)	(3,819,424)
Aug	Year 2	(3,819,424)	0.3800%	(389,970)	(3,443,967)
Sep	Year 2	(3,443,967)	0.3800%	(389,970)	(3,067,084)
Oct	Year 2	(3,067,084)	0.3800%	(389,970)	(2,688,769)
Nov	Year 2	(2,688,769)	0.3800%	(389,970)	(2,309,016)
Dec	Year 2	(2,309,016)	0.3800%	(389,970)	(1,927,819)
Jan	Year 3	(1,927,819)	0.3800%	(389,970)	(1,545,175)
Feb	Year 3	(1,545,175)	0.3800%	(389,970)	(1,161,076)
Mar	Year 3	(1,161,076)	0.3800%	(389,970)	(775,518)
Apr	Year 3	(775,518)	0.3800%	(389,970)	(388,494)
May	Year 3	(388,494)	0.3800%	(389,970)	(0)
Total with interest				(4,679,645)	

The difference between the Reconciliation in Step 7 and the forecast in Prior Year with interest (4,679,645)
 Rev Req based on Year 2 data with estimated Cap Adds and CWIP for Year 3 (Step 8) \$ 93,990,378
 Revenue Requirement for Year 3 89,310,733

10 May Year 3 Post results of Step 9 on PJM web site
 \$ 89,310,733 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)
 \$ 89,310,733

Potomac Electric Power Company

Attachment 7 - Transmission Enhancement Charge Worksheet

1	New Plant Carrying Charge			
2	Fixed Charge Rate (FCR) if not a CIAC			
3	Formula Line			
4	A	160	Net Plant Carrying Charge without Depreciation	19.6221%
5	B	167	Net Plant Carrying Charge per 100 Basis Point in ROE without Depreciation	20.3383%
6	C		Line B less Line A	0.7161%
7	FCR if a CIAC			
8	D	161	Net Plant Carrying Charge without Depreciation, Return, nor Income Taxes	8.8879%

The FCR resulting from Formula in a given year is used for that year only
 Therefore actual revenues collected in a year do not change based on cost data for subsequent year
 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 Dockets No. ER08-686 and ER08-1423 the ROE for specific projects identified or to be identified in

Details		B0512 MAPP				B0288 Brighton Sub					
Invest Yr	Beginning	Depreciation	Ending	Revenue	Beginning	Depreciation	Ending	Revenue	Total	Incentive Charged	Revenue Credit
21	Base FCR	1,145,264	-	1,145,264	133,592	-	-	-	\$ 133,592		\$ 133,592
22	W Increased ROE	1,145,264	-	1,145,264	140,905	-	-	-	\$ 140,905	\$ 140,905	\$ -
23	Base FCR	47,145,264	-	47,145,264	9,250,912	33,558,380	439,455	33,118,925	6,938,099	\$ 16,189,011	\$ 16,189,011
24	W Increased ROE	47,145,264	-	47,145,264	9,757,335	33,558,380	439,455	33,118,925	7,293,854	\$ 17,051,189	\$ 17,051,189
25	Base FCR	47,145,264	-	47,145,264	9,250,912	33,118,925	958,811	32,160,114	7,269,315	\$ 16,520,228	\$ 16,520,228
26	W Increased ROE	47,145,264	-	47,145,264	9,757,335	33,118,925	958,811	32,160,114	7,614,771	\$ 17,372,106	\$ 17,372,106
27	Base FCR	47,145,264	-	47,145,264	9,250,912	32,160,114	958,811	31,201,303	7,081,176	\$ 16,332,088	\$ 16,332,088
28	W Increased ROE	47,145,264	-	47,145,264	9,757,335	32,160,114	958,811	31,201,303	7,416,333	\$ 17,173,668	\$ 17,173,668
29	Base FCR	47,145,264	-	47,145,264	9,250,912	31,201,303	958,811	30,242,492	6,893,037	\$ 16,143,949	\$ 16,143,949
30	W Increased ROE	47,145,264	-	47,145,264	9,757,335	31,201,303	958,811	30,242,492	7,217,894	\$ 16,975,229	\$ 16,975,229
31	Base FCR	47,145,264	-	47,145,264	9,250,912	30,242,492	958,811	29,283,682	6,704,898	\$ 15,955,810	\$ 15,955,810
32	W Increased ROE	47,145,264	-	47,145,264	9,757,335	30,242,492	958,811	29,283,682	7,019,455	\$ 16,776,790	\$ 16,776,790
33	Base FCR	47,145,264	-	47,145,264	9,250,912	29,283,682	958,811	28,324,871	6,516,758	\$ 15,767,671	\$ 15,767,671
34	W Increased ROE	47,145,264	-	47,145,264	9,757,335	29,283,682	958,811	28,324,871	6,821,017	\$ 16,578,352	\$ 16,578,352
35	Base FCR	47,145,264	-	47,145,264	9,250,912	28,324,871	958,811	27,366,060	6,328,619	\$ 15,579,531	\$ 15,579,531
36	W Increased ROE	47,145,264	-	47,145,264	9,757,335	28,324,871	958,811	27,366,060	6,622,578	\$ 16,379,913	\$ 16,379,913
37	Base FCR	47,145,264	-	47,145,264	9,250,912	27,366,060	958,811	26,407,249	6,140,480	\$ 15,391,392	\$ 15,391,392
38	W Increased ROE	47,145,264	-	47,145,264	9,757,335	27,366,060	958,811	26,407,249	6,424,140	\$ 16,181,475	\$ 16,181,475
39	Base FCR	47,145,264	-	47,145,264	9,250,912	26,407,249	958,811	25,448,438	5,952,340	\$ 15,203,253	\$ 15,203,253
40	W Increased ROE	47,145,264	-	47,145,264	9,757,335	26,407,249	958,811	25,448,438	6,225,701	\$ 15,983,036	\$ 15,983,036
41	Base FCR	47,145,264	-	47,145,264	9,250,912	25,448,438	958,811	24,489,627	5,764,201	\$ 15,015,114	\$ 15,015,114
42	W Increased ROE	47,145,264	-	47,145,264	9,757,335	25,448,438	958,811	24,489,627	6,027,263	\$ 15,784,598	\$ 15,784,598
43	Base FCR	47,145,264	-	47,145,264	9,250,912	24,489,627	958,811	23,530,816	5,576,062	\$ 14,826,974	\$ 14,826,974
44	W Increased ROE	47,145,264	-	47,145,264	9,757,335	24,489,627	958,811	23,530,816	5,828,824	\$ 15,586,159	\$ 15,586,159
45	Base FCR	47,145,264	-	47,145,264	9,250,912	23,530,816	958,811	22,572,006	5,387,923	\$ 14,638,835	\$ 14,638,835
46	W Increased ROE	47,145,264	-	47,145,264	9,757,335	23,530,816	958,811	22,572,006	5,630,386	\$ 15,387,720	\$ 15,387,720
47	Base FCR	47,145,264	-	47,145,264	9,250,912	22,572,006	958,811	21,613,195	5,199,783	\$ 14,450,696	\$ 14,450,696
48	W Increased ROE	47,145,264	-	47,145,264	9,757,335	22,572,006	958,811	21,613,195	5,431,947	\$ 15,189,282	\$ 15,189,282
49	Base FCR	47,145,264	-	47,145,264	9,250,912	21,613,195	958,811	20,654,384	5,011,644	\$ 14,262,557	\$ 14,262,557
50	W Increased ROE	47,145,264	-	47,145,264	9,757,335	21,613,195	958,811	20,654,384	5,233,508	\$ 14,990,843	\$ 14,990,843
51	Base FCR	47,145,264	-	47,145,264	9,250,912	20,654,384	958,811	19,695,573	4,823,505	\$ 14,074,417	\$ 14,074,417
52	W Increased ROE	47,145,264	-	47,145,264	9,757,335	20,654,384	958,811	19,695,573	5,035,070	\$ 14,792,405	\$ 14,792,405
53	Base FCR	47,145,264	-	47,145,264	9,250,912	19,695,573	958,811	18,736,762	4,635,366	\$ 13,886,278	\$ 13,886,278
54	W Increased ROE	47,145,264	-	47,145,264	9,757,335	19,695,573	958,811	18,736,762	4,836,631	\$ 14,593,966	\$ 14,593,966
55	Base FCR	47,145,264	-	47,145,264	9,250,912	18,736,762	958,811	17,777,951	4,447,226	\$ 13,698,139	\$ 13,698,139
56	W Increased ROE	47,145,264	-	47,145,264	9,757,335	18,736,762	958,811	17,777,951	4,638,193	\$ 14,395,528	\$ 14,395,528
57	Base FCR	47,145,264	-	47,145,264	9,250,912	17,777,951	958,811	16,819,140	4,259,087	\$ 13,510,000	\$ 13,510,000
58	W Increased ROE	47,145,264	-	47,145,264	9,757,335	17,777,951	958,811	16,819,140	4,439,754	\$ 14,197,089	\$ 14,197,089
59	Base FCR	47,145,264	-	47,145,264	9,250,912	16,819,140	958,811	15,860,330	4,070,948	\$ 13,321,860	\$ 13,321,860
60	W Increased ROE	47,145,264	-	47,145,264	9,757,335	16,819,140	958,811	15,860,330	4,241,316	\$ 14,241,316	\$ 14,241,316
61	.....	.....	.....	.....	.....	.....	.....	.....	.....	\$ -	\$ -
62	.....	.....	.....	.....	.....	.....	.....	.....	.....	\$ -	\$ -
63	.....	.....	.....	.....	.....	.....	.....	.....	.....	\$ 289,771,569	\$ 284,901,395

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

