

ATTACHMENT H-9A

Potomac Electric Power Company		FERC Form 1 Page # or Instruction		2005
Formula Rate -- Appendix A		Notes		
Shaded cells are input cells				
Allocators				
Wages & Salary Allocation Factor				
1	Transmission Wages Expense		p354.19.b	5,361,109
2	Total Wages Expense		p354.25b	56,236,136
3	Less A&G Wages Expense		p354.24b	5,907,532
4	Total		(Line 2 - 3)	50,328,604
5	Wages & Salary Allocator		(Line 1 / 4)	10.6522%
Plant Allocation Factors				
6	Electric Plant in Service	(Note B)	p207.95g	4,576,483,303
7	Common Plant In Service - Electric		(Line 24)	0
8	Total Plant In Service		(Sum Lines 6 & 7)	4,576,483,303
9	Accumulated Depreciation (Total Electric Plant)		p219.28c	1,982,358,071
10	Accumulated Intangible Amortization	(Note A)	p200.21c	53,984,060
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)	2,036,342,131
14	Net Plant		(Line 8 - 13)	2,540,141,172
15	Transmission Gross Plant		(Line 29 - Line 28)	678,664,228
16	Gross Plant Allocator		(Line 15 / 8)	14.8294%
17	Transmission Net Plant		(Line 39 - Line 28)	368,324,566
18	Net Plant Allocator		(Line 17 / 14)	14.5002%
Plant Calculations				
Plant In Service				
19	Transmission Plant In Service	(Note B)	p207.58.g	638,957,513
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	2,000,000
22	Total Transmission Plant In Service		(Line 19 - 20 + 21)	640,957,513
23	General & Intangible		p205.5.g & p207.90.g	353,980,183
24	Common Plant (Electric Only)	(Notes A & B)	p356	0
25	Total General & Common		(Line 23 + 24)	353,980,183
26	Wage & Salary Allocation Factor		(Line 5)	10.65221%
27	General & Common Plant Allocated to Transmission		(Line 25 * 26)	37,706,715
28	Plant Held for Future Use (Including Land)	(Note C)	p214	0
29	TOTAL Plant In Service		(Line 22 + 27 + 28)	678,664,228
Accumulated Depreciation				
30	Transmission Accumulated Depreciation	(Note B)	p219.25.c	289,608,449
31	Accumulated General Depreciation		p219.27.c	140,634,818
32	Accumulated Intangible Amortization		(Line 10)	53,984,060
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)	194,618,878
36	Wage & Salary Allocation Factor		(Line 5)	10.65221%
37	General & Common Allocated to Transmission		(Line 35 * 36)	20,731,213
38	TOTAL Accumulated Depreciation		(Line 30 + 37)	310,339,662
39	TOTAL Net Property, Plant & Equipment		(Line 29 - 38)	368,324,566

Adjustment To Rate Base

Accumulated Deferred Income Taxes				
40	ADIT net of FASB 106 and 109		Attachment 1	-88,457,652
41	Accumulated Investment Tax Credit Account No. 255	Enter Negative	p266.h	0
42	Net Plant Allocation Factor	(Notes A & I)	(Line 18)	14.50%
43	Accumulated Deferred Income Taxes Allocated To Transmission		(Line 41 * 42) + Line 40	-88,457,652
Transmission O&M Reserves				
44	Total Balance Transmission Related Account 242 Reserves	Enter Negative	Attachment 5	-4,464,414
Prepayments				
45	Prepayments	(Note A)	Attachment 5	18,092,671
46	Total Prepayments Allocated to Transmission		(Line 45)	18,092,671
Materials and Supplies				
47	Undistributed Stores Exp	(Note A)	p227.6c & 15.c	3,124,414
48	Wage & Salary Allocation Factor		(Line 5)	10.65%
49	Total Transmission Allocated		(Line 47 * 48)	332,819
50	Transmission Materials & Supplies		p227.8c	6,708,357
51	Total Materials & Supplies Allocated to Transmission		(Line 49 + 50)	7,041,176
Cash Working Capital				
52	Operation & Maintenance Expense		(Line 85)	33,925,426
53	1/8th Rule		x 1/8	12.5%
54	Total Cash Working Capital Allocated to Transmission		(Line 52 * 53)	4,240,678
Network Credits				
55	Outstanding Network Credits	(Note N)	From PJM	0
56	Less Accumulated Depreciation Associated with Facilities with Outstanding Network Credits	(Note N)	From PJM	0
57	Net Outstanding Credits		(Line 55 - 56)	0
58	TOTAL Adjustment to Rate Base		(Line 43 + 44 + 46 + 51 + 54 - 57)	-63,547,541
59	Rate Base		(Line 39 + 58)	304,777,025

O&M

Transmission O&M				
60	Transmission O&M		p321.100.b	22,702,691
61	Less extraordinary property loss		Attachment 5	0
62	Plus amortized extraordinary property loss		Attachment 5	0
63	Less Account 565		p321.88.b	207
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)	22,702,484
Allocated General & Common Expenses				
67	Common Plant O&M	(Note A)	p356	0
68	Total A&G		p323.168.b	108,443,829
69	Less Property Insurance Account 924		p323.156b	977,942
70	Less Regulatory Commission Exp Account 928	(Note E)	p323.160b	3,334,479
71	Less General Advertising Exp Account 930.1		p323.162b	99,751
72	Less DE Enviro & Low Income and MD Universal Funds		p335.b	0
73	Less EPRI Dues	(Note D)	p352-353	5,000
74	General & Common Expenses		(Lines 67 + 68) - Sum (69 to 73)	104,026,657
75	Wage & Salary Allocation Factor		(Line 5)	10.6522%
76	General & Common Expenses Allocated to Transmission		(Line 74 * 75)	11,081,139
Directly Assigned A&G				
77	Regulatory Commission Exp Account 928	(Note G)	p323.160b	0
78	General Advertising Exp Account 930.1	(Note K)	p323.162b	0
79	Subtotal - Transmission Related		(Line 77 + 78)	0
80	Property Insurance Account 924		p323.156b	977,942
81	General Advertising Exp Account 930.1	(Note F)	p323.162b	0
82	Total		(Line 80 + 81)	977,942
83	Net Plant Allocation Factor		(Line 18)	14.50%
84	A&G Directly Assigned to Transmission		(Line 82 * 83)	141,803
85	Total Transmission O&M		(Line 66 + 76 + 79 + 84)	33,925,426

Depreciation & Amortization Expense

Depreciation Expense				
86	Transmission Depreciation Expense		p336.7b&c	13,747,838
87	General Depreciation		p336.9b&c	13,908,048
88	Intangible Amortization	(Note A)	p336.1d&e	10,836,957
89	Total		(Line 87 + 88)	24,745,005
90	Wage & Salary Allocation Factor		(Line 5)	10.6522%
91	General Depreciation Allocated to Transmission		(Line 89 * 90)	2,635,890
92	Common Depreciation - Electric Only	(Note A)	p336.10.b	0
93	Common Amortization - Electric Only	(Note A)	p356 or p336.10d	0
94	Total		(Line 92 + 93)	0
95	Wage & Salary Allocation Factor		(Line 5)	10.6522%
96	Common Depreciation - Electric Only Allocated to Transmission		(Line 94 * 95)	0
97	Total Transmission Depreciation & Amortization		(Line 86 + 91 + 96)	16,383,728

Taxes Other than Income

98	Taxes Other than Income		Attachment 2	8,586,191
99	Total Taxes Other than Income		(Line 98)	8,586,191

Return / Capitalization Calculations

Long Term Interest				
100	Long Term Interest		p117.62c through 67c	80,454,921
101	Less LTD Interest on Securitization Bonds	(Note P)	Attachment 8	0
102	Long Term Interest		"(Line 100 - line 101)"	80,454,921
103	Preferred Dividends	enter positive	p118.29c	1,210,155
Common Stock				
104	Proprietary Capital		p112.16c	1,099,394,028
105	Less Preferred Stock	enter negative	(Line 114)	-21,467,200
106	Less Account 216.1	enter negative	p112.12c	-1,646,367
107	Common Stock		(Sum Lines 104 to 106)	1,076,280,461
Capitalization				
108	Long Term Debt		p112.17c through 21c	1,251,800,000
109	Less Loss on Reacquired Debt	enter negative	p111.81c	-43,722,349
110	Plus Gain on Reacquired Debt	enter positive	p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	18,755,143
112	Less LTD on Securitization Bonds	(Note P)	Attachment 8	0
113	Total Long Term Debt		(Sum Lines 108 to 112)	1,226,832,794
114	Preferred Stock		p112.3c	21,467,200
115	Common Stock		(Line 107)	1,076,280,461
116	Total Capitalization		(Sum Lines 113 to 115)	2,324,580,455
117	Debt %	Total Long Term Debt	(Line 113 / 116)	53%
118	Preferred %	Preferred Stock	(Line 114 / 116)	1%
119	Common %	Common Stock	(Line 115 / 116)	46%
120	Debt Cost	Total Long Term Debt	(Line 102 / 113)	0.0656
121	Preferred Cost	Preferred Stock	(Line 103 / 114)	0.0564
122	Common Cost	Common Stock	(Note J) Fixed	0.1080
123	Weighted Cost of Debt	Total Long Term Debt (WCLTD)	(Line 117 * 120)	0.0346
124	Weighted Cost of Preferred	Preferred Stock	(Line 118 * 121)	0.0005
125	Weighted Cost of Common	Common Stock	(Line 119 * 122)	0.0500
126	Total Return (R)		(Sum Lines 123 to 125)	0.0851
127	Investment Return = Rate Base * Rate of Return		(Line 59 * 126)	25,947,219

Composite Income Taxes

Income Tax Rates			
128	FIT=Federal Income Tax Rate		35.00%
129	SIT=State Income Tax Rate or Composite		8.05%
130	p	(percent of federal income tax deductible for state purposes)	0.00%
131	T	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$	40.23%
132	T/(1-T)		67.32%
ITC Adjustment			
133	Amortized Investment Tax Credit	(Note I) enter negative	-2,034,384
134	T/(1-T)	p266.8f (Line 132)	67.32%
135	Net Plant Allocation Factor	(Line 18)	14.5002%
136	ITC Adjustment Allocated to Transmission	(Line 133 * (1 + 134) * 135)	-493,561
137	Income Tax Component =	$CIT=(T/1-T) * Investment\ Return * (1-(WCLTD/R)) =$	[Line 132 * 127 * (1-(123 / 126))] 10,365,657
138	Total Income Taxes	(Line 136 + 137)	9,872,096

REVENUE REQUIREMENT

Summary			
139	Net Property, Plant & Equipment	(Line 39)	368,324,566
140	Adjustment to Rate Base	(Line 58)	-63,547,541
141	Rate Base	(Line 59)	304,777,025
142	O&M	(Line 85)	33,925,426
143	Depreciation & Amortization	(Line 97)	16,383,728
144	Taxes Other than Income	(Line 99)	8,586,191
145	Investment Return	(Line 127)	25,947,219
146	Income Taxes	(Line 138)	9,872,096
147	Gross Revenue Requirement	(Sum Lines 142 to 146)	94,714,661
Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities			
148	Transmission Plant In Service	(Line 19)	638,957,513
149	Excluded Transmission Facilities	(Note M) Attachment 5	0
150	Included Transmission Facilities	(Line 148 - 149)	638,957,513
151	Inclusion Ratio	(Line 150 / 148)	100.00%
152	Gross Revenue Requirement	(Line 147)	94,714,661
153	Adjusted Gross Revenue Requirement	(Line 151 * 152)	94,714,661
Revenue Credits & Interest on Network Credits			
154	Revenue Credits	(Note N) Attachment 3 PJM Data	6,843,964
155	Interest on Network Credits		-
156	Net Revenue Requirement	(Line 153 - 154 + 155)	87,870,698
Net Plant Carrying Charge			
157	Net Revenue Requirement	(Line 156)	87,870,698
158	Net Transmission Plant	(Line 19 - 30)	349,349,064
159	Net Plant Carrying Charge	(Line 157 / 158)	25.1527%
160	Net Plant Carrying Charge without Depreciation	(Line 157 - 86) / 158	21.2174%
161	Net Plant Carrying Charge without Depreciation, Return, nor Income Taxes	(Line 157 - 86 - 127 - 138) / 158	10.9643%
			25.41
Net Plant Carrying Charge Calculation per 100 Basis Point increase in ROE			
162	Net Revenue Requirement Less Return and Taxes	(Line 156 - 145 - 146)	52,051,382
163	Increased Return and Taxes	Attachment 4	38,180,327
164	Net Revenue Requirement per 100 Basis Point increase in ROE	(Line 162 + 163)	90,231,709
165	Net Transmission Plant	(Line 19 - 30)	349,349,064
166	Net Plant Carrying Charge per 100 Basis Point increase in ROE	(Line 164 / 165)	25.8285%
167	Net Plant Carrying Charge per 100 Basis Point in ROE without Depreciation	(Line 163 - 86) / 165	21.8933%
168	Net Revenue Requirement	(Line 156)	87,870,698
169	True-up amount	Attachment 6	(6,625,968)
170	Plus any increased ROE calculated on Attachment 7 other than PJM Sch. 12 projects	Attachment 7	6,801
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)	81,251,530
Network Zonal Service Rate			
173	1 CP Peak	(Note L) PJM Data	6,766
174	Rate (\$/MW-Year)	(Line 172 / 173)	12,009
175	Network Service Rate (\$/MW/Year)	(Line 174)	12,009

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
- 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 $p = \frac{\text{percentage of federal income tax deductible for state income taxes}}{\text{FIT}}$. 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.
- J ROE is determined initially to be 10.80% on facilities in service prior to 1-1-06 and 11.30% on facilities in service on or after 1-1-06 per settlement in ER05-515.
- 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.

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	(622,621,229)	0	
ADIT-283	0	(86,295,136)	(16,807,661)	
ADIT-190	0	125,726,782	(1,725,924)	
Subtotal	0	(583,189,583)	(18,533,585)	
Wages & Salary Allocator		14,8294%	10,6522%	
Gross Plant Allocator				
ADIT	0	(86,483,416)	(1,974,237)	(88,457,652)

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
(18,755,143)

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

A	B Total	C Gas, Prod Or Other Related	D Only Transmission Related	E Plant Related	F Labor Related	G Justification
ADIT-190						
Fuel Supply Sale	56,500	56,500				Deferred taxes related to the termination of Pepco's planned nuclear plant
Fuel Rights Sale	554,494	554,494				Deferred taxes related to the termination of Pepco's planned nuclear plant
Enrichment Contract Sale	(146,139)	(146,139)				Deferred taxes related to the termination of Pepco's planned nuclear plant
Fuel Excise Tax Write-off	84,054	84,054				Deferred taxes related Generation
Deferred Payments	(9,101,680)				(9,101,680)	For book purposes, deferred payments are expensed when accrued. For tax purposes, they are deducted when paid. Affects company personnel across all functions.
Deferred Compensation(stk)	(1,218,553)				(1,218,553)	For tax purposes, payments are included in income upon 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
Additional Rental Income	6,105				6,105	Rental of General Plant and therefore allocated on labor.
D. C. Gross Receipts Tax	(873,878)	(873,878)				Retail related
Control Center - Lease Payment	65,763,413			65,763,413		For book purposes, the rental payments on the control center are expensed during the current year. For tax purposes, control center is treated as if Pepco continues to own it. The rent expense is added back to book income, the assets are depreciated and interest expense is imputed and deducted. Sale/lease back of center used for control of T & D.
Avg. Payment Plan	63,177	63,177				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
Customer Deposits	(174,272)	(174,272)				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	(2,995,380)			(2,995,380)		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	(1,095,487)			(1,095,487)		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	55,091,121			55,091,121		IRS Notice 87-51, if CIAC are not grossed up, the deferred taxes must be included in rate base in order
Normalization - Unbilled Revenues	342,224			342,224		Relates to all revenues
Unbilled Revenues(1989 & TRA 1986)	1,506,953			1,506,953		Relates to all revenues
Unbilled Revenue Adj. DC Order #10387	5,661			5,661		Relates to all revenues
NPDES Permits (Net)	470,708	470,708				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
Cap. Construct Period Taxes	14,701			14,701		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	1,557,101			1,557,101		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.
Bad Debt Expense/Adjustment	5,004,588			5,004,588		Under the Tax Reform Act of 1986, taxpayers were required to switch from the reserve method for bad debts to the specific write-off method. The amounts previously accumulated in a reserve were required to be included in taxable income over a four year period. The reserve method is used for book purposes. Related to all revenues.
Excess Accrued Vacation Pay	1,689,961				1,689,961	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	69,591	69,591				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	111,364	111,364				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	438,094	438,094				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
Mine Closing Costs/Conemaugh Adj	(299,179)	(299,179)				Generation related
Const.Audit Adj.	687,433			687,433		This deferred tax balance relate to prior Internal Revenue Service audits of the Company
FAS 109 - Deferred Taxes on ITC	12,290,026			12,290,026		Pursuant to the requirements of FAS 109, Pepco's accumulated deferred taxes must encompass all timing differences regardless of whether the difference is normalized or flowed-through. These balances primarily represent the deferred taxes on prior flow-through items, including the amount of the required gross-up necessary for full recovery of the prior flow-through amount. Related to all plant.
FAS 109 Regulatory Receivable/Liability	41,976,695			41,976,695		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 - Flowthrough Items	(1,522,500)			(1,522,500)		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.

						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 - Normalization	(1,668,922)			(1,668,922)		
FAS 109 - Earnings Effect	(56,918)			(56,918)		timing differences regardless of whether the difference is normalized or flowed-through. These balances

Current Portion of Deferred Tax Liability	(1,836,331)			(1,836,331)		Represents the portion of the deferred taxes that have been identified as current. Related to all plant.
SMECO Contract Termination/Interest	1,066,901	1,066,901				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.
Human Resource Initiatives/Guide	105,835	105,835				Relates to prior IRS audit adjustments. The tax amortization period is longer than the book s which currently expensed these costs. Guide is generation related
Customer Sharing	(596,045)	(596,045)				expensed when the gain on the sale was recorded. For tax purposes, gain to be shared is deducted when paid. Generation related
Pension Curtailment	4,237,288	4,237,288				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	14,288,975	14,288,975				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	6,390,867				6,390,867	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	507,376				507,376	PHI's consolidated return is in an NOL situation, therefore, Pepco'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	415,274			415,274		Council. Since Maryland counties are prohibited from enacting any tax without the authority of the state
DC Consolidated Audit Adjustment	(570,820)			(570,820)		This deferred tax balance relates to a lower DC consolidated rate
Contribution Carryforward	0			0		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.
Subtotal - p234	192,640,376	19,457,468	0	174,908,832	(1,725,924)	
Less FASB 109 Above if not separately removed	49,182,050		0	49,182,050		
Less FASB 106 Above if not separately removed	0		0		0	
Total	143,458,326	19,457,468	0	125,726,782	(1,725,924)	

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 included in taxable income in different periods than they are included in rates, therefore if the item giving

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- 282	A	B	C	D	E	F	G
	Total	Gas, Prod Or Other	Only Transmission	Plant	Labor		Justification
		Related	Related	Related	Related		
Accelerated Depreciation (BG&E)/Gain On Sale	(342,796,311)				(342,796,311)		as computed pursuant to the Internal Revenue Code and the book depreciation associated with all assets.
Repair Allowance	(1,044,571)	(1,044,571)					Generation related
Repair Allowance Proceeds	(155,662,073)			(155,662,073)			Deferred tax represents the difference between tax deductible repairs and book capitalization of repair costs. Affects company personnel across all functions.
Disc on Bond Redemption	3,769,122			3,769,122			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.
Adj. Tax Gain - TDR's	(1,091,058)			(1,091,058)			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 - FAR's	(355,833)			(355,833)			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	(42,505)			(42,505)			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)	6,574,069			6,574,069			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	(229,564)			(229,564)			must be currently recognized as taxable income or loss. For book purposes the proceeds from the
Control Center - Depreciation/Amort	(50,306,445)			(50,306,445)			See the explanation for Account 190.
Removal Cost Adjustment	(11,326,705)			(11,326,705)			Removal costs are deductible for tax purposes but are recorded as a reduction to the depreciation reserve for book purposes. Removal costs relating to post-1980 assets are required to be normalized under the Internal Revenue Code. Related to all assets.
Removal Cost Adj - MD	(4,994,372)	(4,994,372)					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	(21,297,104)	(21,297,104)					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	223,575			223,575			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	2,117,040			2,117,040			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	(671,436)			(671,436)			must be currently recognized as taxable income or loss. For book purposes the proceeds from the
Normalization Adjustment	18,242,757			18,242,757			See the explanation for Account 190
Normalization-MD Case 8162	4,603,431			4,603,431			See the explanation for Account 191
Capitalized Interest	16,594,732			16,594,732			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	(8,244,676)			(8,244,676)			For book purposes, AFUDC is capitalized and depreciated. For tax purposes, AFUDC is not recognized. Related to all plant.
Capitalized Real Estate Taxes	45,648			45,648			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	(10,373,428)	(10,373,428)					This deferred tax balance relates to a prior Internal Revenue Service audit related to the sale of Peppo's northern Virginia sales territory and assets located therein. Retail related
Construction Per. Interest(Net)	159,737			159,737			book purposes, AFUDC is used. Related to all plant.
FAS 109 Earnings Benefit 34/35%	(376,373)			(376,373)			See the explanation for Account 190.
FAS 109 - Flowthrough Items	(8,604,151)			(8,604,151)			See the explanation for Account 190.
FAS 109 - Normalization	25,327,492			25,327,492			See the explanation for Account 190.
FAS 109 - CCRF/AFUDC Equity	(38,454,742)			(38,454,742)			See the explanation for Account 190.
FAS 109 Earnings Effect - Nonoperating	2,428,547			2,428,547			See the explanation for Account 190.
69 KV Line Amortization	159,827	159,827					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	(107,247,153)			(107,247,153)			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	6,161,100	6,161,100					Energy Use Mgt. assets. Retail related
Reduction State Taxes	560,848			560,848			Related to all plant.
MD Subtraction (Adj Gain or Loss)	(478,518)			(478,518)			from the imposition of MD income tax on assets placed in service prior to the commencement of MD income taxes on operating income in 2000. Related to all assets.
Spare Parts	4,862			4,862			audit to be depreciated for tax purposes. Related to all spare parts.
DC Consolidated Adjustment	2,935,227			2,935,227			See the explanation for Account 190.
Subtotal - p275 (Form 1-F filer: see note 6 below)	(673,689,004)	(31,388,548)	0	(642,300,456)	0		
Less FASB 109 Above if not separately removed	(19,679,227)			(19,679,227)			
Less FASB 106 Above if not separately removed	0			0			
Total	(654,009,777)	(31,388,548)	0	(622,621,229)	0		

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
- 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	C	D	E	F	G
	Total	Gas, Prod Or Other	Only Transmission	Plant	Labor		
	Related	Related	Related	Related	Justification		
Capitalized A&G	(256,471)				(256,471)		Prior to the Tax Reform Act of 1986, these amounts were deducted in the year incurred for tax purposes, but capitalized and depreciated for book purposes. Related to all plant.
Capit'd Fringe Benefits	(7,038,914)				(7,038,914)		Prior to the Tax Reform Act of 1986, these amounts were deducted in the year incurred for tax purposes, but capitalized and depreciated for book purposes. Related to all plant.
Capit'd Payroll & Use Tax	(4,679,523)				(4,679,523)		but capitalized and depreciated for book purposes. Related to all plant.
Doug Pt Term Costs - G.E.	(4,777,478)	(4,777,478)					Deferred taxes related to the termination of Peppo's planned nuclear plant. Generation related.
G E Term Costs - Non-Jur	(312,954)	(312,954)					Deferred taxes related to the termination of Peppo's planned nuclear plant. Generation related.
Plant Abandonment	10,793,821	10,793,821					Deferred taxes related to the termination of Peppo's planned nuclear plant. Generation related.
Invol Conv - Derwood Sub	(24,003)	(24,003)					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 - Md Prop MG016	(13,654)				(13,654)		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	(162,266)				(162,266)		involuntary conversion is deductible only if the converted property is used in a business or for the production of income.
D.C. Adjustment	137,737	137,737					This represents the reversal of deferred taxes accrued at 48% that reversed at 46% to DC customers. Retail related.
MD Adjustment	381,342	381,342					This represents the reversal of deferred taxes accrued at 48% that reversed at 46% to MD customers. Retail related.
Excess Book Over Tax Gain	(47,331)	(47,331)					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	24,530,393					24,530,393	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	(518,084)					(518,084)	manner in which the DC Commission ordered these costs to be recovered from customers. Retail related.
Bk Depr on Poll Bond Int	2,678	2,678					Generation related.
Book Deprac on AFUDC	12,414				12,414		Related to all assets.
Envirotech Investment	(28,031)	(28,031)					Unregulated business.
D.C. Street Lighting	(110,705)	(110,705)					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. Stk.	6,167				6,167		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	(82,232)	(82,232)					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	(18,755,143)	(18,755,143)					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	1,194,215	1,194,215					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	1,449,010				1,449,010		Payments to the health care plans are deductible for tax purposes when they are paid. Affects company personnel across all functions.
Control Center - Interest Expense	(53,666,172)				(53,666,172)		See the explanation for the control center transaction in Account 190.
Loss on Marketable Securities	235,139	235,139					The deferred tax balance reflects the difference between the book gain and tax gain on the disposition/salvage of marketable securities.
Ordinary Gains/Losses	391,827				391,827		The difference between the book gain and tax gain on the disposition/salvage of assets. Related to all assets.
Capital Gains/Losses-D.C.	2,709				2,709		The difference between the book gain and tax gain on the disposition/salvage of assets. Related to all assets.
Legal Fees	47,842				47,842		For tax purposes, these costs are capital in nature and are amortized over a 30 year period. Related to Generation related.
Amort of Unit Train Costs	(501)	(501)					
Dividend Income Not Rec'd/Other Rental Income	(45,193)	(45,193)					
Normalization Adjust	4,484,214				4,484,214		See the explanation for Account 190
ESOP Deduction over ESOP ITC	(1,914)					(1,914)	Affects company personnel across all functions.
Other Exp - Non Oper(PCI)	30,748	30,748					Unregulated business.
Normalization-MD Case 8162	3,493,885				3,493,885		See the explanation for Account 190
Int Income - Basis Adj	(4,373)				(4,373)		Related to all functions.
NPDES Permits, 1981-83	37,995	37,995					purposes and are required to be amortized over a 5 year period for tax purposes. Generation related.
Compensation	26,593,556					26,593,556	Deferred employee comp. Related to all functions
Contributions	(2,453)				(2,453)		Charitable contributions. Related to all functions.
SFAS 121 Impairment Loss	929,405	929,405					for book purposes. For tax purposes, an asset can not be written down for the loss. Generation related.
FAS 109 - Flowthrough Items	53,190,368				53,190,368		See the explanation for Account 190.
FAS 109 - Normalization	(675,152)				(675,152)		See the explanation for Account 190.
FAS 109 - Regulatory Receivable/Liability	(97,088,021)				(97,088,021)		See the explanation for Account 190.
FAS 109 - Earnings Effect - Nonoperating/Other	(780,156)	(780,156)					See the explanation for Account 190.
FAS 109 - CCRF Equity	(3,083,053)	(3,083,053)					See the explanation for Account 190.
CCRF - Operating/DSM 2000	(1,069,359)	(1,069,359)					DSM related. Retail related.
CCRF - Common Facility Costs	161,802	161,802					DSM related. Retail related.
CCRF Adj DC Order #10387	75,742	75,742					DSM related. Retail related.
Gain/Loss on Disposal of Allowances	99,877	99,877					Generation related.
Human Resource Initiatives	442,353					442,353	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	(4,181,804)					(4,181,804)	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	(70,771,892)				(31,139,632)	(39,632,260)	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
VA GRT Adj	(1,674)	(1,674)					Retail related.
SMECO Contract Termination	(413,040)	(413,040)					For book purposes, the gain is recognized when the terms of the contract are met. Generation related.
Conservation Costs (DSM)	(4,394,241)	(4,394,241)					DSM related. Retail related.
Merger Costs - Software	1,203				1,203		Related to BG&E/PEPCO merger. Related to all functions.
Gainsharing / '94-'95 IRS Audit Adjustment	(10,705)					(10,705)	

Amortization-DSM Debt (DC)	605,473	605,473				DSM related. Retail related.
Empowerment Zone	(16,887)				(16,887)	See the explanation for Account 190.
Miscellaneous	(273,869)	(273,869)				See the explanation for Account 190.

Guide Landfill	(119,811)	(119,811)				See the explanation for Account 190.
Other Comprehensive Income	0				0	SERPA - Affects company personnel across all functions.
DC Consolidated Adjustment	779,051				779,051	See the explanation for Account 190.
	0					
Subtotal - p277 (Form 1-F filer: see note 6, below)	(143,296,093)	(19,632,800)	-	(130,867,941)	7,204,648	
Less FASB 109 Above if not separately removed	(44,572,805)			(44,572,805)		
Less FASB 106 Above if not separately removed	24,012,309				24,012,309	
Total	(122,735,597)	(19,632,800)	-	(86,295,136)	(16,807,661)	

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.c

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Deferred Income Taxes (ADIT) Worksheet

ADITC-255

		Balance	Amortization
1	Rate Base Treatment		
2	Balance to line 41 of Appendix A		
3	Amortization		
4	Amortization to line 133 of Appendix A	16,560,631	2,034,384
5	Total	16,560,631	2,034,384
6	Total Form No. 1 (p 266 & 267)	16,560,631	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)	\$ 7,310,524	100%	\$ 7,310,524
1a Other Personal Property Tax (excluded)	25,493,755	0%	\$ -
2 Capital Stock Tax		14.8294%	\$ -
3 Gross Premium (insurance) Tax		14.8294%	\$ -
4 PURTA		14.8294%	\$ -
5 Corp License		14.8294%	\$ -
		14.8294%	\$ -
Total Plant Related	32,804,279		7,310,524
Labor Related			
Wages & Salary Allocator			
6 Federal FICA & Unemployment & state unemployment	11,975,610		
Total Labor Related	11,975,610	10.6522%	1,275,667
Other Included			
Gross Plant Allocator			
7 Miscellaneous	0		
Total Other Included	0	14.8294%	0
Total Included			8,586,191
Currently Excluded			
8 Franchise	84,000		
9 kWhTax - State Gross Receipt (Excise Tax)	107,818,650		
10 Electric environmental surcharge	2,177,144		
11 Universal service fee	7,656,263		
12 Montgomery County Fuel	88,988,209		
13 PSC assessment	7,307,263		
14 Real property (State, Municipal or Local)	3,568,082		
15 DC Right of Way	19,247,193		
16 Use & Sales Tax	1,139,180		
17 FHUT	18,100		
18 DC Ballpark	24,750		
19 DC Reliable Energy Trust Fund	5,287,975		
20 Misc. Other	49,325		
21 Total "Other" Taxes (included on p. 263)	288,146,022		
22 Total "Taxes Other Than Income Taxes" - acct 408.10 (p. 114.14)	288,146,022		
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, 2005

<u>Plant (2004)</u>	<u>Maryland 1/</u>
Transmission	\$ 500,676,975
Distribution	\$ 1,662,346,507
General	\$ 160,627,038
Total T,D&Genl	<u>\$ 2,323,650,520</u>

<u>Plant ratios by Jurisdiction</u>	
Transmission Ratio	0.21547000
Distribution ratio	0.71540298
General Ratio	0.06912702
	<u>1.00000000</u>

Property Taxes 2005 (Dir to Jur) \$ 32,804,279

<u>Functionalization</u>	
Transmission Property Tax	\$ 7,068,338
Distribution Property tax	\$ 23,468,279
General Property Tax	\$ 2,267,662
Total check	<u>\$ 32,804,279</u>

Allocation of General to Transmission

General Property Tax	\$ 2,267,662
Trans Labor Ratio	0.1068
Trans General	242,186

<u>Total Transmission Property Taxes</u>	
Transmission	\$ 7,068,338
General	\$ 242,186
Total Transmission Property Taxes	<u>\$ 7,310,524</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)		8,028,543
2 Total Rent Revenues	(Sum Lines 1)	8,028,543
Account 456 - Other Electric Revenues (Note 1)		
3 Schedule 1A		\$ 625,916
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)		3,818,818
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)	12,473,277
12 Less line 17g		(5,629,314)
13 Total Revenue Credits		6,843,964
<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.	8,028,543
17b	Costs associated with revenues in line 17a	3,230,084
17c	Net Revenues (17a - 17b)	4,798,459
17d	50% Share of Net Revenues (17c / 2)	2,399,230
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)	2,399,230
17g	Line 17f less line 17a	(5,629,314)
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.	4,775,716
19	Amount offset in line 4 above	
20	Total Account 454 and 456	17,248,993
21	Note 4: SECA credits booked in Account 447.	

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)	38,180,327
B	100 Basis Point increase in ROE		1.00%

Return Calculation

59	Rate Base		(Line 39 + 58)	304,777,025
Long Term Interest				
100	Long Term Interest		p117.62c through 67c	80,454,921
102	Long Term Interest		"(Line 100 - line 101)"	80,454,921
103	Preferred Dividends	enter positive	p118.29c	1,210,155
Common Stock				
104	Proprietary Capital		p112.16c	1,099,394,028
105	Less Preferred Stock	enter negative	(Line 114)	-21,467,200
106	Less Account 216.1	enter negative	p112.12c	-1,646,367
107	Common Stock		(Sum Lines 104 to 106)	1,076,280,461
Capitalization				
108	Long Term Debt		p112.17c through 21c	1,251,800,000
109	Less Loss on Reacquired Debt	enter negative	p111.81c	-43,722,349
110	Plus Gain on Reacquired Debt	enter positive	p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	18,755,143
112	Less LTD on Securitization Bonds	enter negative	Attachment 8	0
113	Total Long Term Debt		(Sum Lines 108 to 112)	1,226,832,794
114	Preferred Stock		p112.3c	21,467,200
115	Common Stock		(Line 107)	1,076,280,461
116	Total Capitalization		(Sum Lines 113 to 115)	2,324,580,455
117	Debt %	Total Long Term Debt	(Line 113 / 116)	53%
118	Preferred %	Preferred Stock	(Line 114 / 116)	1%
119	Common %	Common Stock	(Line 115 / 116)	46%
120	Debt Cost	Total Long Term Debt	(Line 102 / 113)	0.0656
121	Preferred Cost	Preferred Stock	(Line 103 / 114)	0.0564
122	Common Cost	Common Stock	Appendix A % plus 100 Basis Pts	0.1180
123	Weighted Cost of Debt	Total Long Term Debt (WCLTD)	(Line 117 * 120)	0.0346
124	Weighted Cost of Preferred	Preferred Stock	(Line 118 * 121)	0.0005
125	Weighted Cost of Common	Common Stock	(Line 119 * 122)	0.0546
126	Total Return (R)		(Sum Lines 123 to 125)	0.0898
127	Investment Return = Rate Base * Rate of Return		(Line 59 * 126)	27,358,337

Composite Income Taxes

Income Tax Rates				
128	FIT=Federal Income Tax Rate			35.00%
129	SIT=State Income Tax Rate or Composite			8.05%
130	p = percent of federal income tax deductible for state purposes		Per State Tax Code	0.00%
131	T	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		40.23%
132	T/(1-T)			67.32%
ITC Adjustment				
133	Amortized Investment Tax Credit	enter negative	p266.8f	(2,034,384)
134	T/(1-T)		(Line 132)	67%
135	Net Plant Allocation Factor		(Line 18)	14.5002%
136	ITC Adjustment Allocated to Transmission	(Note I from Appendix A)	(Line 133 * (1 + 134) * 135)	-493,561
137	Income Tax Component =	$CIT=(T/(1-T)) * Investment\ Return * (1-(WCLTD/R)) =$		11,315,551
138	Total Income Taxes			10,821,990

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	53,984,060	53,984,060	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	16,560,629	0	0	Respondent is Electric Utility only.
Materials and Supplies							
47	Undistributed Stores Exp	(Note A)	p227.6c & 15.c	3,124,414	3,124,414	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	10,836,957	10,836,957	0	Respondent is Electric Utility only.
92	Common Depreciation - Electric Only	(Note A)	p336.10.b	0	0	0	
93	Common Amortization - Electric Only	(Note A)	p356 or p336.10d	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	6,136,251	0	6,136,251	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)	p207.95g	4,576,483,303	0	0	See Form 1
Plant In Service							
19	Transmission Plant In Service	(Note B)	p207.58.g	638,957,513	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	289,608,449	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	27000	5000		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)	p323.160b	3,334,479	0	3,334,479	See FERC Form 1 pages 350-351.
77	Directly Assigned A&G Regulatory Commission Exp Account 928	(Note G)	p323.160b	3,334,479	0	3,334,479	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)	p323.162b	99,751	-	99,751	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)	0	Maryland 7.00%	DC 9.975%	Enter State Enter %	Enter State Enter %	Enter State Enter %	Enter Calculation Apportioned: MD 3.65%, DC 4.4%

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)	p323.162b	99,751	0	99,751	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	40,107,865	10.65%	4,272,374	
	Plant Related	1,294,992	14.83%	192,039	
	Other		0.00%	-	
	Total Transmission Related Reserves	41,402,857		4,464,414	

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 10.652%		
	Pension Liabilities, if any, in Account 242 10.652%		
	Prepayments 8,559,082 10.652%	911,731	
	Prepaid Pensions if not included in Prepayments 161,289,890 10.652%	17,180,939	
	169,848,972 10.65%	18,092,671	

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 Outstanding Network Credits (Note N) From PJM	Enter \$ 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
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	6,766	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
Energy Delivery Services	10,610,353	9,043,604	8,496,135	-	28,150,092
Procurement & Supply Services	593,265	421,300	823,258	313,284	2,151,106
Facilities Services	675,118	565,112	191,914	556,452	1,988,596
Real Estate Services	25,276	22,187	-	16,476	63,940
Security Services	1,226,225	710,357	-	377,233	2,313,814
Controller	760,905	657,433	1,024,881	751,402	3,194,621
General Accounting Services	340,397	388,780	707,853	529,677	1,966,707
Accounts Payable Services	451,315	440,252	419,181	138,495	1,449,243
Asset Management	198,978	165,897	433,735	224,940	1,023,549
Risk Management	697,465	812,416	1,765,297	1,189,258	4,464,435
Insurance & Claims	2,476,260	2,116,777	4,371,557	4,237,475	13,202,069
External Reporting	851,680	993,325	2,137,830	1,450,036	5,432,871
Corporate Planning	428,667	439,816	865,639	557,896	2,292,018
Regulatory Affairs	2,141,570	1,653,198	3,024,093	819	6,819,680
Treasury Services	467,271	322,015	1,243,759	845,435	2,878,481
Tax Services	427,024	493,796	139,268	474,332	1,534,421
Investor Relations	453,048	406,104	1,100,390	574,818	2,534,360
Human Resource Services	2,227,958	1,550,471	3,092,372	1,300,965	8,171,767
Compensation & Benefits	(224,699)	(150,504)	(184,859)	(95,754)	(655,817)
Employee Relations	454,173	273,343	630,379	-	1,357,895
Payroll Services	(175,826)	(124,688)	(245,208)	(69,115)	(614,837)
Legal Services	1,945,906	1,505,956	5,353,556	1,346,874	10,152,291
Corporate Secretary Services	466,595	544,196	1,182,256	796,766	2,989,813
Internal Audit	640,221	558,105	1,194,617	735,764	3,128,707
Marketing Services	32,773	38,037	67,998	53,568	192,376
IS Management & Administration	38,854	28,964	63,290	23,815	154,924
Desktop/Network Support	79,838	57,952	241,644	-	379,434
Operations Management	243,062	181,746	436,282	126,866	987,956
Information Strategy	199,648	167,656	416,321	-	783,625
Communications Services	509,712	465,374	803,317	606,953	2,385,356
Government Relations	202,475	167,057	592,091	483,681	1,445,304
Environmental & Safety	456,865	345,197	756,017	382,266	1,940,346
Executive Management	4,904,431	5,184,232	9,322,592	7,003,795	26,415,050
Total	\$ 34,826,805	\$ 30,445,464	\$ 50,467,451	\$ 24,934,472	\$ 140,674,193

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 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 TO estimates Cap Adds during Year 3 weighted based on Months expected to be in service in Year 3 (e.g., 2006)
- 8 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 in Reconciliation (adjusted to include any Reconciliation amount from prior year)
- 9 April Year 3 Reconciliation - TO adds the difference between the Reconciliation in Step 8 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)
\$ 90,272,928 Rev Req based on Year 1 data Must run Appendix A to get this number (without any cap adds in line 21 of Appendix A)

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

	Est. In Service Date	Weighting	Amount	One 12th
Jan		11.5	-	-
Feb		10.5	-	-
Mar		9.5	-	-
Apr		8.5	-	-
May		7.5	-	-
Jun	1,253,000	6.5	8,144,500	678,708
Jul		5.5	-	-
Aug		4.5	-	-
Sep		3.5	-	-
Oct		2.5	-	-
Nov		1.5	-	-
Dec		0.5	-	-
Total	1,253,000		8,144,500	678,708
New Transmission Plant Additions for Year 2 (weighted by months in service)				678,708

- 3 April Year 2 TO adds weighted Cap Adds to plant in service in Formula
\$ 730,917 Input to Formula Line 21

- 4 May Year 2 Post results of Step 3 on PJM web site
\$ 93,558,866 Must run Appendix A to get this number (with prospective weighted cap adds in line 21)

- 5 June Year 2 Results of Step 3 go into effect for the Rate Year 1 (e.g., June 1, 2005 - May 31, 2006)
\$ 93,558,866

6 April Year 3 TO populates the formula with Year 2 data from FERC Form 1 for Year 2 (e.g., 2005)
 \$ 87,664,738 Rev Req based on Prior Year data Must run Appendix A to get this number (without any cap adds in line 21 of Appendix A)

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

	Est. In Service Date	Weighting	Amount	One 12th
Jan		11.5	-	-
Feb		10.5	-	-
Mar		9.5	-	-
Apr		8.5	-	-
May		7.5	-	-
Jun	3,500,000	6.5	22,750,000	1,895,833
Jul		5.5	-	-
Aug		4.5	-	-
Sep		3.5	-	-
Oct		2.5	-	-
Nov		1.5	-	-
Dec	2,500,000	0.5	1,250,000	104,167
Total	6,000,000		24,000,000	2,000,000
New Transmission Plant Additions for Year 3 (weighted by months in service)				2,000,000
87870698				Input to Formula Line 21

8 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 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 \$ 2,997,451 Input to Formula Line 20

Add weighted Cap Adds actually placed in service in Year 2

	Actual In Service Date	Weighting	Amount	One 12th
Jan	-	11.5	-	-
Feb	-	10.5	-	-
Mar	-	9.5	-	-
Apr	-	8.5	-	-
May	-	7.5	-	-
Jun	-	6.5	-	-
Jul	-	5.5	-	-
Aug	-	4.5	-	-
Sep	-	3.5	-	-
Oct	44,384	2.5	110,960	9,247
Nov	2,452,514	1.5	3,678,771	306,564
Dec	500,553	0.5	250,277	20,856
Total	2,997,451		4,040,008	336,667
New Transmission Plant Additions for Year 2 (weighted by months in service)				336,667 Input to Formula Line 21

87,390,731.00 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)

9 April Year 3 Reconciliation - TO adds the difference between the Reconciliation in Step 8 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 8	The forecast in Prior Year	=	
87,390,731	93,558,866		(6,168,135)

Interest on Amount of Refunds or Surcharges

Interest rate pursuant to 35.19a for March o 0.5800%

Month	Yr	1/12 of Step 9	Interest rate for March of the Current Yr	Months	Interest	Surcharge (Refund) Owed
Jun	Year 1	(514,011)	0.5800%	11.5	(34,285)	(548,296)
Jul	Year 1	(514,011)	0.5800%	10.5	(31,303)	(545,315)
Aug	Year 1	(514,011)	0.5800%	9.5	(28,322)	(542,333)
Sep	Year 1	(514,011)	0.5800%	8.5	(25,341)	(539,352)
Oct	Year 1	(514,011)	0.5800%	7.5	(22,359)	(536,371)
Nov	Year 1	(514,011)	0.5800%	6.5	(19,378)	(533,389)
Dec	Year 1	(514,011)	0.5800%	5.5	(16,397)	(530,408)
Jan	Year 2	(514,011)	0.5800%	4.5	(13,416)	(527,427)
Feb	Year 2	(514,011)	0.5800%	3.5	(10,434)	(524,446)
Mar	Year 2	(514,011)	0.5800%	2.5	(7,453)	(521,464)
Apr	Year 2	(514,011)	0.5800%	1.5	(4,472)	(518,483)
May	Year 2	(514,011)	0.5800%	0.5	(1,491)	(515,502)
Total		(6,168,135)				(6,382,786)

		Balance	Interest rate from above	Amortization over Rate Year	Balance
Jun	Year 2	(6,382,786)	0.5800%	(552,164)	(5,867,642)
Jul	Year 2	(5,867,642)	0.5800%	(552,164)	(5,349,511)
Aug	Year 2	(5,349,511)	0.5800%	(552,164)	(4,828,374)
Sep	Year 2	(4,828,374)	0.5800%	(552,164)	(4,304,214)
Oct	Year 2	(4,304,214)	0.5800%	(552,164)	(3,777,015)
Nov	Year 2	(3,777,015)	0.5800%	(552,164)	(3,246,757)
Dec	Year 2	(3,246,757)	0.5800%	(552,164)	(2,713,424)
Jan	Year 3	(2,713,424)	0.5800%	(552,164)	(2,176,998)
Feb	Year 3	(2,176,998)	0.5800%	(552,164)	(1,637,461)
Mar	Year 3	(1,637,461)	0.5800%	(552,164)	(1,094,794)
Apr	Year 3	(1,094,794)	0.5800%	(552,164)	(548,980)
May	Year 3	(548,980)	0.5800%	(552,164)	(0)
Total with interest				(6,625,968)	

The difference between the Reconciliation in Step 8 and the forecast in Prior Year with interest	(6,625,968)
Rev Req based on Year 2 data with estimated Cap Adds for Year 3	\$ 87,870,698
Revenue Requirement for Year 3	81,244,730

10 May Year 3 Post results of Step 9 on PJM web site
\$ 81,244,730 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)
\$ 81,244,730

Potomac Electric Power Company

Attachment 7 - Transmission Enhancement Charge Worksheet

New Plant Carrying Charge

Fixed Charge Rate (FCR) if not a CIAC

Formula Line			
A	160	Net Plant Carrying Charge without Depreciation	21.2174%
B	167	Net Plant Carrying Charge per 100 Basis Point in ROE without Depreciation	21.8933%
C		Line B less Line A	0.6758%

FCR if a CIAC

D	161	Net Plant Carrying Charge without Depreciation, Return, nor Income Taxes	10.9643%
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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 years

Per settlement in ER05-515, ROE is determined initially to be 10.80% on facilities in service prior to 1-1-06 and 11.30% on facilities in service on or after 1-1-06.

Details		Project A				Project B				Project C				Total	Incentive Charged	Revenue Credit
Schedule 12 (Yes or No)	Life (Yes or No)	No	35	50	FCR W 10.8% ROE	No	35	50	FCR W 10.8% ROE	No	35	50	FCR W 10.8% ROE			
CIAC		No			0.212174204	No			0.212174204				0.109642612			
Increased ROE (Basis Points)		No				No										
FCR w 10.8% ROE + FCR w 10.8% ROE x Increased ROE/100)		0.215553362				0.215553362							0.109642612			
Investment		3,500,000	may be weighted average of small projects			2,500,000										
Annual Depreciation Exp		100,000				71,429										
In Service Month (1-12)		6				12										
Invest Yr	Beginning	Depreciation	Ending	Revenue	Beginning	Depreciation	Ending	Revenue	Beginning	Depreciation	Ending	Revenue	Total	Incentive Charged	Revenue Credit	
W 10.8 % ROE 2006	3,500,000	50,000	3,450,000	477,001									\$ 477,001		\$ 477,001	
W Increased ROE 2006	3,500,000	50,000	3,450,000	483,801									\$ 483,801	\$ 483,801		
W 10.8 % ROE 2007	3,450,000	100,000	3,350,000	810,784	2,500,000	-	2,500,000	530,436					\$ 1,341,219		\$ 1,341,219	
W Increased ROE 2007	3,450,000	100,000	3,350,000	822,104	2,500,000	-	2,500,000	538,883					\$ 1,360,987	\$ 1,360,987		
W 10.8 % ROE 2008	3,350,000	100,000	3,250,000	789,566	2,500,000	71,429	2,428,571	586,709					\$ 1,376,275		\$ 1,376,275	
W Increased ROE 2008	3,350,000	100,000	3,250,000	800,548	2,500,000	71,429	2,428,571	594,915					\$ 1,395,464	\$ 1,395,464		
W 10.8 % ROE 2009	3,250,000	100,000	3,150,000	768,349	2,428,571	71,429	2,357,143	571,553					\$ 1,339,902		\$ 1,339,902	
W Increased ROE 2009	3,250,000	100,000	3,150,000	778,993	2,428,571	71,429	2,357,143	579,519					\$ 1,358,512	\$ 1,358,512		
W 10.8 % ROE 2010	3,150,000	100,000	3,050,000	747,131	2,357,143	71,429	2,285,714	556,398					\$ 1,303,530		\$ 1,303,530	
W Increased ROE 2010	3,150,000	100,000	3,050,000	757,438	2,357,143	71,429	2,285,714	564,122					\$ 1,321,560	\$ 1,321,560		
W 10.8 % ROE 2011	3,050,000	100,000	2,950,000	725,914	2,285,714	71,429	2,214,286	541,243					\$ 1,267,157		\$ 1,267,157	
W Increased ROE 2011	3,050,000	100,000	2,950,000	735,882	2,285,714	71,429	2,214,286	548,725					\$ 1,284,608	\$ 1,284,608		
W 10.8 % ROE 2012	2,950,000	100,000	2,850,000	704,696	2,214,286	71,429	2,142,857	526,088					\$ 1,230,784		\$ 1,230,784	
W Increased ROE 2012	2,950,000	100,000	2,850,000	714,327	2,214,286	71,429	2,142,857	533,329					\$ 1,247,656	\$ 1,247,656		
W 10.8 % ROE 2013	2,850,000	100,000	2,750,000	683,479	2,142,857	71,429	2,071,429	510,932					\$ 1,194,411		\$ 1,194,411	
W Increased ROE 2013	2,850,000	100,000	2,750,000	692,772	2,142,857	71,429	2,071,429	517,932					\$ 1,210,704	\$ 1,210,704		
W 10.8 % ROE 2014	2,750,000	100,000	2,650,000	662,262	2,071,429	71,429	2,000,000	495,777					\$ 1,158,039		\$ 1,158,039	
W Increased ROE 2014	2,750,000	100,000	2,650,000	671,216	2,071,429	71,429	2,000,000	502,535					\$ 1,173,752	\$ 1,173,752		
W 10.8 % ROE 2015	2,650,000	100,000	2,550,000	641,044	2,000,000	71,429	1,928,571	480,622					\$ 1,121,666		\$ 1,121,666	
W Increased ROE 2015	2,650,000	100,000	2,550,000	649,661	2,000,000	71,429	1,928,571	487,139					\$ 1,136,800	\$ 1,136,800		
W 10.8 % ROE 2016	2,550,000	100,000	2,450,000	619,827	1,928,571	71,429	1,857,143	465,466					\$ 1,085,293		\$ 1,085,293	
W Increased ROE 2016	2,550,000	100,000	2,450,000	628,106	1,928,571	71,429	1,857,143	471,742					\$ 1,099,848	\$ 1,099,848		
W 10.8 % ROE 2017	2,450,000	100,000	2,350,000	598,609	1,857,143	71,429	1,785,714	450,311					\$ 1,048,920		\$ 1,048,920	
W Increased ROE 2017	2,450,000	100,000	2,350,000	606,550	1,857,143	71,429	1,785,714	456,345					\$ 1,062,896	\$ 1,062,896		
W 10.8 % ROE 2018	2,350,000	100,000	2,250,000	577,392	1,785,714	71,429	1,714,286	435,156					\$ 1,012,548		\$ 1,012,548	
W Increased ROE 2018	2,350,000	100,000	2,250,000	584,995	1,785,714	71,429	1,714,286	440,949					\$ 1,025,944	\$ 1,025,944		
W 10.8 % ROE 2019	2,250,000	100,000	2,150,000	556,175	1,714,286	71,429	1,642,857	420,000					\$ 976,175		\$ 976,175	
W Increased ROE 2019	2,250,000	100,000	2,150,000	563,440	1,714,286	71,429	1,642,857	425,552					\$ 988,992	\$ 988,992		
W 10.8 % ROE 2020	2,150,000	100,000	2,050,000	534,957	1,642,857	71,429	1,571,429	404,845					\$ 939,802		\$ 939,802	
W Increased ROE 2020	2,150,000	100,000	2,050,000	541,884	1,642,857	71,429	1,571,429	410,155					\$ 952,040	\$ 952,040		
W 10.8 % ROE 2021	2,050,000	100,000	1,950,000	513,740	1,571,429	71,429	1,500,000	389,690					\$ 903,430		\$ 903,430	
W Increased ROE 2021	2,050,000	100,000	1,950,000	520,329	1,571,429	71,429	1,500,000	394,759					\$ 915,088	\$ 915,088		
W 10.8 % ROE 2022	1,950,000	100,000	1,850,000	492,522	1,500,000	71,429	1,428,571	374,535					\$ 867,057		\$ 867,057	
W Increased ROE 2022	1,950,000	100,000	1,850,000	498,774	1,500,000	71,429	1,428,571	379,362					\$ 878,136	\$ 878,136		
W 10.8 % ROE 2023	1,850,000	100,000	1,750,000	471,305	1,428,571	71,429	1,357,143	359,379					\$ 830,684		\$ 830,684	
W Increased ROE 2023	1,850,000	100,000	1,750,000	477,218	1,428,571	71,429	1,357,143	363,965					\$ 841,184	\$ 841,184		
W 10.8 % ROE 2024	1,750,000	100,000	1,650,000	450,087	1,357,143	71,429	1,285,714	344,224					\$ 794,311		\$ 794,311	
W Increased ROE 2024	1,750,000	100,000	1,650,000	455,663	1,357,143	71,429	1,285,714	348,569					\$ 804,232	\$ 804,232		
W 10.8 % ROE 2025	1,650,000	100,000	1,550,000	428,870	1,285,714	71,429	1,214,286	329,069					\$ 757,939		\$ 757,939	
W Increased ROE 2025	1,650,000	100,000	(100,000)	78,445	1,285,714	71,429	1,214,286	333,172					\$ 411,617	\$ 411,617		
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.....																
													\$ 20,953,816	\$ -	\$ 21,026,142	

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

