

**ATTACHMENT H-9A**

<b>Potomac Electric Power Company</b>		FERC Form 1 Page # or Instruction	<b>2007</b>
<b>Formula Rate -- Appendix A</b>		Notes	
<b>Shaded cells are input cells</b>			

**Allocators**

<b>Wages &amp; Salary Allocation Factor</b>			
1	Transmission Wages Expense		p354.21b \$ 5,067,470
2	Total Wages Expense		p354.28b \$ 57,858,348
3	Less A&G Wages Expense		p354.27b \$ 4,071,361
4	Total		(Line 2 - 3) 53,786,987
5	<b>Wages &amp; Salary Allocator</b>		(Line 1 / 4) <b>9.4214%</b>
<b>Plant Allocation Factors</b>			
6	Electric Plant In Service	(Note B)	p207.104g \$ 4,897,148,705
7	Common Plant In Service - Electric		(Line 24) 0
8	Total Plant In Service		(Sum Lines 6 & 7) 4,897,148,705
9	Accumulated Depreciation (Total Electric Plant)		p219.29c \$ 2,193,626,119
10	Accumulated Intangible Amortization	(Note A)	p200.21c \$ 71,419,929
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) 2,265,046,048
14	Net Plant		(Line 8 - 13) 2,632,102,657
15	Transmission Gross Plant		(Line 29 - Line 28) 747,650,650
16	<b>Gross Plant Allocator</b>		(Line 15 / 8) <b>15.2671%</b>
17	Transmission Net Plant		(Line 39 - Line 28) 411,020,760
18	<b>Net Plant Allocator</b>		(Line 17 / 14) <b>15.6157%</b>

**Plant Calculations**

<b>Plant In Service</b>			
19	Transmission Plant In Service	(Note B)	p207.58.g \$ 714,057,409
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 1,193,964
22	<b>Total Transmission Plant In Service</b>		(Line 19 - 20 + 21) <b>715,251,373</b>
23	General & Intangible		p205.5.g & p207.99.g 343,891,424
24	Common Plant (Electric Only)	(Notes A & B)	p356 0
25	Total General & Common		(Line 23 + 24) 343,891,424
26	Wage & Salary Allocation Factor		(Line 5) 9.42137%
27	<b>General &amp; Common Plant Allocated to Transmission</b>		(Line 25 * 26) <b>32,399,277</b>
28	<b>Plant Held for Future Use (Including Land)</b>	(Note C)	p214 <b>0</b>
29	<b>TOTAL Plant In Service</b>		(Line 22 + 27 + 28) <b>747,650,650</b>
<b>Accumulated Depreciation</b>			
30	Transmission Accumulated Depreciation	(Note B)	p219.25.c 316,342,426
31	Accumulated General Depreciation		p219.28.c 143,914,650
32	Accumulated Intangible Amortization		(Line 10) 71,419,929
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) 215,334,579
36	Wage & Salary Allocation Factor		(Line 5) 9.42137%
37	<b>General &amp; Common Allocated to Transmission</b>		(Line 35 * 36) <b>20,287,463</b>
38	<b>TOTAL Accumulated Depreciation</b>		(Line 30 + 37) <b>336,629,889</b>
39	<b>TOTAL Net Property, Plant &amp; Equipment</b>		(Line 29 - 38) <b>411,020,760</b>

**Adjustment To Rate Base**

<b>Accumulated Deferred Income Taxes</b>			
40	ADIT net of FASB 106 and 109		Attachment 1 -106,360,298
41	Accumulated Investment Tax Credit Account No. 255	Enter Negative	(Notes A & I) p266.h 0
42	Net Plant Allocation Factor		(Line 18) 15.62%
43	<b>Accumulated Deferred Income Taxes Allocated To Transmission</b>		(Line 41 * 42) + Line 40 <b>-106,360,298</b>
44	<b>Transmission O&amp;M Reserves</b>		
	Total Balance Transmission Related Account 242 Reserves	Enter Negative	Attachment 5 <b>-4,062,675</b>
<b>Prepayments</b>			
45	Prepayments	(Note A)	Attachment 5 24,143,643
46	<b>Total Prepayments Allocated to Transmission</b>		(Line 45) <b>24,143,643</b>
<b>Materials and Supplies</b>			
47	Undistributed Stores Exp	(Note A)	p227.6c & 16.c 3,736,217
48	Wage & Salary Allocation Factor		(Line 5) 9.42%
49	Total Transmission Allocated		(Line 47 * 48) 352,003
50	Transmission Materials & Supplies		p227.8c 3,910,358
51	<b>Total Materials &amp; Supplies Allocated to Transmission</b>		(Line 49 + 50) <b>4,262,361</b>
<b>Cash Working Capital</b>			
52	Operation & Maintenance Expense		(Line 85) 31,830,992
53	1/8th Rule		x 1/8 12.5%
54	<b>Total Cash Working Capital Allocated to Transmission</b>		(Line 52 * 53) <b>3,978,874</b>
<b>Network Credits</b>			
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	<b>TOTAL Adjustment to Rate Base</b>		(Line 43 + 44 + 46 + 51 + 54 - 57) <b>-78,038,096</b>
59	<b>Rate Base</b>		(Line 39 + 58) <b>332,982,664</b>

**O&M**

<b>Transmission O&amp;M</b>				
60	Transmission O&M		p321.112.b	22,284,854
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)	p200.4.c	0
66	<b>Transmission O&amp;M</b>		(Lines 60 - 63 + 64 + 65)	<b>22,284,854</b>
<b>Allocated General &amp; Common Expenses</b>				
67	Common Plant O&M	(Note A)	p356	0
68	Total A&G		p323.197.b	105,013,908
69	Less Property Insurance Account 924		p323.185b	972,851
70	Less Regulatory Commission Exp Account 928	(Note E)	p323.189b	4,159,637
71	Less General Advertising Exp Account 930.1		p323.191b	86,023
72	Less DE Enviro & Low Income and MD Universal Funds		p335.b	0
73	Less EPRI Dues	(Note D)	p352-353	83,547
74	<b>General &amp; Common Expenses</b>		(Lines 67 + 68) - Sum (69 to 73)	99,711,850
75	Wage & Salary Allocation Factor		(Line 5)	9.4214%
76	<b>General &amp; Common Expenses Allocated to Transmission</b>		(Line 74 * 75)	<b>9,394,220</b>
<b>Directly Assigned A&amp;G</b>				
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	972,851
81	General Advertising Exp Account 930.1	(Note F)	p323.191b	0
82	Total		(Line 80 + 81)	972,851
83	Net Plant Allocation Factor		(Line 18)	15.622%
84	<b>A&amp;G Directly Assigned to Transmission</b>		(Line 82 * 83)	<b>151,917</b>
85	<b>Total Transmission O&amp;M</b>		(Line 66 + 76 + 79 + 84)	<b>31,830,992</b>

**Depreciation & Amortization Expense**

<b>Depreciation Expense</b>				
86	Transmission Depreciation Expense		p336.7b&c	14,859,199
87	General Depreciation		p336.10b&c	14,524,214
88	Intangible Amortization	(Note A)	p336.1d&e	8,908,543
89	Total		(Line 87 + 88)	23,432,757
90	Wage & Salary Allocation Factor		(Line 5)	9.4214%
91	<b>General Depreciation Allocated to Transmission</b>		(Line 89 * 90)	<b>2,207,686</b>
92	Common Depreciation - Electric Only	(Note A)	p336.11.b	0
93	Common Amortization - Electric Only	(Note A)	p356 or p336.11d	0
94	Total		(Line 92 + 93)	0
95	Wage & Salary Allocation Factor		(Line 5)	9.4214%
96	<b>Common Depreciation - Electric Only Allocated to Transmission</b>		(Line 94 * 95)	<b>0</b>
97	<b>Total Transmission Depreciation &amp; Amortization</b>		(Line 86 + 91 + 96)	<b>17,066,885</b>

**Taxes Other than Income**

98	Taxes Other than Income		Attachment 2	7,012,958
99	<b>Total Taxes Other than Income</b>		(Line 98)	<b>7,012,958</b>

**Return / Capitalization Calculations**

<b>Long Term Interest</b>				
100	Long Term Interest		p117.62c through 67c	73,967,154
101	Less LTD Interest on Securitization Bonds	(Note P)	Attachment 8	0
102	<b>Long Term Interest</b>		*(Line 100 - line 101)*	<b>73,967,154</b>
103	<b>Preferred Dividends</b>	enter positive	p118.29c	-
<b>Common Stock</b>				
104	Proprietary Capital		p112.16c	\$ 1,130,294,751
105	Less Preferred Stock	enter negative	(Line 114)	0
106	Less Account 216.1	enter negative	p112.12c	-1,646,367
107	<b>Common Stock</b>		(Sum Lines 104 to 106)	<b>1,128,648,384</b>
<b>Capitalization</b>				
108	Long Term Debt		p112.17c through 21c	1,241,800,000
109	Less Loss on Reacquired Debt	enter negative	p111.81c	-39,861,748
110	Plus Gain on Reacquired Debt	enter positive	p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	907,082
112	Less LTD on Securitization Bonds	(Note P)	Attachment 8	0
113	<b>Total Long Term Debt</b>		(Sum Lines 108 to 112)	<b>1,202,845,334</b>
114	Preferred Stock		p112.3c	0
115	Common Stock		(Line 107)	1,128,648,384
116	<b>Total Capitalization</b>		(Sum Lines 113 to 115)	<b>2,331,493,718</b>
117	Debt %	Total Long Term Debt	(Line 113 / 116)	52%
118	Preferred %	Preferred Stock	(Line 114 / 116)	0%
119	Common %	Common Stock	(Line 115 / 116)	48%
120	Debt Cost	Total Long Term Debt	(Line 102 / 113)	0.0615
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)	0.0317
124	Weighted Cost of Preferred	Preferred Stock	(Line 118 * 121)	0.0000
125	Weighted Cost of Common	Common Stock	(Line 119 * 122)	0.0547
126	<b>Total Return ( R )</b>		(Sum Lines 123 to 125)	<b>0.0864</b>
127	<b>Investment Return = Rate Base * Rate of Return</b>		(Line 59 * 126)	<b>28,778,752</b>

**Composite Income Taxes**

Income Tax Rates				
128	FIT=Federal Income Tax Rate			35.00%
129	SIT=State Income Tax Rate or Composite		(Note I)	8.05%
130	p	(percent of federal income tax deductible for state purposes)	Per State Tax Code	0.00%
131	T	$T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =$		40.23%
132	T / (1-T)			67.32%
ITC Adjustment				
133	Amortized Investment Tax Credit		(Note I)	
134	T/(1-T)	enter negative	p266.8f	-2,034,384
135	Net Plant Allocation Factor		(Line 132)	67.32%
136	ITC Adjustment Allocated to Transmission		(Line 18)	15.6157%
			(Line 133 * (1 + 134) * 135)	-531,531
137	Income Tax Component =	$CIT=(T/1-T) * Investment\ Return * (1-(WCLTD/R)) =$	[Line 132 * 127 * (1-(123 / 126))]	12,261,297
138	Total Income Taxes		(Line 136 + 137)	11,729,766

**REVENUE REQUIREMENT**

Summary				
139	Net Property, Plant & Equipment		(Line 39)	411,020,760
140	Adjustment to Rate Base		(Line 58)	-78,038,096
141	Rate Base		(Line 59)	332,982,664
142	O&M		(Line 85)	31,830,992
143	Depreciation & Amortization		(Line 97)	17,066,885
144	Taxes Other than Income		(Line 99)	7,012,958
145	Investment Return		(Line 127)	28,778,752
146	Income Taxes		(Line 138)	11,729,766
147	Gross Revenue Requirement		(Sum Lines 142 to 146)	96,419,352
Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities				
148	Transmission Plant In Service		(Line 19)	714,057,409
149	Excluded Transmission Facilities	(Note M)	Attachment 5	0
150	Included Transmission Facilities		(Line 148 - 149)	714,057,409
151	Inclusion Ratio		(Line 150 / 148)	100.00%
152	Gross Revenue Requirement		(Line 147)	96,419,352
153	Adjusted Gross Revenue Requirement		(Line 151 * 152)	96,419,352
Revenue Credits & Interest on Network Credits				
154	Revenue Credits		Attachment 3	4,367,018
155	Interest on Network Credits	(Note N)	PJM Data	-
156	Net Revenue Requirement		(Line 153 - 154 + 155)	92,052,335
Net Plant Carrying Charge				
157	Net Revenue Requirement		(Line 156)	92,052,335
158	Net Transmission Plant		(Line 19 - 30)	397,714,983
159	Net Plant Carrying Charge		(Line 157 / 158)	23.1453%
160	Net Plant Carrying Charge without Depreciation		(Line 157 - 86) / 158	19.4092%
161	Net Plant Carrying Charge without Depreciation, Return, nor Income Taxes		(Line 157 - 86 - 127 - 138) / 158	9.2238%
				26.77
Net Plant Carrying Charge Calculation per 100 Basis Point increase in ROE				
162	Net Revenue Requirement Less Return and Taxes		(Line 156 - 145 - 146)	51,543,817
163	Increased Return and Taxes		Attachment 4	43,205,518
164	Net Revenue Requirement per 100 Basis Point increase in ROE		(Line 162 + 163)	94,749,335
165	Net Transmission Plant		(Line 19 - 30)	397,714,983
166	Net Plant Carrying Charge per 100 Basis Point increase in ROE		(Line 164 / 165)	23.8234%
167	Net Plant Carrying Charge per 100 Basis Point in ROE without Depreciation		(Line 163 - 86) / 165	20.0873%
Net Revenue Requirement				
168	Net Revenue Requirement		(Line 156)	92,052,335
169	True-up amount		Attachment 6	(4,826,066)
170	Plus any increased ROE calculated on Attachment 7 other than PJM Sch. 12 projects		Attachment 7	-
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)	87,226,269
Network Zonal Service Rate				
173	1 CP Peak	(Note L)	PJM Data	6,858
174	Rate (\$/MW-Year)		(Line 172 / 173)	12,719
175	Network Service Rate (\$/MW/Year)		(Line 174)	12,719

**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  $p = \frac{\text{FIT} + \text{SIT}}{1 + \text{SIT}}$  "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.
- J 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.
- 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	(819,385,764)	0	
ADIT-283	0	(371,123,211)	(32,689,860)	
ADIT-190	0	170,639,319	15,197,590	
Subtotal	0	(685,870,656)	(17,492,270)	
Wages & Salary Allocator		15.2671%	8.4214%	
Gross Plant Allocator				
ADIT	0	(104,712,287)	(1,648,011)	(106,360,298)

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 (907,082)

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)	12,651,307				12,651,307	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	80,052,667			80,052,667		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 plan above customers' average meter readings over a yearly cycle and 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 debt 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	85,561,730			85,561,730		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	5,024,922			5,024,922		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		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.
Excess Accrued Vacation Pay	1,431,092				1,431,092	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	(361,507)	(361,507)				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	0				capitalized and depreciated for tax purposes. For book purposes, connection fees are excluded from
Mine Closing Costs/Conemaugh Adj	0	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	8,366,163			8,366,163		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	4,269,412			4,269,412		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.
Human Resource Initiatives/Gu	0	0				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	3,061,395	3,061,395				expensed when the gain on the sale was recorded. For tax purposes, gain to be shared is deducted when paid. Generation related
Pension Curtailment	3,496,754	3,496,754				For book purposes, these costs were expensed when the gain on the divestiture sale were recorded. For tax purposes, the costs are deducted when paid. Related to sale of generation assets.
Transition Costs	0	0				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	0			0		Council. Since Maryland counties are prohibited from enacting any tax without the authority of the state
DC Consolidated Audit Adjustment	0			0		This deferred tax balance relates to a lower DC consolidated rate
Mirant Settlement	21,809,766	21,809,766				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	1,115,191				1,115,191	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	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	226,476,892	28,006,408	0	183,274,894	15,197,590	
Less FASB 109 Above if not separately removed	12,635,575		0	12,635,575		
Less FASB 106 Above if not separately removed	0		0	0	0	
Total	213,841,317	28,006,408	0	170,639,319	15,197,590	

Instructions for Account 190:  
1. ADIT Items related only to Non-Electric Operations (e.g., Gas, Water, Sewer) or Production are directly assigned to Column C  
2. ADIT Items related only to Transmission are directly assigned to Column D  
3. ADIT Items related to Plant and not in Columns C & D are included in Column E  
4. ADIT Items related to labor and not in Columns C & D are included in Column F  
5. Deferred income taxes arise when items are included in taxable income in different periods than they are included in rates, therefore if the item giving  
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
Accelerated Depreciation		(535,813,358)			(535,813,358)		computed pursuant to the Internal Revenue Code and the book depreciation associated with all assets.
(B)G(E)Gain On Sale			0				Generation related
Repair Allowance		(8,038,211)			(8,038,211)		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		(292,586)			(292,586)		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)		0			0		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 of
Control Center - Depreciation/Amort		(51,373,829)			(51,373,829)		See the explanation for Account 190.
Removal Cost Adjustment		(21,128,663)			(21,128,663)		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		0	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		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 relating 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 of
Normalization Adjustment		0			0		See the explanation for Account 190
Normalization-MD Case 8162		0			0		See the explanation for Account 191
Capitalized Interest		14,927,825			14,927,825		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		(349,030)			(349,030)		For book purposes, AFUDC is capitalized and depreciated. For tax purposes, AFUDC is not recognized. Related to all plant.
Capitalized Real Estate Taxes		0			0		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)		256,524			256,524		purposes, 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		67,970,629			67,970,629		See the explanation for Account 190.
FAS 109 - Normalization		0			0		See the explanation for Account 190.
FAS 109 - CCRP/AFUDC Equity		(33,632,365)			(33,632,365)		See the explanation for Account 190.
FAS 109 Earnings Effect - Nonoperating		0			0		See the explanation for Account 190.
69 KV Line Amortization		239,305	239,305				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		(217,575,436)			(217,575,436)		For book purposes, these 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 2000. Related to all assets.
Spare Parts		0			0		to be depreciated for tax purposes. Related to all spare parts.
DC Consolidated Adjustment		0			0		See the explanation for Account 190.
Subtotal - p275 (Form 1-F filer: see note 6 below)		(787,059,389)	(1,810,889)	0	(785,248,500)	0	
Less FASB 109 Above if not separately removed		34,138,264			34,138,264		
Less FASB 106 Above if not separately removed		0			0		
Total		(821,197,653)	(1,810,889)	0	(819,386,764)	0	

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 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

0

**Deferred Income Taxes (ADIT) Worksheet**

ADIT-283	A	B Total	C Gas, Prod Or Other	D Only Transmission	E Plant	F Labor	G
Capitalized A&G		222,713			222,713		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		426,060			426,060		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		222,713			222,713		but capitalized and depreciated for book purposes. Related to all plant.
Dougs Pt Term Costs - G.E.		0	0		0		Deferred taxes related to the termination of Pepco's planned nuclear plant. Generation related.
G.E Term Costs - Non-Jur		0	0		0		Deferred taxes related to the termination of Pepco's planned nuclear plant. Generation related.
Plant Abandonment		0	0		0		Deferred taxes related to the termination of Pepco's planned nuclear plant. Generation related.
Invol Conv - Denwood Sub		0	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		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		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	32,741,675			32,741,675	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	In manner in which the DC Commission ordered these costs to be recovered from customers. Retail related.
Bk Depr on Prol Bond Int	(128,951)	(128,951)			Generation related.
Book Deprec 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. Stk	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	(907,082)	(907,082)			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	292,423			292,423	deducted for tax purposes when they are paid. Affects company personnel across all functions.
Control Center - Interest Expense	(12,339,167)		(12,339,167)		See the explanation for the control center transaction in Account 190.
Loss on Marketable Securities	(13,702,322)	(13,702,322)			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		tax purposes, these costs are capital in nature and are amortized over a 30 year period. Related to all
Amort of Unit Train Costs	0	0			Generation related.
Dividend Income Not Rec'd/Other Rental Income	0	0			
Normalization Adjust	0		0		See the explanation for Account 190
ESOP Deduction over ESOP ITC	0		0		Affects company personnel across all functions.
Other Exp - Non Oper(PC)	0	0			Unregulated business.
Normalization-MD Case 8162	0		0		See the explanation for Account 190
Int Income - Basis Adj	0		0		Related to all functions.
NPDES Permits, 1981-83	0	0			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	(28,332,250)		(28,332,250)		See the explanation for Account 190.
FAS 109 - Earnings Effect - Nonoperating/Other	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			DSM related. Retail related.
CCRF - Common Facility Costs	0	0			DSM related. Retail related.
CCRF Adj DC Order #10387	0	0			DSM related. Retail related.
Gain/Loss on Disposal of Allowances	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	(352,301)		(352,301)		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 individual. Affects company personnel across all functions.
Pension Plan Contribution	(68,972,622)		(25,947,954)	(33,024,668)	The company is allowed to deduct for tax purposes all payments made to fund the pension plan in accordance with 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 tax 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			Related to BG&E/PEPCO merger. Related to all functions.
Gainsharing / '94-'95 IRS Audit Adjustment	0		0		
Amortization-DSM Debt (DC)	0	0			DSM related. Retail related.
Empowerment Zone	0		0		See the explanation for Account 190.
Miscellaneous	(711,956)	(711,956)			See the explanation for Account 190.
Guide Landfill	0	0			See the explanation for Account 190.
Other Comprehensive Income	687,109		687,109		SERPA. Affects company personnel across all functions.
DC Consolidated Adjustment	0		0		See the explanation for Account 190.
Subtotal - p277 (Form 1-F filer: see note 6, below)	(107,471,164)	(42,067,518)	0	(65,455,461)	51,815
Less FASB 109 Above if not separately removed	(28,332,250)			(28,332,250)	
Less FASB 106 Above if not separately removed	32,741,675				32,741,675
Total	(111,880,590)	(42,067,518)	-	(37,123,211)	(32,689,860)

Instructions for Account 283:  
1. ADT items related only to Non-Electric Operations (e.g., Gas, Water, Sewer) or Production are directly assigned to Column C.  
2. ADT items related only to Transmission are directly assigned to Column D.  
3. ADT items related to Plant and not in Columns C & D are included in Column E.  
4. ADT 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

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**

<b>Other Taxes</b>	<b>Page 263 Col (i)</b>	<b>Allocator</b>	<b>Allocated Amount</b>
<b>Plant Related</b>			
		<b>Gross Plant Allocator</b>	
1 Transmission Personal Property Tax (directly assigned to Transmission)	\$ 6,229,179	100%	\$ 6,229,179
1a Other Personal Property Tax (excluded)	\$ 24,676,978	0%	\$ -
2 Capital Stock Tax		15.2671%	\$ -
3 Gross Premium (insurance) Tax		15.2671%	\$ -
4 PURTA		15.2671%	\$ -
5 Corp License		15.2671%	\$ -
		15.2671%	\$ -
<b>Total Plant Related</b>	30,906,157		6,229,179
<b>Labor Related</b>			
		<b>Wages &amp; Salary Allocator</b>	
6 Federal FICA & Unemployment & state unemployment	8,319,163		
<b>Total Labor Related</b>	8,319,163	9.4214%	783,779
<b>Other Included</b>			
		<b>Gross Plant Allocator</b>	
7 Miscellaneous	0		
<b>Total Other Included</b>	0	15.2671%	0
<b>Total Included</b>			7,012,958

**Currently Excluded**

8 Franchise	8,180,178
9 kWhTax - State Gross Receipt (Excise Tax)	108,384,567
10 Electric environmental surcharge	2,256,125
11 Universal service fee	7,418,187
12 Montgomery County Fuel	88,369,379
13 PSC assessment	7,545,041
14 Real property (State, Municipal or Local)	5,107,418
15 DC Right of Way	26,797,579
16 Use & Sales Tax	1,942,616
17 FHUT	17,754
18 DC Ballpark	16,500
19 DC Reliable Energy Trust Fund	10,855,160
20 Misc. Other	0
21 Total "Other" Taxes (included on p. 263)	306,115,824
22 Total "Taxes Other Than Income Taxes" - acct 408.10 (p. 114.14)	306,115,824
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, 2007**

<u>Assesable Plant</u>	<u>Maryland</u>
Transmission	\$ 508,123,036
Distribution	\$ 1,924,678,543
General	\$ 157,851,266
Total T,D&Genl	<u>\$ 2,590,652,845</u>

<u>Plant ratios by Jurisdiction</u>	
Transmission Ratio	0.19613706
Distribution ratio	0.74293186
General Ratio	<u>0.06093108</u>
	1.00000000

<b><u>Property Taxes</u></b>	<b>\$ 30,856,216</b>
Transmission Property Tax	\$ 6,052,048
Distribution Property tax	\$ 22,924,066
General Property Tax	<u>\$ 1,880,102</u>
Total check	<u>\$ 30,856,216</u>

<b><u>Allocation of General to Transmission</u></b>	
General Property Tax	\$ 1,880,102
Trans Labor Ratio	0.09421368
Trans General	177,131

<b><u>Total Transmission Property Taxes</u></b>	
Transmission	\$ 6,052,048
General	<u>\$ 177,131</u>
Total Transmission Property Taxes	<u>\$ 6,229,179</u>

**Potomac Electric Power Company**  
**Attachment 3 - Revenue Credit Workpaper**

<b>Account 454 - Rent from Electric Property</b>		
1 Rent from Electric Property - Transmission Related (Note 3)		8,206,732
2 Total Rent Revenues	(Sum Lines 1)	8,206,732
<b>Account 456 - Other Electric Revenues (Note 1)</b>		
3 Schedule 1A		\$ 626,626
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)		841,979
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)	9,675,337
12 Less line 17g		(5,308,320)
13 Total Revenue Credits		4,367,018
<b><u>Revenue Adjustment to determine Revenue Credit</u></b>		
14	Note 1: All revenues related to transmission that are received as a transmission owner (i.e., not received as a LSE), for which the cost of the service is recovered under this formula, except as specifically provided for elsewhere in this Attachment or elsewhere in the formula will be included as a revenue credit or included in the peak on line 173 of Appendix A.	
15	Note 2: If the costs associated with the Directly Assigned Transmission Facility Charges are included in the Rates, the associated revenues are included in the Rates. If the costs associated with the Directly Assigned Transmission Facility Charges are not included in the Rates, the associated revenues are not included in the Rates.	
16	Note 3: Ratemaking treatment for the following specified secondary uses of transmission assets: (1) right-of-way leases and leases for space on transmission facilities for telecommunications; (2) transmission tower licenses for wireless antennas; (3) right-of-way property leases for farming, grazing or nurseries; (4) licenses of intellectual property (including a portable oil degasification process and scheduling software); and (5) transmission maintenance and consulting services (including energized circuit maintenance, high-voltage substation maintenance, safety training, transformer oil testing, and circuit breaker testing) to other utilities and large customers (collectively, products). Company will retain 50% of net revenues consistent with Pacific Gas and Electric Company, 90 FERC ¶ 61,314. Note: in order to use lines 17a - 17g, the utility must track in separate subaccounts the revenues and costs associated with each secondary use (except for the cost of the associated income taxes).	
17a	Revenues included in lines 1-11 which are subject to 50/50 sharing.	8,206,732
17b	Costs associated with revenues in line 17a	2,409,907
17c	Net Revenues (17a - 17b)	5,796,825
17d	50% Share of Net Revenues (17c / 2)	2,898,413
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)	2,898,413
17g	Line 17f less line 17a	(5,308,320)
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.	18,274,157
19	Amount offset in line 4 above	90,490,714
20	Total Account 454, 456 and 456.1	118,440,208

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)	43,205,518
B	100 Basis Point increase in ROE		1.00%

**Return Calculation**

59	Rate Base		(Line 39 + 58)	332,982,664
Long Term Interest				
100	<b>Long Term Interest</b>		p117.62c through 67c	73,967,154
101	Less LTD Interest on Securitization E(Note P)		Attachment 8	0
102	Long Term Interest		"(Line 100 - line 101)"	73,967,154
103	Preferred Dividends	enter positive	p118.29c	0
Common Stock				
104	Proprietary Capital		p112.16c	1,130,294,751
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)	1,128,648,384
Capitalization				
108	Long Term Debt		p112.17c through 21c	1,241,800,000
109	Less Loss on Reacquired Debt	enter negative	p111.81c	-39,861,748
110	Plus Gain on Reacquired Debt	enter positive	p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	907,082
112	Less LTD on Securitization Bonds	enter negative	Attachment 8	0
113	Total Long Term Debt		(Sum Lines 108 to 112)	1,202,845,334
114	Preferred Stock		p112.3c	0
115	Common Stock		(Line 107)	1,128,648,384
116	Total Capitalization		(Sum Lines 113 to 115)	2,331,493,718
117	Debt %	Total Long Term Debt	(Line 113 / 116)	52%
118	Preferred %	Preferred Stock	(Line 114 / 116)	0%
119	Common %	Common Stock	(Line 115 / 116)	48%
120	Debt Cost	Total Long Term Debt	(Line 102 / 113)	0.0615
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)	0.0317
124	Weighted Cost of Preferred	Preferred Stock	(Line 118 * 121)	0.0000
125	Weighted Cost of Common	Common Stock	(Line 119 * 122)	0.0595
126	Total Return ( R )		(Sum Lines 123 to 125)	0.0913
127	Investment Return = Rate Base * Rate of Return		(Line 59 * 126)	30,390,681

**Composite Income Taxes**

<b>Income Tax Rates</b>				
128	FIT=Federal Income Tax Rate			35.00%
129	SIT=State Income Tax Rate or Composite			8.05%
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%
<b>ITC Adjustment</b>				
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)	15.6157%
136	<b>ITC Adjustment Allocated to Transmission</b>	(Note I from Appendix A)	(Line 133 * (1 + 134) * 135)	-531,531
137	<b>Income Tax Component =</b>	$CIT=(T/1-T) * Investment Return * (1-(WCLTD/R)) =$		13,346,368
138	<b>Total Income Taxes</b>			<b>12,814,836</b>

Potomac Electric Power Company

Attachment 5 - Cost Support

**Electric / Non-electric Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Electric Portion	Non-electric Portion	Details
<b>Plant Allocation Factors</b>							
10	Accumulated Intangible Amortization	(Note A)	p200.21c	\$ 71,419,929	71,419,929	0	Respondent is Electric Utility only.
11	Accumulated Common Amortization - Electric	(Note A)	p356	0	0	0	
12	Accumulated Common Plant Depreciation - Electric	(Note A)	p356	0	0	0	
<b>Plant In Service</b>							
24	Common Plant (Electric Only)	(Notes A & B)	p356	0	0	0	
<b>Accumulated Deferred Income Taxes</b>							
41	Accumulated Investment Tax Credit Account No. 255	(Notes A & I)	p266.h	12,491,863	12,491,863	0	Respondent is Electric Utility only.
<b>Materials and Supplies</b>							
47	Undistributed Stores Exp	(Note A)	p227.6c & 16.c	\$ 3,736,217	3,736,217	0	Respondent is Electric Utility only.
<b>Allocated General &amp; Common Expenses</b>							
65	Plus Transmission Lease Payments	(Note A)	p200.4.c				
67	Common Plant O&M	(Note A)	p356	0	0	0	
<b>Depreciation Expense</b>							
88	Intangible Amortization	(Note A)	p336.1d&e	\$ 8,908,543	8,908,543	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
<b>Plant Allocation Factors</b>							
6	Electric Plant In Service	(Note B)	p207.104g	\$ 4,897,148,705	0	0	See Form 1
<b>Plant In Service</b>							
19	Transmission Plant In Service	(Note B)	p207.58.g	\$ 714,057,409	0	0	See Form 1
24	Common Plant (Electric Only)	(Notes A & B)	p356	0	0	0	
<b>Accumulated Depreciation</b>							
30	Transmission Accumulated Depreciation	(Note B)	p219.25.c	316,342,426	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	
<b>Allocated General &amp; Common Expenses</b>							
73	Less EPRI Dues	(Note D)	p352-353	83547	83547		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	\$ 4,159,637	0	4,159,637	See FERC Form 1 pages 350-351.
77	Directly Assigned A&G Regulatory Commission Exp Account 928	(Note G)	p323.189b	4,159,637	0	4,159,637	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	86,023	-	86,023	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)	p323.191b	86,023	0	86,023	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
				Enter \$		Amount	
44	Transmission Related Account 242 Reserves (exclude current year environmental site related reserves)			-	100%	-	
	Directly Assignable to Transmission						
	Labor Related, General plant related or Common Plant related			40,777,565	9.42%	3,841,804	
	Plant Related			1,446,714	15.27%	220,871	
	Other				0.00%	-	
	Total Transmission Related Reserves			42,224,279		4,062,675	

**Prepayments**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Description of the Prepayments			
45	Prepayments		To Line 45				
5	Wages & Salary Allocator		9.421%				
	Pension Liabilities, if any, in Account 242	-	9.421%	-			
	Prepayments	\$ 104,231,494	9.421%	9,820,033			
	Prepaid Pensions if not included in Prepayments	\$ 152,033,231	9.421%	14,323,610			
		256,264,725	9.42%	24,143,643			

**Outstanding Network Credits Cost Support**

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

Add more lines if necessary

**Extraordinary Property Loss**

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

Potomac Electric Power Company

Attachment 5 - Cost Support

**Interest on Outstanding Network Credits Cost Support**

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Interest on Network Credits	Description of the Interest on the Credits
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	6,858	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	\$ 3,672,796	\$ 3,443,180	\$ 8,994,956	\$ 5,112,951	\$ 21,223,883
Security Services	416,563	264,475	648,568	157,903	1,487,509
General Services	899,582	416,732	816,946	344,165	2,477,425
Building Services	796,591	716,847	1,113,759	906,968	3,534,165
Real Estate	112,908	124,427	-	60,515	297,850
Corporate Insurance Administration	159,132	103,908	237,547	119,854	620,441
Claims Administration	-	-	726,081	-	726,081
Regulatory Affairs	2,861,981	1,918,455	3,914,567	67,670	8,762,673
Accounts Payable Services	736,154	563,190	638,279	217,888	2,155,511
Payroll Services	68,707	39,669	81,327	19,264	208,967
Asset Management	223,421	182,736	747,295	224,207	1,377,659
Investor Relations	153,484	145,894	380,838	215,746	895,962
Shareholder Services	234,159	222,348	582,367	327,901	1,366,775
Financial Reporting	712,176	675,885	1,771,544	997,778	4,157,383
Sarbanes-Oxley Compliance	175,033	166,343	434,816	245,619	1,021,811
Investment Financial Management	(3,664)	98,043	338,031	222,514	654,924
Other Financial Services	3,396,341	2,474,267	5,182,482	3,118,134	14,171,224
Insurance Premiums & Claims	2,378,715	1,717,904	3,968,036	3,007,185	11,071,840
Cost of Benefits	1,502,934	940,071	2,046,611	820,451	5,310,067
Executive Compensation Services	855,619	670,858	1,757,913	1,916,181	5,200,571
Other Human Resources Services	4,466,181	2,538,786	4,954,306	1,062,194	13,021,467
Legal Services	3,908,767	2,117,528	5,402,306	1,689,986	13,118,587
Internal Audit	625,882	762,785	1,017,975	484,058	2,890,700
Special Billing	-	-	1,020,514	-	1,020,514
Other Customer Care	1,261,774	1,208,238	1,222,399	-	3,692,411
Marketing Services	812,983	658,754	1,484,060	69,826	3,025,623
Information Technology	221,889	121,508	601,199	21,155	965,751
PHI Corporate Contributions	8,500	7,932	20,918	12,060	49,410
Other Corporate Communications	535,414	367,699	956,677	548,716	2,408,506
Environmental & Safety	1,350,811	876,559	2,015,509	346,729	4,589,608
Other Delivery Services	6,856,485	5,459,739	6,762,313	-	19,078,537
Merchant Functions	30,368	-	-	1,213,207	1,243,575
Internal Consulting Services	337,404	218,025	503,110	-	1,058,539
Interns	127,192	-	138,226	912	266,330
Total	\$ 39,896,282	\$ 29,222,785	\$ 60,481,475	\$ 23,551,737	\$ 153,152,279

## 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)  
**86,110,973** 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	82,719,055	11.5	-	-
Feb		10.5	-	-
Mar		9.5	-	-
Apr		8.5	-	-
May		7.5	-	-
Jun		6.5	537,673,858	44,806,155
Jul		5.5	-	-
Aug		4.5	-	-
Sep		3.5	-	-
Oct		2.5	-	-
Nov		1.5	-	-
Dec		0.5	-	-
Total	82,719,055		537,673,858	44,806,155
New Transmission Plant Additions for Year 2 (weighted by months in service)				44,806,155

3 April Year 2 TO adds weighted Cap Adds to plant in service in Formula  
 \$ 44,806,155 Input to Formula Line 21

4 May Year 2 Post results of Step 3 on PJM web site  
**90,751,966** 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)  
 \$ 90,751,966

6 April Year 3 TO populates the formula with Year 2 data from FERC Form 1 for Year 2 (e.g., 2005)  
 \$ 91,926,928 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	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 for Year 3 (weighted by months in service)				1,193,964
92052334.92				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 \$ 67,673,598 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	428,881	11.5	4,932,132	411,011
Feb	225,475	10.5	2,367,488	197,291
Mar	5,115,106	9.5	48,593,508	4,049,459
Apr	(2,954)	8.5	(25,112)	(2,093)
May	-	7.5	-	-
Jun	39,152	6.5	254,486	21,207
Jul	52,700,729	5.5	289,854,011	24,154,501
Aug	21,788,758	4.5	98,049,413	8,170,784
Sep	(14,792,744)	3.5	(51,774,604)	(4,314,550)
Oct	1,096,273	2.5	2,740,683	228,390
Nov	471,403	1.5	707,104	58,925
Dec	603,518	0.5	301,759	25,147
Total	67,673,598		396,000,869	33,000,072
New Transmission Plant Additions for Year 2 (weighted by months in service)				<span style="background-color: yellow;">33,000,072</span> Input to Formula Line 21

88,285,038.44 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	=	
87,673,226	92,122,292		(4,449,067)

Interest on Amount of Refunds or Surcharges

Interest rate pursuant to 35.19a for March o 0.6600%

Month	Yr	1/12 of Step 9	Interest rate for March of the Current Yr	Months	Interest	Surcharge (Refund) Owed
Jun	Year 1	(370,756)	0.6600%	11.5	(28,140)	(398,896)
Jul	Year 1	(370,756)	0.6600%	10.5	(25,693)	(396,449)
Aug	Year 1	(370,756)	0.6600%	9.5	(23,246)	(394,002)
Sep	Year 1	(370,756)	0.6600%	8.5	(20,799)	(391,555)
Oct	Year 1	(370,756)	0.6600%	7.5	(18,352)	(389,108)
Nov	Year 1	(370,756)	0.6600%	6.5	(15,905)	(386,661)
Dec	Year 1	(370,756)	0.6600%	5.5	(13,458)	(384,214)
Jan	Year 2	(370,756)	0.6600%	4.5	(11,011)	(381,767)
Feb	Year 2	(370,756)	0.6600%	3.5	(8,564)	(379,320)
Mar	Year 2	(370,756)	0.6600%	2.5	(6,117)	(376,873)
Apr	Year 2	(370,756)	0.6600%	1.5	(3,670)	(374,426)
May	Year 2	(370,756)	0.6600%	0.5	(1,223)	(371,979)
Total		(4,449,067)				(4,625,250)

		Balance	Interest rate from above	Amortization over Rate Year	Balance
Jun	Year 2	(4,625,250)	0.6600%	(402,172)	(4,253,604)
Jul	Year 2	(4,253,604)	0.6600%	(402,172)	(3,879,506)
Aug	Year 2	(3,879,506)	0.6600%	(402,172)	(3,502,938)
Sep	Year 2	(3,502,938)	0.6600%	(402,172)	(3,123,886)
Oct	Year 2	(3,123,886)	0.6600%	(402,172)	(2,742,331)
Nov	Year 2	(2,742,331)	0.6600%	(402,172)	(2,358,258)
Dec	Year 2	(2,358,258)	0.6600%	(402,172)	(1,971,651)
Jan	Year 3	(1,971,651)	0.6600%	(402,172)	(1,582,492)
Feb	Year 3	(1,582,492)	0.6600%	(402,172)	(1,190,764)
Mar	Year 3	(1,190,764)	0.6600%	(402,172)	(796,451)
Apr	Year 3	(796,451)	0.6600%	(402,172)	(399,535)
May	Year 3	(399,535)	0.6600%	(402,172)	0
Total with interest				(4,826,066)	

The difference between the Reconciliation in Step 8 and the forecast in Prior Year with interest	(4,826,066)
Rev Req based on Year 2 data with estimated Cap Adds for Year 3	\$ 92,052,335
Revenue Requirement for Year 3	87,226,269

10 May Year 3 Post results of Step 9 on PJM web site  
\$ 87,226,269 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)  
\$ 87,226,269



# Potomac Electric Power Company

## Attachment 8 - Company Exhibit - Securitization Workpaper

Line #

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

Calculation of the above Securitization Adjustments

