

APPENDIX F

Exhibit PHI-30

Direct Testimony and Exhibits of

Alan C. Heintz

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Pepco Holdings, Inc.,)
Potomac Electric Power Company,) Docket No. ER08-____-000
Delmarva Power & Light Company, and)
Atlantic City Electric Company)

DIRECT TESTIMONY AND EXHIBITS
OF
ALAN C. HEINTZ

August 18, 2008

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2 BEFORE THE
3 FEDERAL ENERGY REGULATORY COMMISSION
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7 Potomac Electric Power Company,) Docket No. ER08-____-000
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13 ALAN C. HEINTZ
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16
17 I. INTRODUCTION

18 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

19 A. My name is Alan C. Heintz. My business address is Brown, Williams, Moorhead &
20 Quinn, Inc., (“BWMQ”) 1155 Fifteenth Street, NW, Suite 400, Washington, DC 20005.
21 I am a Vice President of BWMQ.

22 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

23 A. I am testifying on behalf Pepco Holdings, Inc. operating affiliates: Potomac Electric
24 Power Company (Pepco), Delmarva Power & Light Company (Delmarva), and Atlantic
25 City Electric Company (ACE).

26 Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

27 A. I was employed by the Federal Energy Regulatory Commission (FERC) from November
28 1985 to February 1995. I served as a Public Utilities Specialist in the [Electric] Rate
29 Filings Branch from November 1985 to October 1989. In November 1989, I was
30 promoted to Section Chief in the Division of [Electric] Applications, and was responsible
31 for supervising the review of the terms, conditions, and rates of electric rate applications
32 for such services as interchange power, requirements power, and transmission. During

1 my tenure with the FERC, I prepared or supervised the preparation of memoranda
2 recommending acceptance, rejection, deficiency, or investigation in hundreds of cases.
3 These included cases that set important precedents on electric transmission pricing, such
4 as the merger compliance transmission tariffs for Northeast Utilities, the first generation
5 of open access transmission tariffs ("OATT") filed by utilities such as Entergy Services,
6 Louisville Gas & Electric Co., Florida Power & Light Co., Kansas City Power & Light
7 Co., and American Electric Power Co., as well as the Pennsylvania Electric Company
8 case involving Penntech Papers, Inc. I also taught a one-year course to FERC Staff and
9 gave several presentations to the Edison Electric Institute Interconnection and
10 Interchange Arrangements Committee on the pricing of power and transmission services.

11 From February 1995 through October 2000, I was a Vice President of Stone &
12 Webster Management Consultants, Inc. In this position, I provided consulting services to
13 numerous electric utilities on matters involving requirements and off-system power rates,
14 rate and implementation strategies for developing OATT filings, and issues concerning
15 the organization of ISOs and RTOs. I also assisted several utilities in preparing their
16 retail delivery services filings. In November 2000, I joined R.J. Rudden Associates, Inc.
17 as a Vice President, where I continued providing consulting services to the electric
18 industry. I joined BWMQ in February 2004.

19 **Q. WHAT ARE YOUR DUTIES IN YOUR CURRENT POSITION?**

20 A. I provide consulting services on FERC matters relating to power sales, transmission,
21 ancillary services, and open access transmission service, including issues arising from
22 FERC's Orders No. 888, 889, 2000 and 679. I have been actively involved as a
23 consultant to numerous Independent System Operators ("ISO") and Regional

1 Transmission Organizations (“RTO”), transmission-owning members of the Midwest
2 ISO, and transmission-only entities such as American Transmission Company and Trans-
3 Elect. I have advised these clients on transmission and congestion pricing, the treatment
4 of pre-existing arrangements, losses, and ancillary services, as well as non-rate terms and
5 conditions of their tariffs. I have also provided advice on transmission pricing matters to
6 several transmission-owning members of the PJM Interconnection, LLC.

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE FERC OR BEFORE OTHER**
8 **REGULATORY AGENCIES AND COURTS ON UTILITY-RELATED**
9 **MATTERS?**

10 A. Yes. During my tenure at the FERC, I was assigned to the Commission's advisory staff
11 and, therefore, was precluded from testifying before the FERC. However, while at the
12 FERC, I presented cases publicly to the FERC Commissioners at their bi-weekly public
13 meetings and was the technical contact to the Commissioners in numerous cases. Since
14 leaving the FERC, I have filed testimony before the FERC in numerous proceedings. I
15 have also testified before the British Columbia Utilities Commission in Canada, the
16 Illinois Commerce Commission, the Maine Public Utilities Commission, the United
17 States Court of Federal Claims, and the United States District Court in Florida. A
18 summary of my prior testimony is contained in Exhibit No. PHI-31.

19 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

20 A. I received the degree of Bachelor of Science in Business and the degree of Bachelor of
21 Arts in Economics from the University of Colorado, Boulder, Colorado, in May 1982. I
22 also received the degree of Master of Business Administration in Finance from the
23 George Washington University in Washington, DC, in December 1988.

1 **II. PURPOSE OF TESTIMONY AND BACKGROUND**

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

3 A. The purpose of my testimony is to explain and support the changes to PHI's formula rates
4 to include recovery of CWIP and an ROE adder for the MAPP project for each of the PHI
5 operating companies.

6 **Q. PLEASE LIST THE EXHIBITS YOU ARE SPONSORING, IN ADDITION TO**
7 **THIS PREPARED DIRECT TESTIMONY AND THE PREVIOUSLY NOTED**
8 **SUMMARY LIST OF TESTIMONIES.**

9 A. I am sponsoring four additional exhibits.

10 Exhibit No. PHI-32 - contains the revised formulas for each of the companies that
11 have been filled-in or "populated" for illustrative purposes. In this example, I
12 have used 2007 Form No. 1 data and forecasted transmission capital additions and
13 CWIP expected to be in service in 2008. The incentive ROE of 12.8% for the
14 MAPP project only is also included in the illustrative formula.

15 Exhibit No. PHI-33 - contains information required under Statement BM and
16 Section 35.25 of the Commission's regulations.

17 Exhibit No. PHI-34 - contains Statements BG and BH.

18 Exhibit No. PHI-35 - contains a graph depicting revenue requirements with and
19 without CWIP in rate base.

20 **Q. ARE THE REVISIONS TO THE PHI FORMULA RATE SIMILAR TO OTHER**
21 **FORMULA RATES APPROVED BY THE COMMISSION?**

22 A. Yes. The formula rate changes proposed by PHI are substantially similar to the formulas
23 used by other transmission-owning utilities that operate within ISO or RTO-administered

1 markets and have incorporated CWIP recovery for one or more projects into their
2 formulas (see (*Trans-Allegheny Interstate Line Company*, 119 FERC ¶ 61,219 (2007)
3 (“TrAILCo”); and *Commonwealth Edison Company*, 119 FERC ¶ 61,238 (2007)
4 (“ComEd”)).

5 **III. FORMULA RATE**

6 **Q. PLEASE PROVIDE A DISCRIPTION OF THE PROPOSED CHANGES TO THE**
7 **FORMULA TO INCLUDE CWIP.**

8 A. In each companies’ Attachment H in the PJM Open Access Transmission Tariff,
9 Appendix A, the calculation itself, is modified to include CWIP in rate base on line 43a.
10 Cost support will be modified also, and that includes Attachment 6-Estimate and True-up
11 Worksheet, which has been revised to include more space for projects and the calculaition
12 of the weighted average CWIP balances. Attachment 7-Transmission Enhancement
13 Charge Worksheet has been revised to include the specific revenue requirement
14 calculations for CWIP. These modifications are consistent with the similar formulas
15 which include CWIP discussed above. A clean and redline version of the revised tariff
16 sheets for each of the PHI operating companies are attached to the PHI filing as
17 Appendix A.

18 **Q. IS PHI REQUESTING INCENTIVE TREATMENT FOR THE MAPP**
19 **TRANSMISSION PROJECT?**

20 A. In this docket, PHI is seeking authorization of a 150-basis-point ROE adder for the
21 MAPP project. Attachment 7 referenced above shows the requested adder in the
22 calculation for the MAPP project on line 15.

1 **Q. HOW HAS PHI COMPLIED WITH THE COMMISSION'S REGULATIONS**
2 **CONCERNING THE INCLUSION OF CWIP IN RATE BASE?**

3 A. I have included Statement BM as required by Section 35.13(h)(38) and the information
4 required by Section 35.25. Specifically, Exhibit No. PHI-33 provides the general
5 description of the planning process required by Statement BM; support for the request for
6 waiver of the requirement related to forward looking allocators required by Section
7 35.25(C)(4); the percentage of the proposed increase in the jurisdictional rate level
8 attributable to non-pollution control/fuel conversion CWIP as required by Section
9 35.25(g); and explanations as to why the percentage of non-pollution control/fuel
10 conversion CWIP permitted by the state or local commission, and individual earned rate
11 of return analyses of each of the competing retail rates developed on a basis fully
12 consistent with the wholesale cost of service as required by Section 35.25(g) are not
13 applicable to this filing.

14 Accounting procedures and controls that will be in place in PHI to ensure
15 customers will not be charged for both capitalized AFUDC and corresponding amounts
16 of MAPP CWIP as required by Section 35.25(e) and (f) is provided by Company Witness
17 Warren R. Smiley in Exhibit PHI-36.

18 **Q. IN YOUR OPINION DOES THE FORMULA RATE REVISION PROPOSED BY**
19 **PHI IN THIS PROCEEDING CONFORM TO COMMISSION PRECEDENT**
20 **WITH RESPECT TO CWIP?**

21 A. Yes. Furthermore, the inclusion of CWIP in rate base and cessation of AFUDC result in
22 lower transmission rates for customers over the life of the MAPP project and thus a lower
23 overall revenue collection of more than \$200 million. Exhibit No. PHI-35 shows the

1 revenue requirements with and without CWIP in rate base for each year of the project's
2 estimated life. As can be seen from the graph, under the traditional method, no payments
3 are made by ratepayers during construction. When plant goes into service, then recovery
4 of the cost of construction or carrying costs commences. With CWIP in rate base, the
5 utility recovers its carrying costs during the construction period. Thus, rates to the
6 consumer are lowered in the future as the recovery of CWIP in rate base reduces the plant
7 balance by the amount of carrying charges associated with the traditional method. In
8 Order No. 298, the Commission found that:

9 Without any CWIP in rate base, a new plant has no direct effect on
10 consumer prices until it begins to provide service. Then, when it does come
11 on line, consumer's rates must be increased to give the company a cash
12 return on both the direct cost of the plant and the capitalized [Allowance for
13 Funds Used During Construction (AFUDC)] as well as a return of capital
14 through depreciation. If the plant is large relative to the existing rate base,
15 the result can be a rate increase that is both large and sudden, producing a
16 so-called 'rate shock'. In contrast, with all CWIP in rate base, the impact of
17 new plant is spread over the entire construction period, and the rates when
18 the plant begins to provide service are lower because they do not include a
19 return on and of capitalized AFUDC. (footnote omitted) (Order No. 298,
20 FERC Stats. & Regs. P 30,455 at 30,499).
21

22 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

23 **A. Yes.**

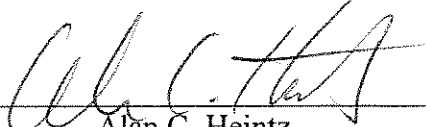
UNITED STATES OF AMERICA
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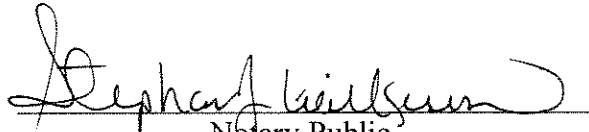
Washington, District of Columbia:

Alan C. Heintz, being first duly sworn, deposes and states that he is the affiant referred to in the document entitled "Direct Testimony of Alan C. Heintz," and that the statements set forth therein are true and correct to the best of his knowledge, information and belief in this proceeding.



Alan C. Heintz

Subscribed and sworn to before me, the undersigned notary public, this 14th day of August 2008.



Notary Public

My Commission Expires: June 14, 2009

Exhibit PHI-31

Summary of Testimony Experience

Alan C. Heintz

SUMMARY OF TESTIMONY EXPERIENCE
ALAN C. HEINTZ

Exhibit No. PHI-31
Page 1 of 8

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
1	FERC	ER95-836-000	Maine Public Service Company	Maine Public Service Company	1995	Rates, Terms and Conditions for Open Access Transmission Services
2	FERC	ER95-854-000	Kentucky Utilities Company	Kentucky Utilities Company	1995	Rates, Terms and Conditions for Open Access Transmission Services
3	FERC	ER95-1686-000 ER96-496-000	Northeast Utilities Service Company	Northeast Utilities Service Company	1996	Rates, Terms and Conditions for Open Access Transmission Services
4	FERC	ER96--58-000	Allegheny Power Services Corporation	Allegheny Power Services Corporation	1995 & 1996	Rates, Terms and Conditions for Open Access Transmission Services
5	FERC	OA96-138-000	Consolidated Edison Company of New York, Inc.	Consolidated Edison Company of New York, Inc.	1997	Rates, Terms and Conditions for Open Access Transmission Services
6	FERC	ER96-1208-000	Interstate Power Company	Interstate Power Company	1996	Rates, Terms and Conditions for Open Access Transmission Services
7	British Columbia Utilities Commission	British Columbia Hydro and Power Authority	Bonneville Power Administration		1997	Rates, Terms and Conditions for Open Access Transmission Services

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
8	FERC	ER98-1438-000 EC98-24-000	Cincinnati Gas & Electric Company, et al. (Midwest Independent System Operator)	Midwest ISO Transmission Owners	1998 & 1999	Rates, Terms and Conditions for Midwest ISO Tariff
9	FERC	EC98-2770-000 ER98-2770-000 ER98-2786-000	American Electric Power Company, Inc. and Central & Southwest Corporation	Midwest Independent System Operator Transmission Owners	1999	Reasonableness of the conditions to be placed on the merging parties
10	Illinois Commerce Commission	99-0117	Commonwealth Edison Company	Commonwealth Edison Company	1998	Cost of service for Retail Distribution Services Tariff
11	FERC	ER99-3110-000	Nevada Power Company	Nevada Power Company	1998	Rates, Terms and Conditions for Open Access Transmission Services
12	FERC	ER99-4415-000	Illinois Power Company	Illinois Power Company	1999	Rates, Terms and Conditions for Open Access Transmission Services
13	FERC	ER99-4470-000	Commonwealth Edison Company	Commonwealth Edison Company	1999	Rates, Terms and Conditions for Open Access Transmission Services
14	U.S. District Court, FL	92-35-CIV-ORL-3A22	Florida Municipal Power Agency vs. Florida Power and Light Company	Florida Power and Light Company	1999	Rates, Terms and Conditions for Network Service in an anti-trust case
15	U.S. Court of Federal Claims, DC	97-268C	Carolina Power & Light Company vs. U.S. Department of Energy	Carolina Power & Light Company	1999	Cost recovery of Decontamination & Decommissioning Fund Assessments

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
16	FERC	ER98-496-006 ER98-2160-004	San Diego Gas & Electric	Dynergy	1999	Rates for Must Run units
17	FERC	ER00-980-000	Bangor Hydro Electric Company	Bangor Hydro Electric Company	1999	Rates, Terms and Conditions for Open Access Transmission Services
18	Maine Public Utilities Commission	99-185	Bangor Hydro Electric Company	Bangor Hydro Electric Company	2000	Rates, Terms and Conditions for Open Access Transmission Services
19	FERC	EL00-98-000, et al.	Dynergy Power Marketing, Inc. et al.	Dynergy Power Marketing, Inc.	2000	Nexus between fuel and emissions costs and the market prices in California
20	Illinois Commerce Commission	No. 01-0423	Commonwealth Edison Company	Commonwealth Edison Company	2001	Direct, Rebuttal and Surrebuttal: Cost of service for Retail Distribution Services Tariff
21	FERC	ER01-2992	Commonwealth Edison Company	Commonwealth Edison Company	2001	Rates, Terms and Conditions for Open Access Transmission Services
22	FERC	ER01-123,004	Midwest ISO Transmission Owners	Midwest ISO Transmission Owners	2001	Super Region Adjustment for the MISO/ARTO Super Region
23	FERC	ER01-2999	Illinois Power Company	Illinois Power Company	2001	Rates, Terms and Conditions for Open Access Transmission Services
24	FERC	ER01-3142, et al	Midwest ISO	Midwest ISO Transmission Owners	2001	Revised treatment of Network Upgrades

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
25	FERC	ER01-3142, et. al	Midwest ISO	Midwest ISO Transmission Owners	2001	Uncertainties that support a higher ROE
26	FERC	EL000-95-045, et.al	San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Service Into Markets Operated by the CALISO...	Dynegy, Mirant, Reliant and Williams	2001 & 2002	Costing of emissions and start-up costs
27	FERC	EC02-23 & ER02-320	Trans-Elect, Inc., et. al	Trans-Elect, Inc.	2001 & 2002	Support of rates and ratemaking methodology for new transmission company
28	FERC		Sithe New Boston, LLC	Sithe New Boston, LLC	2001 & 2002	Cost of Service for Must Run Unit
29	FERC	RM01-12	FERC Technical Conference	SeTrans	2002	Allocation of FTRs/CRRs
30	FERC	EL02-111	Midwest ISO & PJM	Midwest ISO Transmission Owners	2002	Through and Out Rates
31	FERC	ER02-2595	Midwest ISO	Midwest ISO Transmission Owners	2002	Cost Allocation for FTR and Market Administration
32	FERC	ER03-37	Sierra Pacific Resources	Sierra Pacific and Nevada Power	2003	Ancillary Service Rates
33	FERC	ER03-626	Empire District Electric Co.	Empire District Electric Co.	2003	Cost of Service; Wholesale Requirements Customers
34	FERC	EL-02-25-001, et. al	Intermountain, Holy Cross, Yampa and Aquila	Public Service Co. of Colorado	2003	Fuel Adjustment Clause

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
35	FERC	ER03-959	Exelon Framingham LLC, et al.	Exelon Framingham LLC, et al.	2003	Production Cost of Service
36	FERC	ER03-1187	MidWest Generation, LLC	Commonwealth Edison	2003	Black Start Rates
37	FERC	ER03-1223	Montana Megawatts I, LLC, et al.	Montana Megawatt	2003	Production Formula Rates
38	FERC	ER03-1335	Commonwealth Edison	Commonwealth Edison	2003	Transmission Tariff Rates
39	FERC	ER03-1354	Black Hills Power Company, et al.	Black Hills Power Company, et al.	2003	Joint transmission Tariff Rates
40	FERC	ER03-1328	Sierra Pacific Resources	Nevada Power	2003	Transmission Tariff Rates
41	FERC	EL02-111, et. Al	Midwest ISO and PJM Transmission Owners	Midwest ISO Transmission Owners	2004	Long-term Transmission Pricing Plan
42	FERC	ER05-14	Sierra Pacific Resources	Sierra Pacific	2004	Transmission Tariff Rates
43	FERC	ER05-26	Mirant Kendall, LLC	Mirant Kendall, LLC	2004	Reliability Must Run Agreement and Rates
44	Illinois Commerce Commission	No.04-0779	NICOR Gas	NICOR Gas	2004	Distribution Service Embedded Cost of Service Study
45	FERC	ER05-163	Milford Power Company LLC	Milford Power Company LLC	2004	Reliability Must Run Agreement and Rates

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
46	FERC	EL02-111, et. al	Midwest ISO and PJM Transmission Owners	Midwest ISO Transmission Owners	2004	Seams Elimination
47	FERC	EL00-95, et. al	SDG&E V. Sellers, et al.	Portland General Electric Company	2005	California Refund Proceeding
48	FERC	ER05-447	Midwest ISO	Midwest ISO Transmission Owners	2005	Schedule 10 & 17 Recovery for Grandfathered Agreements
49	FERC	EL02-111, et. al	Midwest ISO and PJM Transmission Owners	Midwest ISO Transmission Owners	2005	Seams Elimination
50	FERC	ER05-860	Whiting Clean Energy	Whiting Clean Energy	2005	Cost Based Power Rates
51	FERC	ER05-903	Con. Ed. Energy Mass., Inc.	Con. Ed. Energy Mass., Inc.	2005	Reliability Must Run Agreement and Rates
52	FERC	EL02-111, et. al	Midwest ISO and PJM Transmission Owners	Midwest ISO Transmission Owners	2005	Seams Elimination
53	FERC	ER05-1050	AmerGen Energy Company, L.L.C.	AmerGen Energy Company, L.L.C.	2005	Reactive power charges
54	Illinois Commerce Commission	No.05-0597	Commonwealth Edison Co.	Commonwealth Edison Co.	2005	Distribution Service Embedded Cost of Service Study
55	FERC	ER05-1179	Berkshire Power Company, LLC	Berkshire Power Company, LLC	2005	Reliability Must Run Agreement and Rates

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56	FERC	ER05-1243	Basin Electric Power Cooperative	Basin Electric Power Cooperative	2005	Revised Transmission Cost of Service
57	FERC	ER05-1304 & ER05-1305	Mystic I, LLC and Mystic Development, LLC	Mystic I, LLC and Mystic Development, LLC	2005	Reliability Must Run Agreement and Rates
58	FERC	ER05-273	Midwest ISO	Midwest ISO Transmission Owners	2005	Proper Pricing for Regional Non-firm Redirects
59	FERC	ER05-515	PHI and BGE	PHI and BGE	2005	Transmission Formula Rates
60	FERC	EL05-19	Southwestern Public Service Company	Southwestern Public Service Company	2005	Production rates and Fuel Adjustment Clause,
61	FERC	ER06-427	Mystic Development, LLC	Mystic Development, LLC	2006	Reliability Must Run Agreement and Rates
62	FERC	ER06-822	Fore River Development, LLC	Fore River Development, LLC	2006	Reliability Must Run Agreement and Rates
63	FERC	ER06-819	Consolidated Edison Energy Massachusetts, Inc	Consolidated Edison Energy Massachusetts, Inc	2006	Reliability Must Run Agreement and Rates
64	FERC	ER07-169	Ameren Energy Marketing Company	Ameren Energy Marketing Company	2006	Ancillary service rates
65	FERC	ER06-1549	Duquesne Light Company	Duquesne Light Company	2006	Transmission Formula Rates
66	FERC	ER07-170	Ameren Energy, Inc.	Ameren Energy, Inc.	2006	Ancillary service rates
67	FERC	ER06-787	Idaho Power	Idaho Power	2006 & 2007	Transmission Formula Rates

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
68	FERC	ER07-562	Trans-Allegheny Interstate Line Company	Trans-Allegheny Interstate Line Company	2007	Transmission Formula Rates
69	FERC	ER07-583	Commonwealth Edison	Commonwealth Edison	2007	Transmission Formula Rates
70	FERC	ER07-1171	Arizona Public Service Co.	Arizona Public Service Co.	2007	Transmission Formula Rates
71	Illinois Commerce Commission	No. 07-0566	Commonwealth Edison Co.	Commonwealth Edison Co.	2007	Distribution Service Embedded Cost of Service Study
72	FERC	ER07-1371	Sierra Pacific Resources	Sierra Pacific Resources	2007	Transmission Rates
73	FERC	ER08-281	Oklahoma Gas & Electric	Oklahoma Gas & Electric	2007	Transmission Formula Rates
74	FERC	ER08-313	Southwestern Public Service	Southwestern Public Service	2007	Transmission Formula Rates
75	FERC	ER08-386	Potomac-Appalachian Transmission Hightline, LLC	Potomac-Appalachian Transmission Hightline, LLC	2007	Transmission Formula Rates
76	FERC	ER08-374	Atlantic Path 15, LLC	Atlantic Path 15, LLC	2007	Transmission Rates
77	Illinois Commerce Commission		NICOR Gas	NICOR Gas	2008	Distribution Service Embedded Cost of Service Study
78	PSE&G	ER08-1233	PSE&G	PSE&G	2008	Transmission Formula Rates

Revised Formula Rate - Illustrative Calculation

Atlantic City Electric Company

ATTACHMENT H-1A

Atlantic City Electric Company

Formula Rate - Appendix A

Shaded cells are input cells

Notes FERC Form 1 Page # or Instruction

2007

Allocators

Wages & Salary Allocation Factor			
1	Transmission Wages Expense	p354.21.b	\$ 1,792,103
2	Total Wages Expense	p354.28b	\$ 20,265,055
3	Less A&G Wages Expense	p354.27b	\$ 535,714
4	Total	(Line 2 - 3)	19,726,341
5	Wages & Salary Allocator	(Line 1 / 4)	9.0848%
Plant Allocation Factors			
6	Electric Plant In Service	(Note B) p207.104g	\$ 1,949,654,865
7	Common Plant In Service - Electric	(Line 24)	0
8	Total Plant In Service	(Sum Lines 6 & 7)	1,949,654,865
9	Accumulated Depreciation (Total Electric Plant)	p219.29c	\$ 594,211,364
10	Accumulated Intangible Amortization	(Note A) p200.21c	\$ 39,307,351
11	Accumulated Common Amortization - Electric	(Note A) p356	\$ -
12	Accumulated Common Plant Depreciation - Electric	(Note A) p356	\$ -
13	Total Accumulated Depreciation	(Sum Lines 9 to 12)	633,518,715
14	Net Plant	(Line 8 - 13)	1,316,136,150
15	Transmission Gross Plant	(Line 29 - Line 28)	593,179,702
16	Gross Plant Allocator	(Line 15 / 8)	30.4248%
17	Transmission Net Plant	(Line 39 - Line 28)	405,489,817
18	Net Plant Allocator	(Line 17 / 14)	30.8091%

Plant Calculations

Plant In Service			
19	Transmission Plant In Service	(Note B) p207.58.g	\$ 543,807,569
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	35,475,111
22	Total Transmission Plant In Service	(Line 19 + 20 + 21)	579,276,710
23	General & Intangible	p205.5.g & p207.99.g	\$ 153,024,376
24	Common Plant (Electric Only)	(Notes A & B) p356	\$ -
25	Total General & Common	(Line 23 + 24)	153,024,376
26	Wage & Salary Allocation Factor	(Line 5)	9.08482%
27	General & Common Plant Allocated to Transmission	(Line 25 * 26)	13,901,992
28	Plant Held for Future Use (Including Land)	(Note C) p214	1,350,288
29	TOTAL Plant In Service	(Line 22 + 27 + 28)	594,528,990
Accumulated Depreciation			
30	Transmission Accumulated Depreciation	(Note B) p219.25.c	\$ 180,036,043
31	Accumulated General Depreciation	p219.28.c	\$ 44,930,310
32	Accumulated Intangible Amortization	(Line 10)	39,307,351
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)	84,237,661
36	Wage & Salary Allocation Factor	(Line 5)	9.08482%
37	General & Common Allocated to Transmission	(Line 35 * 36)	7,652,842
38	TOTAL Accumulated Depreciation	(Line 30 + 37)	187,688,885
39	TOTAL Net Property, Plant & Equipment	(Line 29 - 38)	406,840,105

Adjustment To Rate Base

Accumulated Deferred Income Taxes			
40	ADIT net of FASB 106 and 109	Attachment 1	-95,605,963
41	Accumulated Investment Tax Credit Account No. 255	p266.h	0
42	Net Plant Allocation Factor	(Line 18)	30.81%
43	Accumulated Deferred Income Taxes Allocated To Transmission	(Line 41 * 42) + Line 40	-95,605,963
43a	Transmission Related CWIP (Current Year 12 Month weighted average balances)	(Note B) p216.43.b as Shown on Attachment 6	0
Transmission O&M Reserves			
44	Total Balance Transmission Related Account 242 Reserves	Enter Negative Attachment 5	-1,617,949
Prepayments			
45	Prepayments	(Note A) Attachment 5	5,191,141
46	Total Prepayments Allocated to Transmission	(Line 45)	5,191,141
Materials and Supplies			
47	Undistributed Stores Exp	(Note A) p227.5c & 16.c	1,031,369
48	Wage & Salary Allocation Factor	(Line 5)	9.08%
49	Total Transmission Allocated	(Line 47 * 48)	93,698
50	Transmission Materials & Supplies	p227.8c	\$ 2,584,640
51	Total Materials & Supplies Allocated to Transmission	(Line 49 + 50)	2,688,338
Cash Working Capital			
52	Operation & Maintenance Expense	(Line 85)	12,221,341
53	1/8th Rule	x 1/8	12.5%
54	Total Cash Working Capital Allocated to Transmission	(Line 52 * 53)	1,527,668
Network Credits			
55	Outstanding Network Credits	(Note N) From PJM	0
56	Less Accumulated Depreciation Associated with Facilities with Outstanding Network Credits	(Note N) From PJM	0
57	Net Outstanding Credits	(Line 55 - 56)	0
58	TOTAL Adjustment to Rate Base	(Line 43 + 43a + 44 + 46 + 51 + 54 - 57)	-87,816,766
59	Rate Base	(Line 39 + 58)	319,023,339

O&M

Transmission O&M				
60	Transmission O&M		p321.112.b	\$ 8,637,622
61	Less extraordinary property loss		Attachment 5	0
62	Plus amortized extraordinary property loss		Attachment 5	0
63	Less Account 565		p321.98.b	\$ -
64	Plus Schedule 12 Charges billed to Transmission Owner and booked to Account 565	(Note Q)	PJM Data	0
65	Plus Transmission Lease Payments	(Note A)	p200.3c	\$ -
66	Transmission O&M		(Lines 60 - 63 + 64 + 65)	8,637,622
Allocated General & Common Expenses				
67	Common Plant O&M	(Note A)	p356	\$ -
68	Total A&G		p323.197.b	\$ 41,389,627
69	Less Property Insurance Account 924		p323.185b	\$ 380,579
70	Less Regulatory Commission Exp Account 928	(Note B)	p323.189b	\$ 2,778,601
71	Less General Advertising Exp Account 930.1		p323.191b	\$ 43,496
72	Less DE Enviro & Low Income and MD Universal Funds		p335.b	\$ -
73	Less EPRI Dues	(Note D)	p352-353	\$ 33,178
74	General & Common Expenses		(Lines 67 + 68) - Sum (69 to 73)	38,156,672
75	Wage & Salary Allocation Factor		(Line 5)	9,0848%
76	General & Common Expenses Allocated to Transmission		(Line 74 * 75)	3,466,466
Directly Assigned A&G				
77	Regulatory Commission Exp Account 928	(Note G)	p323.189b	0
78	General Advertising Exp Account 930.1	(Note K)	p323.191b	0
79	Subtotal - Transmission Related		(Line 77 + 78)	0
80	Property Insurance Account 924		p323.185b	\$ 380,579
81	General Advertising Exp Account 930.1	(Note F)	p323.191b	\$ -
82	Total		(Line 80 + 81)	380,579
83	Net Plant Allocation Factor		(Line 18)	30.81%
84	A&G Directly Assigned to Transmission		(Line 92 * 83)	117,253
85	Total Transmission O&M		(Line 66 + 76 + 79 + 84)	12,221,341

Depreciation & Amortization Expense

Depreciation Expense				
86	Transmission Depreciation Expense		p336.7b&c	12,548,677
87	General Depreciation		p336.10b&c	5,049,960
88	Intangible Amortization	(Note A)	p336.106e	227,705
89	Total		(Line 87 + 88)	5,277,665
90	Wage & Salary Allocation Factor		(Line 5)	9.0848%
91	General Depreciation Allocated to Transmission		(Line 89 * 90)	479,466
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)	9.0848%
96	Common Depreciation - Electric Only Allocated to Transmission		(Line 94 * 95)	0
97	Total Transmission Depreciation & Amortization		(Line 86 + 91 + 96)	13,028,143

Taxes Other than Income

98	Taxes Other than Income		Attachment 2	1,121,943
99	Total Taxes Other than Income		(Line 98)	1,121,943

Return / Capitalization Calculations

Long Term Interest					
100	Long Term Interest		p117.62c through 67c	55,412,632	
101	Less LTD Interest on Securitization Bonds	(Note P)	Attachment 8	23,324,716	
102	Long Term Interest		(Line 100 - line 101)	32,087,916	
103	Preferred Dividends	enter positive	p118.29c	\$ 262,942	
Common Stock					
104	Proprietary Capital		p112.16c	\$ 483,635,953	
105	Less Preferred Stock	enter negative	(Line 114)	-6,214,500	
106	Less Account 216.1	enter negative	p112.12c	\$ -	
107	Common Stock		(Sum Lines 104 to 106)	477,421,053	
Capitalization					
108	Long Term Debt		p112.17c through 21c	\$ 939,371,501	
109	Less Loss on Reacquired Debt	enter negative	p111.81.c	\$ 14,191,684	
110	Plus Gain on Reacquired Debt	enter positive	p113.61.c	\$ -	
111	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	331,279	
112	Less LTD on Securitization Bonds	(Note P)	Attachment 8	-450,656,501	
113	Total Long Term Debt		(Sum Lines Lines 108 to 112)	503,147,363	
114	Preferred Stock		p112.5c	\$ 6,214,500	
115	Common Stock		(Line 107)	477,421,053	
116	Total Capitalization		(Sum Lines 113 to 115)	986,782,916	
117	Debt %	Total Long Term Debt	(Note Q)	(Line 113 / 116)	50%
118	Preferred %	Preferred Stock	(Note G)	(Line 114 / 116)	0%
119	Common %	Common Stock	(Note Q)	(Line 115 / 116)	50%
120	Debt Cost	Total Long Term Debt		(Line 102 / 113)	0.0638
121	Preferred Cost	Preferred Stock		(Line 103 / 114)	0.0423
122	Common Cost	Common Stock	(Note J)	Fixed	0.1130
123	Weighted Cost of Debt	Total Long Term Debt (WCLTD)		(Line 117 * 120)	0.0319
124	Weighted Cost of Preferred	Preferred Stock		(Line 118 * 121)	0.0000
125	Weighted Cost of Common	Common Stock		(Line 119 * 122)	0.0566
126	Total Return (R)		(Sum Lines 123 to 125)	0.0884	
127	Investment Return = Rate Base * Rate of Return		(Line 59 * 126)	28,197,578	

Composite Income Taxes

Income Tax Rates				
128	FIT=Federal Income Tax Rate			35.00%
129	SIT=State Income Tax Rate or Composite		(Note 1)	8.99%
130	p	(percent of federal income tax deductible for state purposes)	Per State Tax Code	0.00%
131	T	$T = 1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\}$		40.85%
132	T/(1-T)			69.05%
ITC Adjustment				
133	Amortized Investment Tax Credit		[Note 1] enter negative	
134	T/(1-T)		p265.Bf (Line 132)	\$ (127,106)
135	Net Plant Allocation Factor		(Line 18)	30.8081%
136	ITC Adjustment Allocated to Transmission		(Line 133 * (1 + 134) * 135)	-66,201
137	Income Tax Component =	$CIT = (T/(1-T)) * Investment\ Return * (1 - (WCLTD/R)) =$	(Line 132 * 127 * (1 - (123 / 126)))	12,446,439
138	Total Income Taxes		(Line 136 + 137)	12,380,238

REVENUE REQUIREMENT

Summary				
139	Net Property, Plant & Equipment		(Line 39)	406,840,105
140	Adjustment to Rate Base		(Line 58)	-87,816,768
141	Rate Base		(Line 59)	319,023,339
142	O&M		(Line 85)	12,221,341
143	Depreciation & Amortization		(Line 97)	13,026,143
144	Taxes Other than Income		(Line 99)	1,121,943
145	Investment Return		(Line 127)	28,197,578
146	Income Taxes		(Line 138)	12,380,238
147	Gross Revenue Requirement		(Sum Lines 142 to 146)	66,949,244
Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities				
148	Transmission Plant In Service		(Line 19)	543,801,598
149	Excluded Transmission Facilities	(Note 1)	Attachment 5	27,526,011
150	Included Transmission Facilities		(Line 148 - 149)	516,275,588
151	Inclusion Ratio		(Line 150 / 148)	94.84%
152	Gross Revenue Requirement		(Line 147)	66,949,244
153	Adjusted Gross Revenue Requirement		(Line 151 * 152)	63,560,424
Revenue Credits & Interest on Network Credits				
154	Revenue Credits		Attachment 3	2,948,556
155	Interest on Network Credits	(Note 1)	PJM Data	-
156	Net Revenue Requirement		(Line 153 - 154 + 155)	60,611,868
Net Plant Carrying Charge				
157	Net Revenue Requirement		(Line 156)	60,611,868
158	Net Transmission Plant		(Line 19 - 30)	363,765,556
159	Net Plant Carrying Charge		(Line 157 / 158)	16.6623%
160	Net Plant Carrying Charge without Depreciation		(Line 157 - 86) / 158	13.2127%
161	Net Plant Carrying Charge without Depreciation, Return, nor Income Taxes		(Line 157 - 86 - 127 - 138) / 158	2.9461%
Net Plant Carrying Charge Calculation per 100 Basis Point increase in ROE				
162	Net Revenue Requirement Less Return and Taxes		(Line 156 - 145 - 146)	20,034,052
163	Increased Return and Taxes		Attachment 4	43,274,398
164	Net Revenue Requirement per 100 Basis Point increase in ROE		(Line 162 + 163)	63,308,440
165	Net Transmission Plant		(Line 19 - 30)	363,765,556
166	Net Plant Carrying Charge per 100 Basis Point increase in ROE		(Line 164 / 165)	17.4036%
167	Net Plant Carrying Charge per 100 Basis Point increase in ROE without Depreciation		(Line 163 - 86) / 165	13.9540%
168	Net Revenue Requirement		(Line 156)	60,611,868
169	True-up amount		Attachment 6	357,752
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 paid to Vineland per settlement in ER05-515 (Note R)		Attachment 5	450,000
172	Net Zonal Revenue Requirement		(Line 168 - 169 + 171)	61,419,620
Network Zonal Service Rate				
173	1 CP Peak	(Note 1)	PJM Data	2,947
174	Rate (\$/MW-Year)		(Line 172 / 173)	20,841
175	Network Service Rate (\$/MW-Year)		(Line 174)	20,841

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. CWP will be linked to Attachment 6 which shows detail support by project (incentive and non-incentive).
- C Transmission Portion Only
- D All EPRI Annual Membership Dues
- E All Regulatory Commission Expenses
- F Safety related advertising included in Account 930.1
- G Regulatory Commission Expenses directly related to transmission service, RTO filings, or transmission siting itemized in Form 1 at 351.h.
- I The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and $p = \frac{\text{the percentage of federal income tax deductible for state income taxes}}{\text{if the utility includes taxes in more than one state, it must explain in Attachment 5 the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to use amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1-T). A utility must not include tax credits as a reduction to rate base and as an amortization against taxable income.}$
- J The ROE is 11.30%, which includes a 50 basis point RTO membership, added 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.
- Q ACE capital structure is initially fixed at 50% common equity and 50% debt per settlement in ER05-515 subject to moratorium provisions in the settlement.
- R Per the settlement in ER05-515, the facility credits of \$16,000 per month paid to Vineland will increase to \$37,500 per month (prorated for partial months) effective on the date FERC approves the settlement in ER05-515.

END

Atlantic City Electric Company

Attachment 1- Accumulated Deferred Income Taxes (ADIT) Worksheet

	Only Transmission Related	Plant Related	Labor Related	Total ADIT
ADIT- 282	0	(323,935,897)	0	
ADIT-283	0	5,766,399	(22,136,007)	
ADIT-190	0	7,431,279	10,419,054	
Subtotal	0	(310,738,219)	(11,716,952)	
Wages & Salary Allocator			9.0848%	
Gross Plant Allocator		30.4248%		
ADIT	0	(94,541,499)	(1,064,464)	(95,605,963)

Note: ADIT associated with Gain or Loss on Reacquired Debt is included in Column A here and included in Cost of Debt on Appendix A, Line 111.
Amount (331,279)

In filling out this attachment, a full and complete description of each item and justification for the allocation to Columns C-F 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	F Labor	G Justifications
ADIT-190						
190 BAD DEBT RESERVE	5,917,061	5,917,061	-	-	-	Under the Tax Reform Act of 1986, taxpayers were required to account for bad debts using the specific write-off method. The reserve method is used for book purposes. The amount represents the add-back of book reserve. Retail related.
190 FASB 112-ACCTING FOR POST RETIRE	1,059,203	-	-	-	1,059,203	The book records accrual for post employment benefits. Tax deduction is taken at the time a payment is made. Affects company personnel across all functions.
190 LEGAL REGULATORY FEES	1,597,109	1,597,109	-	-	-	Legal fees incurred and paid for regulatory issues were deferred for book purposes. For tax purposes, the fees were deductible in full as paid. Retail related.
190 LEAC DISALLOWANCE	(111,388)	(111,388)	-	-	-	For tax purposes, LEAC (Levelized Energy Adjustment Clause) disallowance costs were deductible as incurred. For book purposes, a reserve for the disallowance costs was recorded. Retail related.
190 UNCOLLECTIBLE ACCOUNTS	(959,570)	(959,570)	-	-	-	Under the Tax Reform Act of 1986, taxpayers were required to account for bad debts using the specific write-off method. The reserve method is used for book purposes. The amount represents the deduction for tax purposes. Retail related.
190 FEBRUARY 98 SPECIAL RESERVES	144,186	144,186	-	-	-	For book purposes, the loan value position for Portland Station was written off as a loss. For tax purposes, the loss was not deductible. Generation related.
190 ACCRUAL SEVERANCE	(173,940)	-	-	-	(173,940)	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.
190 CLAIMS RESERVE	902,219	-	-	-	902,219	For book purposes, a deduction is taken for amounts set aside as a reserve for possible health, injury, and damages claims against ACE. For tax purposes, these amounts are not deductible until paid out as claims. Affects company personnel across all functions.
190 PLANT ABANDONMENT - SFAS 90	6,834,488	6,834,488	-	-	-	Plant Abandonment Amount represents deferred tax asset resulting from the disallowances of plant costs associated with ACE's investment in Unit No. 1 of the Hope Creek Generation Station upon adoption of FAS 90 in 1986. [The FAS90 requires that a loss be recognized if disallowance costs provide no return on investment of any portion of a plant.] Generator related.
190 MERGER RELATED ENTRIES	4,840,658	-	-	-	4,840,658	Reflects deferred taxes generated on Delmarva Power & Light Company /Atlantic City Electric Company merger costs deducted for tax purposes. For books these costs were capitalized. Pension related and therefore labor related.
190 Misc Deferred Debits - Retail	(602,412)	(602,412)	-	-	-	Retail related
190 Stores Clearing Accounts	204,113	-	-	204,113	-	Stores relates to all functions
190 Nuclear Fuel	249,176	249,176	-	-	-	Generation related
190 Hope Creek O&M	189,982	189,982	-	-	-	Generation related
190 Amortization of OPEB	920,894	-	-	-	920,894	OPEB, labor related and relates to all functions
190 MISCELLANEOUS	705,843	-	-	705,843	-	Miscellaneous temporary differences that are less than \$100,000 for each item. Related to all functions
190 OFFICER'S/MANAGERS DEFERRED COMP	283,957	-	-	-	283,957	For book purposes, deferred compensation and deferred payments are expensed when accrued. For tax purposes, they are not deducted until paid. Affects company personnel across all functions.
190 HYDROGEN WATER CHEMISTRY W/O	6,033	6,033	-	-	-	Amortization of book costs on generation project study which was an add-back for tax purposes. Generation related.
190 DSM COSTS	2,930,472	2,930,472	-	-	-	For books, Demand Side Management Costs are deferred. For tax these costs are expensed when paid. These deferred taxes are the result of this book/tax difference which is retail in nature. Retail related.
190 DEFERRED FUEL	1,606,399	1,606,399	-	-	-	Difference between actual fuel expense as compared to the fuel expense computed in accordance with fuel adjustment clause formulas as deferred on books. In accordance with Section 162 Ordinary and Necessary Business Expenses and Section 461 Rules for Taxable year of Deduction, fuel costs are deductible in the year incurred for federal tax purposes. Rate surcharges are includible in the taxable year the underlying monthly bill is adjusted. Refunds are deductible in the taxable year that the liability is fixed and economic performance has occurred. These deferred taxes are the result of this book/tax difference. Generation Related.

Atlantic City Electric Company

Attachment 1- Accumulated Deferred Income Taxes (ADIT) Worksheet

190	ENVIRONMENTAL SITE EXPENSE	2,204,812	2,204,812	-	-	-	These deferred taxes are the result of a deduction taken for book purposes to set aside a reserve for environmental site clean-up expenses. For tax no deduction is permitted until the "all events" test is met typically when economic performance has occurred. This book reserve is primarily related to Deepwater and BL England sites which should not be in transmission service. Generation Related.
190	MARK TO MARKET § 475 ADJUSTMENT	783,927			783,927	-	Pursuant to IRC Sec 475, the company is taking deduction to mark-to-market its accounts receivable. For book purposes, the receivables remained valued at their original amounts. Reflects unbilled revenues and customer accounts receivables. Applies to all functions.
190	NJ EXCISE TAX	2,079,985	2,079,985	-	-	-	Gross receipts and franchise tax catch up and go current payment. Fully deducted when paid on the tax return. Book amortized over 10 years. Retail related.
190	PEACH BOTTOM MASTER LEASE	459,607	459,607	-	-	-	Leased hardware is being tax depreciated. The portion of the lease payments charged to expense on the books must be added back to income for tax purposes. Retail related.
190	DEFERRED PURCHASED POWER	2,818,011	2,818,011	-	-	-	Book records amortization on Susquehanna deferred capitalized costs. For tax purposes, the amortization is added back to taxable income. Retail related.
190	PENSION PAYMENT RESERVE	5,052,876				5,052,876	Book records a deduction for actual SFAS 87 pension expense. A tax deduction is only allowed for actual payments into the pension trust. Affects company personnel across all functions.
190	SECTION 461(H) - PREPAID INSURANCE	4,112,055			4,112,055		Book records a deduction for accrual liabilities of worker compensation and T&D property insurance. A tax deduction is only allowed for actual payments made. Related to both T & D plant
190	SECTION 461(H) - PREPAID OTHER	51,960	51,960	-	-	-	Book records a deduction for accrual liability of Public Utility Assessment. A tax deduction is only allowed for actual payments made. Retail Related
190	PLANT RELATED	(1,110,100)	(1,110,100)				This deferred tax balance relates to plant and results from life and method differences. Related to both T & D plant
190	Reclass	3,811,947	3,811,947				Related to generation
190	199 AMT	1,625,341			1,625,341		Plant related
190	DE-REGULATED DEFERRED	80,685,095	80,685,095				Related to generation and retail
190	Subtotal - p234	129,118,987	108,802,850	-	7,431,279	12,884,857	
	Less FASB 109 Above if not separately removed						
190	Less FASB 106 Above if not separately removed	2,465,803				2,465,803	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.
190	Total	126,653,184	108,802,850	-	7,431,279	10,419,054	

Instructions for Account 190:

- 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 they are included in rates, therefore if the item giving rise to the ADIT is not included in the formula, the associated ADIT amount shall be excluded.
- Re: Form 1-F filer: Sum of subtotals for Accounts 282 and 283 should tie to Form No. 1-F, p.113.57.c

A		B	C	D	E	F	G
		Total	Gas, Prod or Other Related	Only Transmission Related	Plant	Labor	Justifications
ADIT-282							
282	Deregulation/Stranded Cost Generation Assets	(106,418,163)	(106,418,163)				This deferred tax balance relates to our plant and results from life and method differences. Generation related
282	Plant Related	(392,228,205)	(66,293,308)		(323,935,897)		This deferred tax balance relates to our plant and results from life and method differences. Related to both T & D plant.
	Subtotal- p275						
	Less FASB 109 Above if not separately removed						
	Less FASB 106 Above if not separately removed						
282	Total	(500,647,368)	(176,711,471)	-	(323,935,897)	-	

Instructions for Account 282:

- 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 they are included in rates, therefore if the item giving rise to the ADIT is not included in the formula, the associated ADIT amount shall be excluded.
- Re: Form 1-F filer: Sum of subtotals for Accounts 282 and 283 should tie to Form No. 1-F, p.113.57.c

A		B	C	D	E	F	G
		Total	Gas, Prod or Other Related	Only Transmission Related	Plant	Labor	Justifications
ADIT-283							
283	DUPONT RECEIVABLE	(6,498)	(6,498)				Tax deduction was taken for direct write off of receivable from Dupont project. For book purposes, reserve was recorded. Generation related.
283	BOARD OF DIRECTORS DEFERRED COMP	(15,390)				(15,390)	For tax purposes, payments for deferred compensation are deducted when paid. Affects company personnel across all functions.

Atlantic City Electric Company

Attachment 1- Accumulated Deferred Income Taxes (ADIT) Worksheet

283 SEVERANCE PACKAGE		(2,635)			(2,635)	For tax purposes, the severance costs are deductible when they are paid to the severed individual. For book purposes, the costs are expensed when a formal plan is adopted and the employees to be severed have been identified. Affects company personnel across all functions.
283 REGULATORY ISSUES		(1,912,208)	(1,912,208)			Costs incurred and paid for regulatory issues are deferred and amortized for book purposes. These costs were tax deductible in full as paid. Retail related
283 AMORTIZATION (LEGAL)		(5,707)	(5,707)			Legal costs related to Deepwater emergency facility were expensed on the books in the year incurred. For tax purposes, these costs are capital in nature and are amortized over a 30 year period. Generation related.
283 LOSS ON REACQ DEBT		(331,279)	(331,279)			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. Excluded here since included in Cost of Debt.
283 ASBESTOS REMOVAL		(2,388,053)	(2,388,053)			Costs incurred and paid by the company for asbestos removal were tax deductible in full as paid. These costs were deferred and amortized for book purposes. Generation related.
283 DEFERRED EXPENSE CLEARING		(1,087,778)		(1,087,778)		Reflects the deferred taxes generated as a result of the tax deductions taken for actual store room expenses. For book purposes, these amounts were recorded as an asset in FERC account 163.
283 PROPERTY LOSS AMORTIZATION		(1,354,877)	(1,354,877)			Reflects the deferred taxes as a result of the tax deductions taken on various generation related studies, such as Atlantic Generation Study, Hydrogen Water Chemistry, Baseline Configuration and Nuclear Fuel Contract Costs. Generation related.
283 SAVINGS & THRIFT GUARANTEE 401(K)		(927,567)			(927,567)	Labor related - Affects company personnel across all functions.
283 ACE REGULATORY RESTRUCTURING CHARGES		355,615	355,615			Costs incurred and paid for customer care enhancement program associated with deregulation are deferred and amortized for book purposes. Amortization of these costs were non-tax deductible. Retail related.
283 GATX Terminal Agreement for Atlantic CT's		113,767	113,767			Generation related
283 Reserve for Future Stranded Cost Disallowances		4,148,440	4,148,440			For book purposes, a loss due to future disallowance of stranded generation assets was set up as a reserve. For tax purposes, the loss is not deductible until the generation assets are disposed of. Retail related.
283 DUP-CL PROP R		(182,037)	(182,037)			Generation related
283 DUP-CL REM CO		(205,157)	(205,157)			Generation related
283 Less FASB 109 Above if not separately removed		(420,954)			(420,954)	FAS 109 Plant related, related to all functions.
283 Misc De-Regulation		196,783	196,783			Various items related to deregulation
283 Market to Market		321,554	321,554			Accounts Receivable, Other
283 Miscell Diff		2,553,993			2,553,993	This deferred tax balance relates to plant and results from life and method differences. Related to both T & D plant
283 DEFERRED REVENUE		615,928	615,928			Reflects the deferred taxes generated as a result of revenue included as taxable income. For book purposes this amount was deferred in FERC account 254000. Retail related
Stranded Costs		155,219,605	155,219,605			All Generation related
MISCELL RESERVE		124,643	124,643			Generation related, Environmental Reserve for Bl. England site.
PENSION PAYMENT RESERVE		(22,935,852)			(22,935,852)	Affects company personnel across all functions.
SERP		22,588			22,588	Affects company personnel across all functions.
SECTION 461(H) Prepaid		(651,031)			(651,031)	Related to both T & D plant
NUG BUYOUT		5,572,432	5,572,432			Generation related
AMORT OF OPEB		(3,061,523)			3,061,523	OPEB, labor related and relates to all functions
BGS Deferred Related - Retail		26,530,732	26,530,732			Retail related
MISC DEFERRED DEBITS		31,581	31,581			Deferred Costs for Universal Service Fund, Retail related
NOL		2,922,347			2,922,347	Related to both T & D plant
AMA		1,942,292			1,942,292	Related to both T & D plant
283 Plant Related		(190,277,849)	(75,708,526)		(114,569,323)	
283 Subtotal - p277 (Form 1-F filer; see note 6, below)		(19,180,448)	110,926,439		(108,802,624)	(21,304,262)
283 Less FASB 109 Above if not separately removed		(114,569,323)			114,569,323	
283 Less FASB 106 Above if not separately removed		831,745				831,745
283 Total		94,556,830	110,926,439		5,766,399	(22,136,007)

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 C1. ADIT items related only to Non-Electric Operations (e.g., Gas, Water, Sewer) or Production are directly assigned to Column C
 2. ADIT items related only to Transmission are directly assigned to Column D
 3. ADIT items related to Plant and not in Columns C & D are included in Column E
 4. ADIT items related to labor and not in Columns C & D are included in Column F
 5. Deferred income taxes arise when items are included in taxable income in different periods than they are included in rates, therefore if the item giving rise to the ADIT is not included in the formula, the associated ADIT amount shall be excluded.
 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

ADITC-255

	Item	Balance	Amortization
1	Rate Base Treatment		
2	Balance to line 41 of Appendix A	Total	
3	Amortization		

Atlantic City Electric Company

Attachment 2 - Taxes Other Than Income Worksheet

Other Taxes	Page 263 Col (i)	Allocator	Allocated Amount
Plant Related		Gross Plant Allocator	
1 Real property (State, Municipal or Local)	1,749,233		
2 Personal property			
3 City License	-		
4 State Excise	-		
Total Plant Related	1,749,233	30.4248%	532,201
Labor Related		Wages & Salary Allocator	
5 Federal FICA & Unemployment	6,219,821		
6 Unemployment	265,915		
Total Labor Related	6,485,736	9.0848%	589,218
Other Included		Gross Plant Allocator	
7 Miscellaneous	1,726		
Total Other Included	1,726	30.4248%	525
Total Included			1,121,943
Excluded			
8 State Franchise tax	(33,757)		
9 TEFA	20,909,240		
10 Use & Sales Tax	240,911		
11 Total "Other" Taxes (included on p. 263)	29,353,089		
12 Total "Taxes Other Than Income Taxes" - acct 408.10 (p. 114.14)	<u>29,353,089</u>		
13 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

Atlantic City Electric Company

Attachment 3 - Revenue Credit Workpaper

Account 454 - Rent from Electric Property		
1 Rent from Electric Property - Transmission Related (Note 3)		99,633
2 Total Rent Revenues	(Sum Line 1)	99,633
Account 456 - Other Electric Revenues (Note 1)		
3 Schedule 1A		\$ 934,098
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)		691,230
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)		1,291,800
10 Rent or Attachment Fees associated with Transmission Facilities (Note 3)		6,620
11 Gross Revenue Credits	(Sum Lines 2-10)	3,023,381
12 Less line 17g		(74,825)
13 Total Revenue Credits		2,948,556
Revenue Adjustment to determine Revenue Credit		
14	<p>Note 1: All revenues related to transmission that are received as a transmission owner (i.e., not received as a LSE), for which the cost of the service is recovered under this formula, except as specifically provided for elsewhere in this Attachment or elsewhere in the formula will be included as a revenue credit or included in the peak on line 173 of Appendix A.</p>	
15	<p>Note 2: If the costs associated with the Directly Assigned Transmission Facility Charges are included in the Rates, the associated revenues are included in the Rates. If the costs associated with the Directly Assigned Transmission Facility Charges are not included in the Rates, the associated revenues are not included in the Rates.</p>	
16	<p>Note 3: Ratemaking treatment for the following specified secondary uses of transmission assets: (1) right-of-way leases and leases for space on transmission facilities for telecommunications; (2) transmission tower licenses for wireless antennas; (3) right-of-way property leases for farming, grazing or nurseries; (4) licenses of intellectual property (including a portable oil degasification process and scheduling software); and (5) transmission maintenance and consulting services (including energized circuit maintenance, high-voltage substation maintenance, safety training, transformer oil testing, and circuit breaker testing) to other utilities and large customers (collectively, products). Company will retain 50% of net revenues consistent with Pacific Gas and Electric Company, 90 FERC ¶ 61,314. Note: in order to use lines 17a - 17g, the utility must track in separate subaccounts the revenues and costs associated with each secondary use (except for the cost of the associated income taxes).</p>	
17a	Revenues included in lines 1-11 which are subject to 50/50 sharing.	106,253
17b	Costs associated with revenues in line 17a	43,397
17c	Net Revenues (17a - 17b)	62,856
17d	50% Share of Net Revenues (17c / 2)	31,428
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)	31,428
17g	Line 17f less line 17a	(74,825)
18	<p>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.</p>	
		12,366,541
19	Amount offset in line 4 above	52,902,446
20	Total Account 454, 456 and 456.1	68,292,368
21	Note 4: SECA revenues booked in Account 447.	

Atlantic City Electric 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)	43,274,388
B	100 Basis Point increase in ROE		1.00%

Return Calculation

59	Rate Base		(Line 39 + 58)	319,023,339
Long Term Interest				
100	Long Term Interest		p117.62c through 67c Attachment 8	55,412,632
101	Less LTD Interest on Securitization B (Note P)			23,324,716
102	Long Term Interest		*(Line 100 - line 101)*	32,087,916
103	Preferred Dividends	enter positive	p118.29c	262,842
Common Stock				
104	Proprietary Capital		p112.16c	483,635,553
105	Less Preferred Stock	enter negative	(Line 114)	-6,214,500
106	Less Account 216.1	enter negative	p112.12c	0
107	Common Stock		(Sum Lines 104 to 106)	477,421,053
Capitalization				
108	Long Term Debt		p112.17c through 21c	939,371,501
109	Less Loss on Reacquired Debt	enter negative	p111.81.c	14,101,084
110	Plus Gain on Reacquired Debt	enter positive	p113.61.c	0
111	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	331,279
112	Less LTD on Securitization Bonds	enter negative	Attachment 8	-450,656,501
113	Total Long Term Debt		(Sum Lines Lines 108 to 112)	503,147,363
114	Preferred Stock		p112.3c	6,214,500
115	Common Stock		(Line 107)	477,421,053
116	Total Capitalization		(Sum Lines 113 to 115)	986,782,916
117	Debt %	(Note Q from Appendix A)	Total Long Term Debt	50%
118	Preferred %	(Note Q from Appendix A)	Preferred Stock	0%
119	Common %	(Note Q from Appendix A)	Common Stock	50%
120	Debt Cost		Total Long Term Debt	0.0638
121	Preferred Cost		Preferred Stock	0.0423
122	Common Cost	(Note J from Appendix A)	Common Stock	Appendix A % plus 100 Basis Pts 0.1230
123	Weighted Cost of Debt		Total Long Term Debt (WCLTD)	(Line 117 * 120) 0.0319
124	Weighted Cost of Preferred		Preferred Stock	(Line 118 * 121) 0.0000
125	Weighted Cost of Common		Common Stock	(Line 119 * 122) 0.0615
126	Total Return (R)		(Sum Lines 123 to 125)	0.0934
127	Investment Return = Rate Base * Rate of Return		(Line 59 * 126)	29,792,695

Composite Income Taxes

(Note L)

Income Tax Rates				
128	FIT=Federal Income Tax Rate			35.00%
129	SIT=State Income Tax Rate or Composite			8.99%
130	p = percent of federal income tax deductible for state purposes		Per State Tax Code	0.00%
131	T		$T = 1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$	40.85%
132	T / (1-T)			69.05%
ITC Adjustment				
133	Amortized Investment Tax Credit	enter negative	p266.8f	-127,106
134	T/(1-T)		(Line 132)	69.05%
135	Net Plant Allocation Factor		(Line 18)	30.8091%
136	ITC Adjustment Allocated to Transmission	(Note I from Appendix A)	(Line 133 * (1 + 134) * 135)	-66,201
137	Income Tax Component =	$CIT = (T / (1 - T)) * Investment Return * (1 - (WCLTD / R)) =$		13,547,894
138	Total Income Taxes			13,481,693

Atlantic City Electric 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
10	Plant Allocation Factors			
	Accumulated Intangible Amortization	\$ 39,307,361	39,307,351	0
	Accumulated Common Amortization - Electric	0	0	0
	Accumulated Common Plant Depreciation - Electric	0	0	0
12	Plant In Service	0	0	0
24	Common Plant (Electric Only)	0	0	0
	Accumulated Deferred Income Taxes	11,659,154	11,659,154	0
41	Materials and Supplies	1,031,369	1,031,369	0
47	Undistributed Stores Exp	0	0	0
65	Plus Transmission Lease Payments	0	0	0
67	Common Plant O&M	227,005	227,795	0
88	Depreciation Expense	0	0	0
92	Intangible Amortization - Electric Only	0	0	0
93	Common Amortization - Electric Only	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)	5,563,713	4,203,425	0	*Transmission RW - Carlin's Corner* and *Future Conversion of Cumberland-Coycon 138 KV* are transmission.
73	Directly Assigned A&G	Enter	Enter	Enter	
	Regulatory Commission Exp Account 928	0	0	0	

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
6	Plant Allocation Factors				
	Electric Plant In Service	1,949,654,865	0	0	See Form 1
19	Plant In Service	543,891,599	0	0	See Form 1
24	Transmission Plant In Service	0	0	0	
	Common Plant (Electric Only)	0	0	0	
30	Accumulated Depreciation	180,038,043	0	0	See Form 1

EPRI Dues Cost Support

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		Form 1 Amount	EPRI Dues	Details
73	Allocated General & Common Expenses	33179	33179	See Form 1
	Less EPRI Dues	0	0	

Atlantic City Electric 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	2,776,601	0	2,776,601	Transmission related
77	Directly Assigned A&G Regulatory Commission Exp Account 928 (Note G) p323-189b	2,776,601	0	2,776,601	Transmission related

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	40,496	-	40,496	None

MultiState Workpaper

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		State 1	State 2	State 3	State 5	Details
129	Income Tax Rates SIT=State Income Tax Rate or Composite (Note I) 0	NJ 9.00%	PA 9.500%			Enter Calculation Appointed: NJ 8.886%, PA 0.1062%

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 G) p323-191b	40,496		40,496	None

Excluded Plant Cost Support

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		Enter \$	Description of the Facilities
149	Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities Excluded Transmission Facilities (Note M) Attachment 5	27,126,011	General Description of the Facilities
	Instructions: 1. Remove all investment below 69 kV or generator step up transformers included in transmission plant in service that are not a result of the RTEP Process 2. If unable to determine the investment below 69kV in a substation with investment of 69 kV and higher as well as below 69 kV, the following formula will be used: 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 (B ÷ C)) 444,444	None	

Atlantic City Electric Company
Attachment 5 - Cost Support

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 Outstanding Network Credits (Note N) From PJM	Enter \$ 0	None
56 Less Accumulated Depreciation Associated with Facilities with Outstanding Network Credits (Note N) From PJM	0	None

Add more lines if necessary

Transmission Related Account 242 Reserves

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions	Total Enter \$	Allocation	Transmission Related Amount	Details
44 Transmission Related Account 242 Reserves (exclude current year environmental site related reserves) Directly Assignable to Transmission Labor Related, General plant related or Common Plant related Other	9,713,083 2,417,548	100% 30.42% 0.00%	882,415 735,535	
Total Transmission Related Reserves	12,130,612		1,617,949	

Prepayments

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions	From Line 45	Description of the Prepayments
45 Prepayments		
5 Wages & Salary Allocator	9.085%	
Pension Liabilities, if any, in Account 242	9.085%	
Prepayments	\$ 48,624,550	4,417,454
Prepaid Pensions if not included in Prepayments	\$ 8,516,256	773,897
	57,140,806	5,191,351

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	\$		\$	\$
62 Plus amortized extraordinary property loss				

Attachment 5 - Cost Support

Interest on Outstanding Network Credits Cost Support

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

Facility Credits under Section 30.9 of the PJM OATT and Facility Credits paid to Vineland per settlement in ER05-515 (Note R)

171 Net Revenue Requirement Facility Credits under Section 30.9 of the PJM OATT and Facility Credits paid to Vineland per settlement in ER05-515 (Note R)	Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions (Note R) Amount 480,000 Settlement agreement: \$15k/mo. Jan-Apr 18 + \$37.5/mo Apr 19-Dec.
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PJM Load Cost Support

173 Network Zonal Service Rate 1 CP Peak	Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions (Note L) PJM Data 2,947 See Form 1
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Statements BG/BJH (Present and Proposed Revenues)

Customer ACE zone Total	Billing Determinants Current Revenues Proposed Revenues Change in Revenues
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Atlantic City Electric 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	639,279	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	2,538,788	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	958,677	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

Atlantic City Electric Company
Attachment 6 - Estimate and Reconciliation Worksheet

Step Month Year Action

Exec Summary

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

- 1 April Year 2 TO populates the formula with Year 1 data from FERC Form 1 data for Year 1 (e.g., 2004)
 \$ 59,949,955 Rev Req based on Year 1 data Must run Appendix A to get this number (without inputs in rows 20, 21 or 43a of Appendix A)

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

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	
	Monthly Additions	Monthly Additions	Monthly Additions	Monthly Additions		Other Plant In Service	Other Plant In Service	MAPP CWP	MAPP In Service	Other Plant In Service	Other Plant In Service	MAPP CWP	MAPP In Service	
	Other Plant In Service	Other Plant In Service	MAPP CWP	MAPP In Service	Weighting	Amount (A x E)	Amount (B x E)	Amount (C x E)	Amount (D x E)	(F / I)	(G / I)	(H / I)	(J / I)	
Jan					11.5									
Feb		4,361,806			10.5	45,798,963					3,816,580			
Mar					9.5									
Apr					8.5									
May					7.5									
Jun					6.5									
Jul					5.5									
Aug					4.5									
Sep					3.5									
Oct					2.5									
Nov					1.5									
Dec		55,557,245			0.5	27,778,628					2,314,886			
Total		59,919,051				73,577,591					6,131,466			
	New Transmission Plant Additions and CWP (weighted by months in service)													
											10.77	#DIV/0!	#DIV/0!	#DIV/0!
														6,131,466

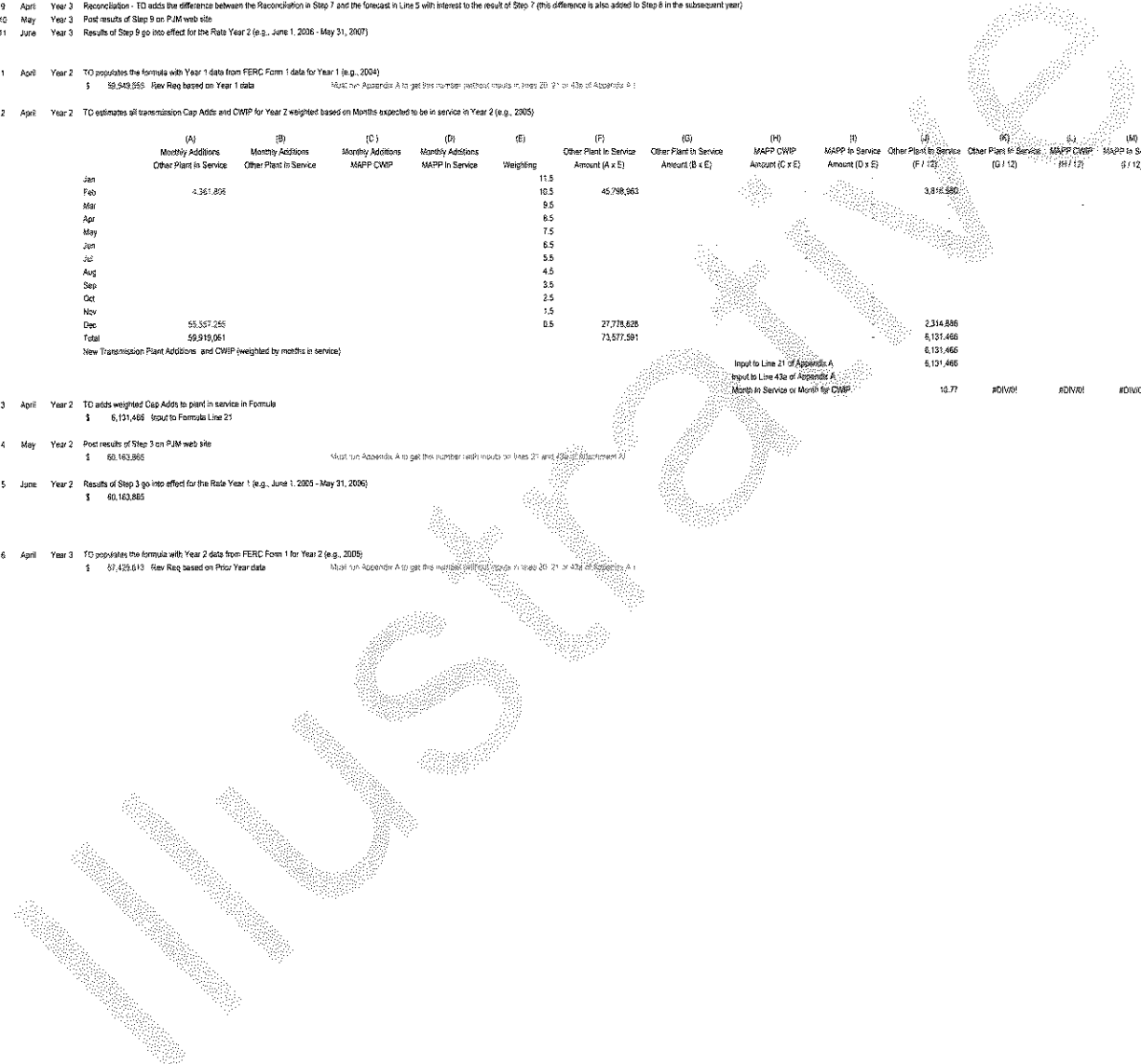
Input to Line 21 of Appendix A
 Input to Line 43a of Appendix A
 Month In Service or Month for CWP

- 3 April Year 2 TO adds weighted Cap Adds to plant in service in Formula
 \$ 6,131,466 Input to Formula Line 21

- 4 May Year 2 Post results of Step 3 on PJM web site
 \$ 60,163,865 Must run Appendix A to get this number (with inputs on lines 21 and 43a of Appendix A)

- 5 June Year 2 Results of Step 3 go into effect for the Rate Year 1 (e.g., June 1, 2005 - May 31, 2006)
 \$ 60,163,865

- 6 April Year 3 TO populates the formula with Year 2 data from FERC Form 1 for Year 2 (e.g., 2005)
 \$ 67,425,613 Rev Req based on Prior Year data Must run Appendix A to get this number (without inputs in rows 20, 21 or 43a of Appendix A)



7 April Year 3 Reconciliation - TO calculate Reconciliation by removing from Year 2 data - the total Cap Adds placed in service in Year 2 and adding weighted average in Year 2 actual Cap Adds and CWP 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 28,375,180 Input to Formula Line 20

Add weighted Cap Adds actually placed in service in Year 2

	(A) Monthly Additions Other Plant In Service	(B) Monthly Additions Other Plant In Service	(C) Monthly Additions MAPP CWP	(D) Monthly Additions MAPP In Service	(E) Weighting	(F) Other Plant In Service Amount (A x E)	(G) Other Plant In Service Amount (B x E)	(H) MAPP CWP Amount (C x E)	(I) MAPP In Service Amount (D x E)	(J) Other Plant In Service (F / 12)	(K) Other Plant In Service (G / 12)	(L) MAPP CWP (H / 12)	(M) MAPP In Service (I / 12)	
Jan	(\$214,091)				11.5	(3,812,040)				(301,004)				
Feb	\$3,331,262				10.5	34,878,154				2,914,679				
Mar	\$266,158				9.5	2,471,497				206,956				
Apr	\$394				8.5	8,452				704				
May	\$33,532				7.5	251,262				20,936				
Jun	\$309,479				6.5	3,311,611				275,366				
Jul	\$14,205,793				5.5	78,348,156				5,812,350				
Aug	\$4,037,314				4.5	18,392,914				1,532,743				
Sep	\$523,473				3.5	(1,130,157)				(84,348)				
Oct	\$7,157				2.5	17,893				1,491				
Nov	\$937,660				1.5	1,211,490				100,957				
Dec	\$5,754,656				0.5	2,882,228				240,194				
Total	28,375,180					136,927,392				11,410,633				
New Transmission Plant Additions and CWP (weighted by months in service)										11,410,633				
										Input to Line 21 of Appendix A				
										Input to Line 43e of Appendix A				
										Month In Service or Month for CWP	7.17	#DIV/0!	#DIV/0!	#DIV/0!

55,586,824.31 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 add monthly weighted average of Year 2 actual Cap Adds added in)

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

	(A) Monthly Additions Other Plant In Service	(B) Monthly Additions Other Plant In Service	(C) Monthly Additions MAPP CWP	(D) Monthly Additions MAPP In Service	(E) Weighting	(F) Other Plant In Service Amount (A x E)	(G) Other Plant In Service Amount (B x E)	(H) MAPP CWP Amount (C x E)	(I) MAPP In Service Amount (D x E)	(J) Other Plant In Service (F / 12)	(K) Other Plant In Service (G / 12)	(L) MAPP CWP (H / 12)	(M) MAPP In Service (I / 12)	
Jan					11.5									
Feb					10.5									
Mar					9.5									
Apr	906,851				8.5	6,898,234				571,519				
May					7.5									
Jun	63,328,641				6.5	411,636,167				34,303,014				
Jul	1,159,621				5.5	6,377,806				531,484				
Aug					4.5									
Sep					3.5									
Oct					2.5									
Nov	552,748				1.5	829,122				69,094				
Dec					0.5									
Total	65,647,841					425,701,328				35,475,111				
New Transmission Plant Additions and CWP (weighted by months in service)										35,475,111				
61081865.31										Input to Line 21 of Appendix A				
										Input to Line 43e of Appendix A				
										Month In Service or Month for CWP	5.54	#DIV/0!	#DIV/0!	#DIV/0!

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

The Reconciliation in Step 8		The forecast in Prior Year		=		329,895	
55,125,211		54,895,496					
Interest on Amount of Refunds or Surcharges							
Interest rate pursuant to 35.19a for March of							
Month	Yr	1/12 of Step 9	0.6600%	Interest rate for	Months	Interest	Surcharge (Refund) Owed
Jun	Year 1	27,484	0.6600%		11.5	2,088	29,570
Jul	Year 1	27,484	0.6600%		10.5	1,995	29,368
Aug	Year 1	27,484	0.6600%		9.5	1,723	29,207
Sep	Year 1	27,484	0.6600%		8.5	1,542	29,026
Oct	Year 1	27,484	0.6600%		7.5	1,361	28,844
Nov	Year 1	27,484	0.6600%		6.5	1,179	28,663
Dec	Year 1	27,484	0.6600%		5.5	998	28,481
Jan	Year 2	27,484	0.6600%		4.5	816	28,300
Feb	Year 2	27,484	0.6600%		3.5	635	28,119
Mar	Year 2	27,484	0.6600%		2.5	453	27,937
Apr	Year 2	27,484	0.6600%		1.5	272	27,756
May	Year 2	27,484	0.6600%		0.5	91	27,574
Total		329,805					342,655

		Balance	Interest rate from above	Amortization over	Balance
				Rate Year	
Jun	Year 2	342,865	0.6600%	29,813	315,318
Jul	Year 2	315,318	0.6600%	29,813	297,564
Aug	Year 2	297,564	0.6600%	29,813	269,670
Sep	Year 2	269,670	0.6600%	29,813	239,571
Oct	Year 2	239,571	0.6600%	29,813	209,286
Nov	Year 2	209,286	0.6600%	29,813	178,815
Dec	Year 2	178,815	0.6600%	29,813	148,157
Jan	Year 3	148,157	0.6600%	29,813	117,309
Feb	Year 3	117,309	0.6600%	29,813	88,270
Mar	Year 3	88,270	0.6600%	29,813	59,040
Apr	Year 3	59,040	0.6600%	29,813	29,617
May	Year 3	29,617	0.6600%	29,813	(0)
Total with interest				357,752	
The difference between the Reconciliation in Step 7 and the forecast in Prior Year with interest					357,752
Rev Req based on Year 2 data with estimated Cap Adds and CWP for Year 3 (Step 8)					\$ 61,091,858
Revenue Requirement for Year 3					61,419,623

10 May Year 3 Post results of Step 9 on PJM web site
\$ 61,419,620 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)
\$ 61,419,620

Atlantic City Electric Company

Attachment 8 - Company Exhibit - Securitization Workpaper

Line #

	Long Term Interest	
101	Less LTD Interest on Securitization Bonds	23,324,716

	Capitalization	
112	Less LTD on Securitization Bonds	450,656,501

Calculation of the above Securitization Adjustments

Inputs from Atlantic City Electric Company 2007 FERC Form 1
Pages 256-257 "Long Term Debt (Account 221, 222, 223, and 224)"
Line 31 "Note Payable to ACE Transition Funding - variable"
LTD Interest on Securitization Bonds in column (i)
LTD on Securitization Bonds in column (h)