

Amy L. Blauman
Assistant General Counsel

Edison Place
701 Ninth Street NW
Washington, DC 20068-0001

Office 202.872.2122
Fax 202.331.6767
pepco.com
alblauman@pepcoholdings.com

May 12, 2017

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E. Room 1A
Washington, DC 20426

Re: Potomac Electric Power Company (“Pepco”), Docket No. ER09-1159
Informational Filing of 2017 Formula Rate Annual Update;
Notice of Annual Meeting

Dear Ms. Bose,

Pepco hereby submits electronically, for informational purposes, its 2017 Annual Formula Rate Update. On November 3, 2015, the Commission approved an uncontested settlement agreement (“Settlement”) filed in Docket Nos. EL13-48, *et al.*¹ Formula Rate implementation protocols contained in the Settlement provide that:

[o]n or before May 15 of each year, Pepco [Potomac Electric Power Company] shall recalculate its Annual Transmission Revenue Requirements, producing an “Annual Update” for the upcoming Rate Year, and:

- (i) cause such Annual Update to be posted at a publicly accessible location on PJM’s internet website;
- (ii) cause notice of such posting to be provided to PJM’s membership; and
- (iii) file such Annual Update with the FERC as an informational filing.²

The same information contained in this informational filing has been transmitted to PJM for posting on its website as required by the Formula Rate implementation

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

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

protocols. Thus, all interested parties should have ample notice of and access to the Annual Update. The protocols provide specific procedures for notice, review, exchanges of information and potential challenges to aspects of the Annual Update. Consequently, and as the Commission has concluded, there is no need for the Commission to notice this informational filing for comment.³

Pepco's 2017 Annual Update contains no expenses or costs that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices, as defined in 18 C.F.R. § 35.13(b)(7).

Pepco has made no accounting changes as defined in the Settlement (and any accounting changes, including accounting policy harmonization changes related to the merger between Exelon and Pepco Holdings, Inc., are discussed in applicable disclosure statements filed within the Securities and Exchange Commission Form 10-K and within the FERC Form No. 1).⁴ Pepco has made no change to Other Post-Employment Benefits ("OPEB") charges that exceed the filing threshold set forth in the Settlement.⁵

Thank you for your attention to this informational filing. Please direct any questions to the undersigned.

Very truly yours,

/s/ Amy L. Blauman
Amy L. Blauman

Enclosures

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

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

⁴ See Settlement, Exhibit A containing PJM Tariff Attachment H9-B, Section 2.f.(iii)(d). Accounting entries related to the merger between Exelon and Pepco Holdings, Inc. were approved by FERC in Docket AC16-203 on March 17, 2017 and April 11, 2017.

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

ATTACHMENT H-9A

Potomac Electric Power Company		Notes	FERC Form 1 Page # or Instruction	2016
Formula Rate -- Appendix A				
Shaded cells are input cells				
Allocators				
1	Wages & Salary Allocation Factor Transmission Wages Expense		p354.21b	\$ 7,467,634
2	Total Wages Expense		p354.28b	\$ 79,740,443
3	Less A&G Wages Expense		p354.27b	\$ 5,699,292
4	Total		(Line 2 - 3)	74,041,151
5	Wages & Salary Allocator		(Line 1 / 4)	10.0858%
Plant Allocation Factors				
6	Electric Plant In Service	(Note B)	p207.104g (See attachment 5)	\$ 7,863,187,376
7	Common Plant In Service - Electric		(Line 24)	0
8	Total Plant In Service		(Sum Lines 6 & 7)	7,863,187,376
9	Accumulated Depreciation (Total Electric Plant)		p219.29c See attachment 5)	\$ 2,795,412,790
10	Accumulated Intangible Amortization	(Note A)	p200.21c	\$ 24,139,690
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)	2,819,552,480
14	Net Plant		(Line 8 - 13)	5,043,634,896
15	Transmission Gross Plant		(Line 29 - Line 28)	1,382,595,907
16	Gross Plant Allocator		(Line 15 / 8)	17.5831%
17	Transmission Net Plant		(Line 39 - Line 28)	919,998,730
18	Net Plant Allocator		(Line 17 / 14)	18.2408%
Plant Calculations				
Plant In Service				
19	Transmission Plant In Service	(Note B)	p207.58.g	\$ 1,350,012,628
20	For Reconciliation only - remove New Transmission Plant Additions for Current Calendar Year	For Reconciliation Only	Attachment 6 - Enter Negative	0
21	New Transmission Plant Additions for Current Calendar Year (weighted by months in service)		Attachment 6	-
22	Total Transmission Plant In Service		(Line 19 - 20 + 21)	1,350,012,628
23	General & Intangible		p205.5.g & p207.99.g (see attachment 5)	323,061,289
24	Common Plant (Electric Only)	(Notes A & B)	p356	0
25	Total General & Common		(Line 23 + 24)	323,061,289
26	Wage & Salary Allocation Factor		(Line 5)	10.08579%
27	General & Common Plant Allocated to Transmission		(Line 25 * 26)	32,583,279
28	Plant Held for Future Use (Including Land)	(Note C)	p214	0
29	TOTAL Plant In Service		(Line 22 + 27 + 28)	1,382,595,907
Accumulated Depreciation				
30	Transmission Accumulated Depreciation	(Note B)	p219.25.c	446,584,194
31	Accumulated General Depreciation		p219.28.c (see attachment 5)	134,628,093
32	Accumulated Intangible Amortization		(Line 10)	24,139,690
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)	158,767,783
36	Wage & Salary Allocation Factor		(Line 5)	10.08579%
37	General & Common Allocated to Transmission		(Line 35 * 36)	16,012,983
38	TOTAL Accumulated Depreciation		(Line 30 + 37)	462,597,177
39	TOTAL Net Property, Plant & Equipment		(Line 29 - 38)	919,998,730
Adjustment To Rate Base				
Accumulated Deferred Income Taxes				
40	ADIT net of FASB 106 and 109		Attachment 1	-285,030,378
41	Accumulated Investment Tax Credit Account No. 255		p266.h	0
42	Net Plant Allocation Factor	Enter Negative (Notes A & I)	(Line 18)	18.24%
43	Accumulated Deferred Income Taxes Allocated To Transmission		(Line 41 * 42) + Line 40	-285,030,378
43a	Transmission Related CWIP (Current Year 12 Month weighted average balances)	(Note B)	p216.43.b as Shown on Attachment 6	0
43b	Unamortized Abandoned Transmission Plant		Attachment 5	0
Transmission O&M Reserves				
44	Total Balance Transmission Related Account 242 Reserves	Enter Negative	Attachment 5	-8,118,097
Prepayments				
45	Prepayments	(Note A)	Attachment 5	34,993,068
46	Total Prepayments Allocated to Transmission		(Line 45)	34,993,068
Materials and Supplies				
47	Undistributed Stores Exp	(Note A)	p227.6c & 16.c	0
48	Wage & Salary Allocation Factor		(Line 5)	10.09%
49	Total Transmission Allocated		(Line 47 * 48)	0
50	Transmission Materials & Supplies		p227.8c	6,029,857
51	Total Materials & Supplies Allocated to Transmission		(Line 49 + 50)	6,029,857
Cash Working Capital				
52	Operation & Maintenance Expense		(Line 85)	49,575,161
53	1/8th Rule		x 1/8	12.5%
54	Total Cash Working Capital Allocated to Transmission		(Line 52 * 53)	6,196,895
Network Credits				
55	Outstanding Network Credits	(Note N)	From PJM	0
56	Less Accumulated Depreciation Associated with Facilities with Outstanding Network Credits	(Note N)	From PJM	0
57	Net Outstanding Credits		(Line 55 - 56)	0
58	TOTAL Adjustment to Rate Base		(Line 43 + 43a + 43b + 44 + 46 + 51 + 54 - 57)	-245,928,655
59	Rate Base		(Line 39 + 58)	674,070,075

O&M

Transmission O&M			
60	Transmission O&M	p321.112.b (see attachment 5)	34,618,797
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	PJM Data	0
65	Plus Transmission Lease Payments	p200.3.c	0
66	Transmission O&M	(Lines 60 - 63 + 64 + 65)	34,618,797
Allocated General & Common Expenses			
67	Common Plant O&M	(Note A) p356	0
68	Total A&G	p323.197.b (see attachment 5)	154,289,750
68a	For informational purposes: PBOB expense in FERC Account 926	(Note S) Attachment 5	1,882,600
69	Less Property Insurance Account 924	p323.185b	1,196,655
70	Less Regulatory Commission Exp Account 928	(Note E) p323.189b	7,678,105
71	Less General Advertising Exp Account 930.1	p323.191b	710,861
72	Less DE Enviro & Low Income and MD Universal Funds	p335.b	0
73	Less EPRI Dues	(Note D) p352-353	268,651
74	General & Common Expenses	(Lines 67 + 68) - Sum (69 to 73)	144,435,478
75	Wage & Salary Allocation Factor	(Line 5)	10.0858%
76	General & Common Expenses Allocated to Transmission	(Line 74 * 75)	14,567,457
Directly Assigned A&G			
77	Regulatory Commission Exp Account 928	(Note G) p323.189b	170,628
78	General Advertising Exp Account 930.1	(Note K) p323.191b	0
79	Subtotal - Transmission Related	(Line 77 + 78)	170,628
80	Property Insurance Account 924	p323.185b	1,196,655
81	General Advertising Exp Account 930.1	(Note F) p323.191b	0
82	Total	(Line 80 + 81)	1,196,655
83	Net Plant Allocation Factor	(Line 18)	18.24%
84	A&G Directly Assigned to Transmission	(Line 82 * 83)	218,279
85	Total Transmission O&M	(Line 66 + 76 + 79 + 84)	49,575,161

Depreciation & Amortization Expense

Depreciation Expense			
86	Transmission Depreciation Expense	p336.7b&c	29,797,770
86a	Amortization of Abandoned Transmission Plant	Attachment 5	0
87	General Depreciation	p336.10b&c	10,477,088
88	Intangible Amortization	(Note A) p336.1d&e	520,766
89	Total	(Line 87 + 88)	10,997,854
90	Wage & Salary Allocation Factor	(Line 5)	10.0858%
91	General Depreciation Allocated to Transmission	(Line 89 * 90)	1,109,220
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)	10.0858%
96	Common Depreciation - Electric Only Allocated to Transmission	(Line 94 * 95)	0
97	Total Transmission Depreciation & Amortization	(Line 86 + 86a + 91 + 96)	30,906,990

Taxes Other than Income

98	Taxes Other than Income	Attachment 2	10,473,214
99	Total Taxes Other than Income	(Line 98)	10,473,214

Return / Capitalization Calculations

Long Term Interest			
100	Long Term Interest	p117.62c through 67c	125,334,120
101	Less LTD Interest on Securitization Bonds	(Note P) Attachment 8	0
102	Long Term Interest	*(Line 100 - line 101)*	125,334,120
103	Preferred Dividends	enter positive p118.29c	-
Common Stock			
104	Proprietary Capital	p112.16c	\$ 2,299,750,147
105	Less Preferred Stock	(Line 114)	0
106	Less Account 216.1	enter negative p112.12c	-1,646,367
107	Common Stock	(Sum Lines 104 to 106)	2,298,103,780
Capitalization			
108	Long Term Debt	p112.17c through 21c	2,341,845,195
109	Less Loss on Reacquired Debt	p111.81c	-17,208,914
110	Plus Gain on Reacquired Debt	enter positive p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative Attachment 1	6,895,614
112	Less LTD on Securitization Bonds	(Note P) enter negative Attachment 8	0
113	Total Long Term Debt	(Sum Lines 108 to 112)	2,331,531,895
114	Preferred Stock	p112.3c	0
115	Common Stock	(Line 107)	2,298,103,780
116	Total Capitalization	(Sum Lines 113 to 115)	4,629,635,675
117	Debt %	Total Long Term Debt (Line 113 / 116)	50%
118	Preferred %	Preferred Stock (Line 114 / 116)	0%
119	Common %	Common Stock (Line 115 / 116)	50%
120	Debt Cost	Total Long Term Debt (Line 102 / 113)	0.0538
121	Preferred Cost	(Line 103 / 114)	0.0000
122	Common Cost	(Note J) Fixed	0.1050
123	Weighted Cost of Debt	Total Long Term Debt (WCLTD) (Line 117 * 120)	0.0271
124	Weighted Cost of Preferred	Preferred Stock (Line 118 * 121)	0.0000
125	Weighted Cost of Common	Common Stock (Line 119 * 122)	0.0521
126	Total Return (R)	(Sum Lines 123 to 125)	0.0792
127	Investment Return = Rate Base * Rate of Return	(Line 59 * 126)	53,381,672

Composite Income Taxes

Income Tax Rates			
128	FIT=Federal Income Tax Rate		35.00%
129	SIT=State Income Tax Rate or Composite	(Note I)	7.80%
130	p	(percent of federal income tax deductible for state purposes)	0.00%
131	T	$T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =$	40.07%
132	T / (1-T)		66.86%
ITC Adjustment			
133	Amortized Investment Tax Credit	(Note I) enter negative	-175,359
134	T/(1-T)	p266.8f (Line 132)	66.86%
135	Net Plant Allocation Factor	(Line 18)	18,2408%
136	ITC Adjustment Allocated to Transmission	(Line 133 * (1 + 134) * 135)	-53,374
137	Income Tax Component =	$CIT=(T/1-T) * Investment\ Return * (1-(WCLTD/R)) =$	[Line 132 * 127 * (1-(123 / 126))] 23,490,498
138	Total Income Taxes	(Line 136 + 137)	23,437,125

REVENUE REQUIREMENT

Summary			
139	Net Property, Plant & Equipment	(Line 39)	919,998,730
140	Adjustment to Rate Base	(Line 58)	-245,928,655
141	Rate Base	(Line 59)	674,070,075
142	O&M	(Line 85)	49,575,161
143	Depreciation & Amortization	(Line 97)	30,906,990
144	Taxes Other than Income	(Line 99)	10,473,214
145	Investment Return	(Line 127)	53,381,672
146	Income Taxes	(Line 138)	23,437,125
147	Gross Revenue Requirement	(Sum Lines 142 to 146)	167,774,162
Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities			
148	Transmission Plant In Service	(Line 19)	1,350,012,628
149	Excluded Transmission Facilities	(Note M) Attachment 5	0
150	Included Transmission Facilities	(Line 148 - 149)	1,350,012,628
151	Inclusion Ratio	(Line 150 / 148)	100.00%
152	Gross Revenue Requirement	(Line 147)	167,774,162
153	Adjusted Gross Revenue Requirement	(Line 151 * 152)	167,774,162
Revenue Credits & Interest on Network Credits			
154	Revenue Credits	Attachment 3	4,983,403
155	Interest on Network Credits	(Note N) PJM Data	-
156	Net Revenue Requirement	(Line 153 - 154 + 155)	162,790,759
Net Plant Carrying Charge			
157	Net Revenue Requirement	(Line 156)	162,790,759
158	Net Transmission Plant	(Line 19 - 30)	903,428,434
159	Net Plant Carrying Charge	(Line 157 / 158)	18.0192%
160	Net Plant Carrying Charge without Depreciation	(Line 157 - 86) / 158	14.7209%
161	Net Plant Carrying Charge without Depreciation, Return, nor Income Taxes	(Line 157 - 86 - 127 - 138) / 158	6.2179%
Net Plant Carrying Charge Calculation per 100 Basis Point increase in ROE			
162	Net Revenue Requirement Less Return and Taxes	(Line 156 - 145 - 146)	85,971,962
163	Increased Return and Taxes	Attachment 4	82,402,002
164	Net Revenue Requirement per 100 Basis Point increase in ROE	(Line 162 + 163)	168,373,964
165	Net Transmission Plant	(Line 19 - 30)	903,428,434
166	Net Plant Carrying Charge per 100 Basis Point increase in ROE	(Line 164 / 165)	18.6372%
167	Net Plant Carrying Charge per 100 Basis Point in ROE without Depreciation	(Line 163 - 86) / 165	15.3389%
168	Net Revenue Requirement	(Line 156)	162,790,759
169	True-up amount	Attachment 6	2,129,048
170	Plus any increased ROE calculated on Attachment 7 other than PJM Sch. 12 projects	Attachment 7	1,174,986
171	Facility Credits under Section 30.9 of the PJM OATT and Facility Credits to Vineland per settlement in ER05-515	Attachment 5	-
171a	MAPP Abandonment recovery pursuant to ER13-607	Attachment 5	-
172	Net Zonal Revenue Requirement	(Line 168 - 169 + 171)	166,094,793
Network Zonal Service Rate			
173	1 CP Peak	(Note L)	6,584
174	Rate (\$/MW-Year)	PJM Data (Line 172 / 173)	25,229
175	Network Service Rate (\$/MW/Year)	(Line 174)	25,229

Notes

- A Electric portion only
- B Exclude Construction Work In Progress and leases that are expensed as O&M (rather than amortized). New Transmission plant that is expected to be placed in service in the current calendar year weighted by number of months it is expected to be in-service. New Transmission plant expected to be placed in service in the current calendar year that is not included in the PJM Regional Transmission Plan (RTEP) must be separately detailed on Attachment 5. For the Reconciliation, new transmission plant that was actually placed in service weighted by the number of months it was actually in service CWIP will be linked to Attachment 6 which shows detail support by project (incentive and non-incentive).
- C Transmission Portion Only
- D All EPRI Annual Membership Dues
- E All Regulatory Commission Expenses
- F Safety related advertising included in Account 930.1
- G Regulatory Commission Expenses directly related to transmission service, RTO filings, or transmission siting itemized in Form 1 at 351.h.
- I The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and $p =$ "the percentage of federal income tax deductible for state income taxes". If the utility includes taxes in more than one state, it must explain in Attachment 5 the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to use amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by $(1/1-T)$. A utility must not include tax credits as a reduction to rate base and as an amortization against taxable income.

The ROE is 10.5% which includes a base ROE of 10.0% ROE per FERC order in Docket No. EL13-48 and a 50 basis point RTO membership adder as authorized by FERC; provided, that the projects identified in Docket Nos. ER08-686 and
- J ER08-1423 have been awarded an additional 150 basis point adder and, thus, their ROE is 12.0%.
- K Education and outreach expenses relating to transmission, for example siting or billing
- L As provided for in Section 34.1 of the PJM OATT and the PJM established billing determinants will not be revised or updated in the annual rate reconciliations per settlement in ER05-515.
- M Amount of transmission plant excluded from rates per Attachment 5.
- N Outstanding Network Credits is the balance of Network Facilities Upgrades Credits due Transmission Customers who have made lump-sum payments (net of accumulated depreciation) towards the construction of Network Transmission Facilities consistent with Paragraph 657 of Order 2003-A. Interest on the Network Credits as booked each year is added to the revenue requirement to make the Transmission Owner whole on Line 155.
- O Payments made under Schedule 12 of the PJM OATT that are not directly assessed to load in the Zone under Schedule 12 are included in Transmission O&M. If they are booked to Acct 565, they are included in on line 64
- P Securitization bonds may be included in the capital structure per settlement in ER05-515.
- Q ACE capital structure is initially fixed at 50% common equity and 50% debt per settlement in ER05-515 subject to moratorium provisions in the settlement.
- R Per the settlement in ER05-515, the facility credits of \$15,000 per month paid to Vineland will increase to \$37,500 per month (prorated for partial months) effective on the date FERC approves the settlement in ER05-515.
- S See Attachment 5 - Cost Support, section entitled "PBOP Expense in FERC Account 926" for additional information per FERC orders in Docket Nos. EL13-48 , EL15-27 and ER16-456.

Potomac Electric Power Company

Attachment 1 - Accumulated Deferred Income Taxes (ADIT) Worksheet

	Only Transmission Related	Plant Related	Labor Related	Total ADIT
ADIT- 282	0	(1,580,475,234)	0	
ADIT-283	(219,592)	(9,835,879)	(153,766,278)	
ADIT-190	2,211,054	29,248,946	29,453,118	
Subtotal	1,991,462	(1,561,062,168)	(124,313,160)	
Wages & Salary Allocator			10.0858%	
Gross Plant Allocator		17.5831%		
ADIT	1,991,462	(274,483,878)	(12,537,963)	(285,030,378)

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 (6,895,614)

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

A ADIT-190	B Total	C Gas, Prod Or Other Related	D Only Transmission Related	E Plant Related	F Labor Related	G Justification
Deferred Compensation	1,798,843	-	-	-	1,798,843	For book purposes, deferred compensation and deferred payments are expensed when accrued. For tax purposes, they are deducted when paid. Affects Company personnel across all functions.
Allowance for Doubtful Accounts	11,917,000	11,917,000	-	-	-	Under the Tax Reform Act of 1986, taxpayers are required to account for bad debts using the specific write-off method. The reserve method is used for book purposes. This amount represents the deferred tax asset related to the add-back of book reserves for tax purposes. This deferred tax asset is retail related. These accrued liabilities are all related to labor. For book purposes the liabilities are accrued with an offset to book expense. For tax purposes, a deduction is not allowed until the liability is paid. Related to Transmission and Distribution.
Accrued Liabilities	27,654,275	-	-	-	27,654,275	For book purposes an environmental reserve is established with an offset to book expense for future environmental costs to be paid for clean-up. For tax purposes, no deduction is allowed until the environmental liability is paid. Relates to the retail function.
Environmental Expense	9,910,995	9,910,995	-	-	-	
Charitable Contribution Carryforward	5,917,992	5,917,992	-	-	-	Pepco is in a net operating loss carryforward position, therefore, Pepco's charitable contributions are carried forward until such time as Pepco or its Parent company can use them in its consolidated federal income tax return. For book purposes, the contributions are expensed when incurred. Charitable contributions are not included in Operating Income and any related deferred income taxes are excluded from Rate Base.
Capital Loss Limitation	91,757	91,757	-	-	-	Tax capital losses are limited to the amount of tax capital gains.
FAS 106 OPEB Adjustment	17,313,285	-	-	-	17,313,285	FAS No. 106 requires accrual basis instead of cash basis accounting for post retirement health care and life insurance benefits for book purposes. Amounts paid to participants or funded through the VEBA or 401(h) accounts are currently deductible for tax purposes. Affects Company personnel across all functions.
Regulatory Liabilities	1,893,755	1,893,755	-	-	-	When a regulatory asset/liability is established, books credits/debits income, which for tax purposes needs to be reversed along with the associated amortization. This deferred tax asset is retail related.
FAS 109 - Deferred Taxes on ITC	842,365	-	-	842,365	-	Pursuant to the requirements of FAS 109, Pepco's accumulated deferred taxes must encompass all timing differences regardless of whether the difference is normalized or flowed-through. These balances primarily represent the deferred taxes on prior flow-through items, including the amount of the required gross-up necessary for full recovery of the prior flow-through amount. Related to all plant. These amounts are removed below.
FAS 109 - Regulatory Liability	563,217	-	-	563,217	-	Pursuant to the requirements of FAS 109, Pepco's accumulated deferred taxes must encompass all timing differences regardless of whether the difference is normalized or flowed-through. These balances primarily represent the deferred taxes on prior flow-through items, including the amount of the required gross-up necessary for full recovery of the prior flow-through amount. Related to all plant. These amounts are removed below.
Regulatory Liability - FERC Formula Rate True-up	2,211,054	-	2,211,054	-	-	For book purposes, a regulatory liability has been established for the FERC Formula Rate Filing true-up and book income has been decreased. For tax purposes, this regulatory liability is not recognized and the book expense must be reversed. 100% Transmission related.
Federal & State NOL	33,286,838	4,037,892	-	29,248,946	-	Represents deferred income tax assets related to federal and state net operating loss carryforwards available to offset future taxable income. Related to both Transmission and Distribution.
Other 190 Deferred Taxes	5,753,783	5,753,783	-	-	-	Miscellaneous temporary differences including DC Gross Receipts Tax and Sales and Use Tax. All retail related. Deferred taxes recognized for commitments made as part of the 2016 merger with Exelon that have not been paid by year-end. These amounts are excluded from Rate Base.
Merger Commitment Deferrals	33,164,647	33,164,647	-	-	-	Represents deferred taxes on estimated book interest expense on prior year taxes not deductible for tax purposes until paid.
Interest on Contingent Taxes	(337,210)	(337,210)	-	-	-	
Subtotal - p234	151,982,596	72,350,611	2,211,054	30,654,528	46,766,403	
Less FASB 109 Above if not separately removed	1,405,582	-	-	1,405,582	-	
Less FASB 106 Above if not separately removed	17,313,285	-	-	-	17,313,285	
Total	133,263,729	72,350,611	2,211,054	29,248,946	29,453,118	

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

Attachment 1 - Accumulated Deferred Income Taxes (ADIT) Worksheet

A ADIT- 282	B Total	C Gas, Prod Or Other Related	D Only Transmission Related	E Plant Related	F Labor Related	G Justification
Plant Related Deferred Taxes	(1,580,475,234)	-	-	(1,580,475,234)	-	This deferred tax balance relates to the life and method differences on property related items for book and tax. Related to Transmission and Distribution.
FAS109 AFUDC Equity	(32,001,393)	-	-	(32,001,393)	-	Under SFAS 109, deferred income taxes must be provided on all book/tax temporary differences, including AFUDC-Equity. Deferred income taxes on AFUDC-Equity are not recognized for Regulatory purposes and are excluded from Rate Base. These amounts are removed below.
CIAC - Non Rate Base	67,937,805	67,937,805	-	-	-	Contributions in Aid of Construction (CIAC) are a reduction to Plant for book accounting purposes, but are included in taxable income and depreciated for income tax purposes. This different book/tax treatment results in deferred income taxes which must be recorded in accordance with SFAS 109. The Company collects an income tax gross-up from the customer which is reimbursement for the time value of money on the additional tax liability incurred until such time as the amounts are fully depreciated for tax purposes. The deferred income tax asset on CIAC's is excluded from Rate Base because the underlying plant is not included in Rate Base.

Leased Vehicles - Non Rate Base	(9,347,886)	(9,347,886)	-	-	-	The Company leases its vehicles under arrangements that are treated as Operating Leases for book purposes, but financing leases for tax purposes. The differing income tax treatment between Rent Expense deducted for book purposes and tax depreciation expense deducted for income tax purposes, results in deferred income taxes being recorded on the books. Since Leased Vehicles are not included in Rate Base, the deferred income taxes are being Pursuant to the requirements of FAS 109, Pepco's accumulated deferred taxes must encompass all timing differences regardless of whether the difference is normalized or flowed-through. These balances primarily represent the deferred taxes on prior flow-through items, including the amount of the required gross-up necessary for full recovery of the prior flow-through amount. Related to all plant. These amounts are removed below.
Plant Related - FAS109 Deferred Taxes	(61,297,165)			(61,297,165)		
Subtotal - p275 (Form 1-F filer: see note 6 below)	(1,615,183,873)	58,589,919	-	(1,673,773,792)	-	
Less FASB 109 Above if not separately removed	(93,298,558)	-	-	(93,298,558)	-	
Less FASB 106 Above if not separately removed	-	-	-	-	-	
Total	(1,521,885,315)	58,589,919	-	(1,580,475,234)	-	

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

Deferred Income Taxes (ADIT) Worksheet

ADIT-283	A	B	C	D	E	F	G
	Total	Gas, Prod Or Other	Transmission	Plant	Labor		Justification
	Related	Related	Related	Related	Related		
Reacquired Debt	(6,895,614)	(6,895,614)	-	-	-	-	The cost of bond redemption is deductible currently for tax purposes and is amortized over the life of the bond issue for book purposes. Related to all functions. Excluded here since it is included in Cost of Debt.
Maryland Property Taxes	(9,835,879)	-	-	(9,835,879)	-	-	For book purposes, the MD property taxes are accrued over the fiscal year. For tax purposes payments are deducted when paid based on the lien date. Related to both Transmission and Distribution.
Prepaid Interest	(597,149)	-	-	-	(597,149)	-	For book purposes, prepaid expenses, which related to a future period but are paid in the current period, must be capitalized and amortized to the balance sheet as an asset. For tax purposes, there is "12-month rule" which allows taxpayers that meet the 12-month rule to currently deduct the amount, as long as the benefits does not extend beyond 12 months. The prepaid interest relates to the Life Insurance plans, that is why this is labor related.
Prepayments	(90,575)	-	-	-	(90,575)	-	For book purposes, prepaid expenses, which related to a future period but are paid in the current period, must be capitalized and amortized to the balance sheet as an asset. For tax purposes, there is "12-month rule" which allows taxpayers that meet the 12-month rule to currently deduct the amount, as long as the benefits does not extend beyond 12 months. Related to Transmission and Distribution.
Regulatory Asset - Blueprint	(2,675,985)	(2,675,985)	-	-	-	-	When a regulatory asset/liability is established, books credits/debits income, which for tax purposes needs to be reversed along with the associated amortization. This deferred tax asset is Retail related.
Regulatory Asset - DSM	(102,174,466)	(102,174,466)	-	-	-	-	For books, Demand Side Management Costs are deferred. For tax these costs are expensed when paid. These deferred taxes are the result of this book/tax difference which is retail in nature.
Regulatory Asset - FERC Formula Rate True-up	(219,592)	-	(219,592)	-	-	-	For book purposes, a regulatory asset has been established for the FERC Formula Rate Filing true-up and book income has been increased. For tax purposes, this regulatory asset is not recognized and the book income must be reversed. This item is 100% Transmission related.
Regulatory Assets	(94,130,958)	(80,314,478)	-	-	(13,816,480)	-	For book purposes, regulatory assets are established with an increase to book income. For tax purposes the regulatory assets are not recognized and book income is reversed. These deferred tax assets are both Retail and Transmission and Distribution related.
Pension Plan Contribution	(139,262,074)	-	-	-	(139,262,074)	-	The Company claims tax deductions for payments made to fund its Retirement Income Plan to the extent permitted under the IRC Section 415 contribution limitations. For book purposes, pension plan expense is recorded in accordance with SFAS 158. This deferred tax liability reflects the difference between the tax versus book deductions. It affects Company personnel across all functions.
FAS 109 - Regulatory Asset Gross-up	(68,957,064)	-	-	(68,957,064)	-	-	Pursuant to the requirements of FAS 109, Pepco's accumulated deferred taxes must encompass all timing differences regardless of whether the difference is normalized or flowed-through. These balances primarily represent the deferred taxes on prior flow-through items, including the amount of the required gross-up necessary for full recovery of the prior flow-through amount. Related to all plant. This amount is removed below.
Subtotal - p277 (Form 1-F filer: see note 6, below)	(424,839,356)	(192,060,543)	(219,592)	(78,792,943)	(153,766,278)		
Less FASB 109 Above if not separately removed	(68,957,064)	-	-	(68,957,064)	-	-	
Less FASB 106 Above if not separately removed	-	-	-	-	-	-	
Total	(355,882,292)	(192,060,543)	(219,592)	(9,835,879)	(153,766,278)		

Instructions for Account 283:
1. ADIT items related only to Non-Electric Operations (e.g., Gas, Water, Sewer) or Production are directly assigned to Column C
2. ADIT items related only to Transmission are directly assigned to Column D
3. ADIT items related to Plant and not in Columns C & D are included in Column E
4. ADIT items related to labor and not in Columns C & D are included in Column F
5. Deferred income taxes arise when items are included in taxable income in different periods than they are included in rates, therefore if the item giving rise to the ADIT is not included in the formula, the associated ADIT amount shall be excluded
6. Re: Form 1-F filer: Sum of subtotals for Accounts 282 and 283 should tie to Form No. 1-F, p.113.57.c

Attachment 1 - Accumulated Deferred Income Taxes (ADIT) Worksheet

ADITC-255

	Item	Balance	Amortization
1	Rate Base Treatment		
2	Balance to line 41 of Appendix A	Total	
3	Amortization		
4	Amortization to line 133 of Appendix A	Total	2,102,230 175,359
5	Total	2,102,230	175,359
6	Total Form No. 1 (p 266 & 267)	Form No. 1 balance (p	2,102,230 175,359
7	Difference /1	-	-

Potomac Electric Power Company

Attachment 2 - Taxes Other Than Income Worksheet

Other Taxes	Page 263 Col (i)	Allocator	Allocated Amount
Plant Related			
		Gross Plant Allocator	
1 Transmission Personal Property Tax (directly assigned to Transmission)	\$ 9,678,878	100%	\$ 9,678,878
1a Other Personal Property Tax (excluded)	\$ 31,687,391	0%	\$ -
2 Capital Stock Tax		17.5831%	\$ -
3 Gross Premium (insurance) Tax		17.5831%	\$ -
4 PURTA		17.5831%	\$ -
5 Corp License		17.5831%	\$ -
Total Plant Related	41,366,269		9,678,878
Labor Related			
		Wages & Salary Allocator	
6 Federal FICA & Unemployment & state unemployment	\$ 7,765,692		
Total Labor Related	7,765,692	10.0858%	783,231
Other Included			
		Gross Plant Allocator	
7 Miscellaneous	63,153		
Total Other Included	63,153	17.5831%	11,104
Total Included			10,473,214
Currently Excluded			
8 MD Franchise Tax	25,169,282		
9 MD Environmental Surcharge	2,083,279		
10 MD Universal Surcharge	8,257,072		
11 MD Montgomery County Fuel	142,203,709		
12 MD PSC Assessment	2,424,528		
13 MD Sales & Use Tax	3,662,329		
14 MD Real Property Taxes	611,119		
15 DC PSC Assessment	6,918,400		
16 DC Delivery Tax	86,059,995		
17 DC Real Property Tax	6,042,595		
18 DC Business Improvement Tax	127,933		
19 DC Ballpark	16,500		
20 DC Right-of-Way	23,263,533		
21 DC RETF, SETF and EATF Funds	17,677,245		
22 DC Sales and Use Tax	229,647		
23 VA Property Taxes	536,215		
24 Misc. Other	0		
24.1 Excluded merger costs in line 6	1,061		
25 Total "Other" Taxes (included on p. 263)	374,479,555		
26 Total "Taxes Other Than Income Taxes" - acct 408.10 (p. 114.14)	374,479,555		
27 Difference		(0)	

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

**Allocation of Property taxes to
Transmission Function
Year Ended December 31, 2016**

Assessable Plant

Transmission	\$ 972,935,801
Distribution	\$ 3,084,077,389
General	\$ 177,851,610
Total T,D&Genl	<u>\$ 4,234,864,800</u>

Plant ratios by Jurisdiction

Transmission Ratio	0.2297442414
Distribution ratio	0.7282587602
General Ratio	0.0419969985
	<u>1.0000000000</u>

Property Taxes \$ 41,366,269

Transmission Property Tax	\$ 9,503,662
Distribution Property tax	\$ 30,125,348
General Property Tax	\$ 1,737,259
Total check	<u>\$ 41,366,269</u>

General Property Tax	\$ 1,737,259
Trans Labor Ratio	10.086%
Trans General	175,216

<u>Total Transmission Property Taxes</u>	
Transmission	\$ 9,503,662
General	\$ 175,216
Total Transmission Property Taxes	<u>\$ 9,678,878</u>

Potomac Electric Power Company

Attachment 3 - Revenue Credit Workpaper

Account 454 - Rent from Electric Property		
1 Rent from Electric Property - Transmission Related (Note 3)		10,527,171
2 Total Rent Revenues	(Sum Lines 1)	10,527,171
 Account 456 - Other Electric Revenues (Note 1)		
3 Schedule 1A		\$ 598,388
4 Net revenues associated with Network Integration Transmission Service (NITS) for which the load is not included in the divisor (difference between NITS credits from PJM and PJM NITS charges paid by Transmission Owner) (Note 4)		1,230,548
5 Point to Point Service revenues for which the load is not included in the divisor received by Transmission Owner (Note 4)		-
6 PJM Transitional Revenue Neutrality (Note 1)		-
7 PJM Transitional Market Expansion (Note 1)		-
8 Professional Services (Note 3)		-
9 Revenues from Directly Assigned Transmission Facility Charges (Note 2)		-
10 Rent or Attachment Fees associated with Transmission Facilities (Note 3)		-
11 Gross Revenue Credits	(Sum Lines 2-10)	12,356,107
12 Less line 17g		(7,372,704)
13 Total Revenue Credits		4,983,403
 Revenue Adjustment to determine Revenue Credit		
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.		10,527,171
17b Costs associated with revenues in line 17a	Attachment 5 - Cost Support	4,218,237
17c Net Revenues (17a - 17b)		6,308,934
17d 50% Share of Net Revenues (17c / 2)		3,154,467
17e Costs associated with revenues in line 17a that are included in FERC accounts recovered through the formula times the allocator used to functionalize the amounts in the FERC account to the transmission service at issue.		-
17f Net Revenue Credit (17d + 17e)		3,154,467
17g Line 17f less line 17a		(7,372,704)
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.		74,970,563
19 Amount offset in line 4 above		158,595,459
20 Total Account 454, 456 and 456.1		245,922,129
21 Note 4: SECA revenues booked in Account 447.		

Potomac Electric Power Company

Attachment 4 - Calculation of 100 Basis Point Increase in ROE

A	Return and Taxes with 100 Basis Point increase in ROE 100 Basis Point increase in ROE and Income Taxes	(Line 127 + Line 138)	82,402,002
B	100 Basis Point increase in ROE		1.00%

Return Calculation

59	Rate Base		(Line 39 + 58)	674,070,075
	Long Term Interest			
100	Long Term Interest		p117.62c through 67c	125,334,120
101	Less LTD Interest on Securitization E(Note P)		Attachment 8	0
102	Long Term Interest		"(Line 100 - line 101)"	125,334,120
103	Preferred Dividends	enter positive	p118.29c	0
	Common Stock			
104	Proprietary Capital		p112.16c	2,299,750,147
105	Less Preferred Stock	enter negative	(Line 114)	0
106	Less Account 216.1	enter negative	p112.12c	-1,646,367
107	Common Stock		(Sum Lines 104 to 106)	2,298,103,780
	Capitalization			
108	Long Term Debt		p112.17c through 21c	2,341,845,195
109	Less Loss on Reacquired Debt	enter negative	p111.81c	-17,208,914
110	Plus Gain on Reacquired Debt	enter positive	p113.61c	0
111	Less ADIT associated with Gain or Loss	enter negative	Attachment 1	6,895,614
112	Less LTD on Securitization Bonds	enter negative	Attachment 8	0
113	Total Long Term Debt		(Sum Lines 108 to 112)	2,331,531,895
114	Preferred Stock		p112.3c	0
115	Common Stock		(Line 107)	2,298,103,780
116	Total Capitalization		(Sum Lines 113 to 115)	4,629,635,675
117	Debt %	Total Long Term Debt	(Line 113 / 116)	50%
118	Preferred %	Preferred Stock	(Line 114 / 116)	0%
119	Common %	Common Stock	(Line 115 / 116)	50%
120	Debt Cost	Total Long Term Debt	(Line 102 / 113)	0.0538
121	Preferred Cost	Preferred Stock	(Line 103 / 114)	0.0000
122	Common Cost	Common Stock	Appendix A % plus 100 Basis Pts	0.1150
123	Weighted Cost of Debt	Total Long Term Debt (WCLTD)	(Line 117 * 120)	0.0271
124	Weighted Cost of Preferred	Preferred Stock	(Line 118 * 121)	0.0000
125	Weighted Cost of Common	Common Stock	(Line 119 * 122)	0.0571
126	Total Return (R)		(Sum Lines 123 to 125)	0.0842
127	Investment Return = Rate Base * Rate of Return		(Line 59 * 126)	56,727,687

Composite Income Taxes

	Income Tax Rates			
128	FIT=Federal Income Tax Rate			35.00%
129	SIT=State Income Tax Rate or Composite			7.80%
130	p = percent of federal income tax deductible for state purposes		Per State Tax Code	0.00%
131	T	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		40.07%
132	T/ (1-T)			66.86%
	ITC Adjustment			
133	Amortized Investment Tax Credit	enter negative	p266.8f	(175,359)
134	T/(1-T)		(Line 132)	67%
135	Net Plant Allocation Factor		(Line 18)	18.2408%
136	ITC Adjustment Allocated to Transmission	(Note I from Appendix A)	(Line 133 * (1 + 134) * 135)	-53,374
137	Income Tax Component =	$CIT=(T/1-T) * Investment\ Return * (1-(WCLTD/R)) =$		25,727,689
138	Total Income Taxes			25,674,315

Potomac Electric Power Company

Attachment 5 - Cost Support

Electric / Non-electric Cost Support

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Electric Portion	Non-electric Portion	Details
Plant Allocation Factors							
10	Accumulated Intangible Amortization	(Note A)	p200.21c	\$ 24,139,690	24,139,690	0	Respondent is Electric Utility only.
11	Accumulated Common Amortization - Electric	(Note A)	p356	0	0	0	
12	Accumulated Common Plant Depreciation - Electric	(Note A)	p356	0	0	0	
Plant In Service							
24	Common Plant (Electric Only)	(Notes A & B)	p356	0	0	0	
Accumulated Deferred Income Taxes							
41	Accumulated Investment Tax Credit Account No. 255	(Notes A & I)	p266.h	\$ 2,102,230	2,102,230	0	Respondent is Electric Utility only.
Materials and Supplies							
47	Undistributed Stores Exp	(Note A)	p227.6c & 16.c	\$ -	0	0	Respondent is Electric Utility only.
Allocated General & Common Expenses							
65	Plus Transmission Lease Payments	(Note A)	p200.3.c				
67	Common Plant O&M	(Note A)	p356	0	0	0	
Depreciation Expense							
88	Intangible Amortization	(Note A)	p336.1d&e	\$ 520,766	520,766	0	Respondent is Electric Utility only.
92	Common Depreciation - Electric Only	(Note A)	p336.11.b	0	0	0	
93	Common Amortization - Electric Only	(Note A)	p356 or p336.11d	0	0	0	

Transmission / Non-transmission Cost Support

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Transmission Related	Non-transmission Related	Details
28	Plant Held for Future Use (Including Land)	(Note C)	p214	\$ 55,989,068	0	55,989,068	Specific identification based on plant records: The following plant investments are included: 1 2 3 4 5

CWIP & Expensed Lease Worksheet

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	CWIP In Form 1 Amount	Expensed Lease in Form 1 Amount	Details
Plant Allocation Factors							
6	Electric Plant In Service	(Note B)	p207.104g	\$ 7,865,536,284	0	0	See ARO Exclusion - Cost Support section below for Electric Plant in Service without AROs
Plant In Service							
19	Transmission Plant In Service	(Note B)	p207.58.g	\$ 1,350,012,628	0	0	See Form 1
24	Common Plant (Electric Only)	(Notes A & B)	p356	0	0	0	
Accumulated Depreciation							
30	Transmission Accumulated Depreciation	(Note B)	p219.25.c	\$ 446,584,194	0	0	See Form 1

EPRI Dues Cost Support

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	EPRI Dues	Details	
Allocated General & Common Expenses							
73	Less EPRI Dues	(Note D)	p352-353	\$ 268,651	268,651		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	\$ 7,678,105	170,628	7,507,477	FERC Form 1 page 351.1 line 15, 17 and 20, transmission related only.
77	Directly Assigned A&G Regulatory Commission Exp Account 928	(Note G)	p323.189b	\$ 7,678,105	170,628	7,507,477	FERC Form 1 page 351.1 line 15, 17 and 20, transmission related only.

Safety Related Advertising Cost Support

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Safety Related	Non-safety Related	Details
81	Directly Assigned A&G General Advertising Exp Account 930.1	(Note F)	p323.191b	\$ 710,861	-	710,861	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)	7.80%	Maryland 8.25%	DC 9.000%	Enter State Enter %	Enter State Enter %	Enter State Enter %	Enter Calculation Apportioned: MD 4.50%, DC 3.30%

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	\$ 710,861	0	710,861	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					
2 If unable to determine the investment below 69kV in a substation with investment of 69 kV and higher as well as below 69 kV, the following formula will be used:				Or	
Example				Enter \$	
A Total investment in substation				1,000,000	
B Identifiable investment in Transmission (provide workpapers)				500,000	
C Identifiable investment in Distribution (provide workpapers)				400,000	
D Amount to be excluded (A x (C / (B + C)))				444,444	

Add more lines if necessary

Potomac Electric Power Company

Attachment 5 - Cost Support

Transmission Related Account 242 Reserves

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		Total	Allocation	Transmission Related	Details
44	Transmission Related Account 242 Reserves (exclude current year environmental site related reserves)	Enter \$		Amount	
	Directly Assignable to Transmission	-	100%	-	
	Labor Related, General plant related or Common Plant related	75,738,498	10.09%	7,638,825	
	Plant Related	2,725,749	17.58%	479,272	
	Other		0.00%	-	
	Total Transmission Related Reserves	78,464,247		8,118,097	

Prepayments

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Description of the Prepayments
45	Prepayments		To Line 45	
5	Wages & Salary Allocator		10.086%	
	Pension Liabilities, if any, in Account 242	-	10.086%	-
	Prepayments - DC ROW	\$ 4,497,086	0.000%	\$ -
	Prepayments	\$ 24,487,027	23.398%	5,729,474
	Prepayments - Transmission Personal Property Tax	\$ 2,599,879	10.086%	262,218
	Prepaid Pensions if not included in Prepayments	\$ 287,546,935	10.086%	29,001,376
		314,633,842		34,993,068
				Prepayments related to DC ROW
				Prepayments related to Transmission Personal Property Tax. See "Prop taxes to function" worksheet for total Transmission assessible plant factor (total transmission property taxes/total property taxes).
				Remaining balance of Prepayments
				Prepaid Pension is recorded in FERC account 186 (see FERC Form 1 page 233).

Outstanding Network Credits Cost Support

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

Extraordinary Property Loss

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

Potomac Electric Power Company

Attachment 5 - Cost Support

Interest on Outstanding Network Credits Cost Support

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

Facility Credits under Section 30.9 of the PJM OATT and Facility Credits to Vineland per settlement in ER05-515

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		Amount	Description & PJM Documentation
171	Net Revenue Requirement Facility Credits under Section 30.9 of the PJM OATT and Facility Credits to Vineland per settlement in ER05-515	-	

PJM Load Cost Support

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				1 CP Peak	Description & PJM Documentation
173	Network Zonal Service Rate 1 CP Peak	(Note L)	PJM Data	6,583.6	See Form 1

Statements BG/BH (Present and Proposed Revenues)

Customer	Billing Determinants	Current Rate	Proposed Rate	Current Revenues	Proposed Revenues	Change in Revenues
Pepco zone				-	-	-
Total				-	-	-

Abandoned Transmission Plant

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions			
A	Beginning Balance of Unamortized Transmission Plant	Per FERC Order	
B	Months Remaining in Amortization Period	Per FERC Order	
C	Monthly Ammortization	A/B	
D	Months in Year to be Amortized		
E	Amortization in Rate Year	C*D	Line 86a
F	Deductions		
G	End of Year Balance in Unamortized Transmission Plant	A-E-F	Line 43b

MAPP Abandonment recovery pursuant to ER13-607

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				
		DPL	Pepco	Total
171a	2013-14 rate period	\$ 9,750,649	\$ 12,725,412	\$ 22,476,061
171a	2014-15 rate period	\$ 14,666,395	\$ 16,524,210	\$ 31,190,605
171a	2015-16 rate period	\$ 12,208,522	\$ 14,624,812	\$ 26,833,334
	Total	\$ 36,625,566	\$ 43,874,434	\$ 80,500,000

Potomac Electric Power Company

Attachment 5 - Cost Support

Brandywine Fly Ash Landfill Environmental Expenses

Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		
Step 9	Attachment 6 - Estimate and Reconciliation Worksheet - Footnote 1	\$ (2,617,572)
<p>Pepco shall make a negative adjustment to its transmission revenue requirement in its 2015 Annual Update in the amount of \$2,617,572, to offset the \$2,617,572 of Brandywine fly ash landfill environmental expenses included in Pepco's 2014 Annual Update ("2013 Brandywine Fly Ash Expenses"). Pepco shall not include the 2013 Brandywine Fly Ash Expenses in a future Annual Update while recovery of such expenses is being pursued from a party outside of the PJM Tariff, but once Pepco is no longer pursuing recovery of such expenses outside of the PJM Tariff, Pepco may include such costs in a future Annual Update to the extent such expenses have not been recovered outside of the PJM Tariff, subject to SMECO's right to challenge such inclusion at that time on any grounds permitted pursuant to Attachment H-9, including the Formula Rate Implementation Protocols, as though the costs had been included in the 2014 Annual Update. Any payments to Pepco for its 2013 Brandywine Fly Ash Expenses shall not be included in any Pepco Annual Update.</p>		

Supporting documentation for FERC Form 1 reconciliation

Compliance with FERC Order on the Exelon Merger					
Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions					
		Form 1 Amount	Merger Costs	Non Merger Related	
60	Transmission O&M	p321.112.b	35,263,040	644,243	34,618,797
68	Total A&G	p323.197.b	183,061,480	28,771,730	154,289,750

ARO Exclusion - Cost Support						
Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions						
		Form 1 Amount	ARO's	Non-ARO's		
6	Electric Plant in Service	p207.104g	7,865,536,284	2,348,908	7,863,187,376	Distribution ARO-\$2,065,535 and General & Intangible ARO-\$283,373
9	Accumulated Depreciation (Total Electric Plant)	p219.29c	2,795,668,047	255,257	2,795,412,790	Distribution ARO-\$95,616 and General ARO-\$159,641
23	General & Intangible	p205.5.g & p207.99.g	323,344,662	283,373	323,061,289	General & Intangible ARO-\$283,373
31	Accumulated General Depreciation	p219.28.c	134,787,734	159,641	134,628,093	General ARO-\$159,641

PBOP Expense in FERC 926							
Attachment A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions							
		Total A&G Form 1 Amount	Account 926 Form 1 Amount	PBOP in FERC 926 current rate year	PBOP in FERC 926 prior rate year	Explanation of change in PBOP in FERC 926	
68	Total A&G	Total: p.323.197.b Account 926: p.323.187.b and c	183,061,480	32,396,514	1,882,600	2,002,643	The actuarially determined amount of OPEB expense in FERC 926 decreased \$ 467 million from the prior year; this decrease is driven by (\$0.3 million) decrease in amortization of unrecognized gain/loss from assumption changes, primarily change in the census data and decrease in the discount rate from 4.15% in 2015 to 3.80% in 2016, (\$0.7 million) decrease in interest cost, (\$0.1 million) decrease in in service cost, offset by \$0.6 million decrease in expected return on plan assets. This decrease was offset by a \$0.347 million decrease in OPEB costs directly charged to capital or other income deduction accounts (i.e. below the line).

Attachment 3 - Revenue Credit Workpaper

17b	Costs associated with revenues in line 17a	\$ 4,218,237
	Revenue Subject to 50/50 sharing (Attachment 3 - line 17a)	\$ 10,527,171
	Federal Income Tax Rate	35.00%
	Federal Tax on Revenue subject to 50/50 sharing	3,684,510
	Net Revenue subject to 50/50 sharing	6,842,661
	Composite State Income Tax Rate	7.800%
	State Tax on Revenue subject to 50/50 sharing	533,728
	Total Tax on Revenue subject to 50/50 sharing	\$ 4,218,237

Potomac Electric Power Company

Attachment 5a - Allocations of Costs to Affiliate

	Delmarva Power	Atlantic City	Pepco	Non - Regulated	Total
Executive Management	17,888,560	15,212,497	30,153,120	7,412,352	70,666,529
Procurement & Administrative Services	6,791,101	4,845,791	9,935,687	3,926,533	25,499,112
Financial Services & Corporate Expenses	19,012,271	15,407,361	29,313,579	25,623,238	89,356,449
Insurance Coverage and Services	1,053,835	1,059,259	878,771	205,181	3,197,046
Human Resources	6,163,406	4,489,926	9,197,885	4,056,693	23,907,910
Legal Services	1,989,324	1,359,614	3,911,072	7,910,660	15,170,671
Audit Services	235,790	200,263	422,964	21,511	880,528
Customer Services	55,980,435	49,006,144	49,427,135	2,578	154,416,292
Information Technology	17,486,264	13,036,712	32,166,511	1,667,441	64,356,929
External Affairs	3,335,582	2,669,671	5,057,025	694,805	11,757,083
Environmental Services	2,511,651	2,003,017	2,263,716	16,460	6,794,844
Safety Services	421,363	405,808	652,912		1,480,083
Regulated Electric & Gas T&D	46,285,265	36,369,629	61,044,684	1,370,583	145,070,161
Internal Consulting Services	520,648	339,645	885,335		1,745,628
Interns	165,014	133,506	173,225		471,745
Cost of Benefits	13,676,739	8,613,927	23,152,231		45,442,897
Building Services	91,882	116,387	4,599,613		4,807,882
Total	\$ 193,609,128	\$ 155,269,158	\$ 263,235,465	\$ 52,908,036	\$ 665,021,787

Name of Respondent PHI Service Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule XVII - Analysis of Billing - Associate Companies (Account 457)

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Potomac Electric Power Company	55,777,848	207,249,778	207,839	263,235,465
2	Delmarva Power & Light Company	45,668,170	147,785,802	155,156	193,609,128
3	Atlantic City Electric Company	29,420,467	125,724,641	124,050	155,269,158
4	Exelon Business Services Company, LLC	42,660,634			42,660,634
5	Pepco Energy Services, Inc.	4,221,075	1,906,663	4,801	6,132,539
6	Pepco Holdings LLC	979,497	1,972,619	5,708	2,957,824
7	Thermal Energy Limited Partnership	4,232	407,746	522	412,500
8	ATS Operating Services, Inc.	26	167,526	192	167,744
9	Atlantic Southern Properties, Inc.	3,079	158,479	142	161,700
10	Conectiv Properties & Investments, Inc.	57	121,639	103	121,799
11	Conectiv Thermal Systems, Inc.	1,447	95,441	67	96,955
12	Conectiv, LLC	6,529	79,114	62	85,705
13	Potomac Capital Investment Corporation	29,039	36,778	114	65,931
14	Atlantic City Electric Transition Funding, LLC	37,069	7,509	40	44,618
15	ATE Investment, Inc.	87			87
16					
17					
18					
19					
20					
21					
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25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	Total	178,809,256	485,713,735	498,796	665,021,787

Service Company Billing Analysis by Utility FERC Account

YTD Dec 2016

Total PHI

FERC Accounts	FERC Account Name	DPL	ACE	PEPCO	Non-Utility	Total	Inclusion in ATRR
107	Constr Work In Progress	26,805,795	19,873,552	37,468,781	-	84,148,128	Not included
182.3	Other Regulatory Assets	4,175,575	259,524	8,595,791	-	13,030,891	Not included
184	Clearing Accounts - Other	348,794	92,274	638,660	(253,174)	826,555	Not included
408.1	Taxes other than inc taxes, utility operating inc	2,313	784	1,997	-	5,093	Not included
416-421.2	Other Income -Below the Line	892,977	789,210	1,313,427	53,161,209	56,156,823	Not included
426.1-426.5	Other Income Deductions - Below the Line	1,753,265	1,341,072	2,592,346	-	5,686,683	Not included
430	Interest-Debt to Associated Companies	182,125	145,629	244,108	-	571,862	Not included
431	Interest-Short Term Debt	(26,965)	(21,576)	(36,264)	-	(84,805)	Not included
556	System cont & load dispatch	2,775,119	2,378,381	2,624,428	-	7,777,928	Not included
557	Other expenses	1,275,792	1,012,311	1,550,758	-	3,838,861	Not included
560	Operation Supervision & Engineering	3,003,550	2,801,852	5,088,055	-	10,893,458	100% included
561	Load dispatching	-	299	-	-	299	100% included
561.1	Load Dispatching - Reliability	15,313	13,623	-	-	28,936	100% included
561.2	Load Dispatch - Monitor & Operate Transmission Sys	54,585	28,734	849,068	-	932,386	100% included
561.3	Load Dispatch - Transmission Service & Scheduling	45,300	38,036	50,977	-	134,313	100% included
561.5	Reliability, Planning and Standards	340,515	334,220	131,940	-	806,676	100% included
563	Overhead line expenses	-	-	301	-	301	100% included
562	Station expenses	-	-	11,428	-	11,428	100% included
564	Underground Line Expenses - Transmission	-	-	3,084	-	3,084	100% included
566	Miscellaneous transmission expenses	1,333,901	1,161,236	1,290,926	-	3,786,062	100% included
568	Maintenance Supervision & Engineering	66,861	84,785	507,686	-	659,332	100% included
569.2	Maintenance of Computer Software	840,498	353,031	449,960	-	1,643,489	100% included
570	Maintenance of station equipment	182,130	92,896	379,724	-	654,749	100% included
571	Maintenance of overhead lines	234,450	231,176	548,094	-	1,013,720	100% included
572	Maintenance of underground lines	667	950	11,117	-	12,735	100% included
573	Maintenance of miscellaneous transmission plant	32,488	56,182	171,684	-	260,354	100% included
575.5	Ancillary services market administration	-	-	17,401	-	17,401	Not included
580	Operation Supervision & Engineering	1,001,036	471,740	1,212,741	-	2,685,517	Not included
581	Load dispatching	1,179,197	535,514	1,475,555	-	3,190,266	Not included
582	Station expenses	897,139	-	105,767	-	1,002,906	Not included
583	Overhead line expenses	95,393	229,072	47,265	-	371,730	Not included
584	Underground line expenses	34,878	-	208,396	-	243,274	Not included
585	Street lighting	4,028	-	43	-	4,071	Not included
586	Meter expenses	800,246	411,127	1,108,564	-	2,319,937	Not included
587	Customer installations expenses	346,745	299,963	893,846	-	1,540,554	Not included
588	Miscellaneous distribution expenses	5,474,825	5,527,826	9,099,689	-	20,102,340	Not included
589	Rents	60,620	2,757	64,590	-	127,967	Not included
590	Maintenance Supervision & Engineering	1,014,077	543,084	431,373	-	1,988,535	Not included
591	Maintain structures	-	-	102	-	102	Not included
592	Maintain equipment	567,892	615,945	1,111,695	-	2,295,532	Not included
593	Maintain overhead lines	1,499,072	1,123,689	1,646,212	-	4,268,974	Not included
594	Maintain underground line	195,257	80,020	610,137	-	885,414	Not included
595	Maintain line transformers	550	200	199,373	-	200,122	Not included
596	Maintain street lighting & signal systems	41,368	40,213	15,904	-	97,486	Not included
597	Maintain meters	110,587	33,666	157,207	-	301,460	Not included
598	Maintain distribution plant	32,930	13,967	560,761	-	607,659	Not included
800-894	Total Gas Accounts	2,419,540	-	-	-	2,419,540	Not included
902	Meter reading expenses	144,919	46,153	123,280	-	314,351	Not included
903	Customer records and collection expenses	51,327,401	49,920,892	48,002,627	-	149,250,920	Not included
907	Supervision - Customer Svc & Information	93,109	89,900	135,212	-	318,221	Not included
908	Customer assistance expenses	2,108,200	754,281	876,429	-	3,738,910	Not included
909	Informational & instructional advertising	204,733	204,651	306,902	-	716,286	Not included
912	Demonstrating and selling expense	140,748	-	-	-	140,748	Not included
913	Advertising expense	43,946	-	-	-	43,946	Not included
920	Administrative & General salaries	367,453	98,423	639,618	-	1,105,493	Wage & Salary Factor
921	Office supplies & expenses	5,082	4,300	6,549	-	15,931	Wage & Salary Factor
923	Outside services employed	67,081,017	56,928,796	110,924,582	-	234,934,395	Wage & Salary Factor
924	Property insurance	(3,103)	(2,499)	(4,305)	-	(9,908)	Net Plant Factor
925	Injuries & damages	467,041	359,075	751,897	-	1,578,013	Wage & Salary Factor
926	Employee pensions & benefits	7,900,160	4,233,882	12,532,015	-	24,666,057	Wage & Salary Factor
928	Regulatory commission expenses	2,081,126	592,263	2,541,328	-	5,214,716	Direct Transmission Only
929	Duplicate charges-Credit	472,389	232,352	1,387,280	-	2,092,021	Wage & Salary Factor
930.1	General ad expenses	-	-	33	-	33	Direct Transmission Only
930.2	Miscellaneous general expenses	643,418	590,393	1,134,900	-	2,368,711	Wage & Salary Factor
935	Maintenance of general plant	421,060	219,332	422,422	-	1,062,814	Wage & Salary Factor
Total		193,609,128	155,269,158	263,235,465	52,908,036	665,021,787	

7 April Year 3 Reconciliation - TO calculates Reconciliation by removing from Year 2 data - the total Cap Adds placed in service in Year 2 and adding weighted average in Year 2 actual Cap Adds and CWIP in Reconciliation (adjusted to include any Reconciliation amount from prior year)

Remove all Cap Adds placed in service in Year 2

For Reconciliation only - remove actual New Transmission Plant Additions for Year 2 **\$ 53,597,136** Input to Formula Line 20

Add weighted Cap Adds actually placed in service in Year 2

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	
	Monthly Additions Other Plant In Service	Monthly Additions Other Plant In Service	Monthly Additions MAPP CWIP	Monthly Additions MAPP In Service	Weighting	Other Plant In Service Amount (A x E)	Other Plant In Service Amount (B x E)	MAPP CWIP Amount (C x E)	MAPP In Service Amount (D x E)	Other Plant In Service (F / 12)	Other Plant In Service (G / 12)	MAPP CWIP (H / 12)	MAPP In Service (I / 12)	
Jan	\$464,957				11.5	5,347,006	-	-	-	445,584	-	-	-	
Feb	(\$662,477)				10.5	(6,956,007)	-	-	-	(579,667)	-	-	-	
Mar	\$6,566,896				9.5	62,385,512	-	-	-	5,198,793	-	-	-	
Apr	\$5,481,323				8.5	46,591,248	-	-	-	3,882,604	-	-	-	
May	\$3,161,246				7.5	23,709,346	-	-	-	1,975,779	-	-	-	
Jun	\$14,379,005				6.5	93,463,534	-	-	-	7,788,628	-	-	-	
Jul	\$143,887				5.5	791,377	-	-	-	65,948	-	-	-	
Aug	\$342,733				4.5	1,542,297	-	-	-	128,525	-	-	-	
Sep	\$279,400				3.5	977,900	-	-	-	81,492	-	-	-	
Oct	\$810,097				2.5	2,025,243	-	-	-	168,770	-	-	-	
Nov	\$10,178,102				1.5	15,267,153	-	-	-	1,272,263	-	-	-	
Dec	\$12,451,967				0.5	6,225,984	-	-	-	518,832	-	-	-	
Total	53,597,136	-	-	-		251,370,591	-	-	-	20,947,549	-	-	-	
New Transmission Plant Additions and CWIP (weighted by months in service)										20,947,549	-	-	-	
										Input to Line 21 of Appendix A	20,947,549	-	-	20,947,549
										Input to Line 43a of Appendix A				
										Month In Service or Month for CWIP	7.31	#DIV/0!	#DIV/0!	#DIV/0!

161,066,825 Result of Formula for Reconciliation **Must run Appendix A with cap adds in line 21 & line 20**
(Year 2 data with total of Year 2 Cap Adds removed and monthly weighted average of Year 2 actual Cap Adds added in)

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

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	
	Monthly Additions Other Plant In Service	Monthly Additions Other Plant In Service	Monthly Additions MAPP CWIP	Monthly Additions MAPP In Service	Weighting	Other Plant In Service Amount (A x E)	Other Plant In Service Amount (B x E)	MAPP CWIP Amount (C x E)	MAPP In Service Amount (D x E)	Other Plant In Service (F / 12)	Other Plant In Service (G / 12)	MAPP CWIP (H / 12)	MAPP In Service (I / 12)	
Jan					11.5	-	-	-	-	-	-	-	-	
Feb					10.5	-	-	-	-	-	-	-	-	
Mar					9.5	-	-	-	-	-	-	-	-	
Apr					8.5	-	-	-	-	-	-	-	-	
May					7.5	-	-	-	-	-	-	-	-	
Jun					6.5	-	-	-	-	-	-	-	-	
Jul					5.5	-	-	-	-	-	-	-	-	
Aug					4.5	-	-	-	-	-	-	-	-	
Sep					3.5	-	-	-	-	-	-	-	-	
Oct					2.5	-	-	-	-	-	-	-	-	
Nov					1.5	-	-	-	-	-	-	-	-	
Dec					0.5	-	-	-	-	-	-	-	-	
Total						-	-	-	-	-	-	-	-	
New Transmission Plant Additions and CWIP (weighted by months in service)										0	-	-	-	
										Input to Line 21 of Appendix A	-	-	-	-
										Input to Line 43a of Appendix A				
										Month In Service or Month for CWIP	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

163,965,745

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

Footnote 1: See Attachment 5 - Cost Support in regards to Brandywine Fly Ash Environmental Expenses

The Reconciliation in Step 7 The forecast in Prior Year
 161,066,825 - 159,015,640 = 2,051,185 See footnote 1 Attachment 5 - Cost Support 1

Interest on Amount of Refunds or Surcharges

Interest rate pursuant to 35.19a for March of		0.3000%					
Month	Yr	1/12 of Step 9	Interest rate for March of the Current Yr	Months	Interest	Surcharge (Refund) Owed	
Jun	Year 1	170,932	0.3000%	11.5	5,897	176,829	
Jul	Year 1	170,932	0.3000%	10.5	5,384	176,316	
Aug	Year 1	170,932	0.3000%	9.5	4,872	175,804	
Sep	Year 1	170,932	0.3000%	8.5	4,359	175,291	
Oct	Year 1	170,932	0.3000%	7.5	3,846	174,778	
Nov	Year 1	170,932	0.3000%	6.5	3,333	174,265	
Dec	Year 1	170,932	0.3000%	5.5	2,820	173,752	
Jan	Year 2	170,932	0.3000%	4.5	2,308	173,240	
Feb	Year 2	170,932	0.3000%	3.5	1,795	172,727	
Mar	Year 2	170,932	0.3000%	2.5	1,282	172,214	
Apr	Year 2	170,932	0.3000%	1.5	769	171,701	
May	Year 2	170,932	0.3000%	0.5	256	171,188	
Total		2,051,185				2,088,106	

		Amortization over			
		Balance	Interest rate from above	Rate Year	Balance
Jun	Year 2	2,088,106	0.3000%	177,421	1,916,950
Jul	Year 2	1,916,950	0.3000%	177,421	1,745,280
Aug	Year 2	1,745,280	0.3000%	177,421	1,573,095
Sep	Year 2	1,573,095	0.3000%	177,421	1,400,394
Oct	Year 2	1,400,394	0.3000%	177,421	1,227,174
Nov	Year 2	1,227,174	0.3000%	177,421	1,053,435
Dec	Year 2	1,053,435	0.3000%	177,421	879,175
Jan	Year 3	879,175	0.3000%	177,421	704,392
Feb	Year 3	704,392	0.3000%	177,421	529,084
Mar	Year 3	529,084	0.3000%	177,421	353,251
Apr	Year 3	353,251	0.3000%	177,421	176,890
May	Year 3	176,890	0.3000%	177,421	(0)
Total with interest				2,129,048	

The difference between the Reconciliation in Step 7 and the forecast in Prior Year with interest 2,129,048

Rev Req based on Year 2 data with estimated Cap Adds and CWIP for Year 3 (Step 8) \$ 163,965,745
 Revenue Requirement for Year 3 166,094,793

10 May Year 3 Post results of Step 9 on PJM web site
 \$ 166,094,793 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)
 \$ 166,094,793

B1125 Convert Buzzard to Ritchie Line - 138kV to 230kV				b2008 Reconnector feeder Dickerson to Quince Orchard						
Yes				Yes						
35				35						
No				No						
0				0						
14.7209%				14.7209%						
14.7209%				14.7209%						
51,852,352				8,623,505						
1,481,496				246,386						
10.00				2.00						
Beginning	Depreciation	Ending	Revenue	Beginning	Depreciation	Ending	Revenue	Total	Incentive Charged	Revenue Credit
48,608,162	1,481,496	47,126,667	8,418,975	8,182,530	246,386	7,936,145	1,414,659	\$ 45,577,409	\$	\$ 45,577,409
48,608,162	1,481,496	47,126,667	8,418,975	8,182,530	246,386	7,936,145	1,414,659	\$ 46,752,395	\$	\$ 46,752,395
47,126,667	1,481,496	45,645,171	8,200,885	7,936,145	246,386	7,689,759	1,378,389	\$ 44,319,889	\$	\$ 44,319,889
47,126,667	1,481,496	45,645,171	8,200,885	7,936,145	246,386	7,689,759	1,378,389	\$ 45,453,902	\$	\$ 45,453,902
45,645,171	1,481,496	44,163,675	7,982,796	7,689,759	246,386	7,443,373	1,342,119	\$ 43,062,369	\$	\$ 43,062,369
45,645,171	1,481,496	44,163,675	7,982,796	7,689,759	246,386	7,443,373	1,342,119	\$ 44,155,408	\$	\$ 44,155,408
44,163,675	1,481,496	42,682,179	7,764,706	7,443,373	246,386	7,196,987	1,305,849	\$ 41,804,849	\$	\$ 41,804,849
44,163,675	1,481,496	42,682,179	7,764,706	7,443,373	246,386	7,196,987	1,305,849	\$ 42,856,915	\$	\$ 42,856,915
42,682,179	1,481,496	41,200,683	7,546,616	7,196,987	246,386	6,950,601	1,269,578	\$ 40,547,329	\$	\$ 40,547,329
42,682,179	1,481,496	41,200,683	7,546,616	7,196,987	246,386	6,950,601	1,269,578	\$ 41,558,422	\$	\$ 41,558,422
41,200,683	1,481,496	39,719,188	7,328,526	6,950,601	246,386	6,704,215	1,233,308	\$ 39,289,810	\$	\$ 39,289,810
41,200,683	1,481,496	39,719,188	7,328,526	6,950,601	246,386	6,704,215	1,233,308	\$ 40,259,928	\$	\$ 40,259,928
39,719,188	1,481,496	38,237,692	7,110,436	6,704,215	246,386	6,457,829	1,197,038	\$ 38,032,290	\$	\$ 38,032,290
39,719,188	1,481,496	38,237,692	7,110,436	6,704,215	246,386	6,457,829	1,197,038	\$ 38,961,435	\$	\$ 38,961,435
38,237,692	1,481,496	36,756,196	6,892,346	6,457,829	246,386	6,211,444	1,160,768	\$ 36,774,770	\$	\$ 36,774,770
38,237,692	1,481,496	36,756,196	6,892,346	6,457,829	246,386	6,211,444	1,160,768	\$ 37,662,941	\$	\$ 37,662,941
36,756,196	1,481,496	35,274,700	6,674,257	6,211,444	246,386	5,965,058	1,124,497	\$ 35,517,250	\$	\$ 35,517,250
36,756,196	1,481,496	35,274,700	6,674,257	6,211,444	246,386	5,965,058	1,124,497	\$ 36,364,448	\$	\$ 36,364,448
35,274,700	1,481,496	33,793,205	6,456,167	5,965,058	246,386	5,718,672	1,088,227	\$ 34,259,730	\$	\$ 34,259,730
35,274,700	1,481,496	33,793,205	6,456,167	5,965,058	246,386	5,718,672	1,088,227	\$ 35,065,955	\$	\$ 35,065,955
33,793,205	1,481,496	32,311,709	6,238,077	5,718,672	246,386	5,472,286	1,051,957	\$ 33,002,210	\$	\$ 33,002,210
33,793,205	1,481,496	32,311,709	6,238,077	5,718,672	246,386	5,472,286	1,051,957	\$ 33,767,461	\$	\$ 33,767,461
....	\$		\$
....	\$		\$
								\$	747,135,870	\$ 726,882,452

Potomac Electric Power Company

Attachment 8 - Company Exhibit - Securitization Workpaper

Line #

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

Calculation of the above Securitization Adjustments

