

## **APPENDIX B**

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
REVENUE REQUIREMENT SUMMARY**

	<u>Company Claim (A)</u>	<u>Recommended Adjustment</u>	<u>Recommended Position</u>	
1. Pro Forma Rate Base	\$1,370,621,017	(\$266,864,122)	\$1,103,756,895	(B)
2. Required Cost of Capital	7.83%	-0.55%	7.28%	(C)
3. Required Return	\$107,319,626	(\$26,912,967)	\$80,406,659	
4. Operating Income @ Present Rates	65,939,159	11,298,272	77,237,431	(D)
5. Operating Income Deficiency	\$41,380,467	(\$38,211,239)	\$3,169,228	
6. Revenue Multiplier	1.6955		1.6955	(E)
7. Required Revenue Increase	<b><u>\$70,160,582</u></b>	<b><u>(\$64,787,155)</u></b>	<b><u>\$5,373,427</u></b>	

Sources:

- (A) Company Filing, Schedule (JCZ)-2.
- (B) Schedule ACC-3.
- (C) Schedule ACC-2.
- (D) Schedule ACC-15.
- (E) Schedule ACC-37.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
REQUIRED COST OF CAPITAL**

	<u>Capital Structure (%)</u> (A)	<u>Cost Rate (%)</u> (A)	<u>Weighted Cost (%)</u>
1. Long Term Debt	49.86%	5.56%	2.77%
2. Common Equity	50.14%	9.00%	4.51%
3. Total Cost of Capital	100.00%		<u><b>7.28%</b></u>

Sources:

(A) Testimony of Mr. Kahal, Schedule MIK-1.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
RATE BASE SUMMARY**

	Company Claim (A)		Recommended Adjustment		Recommended Position
1. Utility Plant in Service	\$2,451,926,511	(A)	\$0		\$2,451,926,511
2. Accumulated Depreciation	(670,421,433)	(A)	0		(670,421,433)
3. Total Net Plant	<u>\$1,781,505,078</u>	(A)	<u>\$0</u>		<u>\$1,781,505,078</u>
Less:					
4. Customer Deposits	(\$33,133,624)	(A)	\$0		(\$33,133,624)
5. Advances for Construction	(493,900)	(A)	0		(493,900)
6. Accumulated Deferred Taxes	<u>(575,534,825)</u>	(A)	<u>0</u>		<u>(575,534,825)</u>
Plus:					
7. Plant Closings (Aug-Jan)	\$48,739,842	(B)	(\$48,739,842)	(C)	\$0
8. Plant Closings (Feb-March)	5,371,302	(B)	(5,371,302)	(D)	\$0
9. Plant Held for Future Use	6,584,025	(A)	(6,584,025)	(E)	0
10. Materials and Supplies	20,713,780	(A)	0		20,713,780
11. Cash Working Capital	88,354,919	(A)/(B)	(22,292,629)	(F)	66,062,290
12. Credit Facility	568,524	(B)	(568,524)	(G)	0
13. Prepaid Pension Asset	41,916,899	(B)	(41,916,899)	(H)	0
14. Storm Costs - Jan 2017	819,898	(B)	(819,898)	(I)	0
15. Storm Costs - June 2016	840,006	(B)	(840,005)	(J)	1
16. Costs to Achieve	6,639,279	(B)	(6,639,279)	(K)	0
Less:					
17. Ann. Of Dep. On Year End	(\$725,043)	(B)	\$0		(\$725,043)
18. OPEB Liability	(21,545,143)	(B)	21,454,143	(L)	(91,000)
19. Consolidated Income Taxes	<u>0</u>		<u>(154,545,862)</u>	(M)	<u>(154,545,862)</u>
20. Total Rate Base	<u><b>\$1,370,621,017</b></u>		<u><b>(\$266,864,122)</b></u>		<u><b>\$1,103,756,895</b></u>

Sources:

(A) Company Filing, Schedule (JCZ)-1.  
(B) Company Filing, Schedule (JCZ)-3.  
(C) Schedule ACC-4.  
(D) Schedule ACC-5.  
(E) Schedule ACC-6.  
(F) Schedule ACC-7.

(G) Schedule ACC-8.  
(H) Schedule ACC-9.  
(I) Schedule ACC-10.  
(J) Schedule ACC-11.  
(K) Schedule ACC-12.  
(L) Schedule ACC-13.  
(M) Schedule ACC-14.

Appendix B  
Schedule ACC-4

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
PLANT CLOSING ADJUSTMENT (AUG 2017 - JAN. 2018)**

1. Company Claim	\$48,739,842	(A)
2. Recommended Adjustment	<b><u>(\$48,739,842)</u></b>	

Sources:

(A) Company Filing, Adjustment No. 21, Schedule (JCZ)-12.

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Schedule ACC-5

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
PLANT CLOSING ADJUSTMENT (FEB. - MARCH, 2018)**

1. Company Claim	\$5,371,302	(A)
2. Recommended Adjustment	<u><b>(\$5,371,302)</b></u>	(B)

Sources:

(A) Company Filing, Adjustment No. 22, Schedule (JCZ)-13.

Appendix B  
Schedule ACC-6

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
PLANT HELD FOR FUTURE USE**

1. Company Claim	\$6,584,025	(A)
2 Recommended Adjustment	<b><u>(\$6,584,025)</u></b>	

Sources:

(A) Company Filing, Schedule (JCZ-S)-1.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
CASH WORKING CAPITAL**

	<u>Amount</u>	Expense Lead/Lag <u>Days</u>	Revenue <u>Lag</u>	Net <u>Lag</u>	Net Lag <u>%</u>	Rate Counsel <u>Recommendation</u>
	(A)	(A)	(A)	(B)	(C)	
<b>Operation and Maintenance Expenses:</b>						
1. Cost of Electric Supply	\$644,275,510	37.29	54.94	17.65	4.84%	\$31,154,692
2. O&M Distribution	227,588,801	30.40	54.94	24.54	6.72%	15,301,450
3. Interest on Customer Deposits	38,316	365.00	54.94	(310.06)	-84.95%	(32,549)
4. Depreciation and Amortization (D)	0	0.00	54.94	54.94	15.05%	0
5. Other Taxes	4,672,271	(8.89)	54.94	63.83	17.49%	817,071
6. NJ State Sales Taxes	76,349,546	(51.10)	54.94	106.04	29.05%	22,181,112
<b>Income Taxes:</b>						
7. Current (E)	0	59.05	54.94	(4.11)	-1.13%	0
8. Deferred (E)	0	59.05	54.94	(4.11)	-1.13%	0
9. ITC Adjustment	(152,570)	59.05	54.94	(4.11)	-1.13%	1,718
10. Invested Capital (D)	0	0.00	54.94	54.94	15.05%	0
11. Interest Expense (F)	30,598,525	91.25	54.94	(36.31)	-9.95%	<u>(3,043,925)</u>
12. Cash Working Capital Requirement - Test Year						66,379,570
13. Company Claim Prior to Test Year Adjustments (A)						<u>88,367,435</u>
14. Recommended Adjustment						(\$21,987,865)
15. Recommended Adjustment to Company Test Year Adjustments (G)						<u>(304,764)</u>
16. Total Recommended Adjustment						<b><u>(\$22,292,629)</u></b>

Sources:

(A) Company Workpapers, "12+0 Months Ending July 2017", Page 5.

(B) Revenue Lag - Expense Lead/Lag.

(C) Net Lag / 365 Days.

(D) Reflects elimination of non-cash expenses and return on equity.

(E) Note that Company did not include CWC on current or deferred taxes.

(F) Interest Expense per Schedule ACC-35.

(G) Reflects elimination of depreciation/Amortization adjustment per Company Filing, Adjustment No. 27, Schedule (JCZ)-17.

Appendix B  
Schedule ACC-8

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
CREDIT FACILITY COSTS**

1. Company Claim	\$568,524	(A)
2. Recommended Adjustment	<u><b>(\$568,524)</b></u>	

Sources:

(A) Company Filing, Adjustment No. 23, Schedule (JCZ)-14.

Appendix B  
Schedule ACC-9

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
PREPAID PENSION ASSET**

1. Company Claim	\$41,916,899	(A)
2. Recommended Adjustment	<u>(\$41,916,899)</u>	

Sources:

(A) Company Filing, Adjustment No. 8, Schedule (JCZ)-7.

Appendix B  
Schedule ACC-10

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
STORM RESTORATION COSTS - JAN. 2017 STORM**

1. Unamortized Balance	(\$1,386,133)	(A)
2. Deferred Tax Reserve	<u>566,235</u>	(A)
3. Net Rate Base Adjustment	<u><b>(\$819,898)</b></u>	

Sources:

(A) Company Filing, Adjustment No. 13, Schedule (KMMc)-5.

Appendix B  
Schedule ACC-11

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
STORM RESTORATION COSTS - JUNE 2016**

1. Unamortized Balances	(\$1,420,128)	(A)
2. Deferred Tax Reserve	<u>580,123</u>	(B)
3. Net Rate Base Adjustment	<b><u>(\$840,005)</u></b>	

Sources:

(A) Company Filing, Adjustment No. 15, Schedule (KMMc)-7.

Appendix B  
Schedule ACC-12

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
COSTS TO ACHIEVE**

1. Company Claim      **(\$6,639,279)**      (A)

Sources:

(A) Company Filing, Adjustment No. 25, Schedule (JCZ)-15.

Appendix B  
Schedule ACC-13

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
OPEB LIABILITY**

1. Company Claim	(\$21,454,143)	(A)
2. Recommended Adjustment	<u>\$21,454,143</u>	

Sources:

(A) Company Filing, Adjustment No. 9, Schedule (JCZ)-8.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
CONSOLIDATED INCOME TAXES**

1. Total CIT Adjustment for ACE	<u><b>(\$154,545,862)</b></u>	(A)
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Sources:

(A) Derived from the response to RCR-A-101.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
OPERATING INCOME SUMMARY (\$000)**

		Schedule No.
1. Company Claim	\$65,939,159	1
Recommended Adjustments:		
2. Pro Forma Revenue - Weather Normalization	(230,473)	16
3. Pro Forma Revenue - Post Test Year Adjustments	606,561	17
4. Pro Forma Revenue - Rate Effective Period	2,558,047	18
5. Salary and Wage Expense - Increases Through 4/30/18	885,736	19
6. Salary and Wage Expense - Rate Effective Period	119,039	20
7. Incentive Compensation Program Expense	3,796,341	21
8. Incentive Compensation - Executives	1,485,141	22
9. Payroll Tax Expense	268,423	23
10. Supplemental Executive Retirement Plan Expense	853,610	24
11. Medical Benefit Expense	202,301	25
12. Rate Case Expense	120,601	26
13. Injuries and Damages Expense	231,730	27
14. Credit Facility Expense	387,304	28
15. Storm Restoration Expense - January 2017	983,877	29
16. Meals and Entertainment Expense	153,089	30
17. Industry Dues Expense	46,794	31
18. Miscellaneous Expense	78,484	32
19. Depreciation Expense - PTY Plant (Aug. 2017-Jan. 2018)	651,515	33
20. Depreciation Expense - PTY Plant (Feb.-March, 2018)	61,525	34
21. Interest Synchronization	<u>(1,961,373)</u>	35
22. Operating Income	<b><u>\$77,237,431</u></b>	

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
PRO FORMA REVENUE - WEATHER NORMALIZATION**

1. Company Claim - Weather Normal 20 Yrs.	(\$3,730,274)	(A)
2. Change in Distribution Revenues - 30 Yrs.	<u>(4,121,034)</u>	(B)
3. Adjustment to Distribution Revenue	(\$390,760)	
4. Revenue Taxes @	0.29% <u>(1,118)</u>	(C)
5. Net Revenue Adjustment	(\$389,642)	
6. Income Taxes @	40.85% <u>159,169</u>	
7. Operating Income Impact	<b><u>(\$230,473)</u></b>	

Sources:

(A) Company Filing, Adjustment No. 1, Schedule (JCZ-S)-4.

(B) Response to RCR-A-4.

(C) Based on tax rate per Company Filing, Adjustment No. 1, Schedule (JCZ)-4.

Appendix B  
Schedule ACC-17

**ATLANTIC CITY ELECTRIC COMPANY**  
**TEST YEAR ENDING JULY 31, 2017**  
**PRO FORMA REVENUE - POST TEST YEAR ADJUSTMENTS**

1. Change in Customers to Jan. 2018	\$355,089	(A)
2. Change in Usage to Jan. 2018	<u>665,943</u>	(A)
3. Total Revenue Adjustment	1,021,032	
4. Revenue Tax @ 0.29%	<u>(4,430)</u>	(A)
5. Net Revenue Adjustment	\$1,025,462	
6. Income Taxes @ 40.85%	<u>418,901</u>	
7. Operating Income Impact	<u><b>\$606,561</b></u>	

Sources:

(A) Company Filing, Adjustment No. 2, Schedule (JCZ)-5.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
PRO FORMA REVENUE - RATE EFFECTIVE PERIOD**

1. Company Claim		\$4,337,075
2. Revenue Tax @	0.29%	<u>12,397</u>
3. Net Revenue Adjustment		\$4,324,678
4. Income Taxes @	40.85%	<u>1,766,631</u>
5. Operating Income Impact		<u><b>\$2,558,047</b></u>

Sources:

(A) Company Filing, Adjustment No. 3, Schedule (JCZ)-6.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
SALARY AND WAGES EXPENSE - INCREASES THROUGH 4/30/2018**

1. Annualized Salary and Wages	\$70,467,527	(A)
2. Company Claim	<u>71,964,967</u>	(B)
3. Recommended Adjustment	\$1,497,440	
4. Income Taxes @	40.85%	<u>611,704</u>
5. Operating Income Impact	<u><b>\$885,736</b></u>	

Sources:

(A) Reflects 12 months through March 30, 2018, and update per the response to RCR-A-12.

(B) Company Filing, Adjustment No. 4, Schedule (KMMc)-1.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
SALARY AND WAGE EXPENSE - RATE EFFECTIVE PERIOD**

1. Recommended Adjustment		\$201,249	(A)
2. Income Taxes @	40.85%	<u>82,210</u>	
3. Operating Income Impact		<u>\$119,039</u>	

Sources:

(A) Company Filing, Adjustment No. 5, Schedule (KMMc)-2.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
INCENTIVE COMPENSATION EXPENSE - NON-EXECUTIVES**

1. Recommended Expense Adjustment	\$6,418,159	(A)
2. Income Taxes @	40.85%	<u>2,621,818</u>
3. Operating Income Impact	<u><b>\$3,796,341</b></u>	

Sources:

(A) Response to RCR-A-19, Attachment 7.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
INCENTIVE COMPENSATION EXPENSE - EXECUTIVES**

1. Recommended Expense Adjustment	\$2,510,805	(A)
2. Income Taxes @ 40.85%	<u>1,025,664</u>	
3. Operating Income Impact	<u><b>\$1,485,141</b></u>	

Sources:

(A) Response to RCR-A-20.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
PAYROLL TAX EXPENSE**

1. Salary and Wage Expense Adjustments	\$1,698,689	(A)
2. Incentive Compensation Expense Adjustments	<u>8,928,964</u>	(B)
3. Total Recommended Adjustments	\$10,627,653	
4. Tax Rate	<u>4.27%</u>	(C)
5. Recommended Payroll Tax Adjustment	\$453,801	
6. Income Taxes @ 40.85%	<u>185,378</u>	
7. Operating Income Impact	<u><b>\$268,423</b></u>	

Sources:

(A) Schedules ACC-19 and ACC-20.

(B) Schedules ACC-21 and ACC-22.

(C) Based on average rate per Company Workpapers, Adjustment Nos. 4 and 5, Schedule (KMMc)-1 and Schedule (KMMc)-2.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
SUPPLMENTAL EXECUTIVE RETIREMENT PLAN EXPENSE**

1. Recommended Expense Adjustment	\$1,443,128	(A)
2. Income Taxes @ 40.85%	<u>589,518</u>	
3. Operating Income Impact	<u><b>\$853,610</b></u>	

Sources:

(A) Response to RCR-A-134.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
MEDICAL BENEFIT EXPENSE**

1. Recommended O&M Adjustment	\$342,013	(A)
2. Income Taxes @ 40.85%	<u>139,712</u>	
3. Operating Income Impact	<b><u>\$202,301</u></b>	

Sources:

(A) Company Filing, Adjustment No. 6, Schedule (KMMc)-3.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
RATE CASE EXPENSE**

1. Pro Forma Cost	\$223,725	(A)
2. Recommended Amortization Period	<u>3</u>	(B)
3. Annual Amortization	\$74,575	
4. Sharing with Shareholders	<u>50.00%</u>	(C)
5. Allocation to Ratepayers (\$)	\$37,287	
6. Company Claim	<u>241,178</u>	(B)
7. Recommended Adjustment	\$203,891	
8. Income Taxes @ 40.85%	<u>83,289</u>	
9. Operating Income Impact	<u><b>\$120,601</b></u>	

Sources:

(A) Based on average of last three cases per P-AREV-34.

(B) Company Filing, Adjustment No. 7, Schedule (KMMc)-4.

(C) Recommendation of Ms. Crane.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
INJURIES AND DAMAGES EXPENSE**

1. Five Year Average		\$949,231	(A)
2. Company Claim		<u>1,340,998</u>	(B)
3. Total Recommended Adjustment		\$391,767	
4. Income Taxes @	40.85%	<u>160,037</u>	
5. Operating Income Impact		<b><u>\$231,730</u></b>	

Sources:

(A) Derived from the response to RCR-A-86 and Company Filing, Adjustment No. 16, Schedule (KMMc)-8.

(B) Company Filing, Adjustment No. 16, Schedule (KMMc)-8.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
CREDIT FACILITIES EXPENSE**

1. Total Recommended Adjustment	\$654,783	(A)
2. Income Taxes @ 40.85%	\$267,479	
3. Operating Income Impact	<u><b>\$387,304</b></u>	

Sources:

(A) Company Filing, Adjustment No. 23, Schedule (JCZ)-14.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
STORM RESTORATION EXPENSE - JANUARY 2017**

1. Total Recommended Adjustment	\$1,663,359	(A)
2. Income Taxes @ 40.85%	<u>679,482</u>	
3. Operating Income Impact	<u><b>\$983,877</b></u>	

Sources:

(A) Company Filing, Adjustment No. 13, Schedule (KMMc)-5.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
MEALS AND ENTERTAINMENT EXPENSE**

1. Recommended Adjustment	\$258,815	(A)
2. Income Taxes @ 40.85%	<u>105,726</u>	
3. Operating Income Impact	<b><u>\$153,089</u></b>	

Sources:

(A) Response to RCR-A-49.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
INDUSTRY DUES EXPENSE**

1. Industry Association Dues	\$565,626	(A)
2. Recommended Adjustment (%)	<u>20%</u>	(B)
3. Industry Dues Adjustment	\$113,125	
4. Dues Excluded by ACE	<u>26,400</u>	(C)
5. Recommended Adjustment	\$86,725	
6. Allocation to Distribution	<u>91.22%</u>	
7. Allocation to Distribution (\$)	\$79,111	
8. Income Taxes @ 40.85%	<u>32,317</u>	
9. Operating Income Impact	<u><b>\$46,794</b></u>	

Sources:

(A) Response to RCR-A-45.

(B) Rate Counsel Recommendation.

(C) Response to RCR-A-138.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
MISCELLANEOUS EXPENSE**

1. Software Write-off	\$116,662	(A)
2. Media Costs	<u>28,795</u>	(B)
3. Total Recommended Adjustments	\$145,457	
4. Allocation to Distribution	<u>91.22%</u>	
5. Allocation to Distribution (\$)	\$132,686	
6. Income Taxes @ 40.85%	<u>54,202</u>	
7. Operating Income Impact	<u><b>\$78,484</b></u>	

Sources:

(A) Response to RCR-A-75.

(B) Response to P-AREV-36.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
DEPRECIATION EXPENSE - POST TEST YEAR PLANT (AUG. 2017 - JAN. 2018)**

1. Depreciation Adjustment - Distribution	\$916,669	(A)
2. Depreciation Adjustment - General	<u>184,794</u>	(A)
3. Total Depreciation Expense Adjustment	\$1,101,463	
4. Income Taxes @ 40.85%	<u>449,948</u>	
5. Operating Income Impact	<b><u>\$651,515</u></b>	

Sources:

(A) Company Filing, Adjustment No. 21, Schedule (JCZ)-12.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
DEPRECIATION EXPENSE - POST TEST YEAR PLANT (FEB.-March 2018)**

1. Depreciation Expense Adjustments		\$104,016	(A)
2. Income Taxes @	40.85%	<u>42,491</u>	
3. Operating Income Impact		<u>\$61,525</u>	

Sources:

(A) Company Filing, Adjustment No. 22, Schedule (JCZ)-13.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
INTEREST SYNCHRONIZATION (\$000)**

1. Pro Forma Rate Base	\$1,103,756,895	(A)
2. Weighted Cost of Debt	<u>2.77%</u>	(B)
3. Pro Forma Interest Expense	\$30,598,525	
4. Company Claim	<u>35,399,929</u>	(C)
5. Recommended Adjustment	\$4,801,404	
6. Increase in Income Taxes @ 40.85%	<u>1,961,373</u>	
7. Operating Income Impact	<u><b>\$1,961,373</b></u>	

Sources:

(A) Schedule ACC-3.

(B) Schedule ACC-2.

(C) Company Filing, Adjustment No. 28, Schedule (JCZ)-18.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
INCOME TAX RATE**

1. Revenue		100.00%	
2. State Income Taxes @	9.00%	<u>9.00%</u>	(A)
3. Federal Taxable Income		91.00%	
4. Income Taxes @	35.00%	<u>31.85%</u>	(A)
5. Operating Income		59.15%	
6. Total Tax Rate		<u><b>40.85%</b></u>	(B)

Sources:

(A) Reflects current statutory rates.

(B) Line 1 - Line 5.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
REVENUE MULTIPLIER**

1. Revenue		100.00%	
Less:			
2. BPU Assessments		0.23%	(A)
3. RC Assessments		<u>0.05%</u>	(A)
4. Taxable Income		99.71%	
5. State Income Taxes @	9.00%	<u>8.97%</u>	(B)
6. Federal Taxable Income		90.74%	
7. Income Taxes @	35.00%	<u>31.76%</u>	(B)
8. Operating Income		58.98%	
9. Revenue Multiplier		<u><b>1.6955</b></u>	(C)

Sources:

(A) Derived from the response to S-AREV-2, Attachment 2.

(B) Reflects statutory rates.

(C) Line 1 / Line 8.

**ATLANTIC CITY ELECTRIC COMPANY  
TEST YEAR ENDING JULY 31, 2017  
REVENUE REQUIREMENT IMPACT OF ADJUSTMENTS**

1. Capital Structure/Cost of Capital	(\$12,669,466)		(\$12,669,466)
<b>Rate Base Adjustments:</b>		<u>Int. Syn.</u>	<u>Net</u>
2. Plant Closings (Aug-Jan)	(\$6,020,056)	\$607,368	(\$5,412,687)
3. Plant Closings (Feb-March)	(663,431)	66,934	(596,497)
4. Plant Held for Future Use	(813,220)	82,046	(731,173)
5. Cash Working Capital	(2,753,453)	277,798	(2,475,655)
6. Credit Facility	(70,221)	7,085	(63,136)
7. Prepaid Pension Asset	(5,177,326)	522,345	(4,654,982)
8. Storm Costs - Jan 2017	(101,269)	10,217	(91,052)
9. Storm Costs - June 2016	(103,752)	10,468	(93,285)
10. Costs to Achieve	(820,044)	82,735	(737,309)
11. OPEB Liability	2,649,888	(267,349)	2,382,539
12. Consolidated Income Taxes	(19,088,586)	1,925,862	(17,162,724)
<b>12. Operating Income Adjustments</b>			
13. Pro Forma Revenue - Weather Normalization	\$390,768		\$390,768
14. Pro Forma Revenue - Post Test Year Adjustments	(1,028,424)		(1,028,424)
15. Pro Forma Revenue - Rate Effective Period	(4,337,168)		(4,337,168)
16. Salary and Wage Expense - Increases Through 4/30	(1,501,765)		(1,501,765)
17. Salary and Wage Expense - Rate Effective Period	(201,830)		(201,830)
18. Incentive Compensation Program Expense	(6,436,696)		(6,436,696)
19. Incentive Compensation - Executives	(2,518,057)		(2,518,057)
20. Payroll Tax Expense	(455,111)		(455,111)
21. Supplemental Executive Retirement Plan Expense	(1,447,296)		(1,447,296)
22. Medical Benefit Expense	(343,001)		(343,001)
23. Rate Case Expense	(204,479)		(204,479)
24. Injuries and Damages Expense	(392,899)		(392,899)
25. Credit Facility Expense	(656,674)		(656,674)
26. Storm Restoration Expense - January 2017	(1,668,163)		(1,668,163)
27. Meals and Entertainment Expense	(259,563)		(259,563)
28. Industry Dues Expense	(79,339)		(79,339)
29. Miscellaneous Expense	(133,069)		(133,069)
30. Depreciation Expense - PTY Plant (Aug. 2017-Jan. 2017)	(1,104,644)		(1,104,644)
31. Depreciation Expense - PTY Plant (Feb.-March, 2017)	(104,316)		(104,316)
32. Interest Synchronization	3,325,509		
33. Total Recommended Adjustment	(\$64,787,155)		(\$64,787,155)
34. Company Claim	<u>70,160,582</u>		70,160,582
35. Recommended Deficiency	<u>\$5,373,427</u>		<u>\$5,373,427</u>