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Terry J. Romine, Esq.
Executive Secretary
Public Service Commission of Maryland
William Donald Schaefer Tower
6 St. Paul Street, 16th Floor
Baltimore, Maryland 21202


Re: Pepco EmPower Md. Charge Rider "E-MD"

Dear Ms. Romine:

In compliance with the Commission's Letter Order dated January 22, 2010 in the above-referenced proceeding, Potomac Electric Power Company files herewith the original and 22 copies of a "clean copy" of the revised tariff pages for the "Rate Schedules for Electric Service in Maryland." The revised rates reflect the adjustments to forecasted program expenditures as recommended by Commission Staff. The provisions of this tariff are effective with the billing month of March, 2010.

If you have any questions concerning this matter, please contact me at (202) 872-2850.

Sincerely,


James W. Boone

Enclosure

EMPOWER MD CHARGE

RIDER "E-MD"

RIDER "E-MD" – EMPOWER MD CHARGE

This rider is applicable to Schedules "R", "R-TM", "GS", "T", "MGT LV II", "MGT 3A II", "MGT LV III", "MGT 3A III", "GT LV", "GT 3A", "GT 3B", "TM-RT", "EV", "SL", "OL", and "TN". Amounts billed to customers shall include a surcharge to reflect demand-side management program costs. Rider "E-MD" will be determined annually by class based on projections of demand-side management program costs and PJM market earnings (including an adjustment for variances between budgeted and actual prior year expenditures) and forecasts of kilowatt hour sales.

<u>Rate Schedule</u>	<u>Rate (\$ per kilowatt-hour)</u>
"R" and "R-TM"	\$ 0.001870
"GS", "T", "SL", "OL", "EV" and "TN"	\$ 0.000167
"MGT LV II", "MGT 3A II", "MGT LV III", and "MGT 3A III"	\$ 0.000167
"GT LV", "GT 3A", "GT 3B", and "TM-RT"	\$ 0.000167

This surcharge will be effective Billing Month of March 2010 and will be revised on or before January of each subsequent year to reflect each year's costs. The rider will be applied each year thereafter, and will include cost and revenue effects, effective with the billing month of January.

The surcharge (in dollars per kilowatt hour) will be computed by dividing the total annual amount to be recovered for each class by forecasted Maryland retail sales (in kilowatt hours) for that class.

The total amount to be recovered (R) is computed in accordance with the following formula:

$$R=A+B+C$$

Where A is amortization (paragraph (c) below), B is the capital cost recovery factor (CCRF) (paragraph (d) below), and C is the current year expense (paragraph (e) below). The surcharge will be computed for billing purposes in accordance with the procedure described below:

- (a) Current year program costs will be determined by reference to budgeted and projected utility costs minus projected PJM market earnings. Program costs include program design costs, implementation contractor expenses, education costs, marketing costs, rebate and buy-down costs, utility incentives, capital costs, measurement and verification (M&V) and evaluation costs applicable to the conservation and demand side management programs.
- (b) The unamortized balance of program costs for each prior year will be determined as of the beginning of the year by subtracting accumulated amortization from cumulative program costs at that date. Such costs and amortization are recorded in a Demand-Side Recovery Account.
- (c) For the conservation programs, amortization for the year will be based on a five year amortization period and will be the sum of (i) 20% of estimated current year program costs, and (ii) unamortized balance of program cost for each prior year (as of the beginning of the period)

divided by the remaining years in the amortization period (including the current period). NOTE: Through this mechanism, the second through fifth years of amortization related to a given year's program costs will reflect a true-up for any variance between actual and originally projected costs or sales in that year. The demand response program component of the EmPower Md. Charge will be calculated in a similar method as noted above in (i) and (ii), with the costs recovered through two different amortization schedules, which are based on the classification of expenses. Costs associated with equipment installation are amortized over a 15 year period. Program marketing and evaluation costs are amortized over a 5 year period.

- (d) The Capital Cost Recovery Factor (CCRF) will be computed for billing purposes by monthly application of the last Commission-authorized rate of return on rate base in a base rate proceeding to the unamortized balance of program costs as of the beginning of the month, plus one-half of current month program costs. The CCRF will be recalculated with each annual update of the tariff with no compounding.
- (e) For demand response programs, operations and maintenance expenses will be expensed annually.