

EXHIBIT 1

SUPPORT FOR PROPOSED ANNUAL RATE FOR CAPACITY
DEFICIENCIES UNDER THE PJM AGREEMENT

Schedule 4.01

Revision No. 15

Issued: March 26, 1996

The parties to the PJM Agreement have agreed that the rate for capacity deficiency transactions under that Agreement shall be representative of the average net annual cost of current investment for combustion turbine capacity on the PJM system. Such net annual cost is the levelized annual cost of a current installation of a simple cycle combustion turbine less the benefits of any economical energy generated by the combustion turbine, since that benefit is retained by the owner.

PJM costs represent a composite of member company costs, based on different plant sites and related conditions, different capitalizations, different methods of tax accounting, and different state and local tax obligations. Based on average values, the PJM costs are above the amounts necessary to support the proposed rate. Consequently, the compromises involved in the determination of costs on an average PJM basis are not of critical importance.

	<u>Combustion Turbine</u>	<u>Associated Transmission</u>
Current Average Plant Investment (1)	\$381	\$ 21
Return (2)	9.89 %	9.89 %
Level Carrying Charge Rate (3)	15.26%	13.89%
 <u>Annual Cost/kW</u>		
Level Carrying Charge	\$58.14	\$2.92
Fixed O&M Expenses	1.44	0.50
Total	\$ 59.58	\$ 3.42
	\$ 63.00	
 <u>Credit for Economy Energy</u>		
CT Displaces higher cost generation during peak hours.	-\$ 4.45	
<u>Net Annual Cost</u>	\$58.55	
Proposed Annual Rate: Effective 6/1/96	\$58.400	

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	<u>PS</u>	<u>PE</u>	<u>PL</u>	<u>BC</u>	<u>GPU</u>	<u>PEP</u>	<u>AE</u>	<u>DPI</u>	<u>PJM AVG</u>
Comb. Turbine: 365	446	338	482	340	334	330	411	381	
Assoc. Transm.: 11	23	9.1	11	25	36	19	34	21	

(2) PJM COMPANY CAPITALIZATION AND FINANCING COST 12/31/95

	PS	PE	PL	BC	GPU	PEP	AE	DPL	PJM AVG. CAP.
Debt	47.0	49.1	48.6	44.9	33.0	46.4	45.7	46.0	45.10
Preferred	6.9	2.9	8.0	10.4	0.0	7.4	8.8	8.0	6.56
Common	45.9	48.0	43.4	44.7	67.0	46.2	45.5	46.0	48.35

									PJM	PJM	PJM	
									AVG	AVG	Wt'd	
	PS	PE	PL	BC	GPU	PEP	AE	DPL	COST	CAP	COST	
Debt	7.25	8.69	6.25	7.50	8.10	7.70	7.00	8.50	7.62	45.10	3.44	
Preferred	8.29	7.77	6.00	7.25	n/a	6.30	7.38	8.30	7.33	6.56	0.48	
Common	12.00	12.75	11.50	11.75	15.10	11.70	12.50	11.50	12.35	48.35	5.97	
Weighted Cost of Capital												9.89

\$107,300		\$107,300
\$7,300		\$7,300
\$1,460		\$1,460
\$5,840		\$5,840
40	P a g e	23 -
20		15 -
0.0046		0.0060
1.5DB/SL		1.5DB/SL
9.89%		9.89%
7.62%		7.62%
45.10%	3	45.10%
0.0%		0.0%
41.298%	o f	41.298%
0.0%		0.0%
\$0		\$0
0.0%	3	0.0%
8.471%		8.471%

TRANSMISSION CT

Level Annual Carrying Charge Rate Calculation

PJM Agreement Schedule 4.01

INPUTS:

- 1) Capital Cost (includes Gross AFDC)
- 2) Gross AFDC
- 3) Accum. Def. Taxes on Addl. Interest
- 4) Capitalized Interest
- 5) Book Life (years)
- 6) MACRS Tax Life (years)
- 7) Mortality Dispersion Factor
- 8) Tax Depreciation Method
- 9) Return Rate (Gross cost of money), R
- 10) Bond Interest Rate, I
- 11) Debt Capitalization Ratio, B
- 12) Gross Receipts Tax Rate
- 13) Composite Income Tax Rate, T (a)
- 14) Realty Tax Rate
- 15) Cost subject to Realty Tax
- 16) Capital Stock Tax Rate

2.50%	4.35%
7.47%	6.71%
3.43%	3.08%
0.06%	0.10%
0.79%	1.04%
-1.36%	-1.02%
0.00%	0.00%
0.00%	0.00%
0.00%	0.00%
1.00%	1.00%

DISCOUNT RATE (Net cost of money) = R-TIB

CARRYING CHARGE RATE COMPONENTS:

- 1) Book Depreciation
- 2) Return
- 3) Income Tax on Equity Return
- 4) Accum. Def. Taxes on Addl. Interest
- 5) Mortality Dispersion
- 6) Additional Depreciation for Taxes
- 7) Capital Stock Tax
- 8) Realty Tax
- 9) Gross Receipts Tax
- 10) Other Taxes Not Accounted For

TOTAL LEVEL ANNUAL CARRYING CHARGE RATE

13.89%

15.26%

(a) Federal Tax Rate = 35% State
Tax Rate = 0.09689%

$$T = 0.35 (1 - 0.09689) + 0.09689 = 0.41298$$