14-0598

delmarva power

A PHI Company

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December 22, 2014

Via E-mail and Overnight Delivery

Ms. Alisa C. Bentley, Secretary
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

RE: MONTHLY FILING - IN THE MATTER OF THE APPLICATION OF DELMARVA POWER AND LIGHT COMPANY FOR APPROVAL OF QUALIFIED FUEL CELL PROVIDER PROJECT TARIFFS

Dear Ms. Bentley:

Enclosed for filing are the original and ten copies of Delmarva Power's monthly computation of the Service Classification QFCP-RC charges, including current factors and reconciliation factors as required in Order No. 8136, dated April 17, 2012 in Docket 11-362 and outlined in Tariff Leaf No. 74d Section F. This filing computes rates based on the forecasted QFCP March operations which will be utilized in the February customer billing.

Summary:

The average monthly net impact over the life of the fuel cell project is $1.61, which remains consistent with what was projected by the PSC staff at the outset ($1.40) of the project. Included below is a comparison of the projected net monthly impact of the Qualified Fuel Cell Provider project (the "QFCP Project") on the typical residential customer[1] with the actual net monthly impact through March 2015. The analysis compares the projections from the original ICF report and the original PSC Staff report with the actual monthly QFCP filings through this forecast period, respectively. The Net Impact of the QFCP Project on the average residential customer is determined by subtracting the costs ratepayers were able to avoid because of the project (the "Avoided Cost Benefit"), from the monthly charges ratepayers paid to support the project (the "QFCP Project Charge"), and dividing the result by Delmarva's monthly kilowatt-hour sales.[2]

[1] Typical residential customer is defined as having average monthly usage of 975 kwh.
[2] All numbers are cumulative from the beginning to respective forecasted month.

QFCP Project Charge:

The monthly QFCP Project Charge is set forth in the monthly QFCP filings with the Delaware Public Service Commission. There are three major factors in computing the monthly charge to ratepayers. The fixed disbursement rate to the QFCP provider represents the largest component of the monthly charge. Because the disbursement rate was set as a fixed and known rate in the original QFCP legislation *($166.87 per megawatt-hour for the first 15 years; $102.00 for years 16-20; $30 for year 21*), it has the effect of keeping the actual costs relatively close to the estimated costs contained in both the ICF report and the Staff report.

The other two main variables in the monthly charge calculation are 1) the fuel cost of the natural gas and 2) the revenues derived from PJM energy and capacity sales. Fluctuations in PJM energy pricing and natural gas costs will fundamentally offset each other and create a natural hedge. For example, if natural gas prices increase, the revenue resulting from the QFCP Provider selling energy to PJM should also increase and offset the higher gas commodity cost. As long as the gas and the energy markets are correlated, customers should be largely insulated from commodity volatility. This effect should serve to keep the actual costs closely aligned with the model estimated costs throughout the life of the project.

The QFCP Project Charge is shown on Line 1 of the table on page 3. The original ICF estimated QFCP Project Charge, averaged monthly from inception through the March 2015 forecast for the typical residential customer, was expected to be $2.89. The original PSC staff estimated QFCP Project Charge for the same period was expected to be $3.05. The actual monthly QFCP Project Charge was $2.78.

Therefore, for the period through March 2015, customers have been paying, on average, $0.11 less per month than projected by ICF and $0.27 less than projected by PSC staff.

Avoided Cost Benefit:

An Avoided Cost Benefit was estimated in both the original ICF report and the original Staff report. In order to estimate the Avoided Cost Benefit, it was necessary to estimate what Delmarva's procurement costs for the Renewable Energy Credits (RECs/SRECs) necessary to comply with the RPS law would have been without the QFCP Project. To develop the estimate, it was assumed that Delmarva would have purchased 50% of its REC/SREC portfolio ahead of need and 50% on the spot market as required to meet RPS requirements.

The Avoided Cost Benefit is shown on Line 2 of the table on page 3. The original ICF estimated avoided cost benefit through the March 2015 forecast period was $2.33 for the average residential customer. The original PSC Staff estimated avoided cost benefit over the same period was $1.65. The actual monthly Avoided Cost Benefit through this filing is $1.17.[3]

[3] While the actual avoided cost benefit is less than the original estimates, it is a conservative estimate of benefits to ratepayers as it does not take into account any benefit related to the reduction in regional capacity pricing as a result of the 30 MW of additional in-state generation and the reduction in the need to import power from elsewhere in the PJM region. It also does not reflect the avoided cost benefits from reduced line losses and any reduced need for future transmission upgrades resulting from the Project's close proximity to population centers, which ultimately translates into lower overall electricity prices.

Therefore, for the period through March 2015, the costs the average residential customer was able to avoid paying were $1.16 less than projected by ICF and $0.48 less than projected by the PSC Staff. The difference is driven primarily by actual REC and SREC prices being lower than originally anticipated.

Net Impact:

To determine the average monthly Net Impact to the residential customer, and provide a comparison between the original ICF and PSC Staff projections and the actual QFCP Project results, it is necessary to subtract the Avoided Cost Benefit (Line 2) from the QFCP Project Charge (Line 1).

The Net Impact is shown on Line 3 of the table below. The original ICF projected monthly Net Impact through the March 2015 forecast period was $0.56 for the average residential customer.[4] The original PSC Staff projected monthly Net Impact over the same period was $1.40 for the average residential customer. The actual average monthly Net Impact to date was $1.61.

Therefore, for the period from the first QFCP filing in 2012 through the attached March 2015 QFCP rate forecast, the actual monthly Net Impact on the average ratepayer has been $1.05 higher than the 2011 ICF Model's projected monthly Net Impact, and $0.21 more than the PSC Staff's projected monthly Net Impact of $1.40.

Average Cost & Benefits Through March 2015	QFCP Filings		2011 ICF Model Projections	ICF Model Variance Actual to Model		2011 PSC Staff Projections	PSC Staff Variance Actual to Model
QFCP Project Charge (per month)	$2.78		$2.89	$0.11 under		$3.05	$0.27 under
Avoided Cost Benefit (per month)	$1.17		$2.33	$1.16 under		$1.65	$0.48 under
Net Impact for Typical Delmarva Residential Customer (per month) Line 1 minus line 2	1.61		$0.56	$1.05 over		$1.40	$0.21 over

[4] It is important to note that the forecast by ICF was provided as an estimate over the 21-year life of the QFCP project. The results described in this letter and as shown in the chart reflect only the results from the project inception to date, which is only a small segment of the 21 year term of the QFCP project.

As required in the Order, this filing is made at least 30 days prior to applying the QFCP-RC charges to customer bills effective billing month February, which is scheduled to begin with customer meter read and billing cycle #1 on February 2nd and finish with cycle #21 on February 27th. The approved monthly rates can be found on the Delmarva Power Website at "http://www.delmarva.com/my-home/choices-and-rates/delaware/tariffs" in the RPCR Table. Once this filing is approved by the Commission, the estimated Net cost for the February bill of a 975 KWH residential customer will be $2.39 per month; comprised of the QFCP cost at $4.21 and the avoided cost of ($1.82).

Please contact me or Robert Coan at (302) 283-5724 with any questions related to this matter.

Sincerely,

Todd L. Goodman

cc: Janis Dillard, DE Public Service Commission
Pam Knotts, DE Public Service Commission
Heather G. Hall, DPL
James B. Jacoby, DPL
Kristin McEvoy, DPL

STATE OF DELAWARE)
) SS.
COUNTY OF NEW CASTLE)

On this 22ND Day of DECEMBER, 2014, personally came before me, the subscriber, a Notary Public in and for the State and County aforesaid Gary R. Stockbridge, Vice President, Delmarva Power & Light Company, a corporation existing under the laws of the State of Delaware, party to this Application, known to me personally to be such, and acknowledged this Application to be his act and deed and the act and deed of such Corporation, that the signature of such Vice President is in his own proper handwriting, and that the facts set forth in this Application are true and correct to the best of his knowledge and belief.

Gary R. Stockbridge
Vice President

SWORN TO AND SUBSCRIBED before me this 22 day of DECEMBER 2014,

Jr. ID # 3096

Notary ~~Public~~ Officer

My Commission expires: N/A

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Delmarva Power & Light Company

Fuel Cell – Renewable Capable Power Production - Monthly Rate Calculation

March 2015 Projection (To be billed in February 2015)

Line	Table 1	Forecasted QFCP Revenues and Costs	
			March 2015
5	Contract Cost	$	3,868,644
6	less Market -Based Revenue	$	873,586
7	Above Market QFCP Costs (Margin)	$	2,995,058
9	Administrative and Other O&M charges	$	9,000
11	(Less) Plus Carrying Charge	$	(19)
13	Net QFCP Project Charge	$	3,004,039
14	(Less) plus prior month(s) true-up	$	(23,233)
15	Monthly QFCP Project Charge	$	2,980,806

Checksum vs Forecast Tab should be 0 ===> $ -

	Table 2	Voltage Level Loss (Energy & Capacity) - Adjustment Factor
16	RESIDENTIAL	1.07438
17	RES SPACE HEAT	1.07438
18	Res TOU ND	1.07438
19	SGS	1.07438
20	MGS	1.07438
21	LGS	1.07438
22	GSP	1.04532
23	GST	1.02861

		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
26	Table 3 Rate Calculation		February 2015	= Col. 1 x Col. 2	= Col. 3 Lines 28-41 / Col. 3 Line 42	= Col. 4 x Line 15	= Col. 5 / Col. 2	RCF/(1-RCF*UNC Factor)	= Col. 6 x Col. 7
27	Rate Class	Loss Factor	Sales @ Customer (kWh) (BD)	Sales @ Bulk System - Including Losses	Allocation Factor	Allocated Revenue Requirements	QFCP Rate ($/kWh)	Revenue Conversion Factor Inc Uncollectable	Final QFCP Rate ($/kWh)
28	Residential	1.07438	164,306,010	176,527,091	0.2350	$ 700,353	$ 0.004262	1.012433	$ 0.004315
29	Residential- Space Heating	1.07438	132,095,381	141,920,635	0.1889	$ 563,056	$ 0.004262	1.012433	$ 0.004315
30	Residential Time-of-Use "R-TOU" (Deleted 5/1/2014)								
31	Residential Time-of-Use NON-Demand "R-TOU-ND"	1.07438	142,941	153,573	0.0002	$ 609	$ 0.004262	1.012433	$ 0.004315
32	Small General Service - Sec Non-Demand "SGS-ND"	1.07438	12,753,626	13,702,240	0.0182	$ 54,362	$ 0.004262	1.012433	$ 0.004315
33	Space Heating Sec Serv "SGS-ND" and "MGS-S"	1.07438	2,896,172	3,111,589	0.0041	$ 12,345	$ 0.004262	1.012433	$ 0.004315
34	Water Heating Sec Serv "SGS-ND" and "MGS-S"	1.07438	84,071	90,324	0.0001	$ 358	$ 0.004262	1.012433	$ 0.004315
35	Outdoor Recreational Lighting Svc - Sec "ORL"	1.07438	15,282	16,419	0.0000	$ 65	$ 0.004262	1.012433	$ 0.004315
36	Medium General Service - Secondary "MGS-S"	1.07438	90,175,553	96,882,810	0.1289	$ 384,373	$ 0.004262	1.012433	$ 0.004315
37	Large General Service - Secondary "LGS-S"	1.07438	50,837,296	54,618,574	0.0727	$ 216,694	$ 0.004262	1.012433	$ 0.004315
38	General Service - Primary "GS-P"	1.04532	189,697,322	198,294,405	0.2639	$ 786,713	$ 0.004147	1.012433	$ 0.004199
39	General Service - Transmission "GS-T"	1.02861	59,735,422	61,444,453	0.0818	$ 243,775	$ 0.004081	1.012433	$ 0.004132
40	PL	1.07438	1,172,103	1,259,284	0.0017	$ 4,996	$ 0.004262	1.012433	$ 0.004315
41	SL	1.07438	3,074,750	3,303,450	0.0044	$ 13,106	$ 0.004262	1.012433	$ 0.004315
42	**Total kWh**		**706,985,929**	**751,324,848**	**1.0000**	**$ 2,980,806**			

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Delmarva Power & Light Company

Fuel Cell – Renewable Capable Power Production

March 2015 Projection (To be billed in February 2015)

		Projected Oct-14	Projected Nov-14	Projected Dec-14	Projected Jan-15	Projected Feb-15	Projected Mar-15
1	**Costs**						
2	**QFCP – Renewable Capable Power Production**						
3	Contract Price	$ 166.87	$ 166.87	$ 166.87	$ 166.87	$ 166.87	$ 166.87
4	Projected Output Rate (MW)	25.8	25.8	25.8	25.7	26.0	26.5
5	Maximum Monthly Hours of Production	744	720	744	744	672	744
6	Total Contract Costs	$ 3,203,103	$ 3,099,777	$ 3,203,103	$ 3,190,688	$ 2,915,553	$ 3,290,009
7							
8	**Gas Supply Costs**						
9	Gas Monthly Fixed Costs	$ 39,441	$ 39,441	$ 39,441	$ 39,441	$ 39,441	$ 39,441
10	Gas Cost per Dt	$ 3.05	$ 3.75	$ 5.64	$ 9.14	$ 9.51	$ 3.53
11	Heat rate	7.20	7.20	7.20	7.39	7.14	7.40
12	Monthly Gas Requirements (Dt) (=Line 4 x Line 5 x Line 11)	138,205	133,747	138,205	141,303	124,733	145,898
13	Monthly Cost of Gas= (Line 10 x Line 12)+Line 9+Tax	$ 480,666	$ 564,124	$ 853,723	$ 1,387,218	$ 1,277,088	$ 578,635
14							
15	Gas Tracking - Banking Penalty	$ -	$ -	$ -	$ -	$ -	$ -
16							
17	Administrative and Other O&M charges	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000
18	Other Indirect Costs	$ -	$ -	$ -	$ -	$ -	$ -
19	Total Administrative and Other O&M costs	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000
20							
21	**Revenues**						
22	**PJM Energy Revenue**						
23	Estimated Max Monthly Output (MWh)	22,320	21,600	22,320	22,233	20,083	22,405
24	Estimated Unit Capacity Factor	0.860	0.860	0.860	0.860	0.870	0.880
25	Forecasted Monthly Output (=Line 23 x Line 24)	19,195	18,576	19,195	19,121	17,472	19,716
26	LMP @ DPL N Zone (assumed)	$ 35.57	$ 40.09	$ 46.32	$ 66.22	$ 66.86	$ 42.79
27	Total PJM Energy Revenue per month (Line 25 x Line 26)	$ 682,726	$ 744,671	$ 889,179	$ 1,266,152	$ 1,168,213	$ 843,741
28							
29	**PJM Capacity Revenue**						
30	Contract Capacity from PJM	$ 18,905	$ 18,296	$ 18,905	$ 18,905	$ 17,076	$ 18,905
31	Other PJM Revenue and Expenses	$ 10,940	$ 10,940	$ 10,940	$ 10,940	$ 10,940	$ 10,940
32	Total Capacity Revenue per Month	$ 29,845	$ 29,235	$ 29,845	$ 29,845	$ 28,016	$ 29,845
33							
34	**(Less) plus prior month(s) true-up**						
35	Retail Revenue Deferral+Actual vs Forecast	$ (25,794)	$ 319,323	$ 125,733	$ (164,130)	$ 265,543	$ (23,233)
36							
37	**(Less) Plus Carrying Charge**	$ 5	$ 41	$ 23	$ (3)	$ 69	$ (19)
38							
39	**Monthly QFCP Project Charge**	$ 2,954,410	$ 3,218,359	$ 3,272,558	$ 3,126,776	$ 3,271,023	$ 2,980,806
40	Contract+Gas Cost-Banking+Admin-Revenue+/-True Up+/- Interest						
41		**Rates Sep-14**	**Rates Oct-14**	**Rates Nov-14**	**Rates Dec-14**	**Rates Jan-15**	**Rates Feb-15**
42	**QFCP-RC Rates**						
43	Residential	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ 0.004521	$ 0.004315
44	Residential- Space Heating	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ 0.004521	$ 0.004315
45	Residential Time-of-Use "R-TOU" (Deleted 5/1/2014)	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ -	$ -
46	Residential Time-of-Use NON-Demand "R-TOU-ND"	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ 0.004521	$ 0.004315
47	Small General Service - Sec Non-Demand "SGS-ND"	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ 0.004521	$ 0.004315
48	Space Heating Sec Service "SGS-ND" and "MGS-S"	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ 0.004521	$ 0.004315
49	Water Heating Sec Service "SGS-ND" and "MGS-S"	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ 0.004521	$ 0.004315
50	Outdoor Recreational Lighting Svc - Secondary "ORL"	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ 0.004521	$ 0.004315
51	Medium General Service - Secondary "MGS-S"	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ 0.004521	$ 0.004315
52	Large General Service - Secondary "LGS-S"	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ 0.004521	$ 0.004315
53	General Service - Primary "GS-P"	$ 0.004059	$ 0.005442	$ 0.005686	$ 0.004728	$ 0.004399	$ 0.004199
54	General Service - Transmission "GS-T"	$ 0.003994	$ 0.005355	$ 0.005595	$ 0.004653	$ 0.004329	$ 0.004132
55	Outdoor Lighting PL	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ 0.004521	$ 0.004315
56	Outdoor Lighting SL	$ 0.004172	$ 0.005593	$ 0.005844	$ 0.004860	$ 0.004521	$ 0.004315