

14-49-3



A PSC Company

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March 28, 2014

REVISED COVER LETTER

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 PSC DOCKET NO. 14-49-## 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 June operations which will be utilized in the May customer billing.

Summary:

The average monthly net impact over the life of the fuel cell project is \$1.35, which remains consistent with what was projected by the PSC staff at the outset (\$1.30) 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 customer¹ with the actual net monthly impact through June 2014. 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 June 2014 forecast for the typical residential customer, was expected to be \$2.46. The original PSC staff estimated QFCP Project Charge for the same period was expected to be \$2.54. The actual monthly QFCP Project Charge was \$2.29.

Therefore, for the period through June 2014, customers have been paying, on average, \$0.17 less per month than projected by ICF and \$0.25 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 June 2014 forecast period was \$1.94 for the average residential customer. The original PSC Staff estimated avoided cost benefit over the same period was \$1.24. The actual monthly Avoided Cost Benefit through this filing is \$0.94.³

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 June 2014, the costs the average residential customer was able to avoid paying were \$1.00 less than projected by ICF and \$0.30 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 June 2014 forecast period was \$0.52 for the average residential customer.⁴ The original PSC Staff projected monthly Net Impact over the same period was \$1.30 for the average residential customer. The actual average monthly Net Impact to date was \$1.35.

Therefore, for the period from the first QFCP filing in 2012 through the attached June 2014 QFCP rate forecast, the actual monthly Net Impact on the average ratepayer has been \$0.83 higher than the 2011 ICF Model's projected monthly Net Impact, and \$0.05 higher than the PSC Staff's projected monthly Net Impact of \$1.30.

| Average Cost & Benefits Through May 2014 | 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) | \$2.29 | \$2.46 | \$0.17 under | \$2.54 | \$0.25 under |
| Avoided Cost Benefit (per month) | \$0.94 | \$1.94 | \$1.00 under | \$1.24 | \$0.30 under |
| Net Impact for Typical Delmarva Residential Customer (per month) Line 1 minus line 2 | \$1.35 | \$0.52 | \$0.83 over | \$1.30 | \$0.05 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 May which begins April 29th and ends May 28th.

Please contact me or Kristin McEvoy at (302) 454-4187 with any questions related to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Todd L. Goodman', with a long horizontal flourish extending to the right.

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

RJC-1
Delmarva Power & Light Company
Fuel Cell – Renewable Capable Power Production - Monthly Rate Calculation
June 2014 Projection (To be billed in May 2014)

| Line | Forecasted QFCP Revenues and Costs | |
|------|--|--------------|
| | June 2014 | |
| 1 | Table 1 | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | Contract Cost | \$ 3,795,993 |
| 6 | less Market -Based Revenue | \$ 948,999 |
| 7 | Above Market QFCP Costs (Margin) | \$ 2,846,994 |
| 8 | | |
| 9 | Administrative and Other O&M charges | \$ 9,000 |
| 10 | | |
| 11 | (Less) Plus Carrying Charge | \$ 26 |
| 12 | | |
| 13 | Net QFCP Project Charge | \$ 2,856,020 |
| 14 | (Less) plus prior month(s) true-up | \$ 65,800 |
| 15 | Monthly QFCP Project Charge | \$ 2,921,820 |
| | Checksum vs Forecast Tab should be 0 ==> | |
| | | \$ - |

| Voltage Level Loss (Energy & Capacity) - Adjustment | |
|---|-----------|
| Table 2 | Factor |
| 16 RESIDENTIAL | 1.0636813 |
| 17 RES SPACE HEAT | 1.0636813 |
| 18 Res TOU ND | 1.0636813 |
| 19 SGS | 1.0636813 |
| 20 MGS | 1.0636813 |
| 21 LGS | 1.0636813 |
| 22 GSP | 1.0402971 |
| 23 GST | 1.0219048 |

| Line | Col. 1 | Col. 2 | Col. 3 | Col. 4 | Col. 5 | Col. 6 | Col. 7 | Col. 8 |
|------|---|-----------------------------|--|--------------------------------------|--------------------------------|--------------------|-------------------------------|-------------------|
| 24 | | | | | | | | |
| 25 | | | | = Col. 3 Lines 28- 41 / Col. 3 | | | RCF/(1- RCF*UNC Factor) | |
| 26 | Table 3 Rate Calculation | May 2014 | = Col. 1 x Col. 2 | Line 42 | = Col. 4 x Line 15 | = Col. 5 / Col. 2 | | = Col. 6 x Col. 7 |
| | | | | | | | Revenue Conversion Factor Inc | Final QFCP Rate |
| | Loss Factor | Sales @ Customer (kWh) (BD) | Sales @ Bulk System - Including Losses | Allocation Factor | Allocated Revenue Requirements | QFCP Rate (\$/kWh) | Uncollectable | |
| 27 | Rate Class | | | | | | | |
| 28 | Residential | 123,325,130 | 131,178,635 | 0.2191 | \$ 640,281 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 29 | Residential- Space Heating | 55,534,317 | 59,070,815 | 0.0987 | \$ 288,324 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 30 | Residential Time-of-Use "R-TOU" | 1 | 1 | 0.0000 | \$ 0 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 31 | Residential Time-of-Use NON-Demand "R-TOU-ND" | 97,507 | 103,716 | 0.0002 | \$ 506 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 32 | Small General Service - Sec Non-Demand "SGS-ND" | 9,332,939 | 9,927,273 | 0.0166 | \$ 48,455 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 33 | Space Heating Sec Serv "SGS-ND" and "MGS-S" | 1,125,999 | 1,197,704 | 0.0020 | \$ 5,846 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 34 | Water Heating Sec Serv "SGS-ND" and "MGS-S" | 65,020 | 69,161 | 0.0001 | \$ 338 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 35 | Outdoor Recreational Lighting Svc - Sec "ORL" | 90,803 | 96,586 | 0.0002 | \$ 471 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 36 | Medium General Service - Secondary "MGS-S" | 81,180,732 | 86,350,427 | 0.1443 | \$ 421,475 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 37 | Large General Service - Secondary "LGS-S" | 47,646,176 | 50,680,346 | 0.0847 | \$ 247,370 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 38 | General Service - Primary "GS-P" | 176,236,927 | 183,338,764 | 0.3063 | \$ 894,874 | \$ 0.005078 | 1.012433 | \$ 0.005141 |
| 39 | General Service - Transmission "GS-T" | 70,575,599 | 72,121,544 | 0.1205 | \$ 352,024 | \$ 0.004988 | 1.012433 | \$ 0.005050 |
| 40 | PL | 1,113,336 | 1,184,234 | 0.0020 | \$ 5,780 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 41 | SL | 3,096,273 | 3,293,448 | 0.0055 | \$ 16,075 | \$ 0.005192 | 1.012433 | \$ 0.005256 |
| 42 | Total kWh | 569,420,759 | 598,612,653 | 1.0000 | \$ 2,921,820 | | | |

RJC-2
Delmarva Power & Light Company
Fuel Cell – Renewable Capable Power Production
June 2014 Projection (To be billed in May 2014)

| | Projected Jan-14 | Projected Feb-14 | Projected Mar-14 | Projected Apr-14 | Projected May-14 | Projected Jun-14 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 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) | 26.3 | 26.1 | 26.1 | 26.4 | 26.4 | 26.4 |
| 5 Maximum Monthly Hours of Production | 744 | 672 | 744 | 720 | 744 | 720 |
| 6 Total Contract Costs | <u>\$ 3,265,179</u> | <u>\$ 2,926,766</u> | <u>\$ 3,240,348</u> | <u>\$ 3,171,865</u> | <u>\$ 3,277,594</u> | <u>\$ 3,171,865</u> |
| 7 | | | | | | |
| 8 Gas Supply Costs | | | | | | |
| 9 Gas Monthly Fixed Costs | \$ 62,305 | \$ 61,225 | \$ 61,225 | \$ 61,225 | \$ 61,225 | \$ 39,441 |
| 10 Gas Cost per Dt | \$ 4.71 | \$ 4.39 | \$ 4.26 | \$ 3.88 | \$ 4.25 | \$ 4.09 |
| 11 Heat rate | 7.06 | 7.05 | 7.08 | 7.13 | 7.16 | 7.19 |
| 12 Monthly Gas Requirements (Dt) (=Line 4 x Line 5 x Line 11) | 138,144 | 123,651 | 137,482 | 135,603 | 140,634 | 136,668 |
| 13 Monthly Cost of Gas=(Line 10 x Line 12)+Line 9+Tax | <u>\$ 742,805</u> | <u>\$ 629,276</u> | <u>\$ 674,608</u> | <u>\$ 611,975</u> | <u>\$ 686,923</u> | <u>\$ 624,128</u> |
| 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 | <u>\$ 9,000</u> |
| 20 | | | | | | |
| 21 Revenues | | | | | | |
| 22 PJM Energy Revenue | | | | | | |
| 23 Estimated Max Monthly Output (MWh) | 22,235 | 20,160 | 22,320 | 21,600 | 22,320 | 21,600 |
| 24 Estimated Unit Capacity Factor | 0.880 | 0.870 | 0.870 | 0.880 | 0.880 | 0.880 |
| 25 Forecasted Monthly Output (=Line 23 x Line 24) | 19,567 | 17,539 | 19,418 | 19,008 | 19,642 | 19,008 |
| 26 LMP @ DPL N Zone (assumed) | \$ 49.94 | \$ 42.36 | \$ 39.03 | \$ 40.54 | \$ 41.26 | \$ 48.39 |
| 27 Total PJM Energy Revenue per month (Line 25 x Line 26) | <u>\$ 977,144</u> | <u>\$ 742,931</u> | <u>\$ 757,948</u> | <u>\$ 770,563</u> | <u>\$ 810,407</u> | <u>\$ 919,764</u> |
| 28 | | | | | | |
| 29 PJM Capacity Revenue | | | | | | |
| 30 Contract Capacity from PJM | \$ 12,257 | \$ 11,071 | \$ 12,257 | \$ 11,861 | \$ 12,257 | \$ 18,296 |
| 31 Other PJM Revenue and Expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,940 |
| 32 Total Capacity Revenue per Month | <u>\$ 12,257</u> | <u>\$ 11,071</u> | <u>\$ 12,257</u> | <u>\$ 11,861</u> | <u>\$ 12,257</u> | <u>\$ 29,235</u> |
| 33 | | | | | | |
| 34 (Less) plus prior month(s) true-up | | | | | | |
| 35 Retail Revenue Deferral+Actual vs Forecast | \$ (135,686) | \$ 97,383 | \$ 357,435 | \$ 775,155 | \$ 547,542 | \$ 65,800 |
| 36 | | | | | | |
| 37 (Less) Plus Carrying Charge | <u>\$ (38)</u> | <u>\$ 14</u> | <u>\$ 88</u> | <u>\$ 50</u> | <u>\$ (5)</u> | <u>\$ 26</u> |
| 38 | | | | | | |
| 39 Monthly QFCP Project Charge | <u>\$ 2,891,859</u> | <u>\$ 2,908,437</u> | <u>\$ 3,511,274</u> | <u>\$ 3,785,621</u> | <u>\$ 3,698,390</u> | <u>\$ 2,921,820</u> |
| 40 Contract+Gas Cost-Banking+Admin-Revenue+/- True Up+/- Interest | | | | | | |
| 41 | | | | | | |
| 42 QFCP-RC Rates | Rates Dec-13 | Rates Jan-14 | Rates Feb-14 | Rates Mar-14 | Rates Apr-14 | Rates May-14 |
| 43 Residential | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 44 Residential- Space Heating | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 45 Residential Time-of-Use "R-TOU" | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 46 Residential Time-of-Use NON-Demand "R-TOU-ND" | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 47 Small General Service - Sec Non-Demand "SGS-ND" | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 48 Space Heating Sec Service "SGS-ND" and "MGS-S" | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 49 Water Heating Sec Service "SGS-ND" and "MGS-S" | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 50 Outdoor Recreational Lighting Svc - Secondary "ORL" | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 51 Medium General Service - Secondary "MGS-S" | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 52 Large General Service - Secondary "LGS-S" | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 53 General Service - Primary "GS-P" | \$ 0.003956 | \$ 0.003802 | \$ 0.004666 | \$ 0.005357 | \$ 0.005851 | \$ 0.005141 |
| 54 General Service - Transmission "GS-T" | \$ 0.003886 | \$ 0.003735 | \$ 0.004584 | \$ 0.005262 | \$ 0.005747 | \$ 0.005050 |
| 55 Outdoor Lighting PL | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 56 Outdoor Lighting SL | \$ 0.004045 | \$ 0.003888 | \$ 0.004771 | \$ 0.005477 | \$ 0.005982 | \$ 0.005256 |
| 57 Monthly Net Cost Analysis to the average residential customer (975 KWH per month): | | | | | | |
| 58 QFCP Project Charge to Avg Residential \$5.12/Month; Estimated Avoided Cost \$2.21/month; Estimated Net impact \$2.91/month | | | | | | |