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DELAWARE P.S.C.

Docket No. 13-76-12

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December 20, 2013

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.

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 March 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 March 2014 forecast for the typical residential customer, was expected to be \$2.07. The original PSC staff estimated QFCP Project Charge for the same period was expected to be \$2.26. The actual monthly QFCP Project Charge was \$1.92.

Therefore, for the period through March 2014, customers have been paying, on average, \$0.15 less per month than projected by ICF and \$0.34 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 2014 forecast period was \$1.68 for the average residential customer. The original PSC Staff estimated avoided cost benefit over the same period was \$1.09. The actual monthly Avoided Cost Benefit through this filing is \$0.81.³

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

Therefore, for the period through March 2014, costs that the average residential customer was able to avoid paying were \$0.87 less than projected by ICF and \$0.28 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 2014 forecast period was \$0.39 for the average residential customer.⁴ The original PSC Staff projected monthly Net Impact over the same period was \$1.17 for the average residential customer. The actual average monthly Net Impact to date was \$1.11.

Therefore, for the period from the first QFCP filing in 2012 through the attached March 2014 QFCP rate forecast, the actual monthly Net Impact on the average ratepayer has been \$0.72 higher than the 2011 ICF Model's projected monthly Net Impact, and \$0.06 lower than the PSC Staff's projected monthly Net Impact of \$1.17.

Average Cost & Benefits Through March 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)	\$1.92	\$2.07	\$0.15 under	\$2.26	\$0.34 under
Avoided Cost Benefit (per month)	\$0.81	\$1.68	\$0.87 under	\$1.09	\$0.28 under
Net Impact for Typical Delmarva Residential Customer (per month) Line 1 minus line 2	\$1.11	\$0.39	\$0.72 over	\$1.17	\$0.06 under

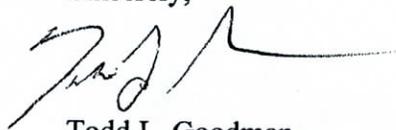
reduced line losses and any reduced need for future transmission upgrades resulting from the Project's close proximity to population centers, which ultimately translates into lower overall electricity prices.

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 begins January 28th and ends February 25th.

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

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

Line	Forecasted QFCP Revenues and Costs	
	Mar 2014	
1	Table 1	
2		
3		
4		
5	Contract Cost	\$ 3,914,956
6	less Market -Based Revenue	\$ 770,205
7	Above Market QFCP Costs (Margin)	\$ 3,144,751
8		
9	Administrative and Other O&M charges	\$ 9,000
10		
11	(Less) Plus Carrying Charge	\$ 88
12		
13	Net QFCP Project Charge	\$ 3,153,840
14	(Less) plus prior month(s) true-up	\$ 357,435
15	Monthly QFCP Project Charge	\$ 3,511,274
	Checksum vs Forecast Tab should be 0 ==>	\$ -

Voltage Level Loss (Energy & Capacity) - Adjustment		
	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

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
25				= Col. 3 Lines 28- 41 / Col. 3			RCF/(1- RCF*UNC Factor)	= Col. 6 x Col. 7
26	Table 3 Rate Calculation	Feb 2014	= Col. 1 x Col. 2	Line 42	= Col. 4 x Line 15	= Col. 5 / Col. 2		

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)
27	Residential	159,153,281	169,288,368	0.2136	\$ 749,988	\$ 0.004712	1.012463	\$ 0.004771
28	Residential- Space Heating	133,638,399	142,148,666	0.1794	\$ 629,753	\$ 0.004712	1.012463	\$ 0.004771
29	Residential Time-of-Use "R-TOU"	1	1	0.0000	\$ 0	\$ 0.004712	1.012463	\$ 0.004771
30	Residential Time-of-Use NON-Demand "R-TOU-ND"	148,758	158,231	0.0002	\$ 701	\$ 0.004712	1.012463	\$ 0.004771
31	Small General Service - Sec Non-Demand "SGS-ND"	12,604,159	13,406,808	0.0169	\$ 59,395	\$ 0.004712	1.012463	\$ 0.004771
32	Space Heating Sec Serv "SGS-ND" and "MGS-S"	2,316,696	2,464,226	0.0031	\$ 10,917	\$ 0.004712	1.012463	\$ 0.004771
33	Water Heating Sec Serv "SGS-ND" and "MGS-S"	99,137	105,450	0.0001	\$ 467	\$ 0.004712	1.012463	\$ 0.004771
34	Outdoor Recreational Lighting Svc - Sec "ORL"	22,343	23,765	0.0000	\$ 105	\$ 0.004712	1.012463	\$ 0.004771
35	Medium General Service - Secondary "MGS-S"	93,861,508	99,838,731	0.1260	\$ 442,310	\$ 0.004712	1.012463	\$ 0.004771
36	Large General Service - Secondary "LGS-S"	52,410,988	55,748,588	0.0703	\$ 246,980	\$ 0.004712	1.012463	\$ 0.004771
37	General Service - Primary "GS-P"	201,215,814	209,324,227	0.2641	\$ 927,357	\$ 0.004609	1.012463	\$ 0.004666
38	General Service - Transmission "GS-T"	93,438,563	95,485,316	0.1205	\$ 423,023	\$ 0.004527	1.012463	\$ 0.004584
39	PL	1,214,235	1,291,560	0.0016	\$ 5,722	\$ 0.004712	1.012463	\$ 0.004771
40	SL	3,088,750	3,285,446	0.0041	\$ 14,555	\$ 0.004712	1.012463	\$ 0.004771
41	Total kWh	753,212,631	792,569,383	1.0000	\$ 3,511,274			

KMM-2
Delmarva Power & Light Company
Fuel Cell – Renewable Capable Power Production

Mar 2014 Projection (To be billed in Feb 2014)

	Projected Nov-13	Projected Dec-13	Projected Jan-14	Projected Feb-14	Projected Mar-14
1 Costs					
2 QFCP – Renewable Capable Power Production					
3 Contract Price	\$ 166.87	\$ 166.87	\$ 166.87	\$ 166.87	\$ 166.87
4 Projected Output Rate (MW)	22.5	26.0	26.3	26.1	26.1
5 Maximum Monthly Hours of Production	720	744	744	672	744
6 Total Contract Costs	\$ 2,703,294	\$ 3,227,933	\$ 3,265,179	\$ 2,926,766	\$ 3,240,348
8 Gas Supply Costs					
9 Gas Monthly Fixed Costs	\$ 41,067	\$ 28,344	\$ 62,305	\$ 61,225	\$ 61,225
10 Gas Cost per Dt	\$ 3.64	\$ 4.34	\$ 4.71	\$ 4.39	\$ 4.26
11 Heat rate	7.00	6.99	7.06	7.05	7.08
12 Monthly Gas Requirements (Dt) (=Line 4 x Line 5 x Line 11)	113,400	135,215	138,144	123,651	137,482
13 Monthly Cost of Gas= (Line 10 x Line 12)+Line 9+Tax	\$ 473,509	\$ 641,433	\$ 742,805	\$ 629,276	\$ 674,608
14					
15 Gas Tracking - Banking Penalty	\$ -	\$ -	\$ -	\$ -	\$ -
16					
17 Administrative and Other O&M charges	\$ 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
20					
21 Revenues					
22 PJM Energy Revenue					
23 Estimated Max Monthly Output (MWh)	17,609	20,800	22,235	20,160	22,320
24 Estimated Unit Capacity Factor	0.920	0.930	0.880	0.870	0.870
25 Forecasted Monthly Output (=Line 23 x Line 24)	16,200	19,344	19,567	17,539	19,418
26 LMP @ DPL N Zone (assumed)	\$ 39.32	\$ 43.77	\$ 49.94	\$ 42.36	\$ 39.03
27 Total PJM Energy Revenue per month (Line 25 x Line 26)	\$ 636,948	\$ 846,718	\$ 977,144	\$ 742,931	\$ 757,948
28					
29 PJM Capacity Revenue					
30 Contract Capacity from PJM	\$ 11,861	\$ 12,257	\$ 12,257	\$ 11,071	\$ 12,257
31 Other PJM Revenue and Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
32 Total Capacity Revenue per Month	\$ 11,861	\$ 12,257	\$ 12,257	\$ 11,071	\$ 12,257
33					
34 (Less) plus prior month(s) true-up					
35 Retail Revenue Deferral+Actual vs Forecast	\$ (100,153)	\$ (228,273)	\$ (135,686)	\$ 97,383	\$ 357,435
36					
37 (Less) Plus Carrying Charge					
38	\$ 20	\$ (41)	\$ (38)	\$ 14	\$ 88
39					
40 Contract+Gas Cost-Banking+Admin-Revenue+/-True Up+/- Interest					
41 Monthly QFCP Project Charge	\$ 2,436,861	\$ 2,791,077	\$ 2,891,859	\$ 2,908,437	\$ 3,511,274
42					
43 QFCP-RC Rates	Rates Oct-13	Rates Nov-13	Rates Dec-13	Rates Jan-14	Rates Feb-14
44 Residential	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771
45 Residential- Space Heating	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771
46 Residential Time-of-Use "R-TOU"	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771
47 Residential Time-of-Use NON-Demand "R-TOU-ND"	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771
48 Small General Service - Sec Non-Demand "SGS-ND"	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771
49 Space Heating Sec Service "SGS-ND" and "MGS-S"	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771
50 Water Heating Sec Service "SGS-ND" and "MGS-S"	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771
51 Outdoor Recreational Lighting Svc - Secondary "ORL"	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771
52 Medium General Service - Secondary "MGS-S"	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771
53 Large General Service - Secondary "LGS-S"	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771
54 General Service - Primary "GS-P"	\$ 0.003893	\$ 0.004276	\$ 0.003956	\$ 0.003802	\$ 0.004666
55 General Service - Transmission "GS-T"	\$ 0.003824	\$ 0.004200	\$ 0.003886	\$ 0.003735	\$ 0.004584
56 Outdoor Lighting PL	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771
57 Outdoor Lighting SL	\$ 0.003980	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771