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Todd L. Goodman
Associate General Counsel

Docket No. 14-49-2

February 25, 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

2014 FEB 26 PM 1 09
RECEIVED

DR
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**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 May operations which will be utilized in the April customer billing.

Summary:

The average monthly net impact over the life of the fuel cell project through May 2014 is \$1.30, which remains consistent with what was projected by the PSC Staff at the outset (\$1.26) of the project. This month's QFCP charge was adversely affected (i.e., made larger than it otherwise would have been) by the severe winter weather in January which impacted the cost of natural gas.

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 May 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

¹ Typical residential customer is defined as having average monthly usage of 975 kwh.

project (the "QFCP Project Charge"), and dividing the result by Delmarva's monthly kilowatt-hour sales.²

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. However, the actual operational results for January created a significant operational true up in this month's forecast. Extraordinary natural gas costs for the month exceeded the PJM revenues for energy and capacity. This breakdown of the correlation, on three days in particular, was the result of severe winter weather, peak demand spikes and constrained natural gas pipeline capacity. These three days in January are part of what has been referred to as the "Polar Vortex." The combination of these events pushed the monthly average spot natural gas prices to five times their normal levels. PJM energy prices increased in response to the fuel price spikes, but did not match the increase in natural gas prices. The impact of the natural gas price spike on the QFCP Project Charge for this month for the average residential customer was approximately \$1.33 for the month.

The average QFCP Project Charge from inception to May 2014 is shown on Line 1 of the table on page 4. The original ICF estimated QFCP Project Charge, averaged monthly from inception through the May 2014 forecast for the typical residential customer, was expected to be \$2.37. The original PSC staff estimated QFCP Project Charge for the same period was expected to be \$2.45. The actual monthly QFCP Project Charge to date is \$2.20.

Therefore, for the period through May 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.

² All numbers are cumulative from the beginning to respective forecasted month.

The Avoided Cost Benefit is shown on Line 2 of the table on page 4. The original ICF estimated avoided cost benefit through the April 2014 forecast period was \$1.88 for the average residential customer. The original PSC Staff estimated avoided cost benefit over the same period was \$1.19. The actual monthly Avoided Cost Benefit through this filing is \$0.90.³

Therefore, for the period through May 2014, the costs the average residential customer was able to avoid paying were \$0.98 less than projected by ICF and \$0.29 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 May 2014 forecast period was \$0.49 for the average residential customer.⁴ The original PSC Staff projected monthly Net Impact over the same period was \$1.26 for the average residential customer. The actual average monthly Net Impact to date was \$1.30.

Therefore, for the period from the first QFCP filing in 2012 through the attached April 2014 QFCP rate forecast, the actual monthly Net Impact on the average ratepayer has been \$0.81 higher than the 2011 ICF Model's projected monthly Net Impact, and \$0.04 higher than the PSC Staff's projected monthly Net Impact of \$1.26.

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.

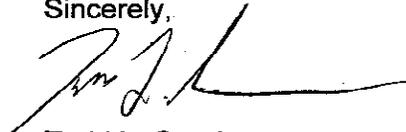
⁴ It is important to note that the forecast by ICF was provided as an estimate over the 21-year life of the QFCP project. The results described in this letter and as shown in the chart reflect only the results from the project inception to date, which is only a small segment of the 21 year term of the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

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)	\$2.20	\$2.37	\$0.17 under	\$2.45	\$0.25 under
Avoided Cost Benefit (per month)	\$0.90	\$1.88	\$0.98 under	\$1.19	\$0.29 under
Net Impact for Typical Delmarva Residential Customer (per month) Line 1 minus line 2	\$1.30	\$0.49	\$0.81 over	\$1.26	\$0.04 over

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 April which begins March 28th and ends April 28th.

Please contact me or Kristin McEvoy at (302) 454-4187 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

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

Line	Forecasted QFCP Revenues and Costs	
1	Table 1	
2		
3		
4		<u>May 2014</u>
5	Contract Cost	\$ 3,964,517
6	less Market -Based Revenue	\$ 822,663
7	Above Market QFCP Costs (Margin)	\$ 3,141,853
8		
9	Administrative and Other O&M charges	\$ 9,000
10		
11	(Less) Plus Carrying Charge	\$ (5)
12		
13	Net QFCP Project Charge	\$ 3,150,848
14	(Less) plus prior month(s) true-up	\$ 547,542
15	Monthly QFCP Project Charge	\$ 3,698,390

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

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 Line 42			RCF/(1- RCF*UNC Factor)		
26	Table 3 Rate Calculation	Apr 2014	= Col. 1 x Col. 2	= Col. 4 x Line 15		= Col. 5 / Col. 2	= 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	1.06368	130,889,915	139,225,155	0.2091	\$ 773,397	\$ 0.005909	1.012463	\$ 0.005982
29	Residential- Space Heating	1.06368	80,962,863	86,118,684	0.1294	\$ 478,390	\$ 0.005909	1.012463	\$ 0.005982
30	Residential Time-of-Use "R-TOU"	1.06368	1	1	0.0000	\$ 0	\$ 0.005909	1.012463	\$ 0.005982
31	Residential Time-of-Use NON-Demand "R-TOU-ND"	1.06368	105,261	111,964	0.0002	\$ 622	\$ 0.005909	1.012463	\$ 0.005982
32	Small General Service - Sec Non-Demand "SGS-ND"	1.06368	10,008,769	10,646,141	0.0160	\$ 59,139	\$ 0.005909	1.012463	\$ 0.005982
33	Space Heating Sec Serv "SGS-ND" and "MGS-S"	1.06368	1,209,432	1,286,450	0.0019	\$ 7,146	\$ 0.005909	1.012463	\$ 0.005982
34	Water Heating Sec Serv "SGS-ND" and "MGS-S"	1.06368	79,993	85,087	0.0001	\$ 473	\$ 0.005909	1.012463	\$ 0.005982
35	Outdoor Recreational Lighting Svc - Sec "ORL"	1.06368	45,471	48,367	0.0001	\$ 269	\$ 0.005909	1.012463	\$ 0.005982
36	Medium General Service - Secondary "MGS-S"	1.06368	85,089,040	90,507,620	0.1359	\$ 502,770	\$ 0.005909	1.012463	\$ 0.005982
37	Large General Service - Secondary "LGS-S"	1.06368	49,314,506	52,454,918	0.0788	\$ 291,387	\$ 0.005909	1.012463	\$ 0.005982
38	General Service - Primary "GS-P"	1.04030	189,117,681	196,738,575	0.2955	\$ 1,092,684	\$ 0.005779	1.012463	\$ 0.005851
39	General Service - Transmission "GS-T"	1.02190	82,236,301	84,037,670	0.1262	\$ 466,830	\$ 0.005677	1.012463	\$ 0.005747
40	PL	1.06368	1,154,223	1,227,726	0.0018	\$ 6,820	\$ 0.005909	1.012463	\$ 0.005982
41	SL	1.06368	3,090,804	3,287,630	0.0049	\$ 18,263	\$ 0.005909	1.012463	\$ 0.005982
42	Total kWh		633,304,260	665,775,988	1.0000	\$ 3,698,390			

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

	Projected Dec-13	Projected Jan-14	Projected Feb-14	Projected Mar-14	Projected Apr-14	Projected May-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)	26.0	26.3	26.1	26.1	26.4	26.4
5 Maximum Monthly Hours of Production	744	744	672	744	720	744
6 Total Contract Costs	\$ 3,227,933	\$ 3,265,179	\$ 2,926,766	\$ 3,240,348	\$ 3,171,865	\$ 3,277,594
7						
8 Gas Supply Costs						
9 Gas Monthly Fixed Costs	\$ 28,344	\$ 62,305	\$ 61,225	\$ 61,225	\$ 61,225	\$ 61,225
10 Gas Cost per Dt	\$ 4.34	\$ 4.71	\$ 4.39	\$ 4.26	\$ 3.88	\$ 4.25
11 Heat rate	6.99	7.06	7.05	7.08	7.13	7.16
12 Monthly Gas Requirements (Dt) (=Line 4 x Line 5 x Line 11)	135,215	138,144	123,651	137,482	135,603	140,634
13 Monthly Cost of Gas= (Line 10 x Line 12)+Line 9+Tax	\$ 641,433	\$ 742,805	\$ 629,276	\$ 674,608	\$ 611,975	\$ 686,923
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)	20,800	22,235	20,160	22,320	21,600	22,320
24 Estimated Unit Capacity Factor	0.930	0.880	0.870	0.870	0.880	0.880
25 Forecasted Monthly Output (=Line 23 x Line 24)	19,344	19,567	17,539	19,418	19,008	19,642
26 LMP @ DPL N Zone (assumed)	\$ 43.77	\$ 49.94	\$ 42.36	\$ 39.03	\$ 40.54	\$ 41.26
27 Total PJM Energy Revenue per month (Line 25 x Line 26)	\$ 846,718	\$ 977,144	\$ 742,931	\$ 757,948	\$ 770,563	\$ 810,407
28						
29 PJM Capacity Revenue						
30 Contract Capacity from PJM	\$ 12,257	\$ 12,257	\$ 11,071	\$ 12,257	\$ 11,861	\$ 12,257
31 Other PJM Revenue and Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32 Total Capacity Revenue per Month	\$ 12,257	\$ 12,257	\$ 11,071	\$ 12,257	\$ 11,861	\$ 12,257
33						
34 (Less) plus prior month(s) true-up						
35 Retail Revenue Deferral+Actual vs Forecast	\$ (228,273)	\$ (135,686)	\$ 97,383	\$ 357,435	\$ 775,155	\$ 547,542
36						
37 (Less) Plus Carrying Charge						
38	\$ (41)	\$ (38)	\$ 14	\$ 88	\$ 50	\$ (5)
39 Monthly QFCP Project Charge	\$ 2,791,077	\$ 2,891,859	\$ 2,908,437	\$ 3,511,274	\$ 3,785,621	\$ 3,698,390
40 Contract+Gas Cost-Banking+Admin-Revenue+/- True Up+/- Interest						
41						
42 QFCP-RC Rates						
43 Residential	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
44 Residential- Space Heating	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
45 Residential Time-of-Use "R-TOU"	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
46 Residential Time-of-Use NON-Demand "R-TOU-ND"	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
47 Small General Service - Sec Non-Demand "SGS-ND"	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
48 Space Heating Sec Service "SGS-ND" and "MGS-S"	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
49 Water Heating Sec Service "SGS-ND" and "MGS-S"	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
50 Outdoor Recreational Lighting Svc - Secondary "ORL"	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
51 Medium General Service - Secondary "MGS-S"	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
52 Large General Service - Secondary "LGS-S"	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
53 General Service - Primary "GS-P"	\$ 0.004276	\$ 0.003956	\$ 0.003802	\$ 0.004666	\$ 0.005357	\$ 0.005851
54 General Service - Transmission "GS-T"	\$ 0.004200	\$ 0.003886	\$ 0.003735	\$ 0.004584	\$ 0.005262	\$ 0.005747
55 Outdoor Lighting PL	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
56 Outdoor Lighting SL	\$ 0.004372	\$ 0.004045	\$ 0.003888	\$ 0.004771	\$ 0.005477	\$ 0.005982
57 Monthly Net Cost Analysis to the average residential customer (975 KWH per month):						
58 QFCP Project Charge to Avg Residential \$5.83/Month; Estimated Avoided Cost \$2.06/month; Estimated Net impact \$3.77/month						