



A PHI Company

Todd Goodman  
Associate General Counsel

92DC42  
500 N. Wakefield Drive  
Newark, DE 19702

P.O. Box 6066  
Newark, DE 19714-6066

302.429.3786 – Telephone  
302.429.3801 – Facsimile

todd.goodman@pepcoholdings.com

December 9, 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 are an original and ten copies of a revised cover letter for the monthly QFCP filing 14-49-11, originally dated November 24, 2014.

Due to meter read and billing schedule changes, we have revised the last paragraph of the cover letter to indicate that the billing period for January 2015 is expected to begin on January 5<sup>th</sup> and finish on January 30<sup>th</sup>, rather than December 27<sup>th</sup> and January 27<sup>th</sup> as originally indicated. This is the only change to the cover letter and there are no changes to the filing. Please include the accompanying red-lined cover letter revision along with the original documentation.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Todd L. Goodman".

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



A PHI Company

Todd Goodman  
Associate General Counsel

92DC42  
500 N. Wakefield Drive  
Newark, DE 19702

P.O. Box 6066  
Newark, DE 19714-6066

302.429.3786 – Telephone  
302.429.3801 – Facsimile

todd.goodman@pepcoholdings.com

~~November 24, 2014~~ December 9, 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 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 February operations which will be utilized in the January customer billing.

**Summary:**

The average monthly net impact over the life of the fuel cell project is \$1.59, which remains consistent with what was projected by the PSC staff at the outset (\$1.42) 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<sup>1</sup> with the actual net monthly impact through February 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.<sup>2</sup>

<sup>1</sup> Typical residential customer is defined as having average monthly usage of 975 kwh.

<sup>2</sup> 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 February 2015 forecast for the typical residential customer, was expected to be \$2.85. The original PSC staff estimated QFCP Project Charge for the same period was expected to be \$3.00. The actual monthly QFCP Project Charge was \$2.74.

Therefore, for the period through February 2015, customers have been paying, on average, \$0.11 less per month than projected by ICF and \$0.26 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 February 2015 forecast period was \$2.27 for the average residential customer. The original PSC Staff estimated avoided cost benefit over the same period was \$1.58. The actual monthly Avoided Cost Benefit through this filing is \$1.15.<sup>3</sup>

---

<sup>3</sup> 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 February 2015, the costs the average residential customer was able to avoid paying were \$1.12 less than projected by ICF and \$0.43 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 February 2015 forecast period was \$0.58 for the average residential customer.<sup>4</sup> The original PSC Staff projected monthly Net Impact over the same period was \$1.42 for the average residential customer. The actual average monthly Net Impact to date was \$1.59.

Therefore, for the period from the first QFCP filing in 2012 through the attached February 2015 QFCP rate forecast, the actual monthly Net Impact on the average ratepayer has been \$1.01 higher than the 2011 ICF Model's projected monthly Net Impact, and \$0.17 more than the PSC Staff's projected monthly Net Impact of \$1.42.

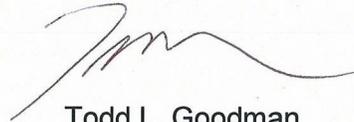
<b>Average Cost &amp; Benefits Through February 2015</b>	<b>QFCP Filings</b>	<b>2011 ICF Model Projections</b>	<b>ICF Model Variance Actual to Model</b>	<b>2011 PSC Staff Projections</b>	<b>PSC Staff Variance Actual to Model</b>
QFCP Project Charge (per month)	\$2.74	\$2.85	\$0.11 under	\$3.00	\$0.26 under
Avoided Cost Benefit (per month)	\$1.15	\$2.27	\$1.12 under	\$1.58	\$0.43 under
Net Impact for Typical Delmarva Residential Customer (per month) Line 1 minus line 2	\$1.59	\$0.58	\$1.01 over	\$1.42	\$0.17 over

<sup>4</sup> 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 January, which is scheduled to begin with customer meter read and billing cycle #1 on January 5th~~December 27<sup>th</sup>~~ and finish with cycle #21 on January 30th~~January 27<sup>th</sup>~~. 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 January bill of a 975 KWH residential customer will be \$2.87 per month; comprised of the QFCP cost at \$4.41 and the avoided cost of (\$1.54).

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