



10802 Bower Avenue  
Williamsport, MD 21795

Jeffrey P. Trout

Telephone: 301.790.6116  
Fax: 330.436.8124

June 16, 2023

**VIA EFILE**

Mr. Andrew S. Johnston  
Executive Secretary  
Public Service Commission of Maryland  
William Donald Schaefer Tower  
6 St. Paul Street, 16<sup>th</sup> Floor  
Baltimore, MD 21202

**RE: The Potomac Edison Company  
Retail Tariff Filing for Cogeneration PURPA Surcharge  
Case No. 8797**

Dear Secretary Johnston:

Enclosed for filing pursuant to the Commission's current filing procedures please find the clean and red-lined version of Page No. 5-1 to The Potomac Edison Company's ("Potomac Edison" or "Company") Maryland Tariff, Electric P.S.C. Md. No. 54. This revised tariff page is an update of the Cogeneration PURPA Project Surcharge for the five-month period of August 2023 through December 2023 which would be necessary if the Commission does not approve the Termination Agreement which the Company filed on April 17, 2023 (ML#302244). As discussed in more detail below, Potomac Edison proposes, if the PURPA contract for Warrior Run remains in effect, to increase the surcharge rates effective August 1, 2023, so as to temper the rate impact to our customers in 2024 from what would otherwise be the need to make up for a significant shortfall in surcharge collections in 2023.

Pursuant to Paragraph 10 of the September 23, 1999 Settlement Agreement approved by the Commission in Order No. 75851 in Case No. 8797, and affirmed in Supplemental Order No. 76009 in that case, part of Potomac Edison's overall electric restructuring is that there is a surcharge set equal to the AES Warrior Run contract payments, less revenues received from the sale of the Warrior Run generation output including, but not limited to, all energy, capacity and any ancillary services, into the wholesale market through a competitive bidding process. On November 28, 2007, in Order No. 81725, the Commission approved amended language to revise the Settlement Agreement language. As authorized in Order No. 81725, beginning January 2008 the energy output of the Warrior Run generating facility is to be offered directly into the day-ahead PJM wholesale market, and capacity of the facility is to be offered into the PJM forward capacity market.

Recognizing the variability of PJM energy market prices as opposed to wholesale fixed price sales contracts, Commission Order No. 81725 also amended the Settlement Agreement by adding the following sentence.

*“In order to true-up the results of the sale of the Warrior Run output, the Warrior Run surcharge may be revised twice annually.”*

For the period of January through May 2023, wholesale energy market prices were substantially lower than the forecast used to set the current surcharge rates. Consequently, Potomac Edison now has an under-recovered position when it expected to work down an over-recovered balance throughout 2023. The under-recovery balance as of the close of May 2023 business is \$0.6 million. Under current surcharge rates, the under-recovery balance is forecasted to grow to approximately \$39 million by the end of 2023, or over four times the original 2023 PURPA surcharge revenue requirement of \$9 million.

The proposed surcharge filed herewith is based on projected costs and revenues for August through December 2023. The methodology used to derive the surcharge to be effective August 1, 2023, is identical to the methodology previously approved by the Commission and is detailed below.

The Warrior Run cost is projected for the period of August through December 2023 based upon the scheduled megawatt-hour generation output for the same period. This cost is reduced by the amount of revenue forecasted from the sale of the Warrior Run generation output directly into the PJM wholesale market, which includes the reactive power revenue requirement. Expenses incurred for dispatch will be paid from the proceeds of the sale of the Warrior Run generation output.

The cost remaining, net of the wholesale market revenue, the reactive power revenue requirement, dispatch and consultant charges, is combined with the projected over/under-collection, including accrued interest,<sup>1</sup> in the deferred surcharge account as of July 31, 2023. Maryland State Gross Receipts Tax and the Maryland PSC Assessment Factor are then applied to the balance to produce a total revenue requirement.

The development of the surcharge for August 1 through December 31, 2023, is shown in the accompanying schedules. The rate design was developed in accordance with Paragraph 28 of the Settlement Agreement. The allocation factors are the same as those used to develop the current surcharge rates effective January 2023.

<sup>1</sup> Interest accrues at the prime rate as published in the Wall Street Journal, which is currently 8.25%

As noted above, this proposed change to the Warrior Run tariff would only be required if the Commission does not approve the pending Termination Agreement. If the Commission does approve termination of the Warrior Run contract, the tariff change which was filed with the Termination Agreement (and which is lower) would instead be implemented.

Should there be questions concerning the filing, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jeff P. Trout", written over a horizontal line.

Jeffrey P. Trout  
Senior Corporate Counsel

Enclosures

cc: (Via Email)  
Case no. 8797 Service List

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**COGENERATION PURPA PROJECT SURCHARGE**

Effective for all Service rendered on and after August 1, 2023, there shall be a surcharge at rates set forth below to recover costs associated with COGENERATION PURPA PROJECTS approved by the Commission. Applicable bills rendered shall include an amount equal to the surcharge rate times the number of kilowatts and kilowatt-hours used in the billing period. The resulting charge is in addition to any minimum charge set out in the Rate Schedule and is added to the Customer's charges before any tax surcharge is levied against the Customer's total bill. Amounts billed hereunder shall be subject to late pay charges.

COGENERATION PURPA SURCHARGE

<u>Schedule</u>	<u>Rate Per kW</u>	<u>Rate Per kWh</u>
R		\$0.01605
C		0.01640
G		0.01640
C-A		0.02243
CSH		0.02243
PH	\$3.11	0.00700
AGS	3.11	0.00700
PP	2.582	0.00558
OL		0.03293
AL		0.03293
MSL		0.03293
EMU		0.03293
MU		0.03293
LED		0.03293
Fred/Hag		0.01640

Rates for Service under each of the Company's Rate Schedules are subject to this surcharge.

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ISSUED BY K. JON TAYLOR, SENIOR VICE PRESIDENT

Issued June 16, 2023

Effective August 1, 2023

Approved at Public Service Commission Administrative Meeting of

in Case No. 8797.

THE POTOMAC EDISON COMPANY

Electric P.S.C. Md. No. 54

~~Fifth-Sixth~~ Revision of

Original Page No. 5-1

Canceling

~~Fourth-Fifth~~ Revision of

Original Page No. 5-1

**COGENERATION PURPA PROJECT SURCHARGE**

Effective for all Service rendered on and after ~~January-August~~ 1, 2023, there shall be a surcharge at rates set forth below to recover costs associated with COGENERATION PURPA PROJECTS approved by the Commission. Applicable bills rendered shall include an amount equal to the surcharge rate times the number of kilowatts and kilowatt-hours used in the billing period. The resulting charge is in addition to any minimum charge set out in the Rate Schedule and is added to the Customer's charges before any tax surcharge is levied against the Customer's total bill. Amounts billed hereunder shall be subject to late pay charges.

COGENERATION PURPA SURCHARGE

<u>Schedule</u>	<u>Rate Per kW</u>	<u>Rate Per kWh</u>
R		\$ <del>0.0013201605</del>
C		<del>0.0012901640</del>
G		<del>0.0012901640</del>
C-A		<del>0.0016502243</del>
CSH		<del>0.0016502243</del>
PH	<del>\$03.2811</del>	<del>0.0006300700</del>
AGS	<del>03.2811</del>	<del>0.0006300700</del>
PP	<del>02.373582</del>	<del>0.0008400558</del>
OL		<del>(0.0001803293)</del>
AL		<del>(0.0001803293)</del>
MSL		<del>(0.0001803293)</del>
EMU		<del>(0.0001803293)</del>
MU		<del>(0.0001803293)</del>
LED		<del>(0.0001803293)</del>
Fred/Hag		<del>0.0012901640</del>

Rates for Service under each of the Company's Rate Schedules are subject to this surcharge.

ISSUED BY ~~SAMUEL L. BELCHER~~ K. JON TAYLOR, SENIOR VICE PRESIDENT

Issued ~~November 29, 2022~~ June 16, 2023

Effective ~~January-August~~ 1, 2023

Approved at Public Service Commission Administrative Meeting of ~~December 14, 2022~~ in Case No. 8797.

**Summary Calculation of  
Total Revenue Requirement  
For the Period August 2023 - December 2023**

(a) Total Projected Warrior Run Cost	\$ 50,165,321.66
(b) Projected Revenue from Market Sales	\$ 19,251,998.55
(c) Projected Reactive Revenue	\$ 298,581.67
(d) Projected Warrior Run Consultant Fee and Dispatch Charges	\$ 87,914.30
(e) Projected Cost to be Collected from MD Retail Customers = (a) - (b) - (c) + (d)	<hr/> \$ 30,702,655.74
(f) Estimated (Over)/Under Recovery as of July 31, 2023	\$ 11,319,809.75
(g) Interest Accrued on Average Remaining Balance at Prime through July 31, 2023	\$ (179,426.90)
(h) Interest Accrued on Average Remaining Balance at Prime through December 31, 2023	\$ 191,475.33
(i) Federal Income Tax Effect on 2023 Interest	\$ (18,839.82)
(j) Maryland Gross Receipts Tax & MD PSC Assessment Fee	<hr/> \$ 979,120.46
(k) Revenue Requirement = (e) + (f) + (g) + (h) + (i) + (j)	<hr/> \$ 42,994,794.56



**Maryland Warrior Run PURPA Project**  
**2023 Interest Accrual on (Over)/Under Recovery**

	<u>Warrior Run Surcharge Balance at Month End</u>	<u>Monthly Collected Amount</u>	<u>Interest Calculated at Current Prime Rate</u>	<sup>1</sup>	<u>Cumulative Interest Balance</u>
July 2023	\$ 11,140,382.85				
Aug 2023	\$ 8,912,306.28	\$ (2,228,076.57)	\$ 68,931.12	\$	68,931.12
Sept 2023	\$ 6,684,229.71	\$ (2,228,076.57)	\$ 53,613.09	\$	122,544.21
Oct 2023	\$ 4,456,153.14	\$ (2,228,076.57)	\$ 38,295.07	\$	160,839.28
Nov 2023	\$ 2,228,076.57	\$ (2,228,076.57)	\$ 22,977.04	\$	183,816.32
Dec 2023	\$ 0.00	\$ (2,228,076.57)	\$ 7,659.01	\$	191,475.33

<sup>1</sup> Current Prime Rate as stated in the Wall Street Journal is 8.25%

**Maryland Warrior Run PURPA Payment Reconciliation**

	506934 AES Warrior Run Cost Energy & Demand	447609 Revenue from sale of Warrior Run	456008 Revenue from Reactive	447001 PJM RPM Auction/ RPM Auction Cr	557115 PJM	Retail Revenue Tariff Surcharge without GRT & PSC Assessment	557501 Entry Amount	254200 / 182455 (Over)/Under Balance	Prime Rate	Monthly Rate	431000 Monthly Interest	Cumulative Interest
2023								\$ (18,045,259.79)				
January	\$ 3,500,331.73	\$ 1,205,212.20	\$ 59,716.33	\$ 139,500.00	\$ 4,735.91	\$ 854,111.32	\$ (1,246,527.79)	\$ (16,798,732.00)	7.50%	0.6250%	\$(108,887.47)	\$ (108,887.47)
February	\$ 7,884,304.27	\$ 1,568,047.24	\$ 59,716.33	\$ 126,000.00	\$ 5,004.75	\$ 725,173.85	\$ (5,410,371.60)	\$ (11,497,247.87)	7.75%	0.6458%	\$ (91,724.05)	\$ (200,611.52)
March	\$ 10,022,883.25	\$ 2,320,087.18	\$ 59,716.33	\$ (921,939.22)	\$ 9,984.87	\$ 753,402.61	\$ (7,821,601.22)	\$ (3,767,370.70)	8.00%	0.6667%	\$ (51,187.81)	\$ (251,799.33)
April	\$ 4,664,525.54	\$ 933,140.94	\$ 62,996.99	\$ (1,033,610.20)	\$ 10,569.94	\$ 618,057.52	\$ (4,094,510.23)	\$ 275,951.72	8.00%	0.6667%	\$ (11,808.69)	\$ (263,608.02)
May	\$ 64,093.70	\$ 3,280.66	\$ 56,435.67	\$ (888,077.08)	\$ 56,541.58	\$ 647,103.78	\$ (301,892.25)	\$ 566,035.28	8.25%	0.6875%	\$ 2,853.74	\$ (260,754.28)
June (Est)	\$ 8,795,554.37	\$ 2,233,760.00	\$ 59,716.33	\$ 369,864.00	\$ 7,573.87	\$ 715,767.72	\$ (5,424,020.19)	\$ 5,992,909.21	8.25%	0.6875%	\$ 22,556.18	\$ (238,198.10)
July (Est)	\$ 10,349,471.59	\$ 4,051,645.00	\$ 59,716.33	\$ 375,833.00	\$ 7,573.87	\$ 803,704.87	\$ (5,066,146.26)	\$ 11,081,611.65	8.25%	0.6875%	\$ 58,771.20	\$ (179,426.90)
<b>Total Estimated Balance at July 31, 2023</b>								<b>\$ 11,140,382.85</b>				

Project Name AES WARRIOR RUN

NSOC Capability: 180  
 EFOR As calculated in PCI dispatch  
 Dispatch: 100%

	Period Hours	Planned Outage Days	Scheduled Output MWh	Energy Output MWh	Capacity & Dispatch Payment \$	Energy Payment \$	Total Payment \$	Projected Revenue from Market Sales \$
Aug 2023	744	0	133,920	88,794	\$ 6,580,852.23	\$ 3,741,614.92	\$ 10,322,467.16	\$ 3,985,260.03
Sept 2023	720	0	129,600	74,279	\$ 6,462,882.46	\$ 3,195,467.36	\$ 9,658,349.82	\$ 2,833,038.23
Oct 2023	744	0	133,920	68,962	\$ 6,711,855.36	\$ 3,068,566.17	\$ 9,780,421.52	\$ 2,527,474.03
Nov 2023	720	0	129,600	84,737	\$ 6,205,969.48	\$ 3,280,106.63	\$ 9,486,076.11	\$ 3,497,611.23
Dec 2023	744	0	133,920	122,628	\$ 6,291,221.79	\$ 4,626,785.27	\$ 10,918,007.05	\$ 6,408,615.03
Total			660,960		\$ 32,252,781.31	\$ 17,912,540.35	\$ 50,165,321.66	\$ 19,251,998.55
					2023 Dispatch & Consultant Fee	\$	87,914.30	
					Average/month	\$	17,582.86	
					2023 Reactive Power	\$	298,581.67	
					Average/month	\$	59,716.33	

THE POTOMAC EDISON COMPANY - MARYLAND

Calculation of 2023 Warrior Run PURPA Surcharge

Rate Schedule (a)	2023 Warrior Run Contract Payments					Under Recovery Allocation (g)	Market Proceeds Allocation (h)	Net Warrior Run PURPA Allocation (pre-tax) (i) = (f)+(g)+(h)	Net Warrior Run PURPA Allocation (post-tax) (j)=(i) / 0.977227	2023 August - December Forecast		2023 Warrior Run PURPA Surcharge		Resultant Warrior Run PURPA Collection (o)
	Capacity Allocation Ratio (b)	Capacity Allocation (c)	Energy Allocation Ratio (d)	Energy Allocation (e)	Capacity & Energy Allocation (f) = (c)+(e)					kWh (k)	kW (l)	\$/kWh (m)	\$/kW (n)	
R	0.508583	\$ 16,403,215	0.494869	\$ 8,864,358	\$ 25,267,574	\$ 5,753,608	\$ (9,803,074)	\$ 21,218,108	\$ 21,712,568	1,352,672,815	--	\$ 0.01605	--	\$ 21,712,568
C G Hag & Fred	0.015671 0.127315 0.000106 0.143091	\$ 4,615,098	0.012872 0.119127 0.000172 0.132171	\$ 2,367,520	\$ 6,982,618	\$ 1,618,797	\$ (2,709,050)	\$ 5,892,365	\$ 6,029,679	28,424,937 338,638,718 491,050 367,554,705	-- -- --	\$ 0.01640 \$ 0.01640 \$ 0.01640	-- -- --	\$ 466,307 \$ 5,555,317 \$ 8,056 \$ 6,029,679
C-A CSH	0.002207 0.001512 0.003719	\$ 119,948	0.001982 0.001518 0.003500	\$ 62,695	\$ 182,643	\$ 42,073	\$ (70,860)	\$ 153,856	\$ 157,441	3,974,801 3,043,859 7,018,660	-- --	\$ 0.02243 \$ 0.02243	-- --	\$ 89,162 \$ 68,279 \$ 157,441
PH, AGS	0.260474	\$ 8,401,010	0.258135	\$ 4,623,862	\$ 13,024,872	\$ 2,946,747	\$ (5,053,266)	\$ 10,918,353	\$ 11,172,791	754,097,520	1,894,366	\$ 0.00700	\$ 3.11	\$ 11,172,791
PP	0.074694	\$ 2,409,099	0.107855	\$ 1,931,966	\$ 4,341,065	\$ 845,018	\$ (1,684,205)	\$ 3,501,878	\$ 3,583,485	325,608,941	684,654	\$ 0.00558	\$ 2.582	\$ 3,583,485
Lighting	0.009438	\$ 304,411	0.003469	\$ 62,139	\$ 366,550	\$ 106,775	\$ (142,211)	\$ 331,114	\$ 338,830	10,289,140	--	\$ 0.03293	--	\$ 338,830
<b>TOTALS</b>	<b>1.000000</b>	<b>\$ 32,252,781</b>	<b>1.000000</b>	<b>\$ 17,912,540</b>	<b>\$ 50,165,322</b>	<b>\$ 11,313,018</b>	<b>\$ (19,462,666)</b>	<b>\$ 42,015,674</b>	<b>\$ 42,994,795</b>	<b>2,817,241,782</b>	<b>2,579,020</b>			<b>\$ 42,994,795</b>

Notes:

- 1) Allocation ratios in columns (b) and (d) from 2021 billing determinants
- 2) Column (c) calculated as the total Capacity Allocation of \$32,252,781 multiplied by the Capacity Allocation Ratio in column (b)
- 3) Column (e) calculated as the total Energy Allocation of \$17,912,540 multiplied by the Energy Allocation Ratio in column (d)
- 4) Column (g) calculated as the total Under Recovery of \$11,313,018 multiplied by the Capacity Allocation Ratio in column (b)
- 5) Column (h) calculated as the total Market Proceeds Allocation of \$-19,462,666 multiplied by the %-to-total allocation in column (f)
- 6) Lighting includes Schedules OL, AL, MSL, EMU, MU and LED