

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF THE )  
DELAWARE ELECTRIC COOPERATIVE, INC., FOR ) PSC DOCKET NO. 05-146  
AUTHORITY TO MODIFY ITS CURRENT POWER COST )  
ADJUSTMENT FACTOR (FILED APRIL 29, 2005) )

**ORDER NO. 6643**

**AND NOW**, this 24<sup>th</sup> day of May, 2005, the Commission finds, determines, and orders the following:

1. Under Section 16 of the tariffs of the Delaware Electric Cooperative, Inc. ("DEC" or the "Company"), effective April 1, 2005, DEC is authorized to increase or decrease bills rendered under all service classifications to offset any increase or decrease in its power costs. Such adjustment is made by applying an adjustment factor (the "PCA Factor"), as approved by the Delaware Public Service Commission (the "Commission"), to the members' monthly kilowatt hour consumption. One of the components of the PCA Factor is the Current Year Adjustment Factor (the "CYA Factor").

2. Pursuant to Section 16.3 of its tariffs, DEC is required to monitor and file with the Commission a monthly report showing the net over-collection or under-collection of power costs. If at any time the purchased power-related revenue will not be collected in the remaining portion of the fiscal year, DEC is required to file an amendment with the Commission to correct the over- or under-collection.

3. The current CYA Factor is \$0.00218. This CYA Factor was based upon the Power Requirements Study prepared by Old Dominion

Electric Cooperative ("ODEC"), from which DEC obtains its power. However, due to the rising cost of fuel used in the generation of electricity, ODEC increased its rates to DEC effective April 1, 2005. When forecasted over a 12-month period, this increase results in a projected under-collection of \$5,356,592 as of March 31, 2006. (Exh. 1 (Nielson) at 3; Application at 2). The projections also show that as of June 1, 2005, DEC will be outside the 4% band that triggers an application for a change in the PCA Factor.

5. Consequently, on April 29, 2005, DEC filed an application with the Commission seeking to increase the CYA Factor component of the PCA Factor from \$0.00218 to \$0.00790, effective with service provided on and after June 1, 2005.

6. The projections show that if this increase is approved, there will be a slight over-collection of \$2,086.00, which would be inside the 4% band.

7. The requested CYA Factor adjustment would result in an average customer using 750 kWh per month to experience a monthly increase of \$4.29 (5.8%) in his or her total combined electric bill (including supply and distribution charges).

8. The energy supply rates that DEC proposes to become effective on June 1, 2005 are comparable to those of other utilities in the region. (Exh. 3 (Nielson) at 4 and Schedule 3).

9. In Order No. 6610 (Apr. 26, 2005) in Docket No. 04-288, the Commission approved a settlement among the Commission Staff, the Division of the Public Advocate, and DEC in which DEC proposed that it be permitted to implement a flexible mechanism for recovering

purchased power costs. The Commission approved that request because it believed that, in addition to allowing DEC to fully recover its purchased power costs as required by the Public Utilities Act, such a mechanism would also shield DEC members from the potential "rate shock" that would accompany a substantial power cost increase. The Commission also observed that a mechanism would protect DEC from the volatility being experienced in the wholesale power market while giving DEC's members the benefit of faster rate reductions when power purchase costs decrease. Finally, the mechanism would potentially reduce the frequency of DEC's rate filings.

10. Staff Public Utilities Analyst David N. Bloom reviewed DEC's Application and supporting testimony and schedules. He observed that the calculation that DEC used in its Application differed slightly from the formula in DEC's tariff. He believed that the revised calculation formula was reasonable, especially since DEC's tariff had not been amended to reflect the changes made by the Restructuring Act. He also observed that this was DEC's first PCA Factor filing since the commencement of the transition period.

11. Staff Analyst Bloom found that the calculation yielded a rate that was within the range of regional wholesale power prices and reflected the regional wholesale market. Therefore, he recommended that the Commission permit DEC to use this revised calculation formula and further proposed that DEC file amendments to its tariffs to conform the tariffs to the formula that it was using to calculate the PCA Factor.

12. Finally, Staff witness Bloom recommended that the Commission approve DEC's requested increase in the PCA Factor from \$0.00218 to \$0.00790.

**NOW, THEREFORE, IT IS ORDERED:**

1. That the Commission approves the Delaware Electric Cooperative Inc.'s request to increase its PCA Factor from \$0.00218 to \$0.00790, effective with service provided on and after June 1, 2005.

2. That the calculation of the PCA Factor set forth in the Application is approved for this case.

3. That the Delaware Electric Cooperative, Inc., is directed to work with the Commission Staff with respect to possible changes to its tariff regarding the formula used to calculate the PCA Factor.

4. That the Commission reserves jurisdiction and authority to enter such further Orders as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

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Chair

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/s/ Joshua M. Twilley  
Vice Chair

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/s/ Joann T. Conaway  
Commissioner

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/s/ Jaymes B. Lester  
Commissioner

PSC Docket No. 05-146, Order No. 6643 Cont'd.

/s/ Dallas Winslow  
Commissioner

ATTEST:

/s/ Karen J. Nickerson  
Secretary