

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

IN THE MATTER OF THE APPLICATION OF)
THE DELAWARE ELECTRIC COOPERATIVE,)
INC., TO REVISE UNDER 75 DEL. LAWS.)
CH. 142 § 5 (2005), ITS ELECTRIC)
DISTRIBUTION RATES AND ELECTRIC) PSC DOCKET NO. 05-291
STANDARD OFFER SUPPLY PRICES TO)
REFLECT THE INCREASE IN THE ASSESS-)
MENT RATE IMPOSED BY 26 DEL. C. § 115)
AND § 1012(c)(2))
(FILED AUGUST 11, 2005))

ORDER NO. 6706

This 23rd day of August, 2005, the Commission determines and Orders the following:

1. As the Commission has explained (in somewhat greater detail) in PSC Order No. 6700 (Aug. 23, 2005), in July 2005, the General Assembly and Governor increased the assessment factor used in calculating the annual assessment that is paid by public utilities and retail electric suppliers. The factor has now moved from 2 mills (.002) to 3 mills (.003).¹

2. On August 11, 2005, the Delaware Electric Cooperative, Inc. ("DEC") filed a letter application seeking approval to implement a separate line item charge to recover the incremental costs it will incur due to this 1 mill increase in the assessment factor.² Under the

¹See 75 Del. Laws ch. 142 § 1 (July 12, 2005), changing the assessment factor in 26 Del. C. § 115(d) from 2 mills to 3 mills. The assessment factor is multiplied against the utility's or supplier's prior calendar year gross revenues to determine the monetary assessment due to be paid.

²The July 2005 law specifically allows utilities and retail electric suppliers to recover the incremental costs resulting from the increased assessment factor and allows those entities to use a separate charge on

DEC proposal, it will assess a monthly charge in an amount equal to .0031 of the subscriber's monthly charges for electric distribution, transmission, and standard offer service.³

3. The particular line charge factor proposed by the DEC is greater than the 1 mill increase because the DEC proposes to collect in the period from September 1 through December 31, 2004, the increased costs resulting from applying the 3 mill factor to the DEC's gross revenues for the entire 2005 year.⁴

4. The Staff recommends approval of the separate line charge to prevail until January 1, 2006. At that time, Staff says, the DEC should file to either reset the line charge factor or adjust its rates and standard offer price for the year 2006 and thereafter.

5. The statutory directive in the July 2005 enactment is for the Commission to act promptly in reviewing the DEC's proposal and allow the necessary rate adjustment to go into effect as promptly as reasonably practicable. Based on Staff's recommendation, the Commission now approves the DEC's line charge proposal and the .0031 line charge factor. The line charge factor shall govern until January 1, 2006.

subscribers' bills as the vehicle to do so. See 75 Del. Laws ch. 142 § 5 (2005).

³The annual assessment is imposed on the gross revenues that the DEC receives from its regulated services as an electric distribution company as well as its revenues from its status as the standard offer service provider. See 26 Del. C. §§ 115, 1012(c)(2).

⁴See PSC Order No. 6700 at ¶ 4 (explaining how the increased assessment factor, enacted in July 2005, will be applied to a utility's or supplier's gross revenues for the entire 2005 year).

Now, therefore, **IT IS ORDERED:**

1. That, pursuant to 75 Del. Laws ch. 142 § 5 (2005), the application filed by the Delaware Electric Cooperative, Inc., on August 11, 2005 seeking permission to implement a separate line charge to recover the incremental costs associated with the increase in the annual adjustment factor enacted by 75 Del. Laws ch. 142, is hereby approved. The Delaware Electric Cooperative, Inc., is hereby authorized to impose a separate charge on its subscribers' bills in the amount of .0031 of the particular subscriber's total charges for electric distribution and transmission services and for electric supply. The .0031 line charge factor shall be effective September 1, 2005. This line charge factor shall govern until January 1, 2006.

2. That prior to January 1, 2006, the Delaware Electric Cooperative, Inc., shall file an application to reset the line charge factor or to adjust its other rates to recover its incremental costs associated with the increased assessment factor for the year 2006 and thereafter.

3. That the Delaware Electric Cooperative, Inc., shall make a compliance filing to incorporate into its Tariff the line charge and line charge factor set forth in its application filed August 11, 2005.

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

BY ORDER OF THE COMMISSION:

/s/ Arnetta McRae
Chair

PSC Docket No. 05-291, Order No. 6706 Cont'd.

Vice Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

ATTEST:

/s/ Norma J. Sherwood
Acting Secretary