

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

IN THE MATTER OF THE APPLICATION OF)
THE DELAWARE ELECTRIC COOPERATIVE,)
INC., FOR AUTHORITY TO MODIFY ITS) PSC DOCKET NO. 06-13T
CURRENT POWER COST ADJUSTMENT)
FACTOR (FILED JANUARY 6, 2006 AND)
AMENDED APRIL 17, 2006))

ORDER NO. 6901

AND NOW, this 25th day of April, 2006, 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.

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. Historically, DEC has computed its PCA Factor by calculating the over- or under-collection power sales revenues

utilizing projected and actual data for the twelve (12) months under review. This calculation focused only on DEC's total power bills and power sales revenues and utilized the "base rate" set in its most recent rate case (\$0.06031). It did not track the various components (demand, energy, ancillary, transmission) that comprise DEC's actual power sales revenues on an on-going basis.

4. As the result of deregulation of electric supply rates and the "unbundling" process, which occurred in connection with the deregulation of electric supply, DEC has been able to determine exactly the revenue derived from its electric supply rates. DEC is therefore proposing to continuously update projected revenues (that utilize the base rate of \$0.06031) with actual revenues as determined by DEC's accounting process, which now identifies the individual components (demand, energy, ancillary, and transmission).

5. In addition, DEC has accounted for and removed from its base rate power sales revenues the amounts representing the "retail adder" of \$.00072 per kWh, thus allowing a more accurate matching of power supply revenues to power supply costs. DEC contends that this new method of calculating the PCA will more accurately calculate and account for its electric supply revenue.

6. In its filing on January 6, 2006, DEC used this new method and computed a PCA Factor to be used for the period beginning February 1, 2006 through December 31, 2006 of \$0.01171. This resulted in an increase to an average residential customer using 750 kWh of \$2.86 per month in their total combined electric bill (i.e., including both supply and distribution charges).

7. On April 17, 2006, DEC filed an application to adjust its power cost adjustment factor to \$0.01628 because the Company has determined in its tracking of actual monthly data in the over- or under-collection of supply side costs that the current factor of \$0.01171 would result in an under-collection of \$3,068,473 as of December 31, 2006. By adjusting this factor to \$0.01628 as of June 1, 2006, DEC asserts that the under-collection will be \$2,566. This new factor will result in an increase to an average residential customer using 750 kWh of \$3.43 per month in their total combined electric bill (i.e., including both supply and distribution charges).

2. Pursuant to Section 16.3 of DEC's tariff, if computation of the over- or under-recovery of the projected purchased power costs exceeds four percent during the remaining portion of the year, then the Company should file for a change in its PCA factor. In this application, the computation shows 3.89 percent during the remaining portion of the year. However, it appears that the Company will exceed the four percent in May and by filing now, the Company can minimize the increase by implementing it in June.

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

1. That the Commission will permit the Delaware Electric Cooperative, Inc.'s proposed increase of its PCA Factor from \$0.01171 to \$0.01628 to go into effect with service provided on and after June 1, 2006.

2. That, pursuant to 26 Del. C. § 102A, the Commission directs the Delaware Electric Cooperative, Inc. to provide notice to its customers of this proposed change in the PCA factor (allowed to go

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into effect under Ordering ¶ 1) by means of a notice sent to each customer. Such notice, to be in a form approved by Commission Staff, shall be sent thirty days prior to the date such Power Cost Adjustment factor is to be effective.

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

BY ORDER OF THE COMMISSION:

/s/ Arnetta McRae
Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

Deleted: ¶
PSC Docket No. 06-13T, Order
No. 6827 Cont'd.¶