

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Modified Minimum Filing) DOCKET NO. 940818-GU
Requirements Report in) ORDER NO. PSC-95-1205-FOF-GU
compliance with Section) ISSUED: September 28, 1995
366.06(3), F.S., for Florida)
Division of Chesapeake Utilities)
Corporation.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING ADJUSTMENTS AND CLOSING DOCKET

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Surveillance Report

On February 21, 1995, Chesapeake filed its Earnings Surveillance Report for December 1994. The filing indicated that Chesapeake had overearned in 1994, and our staff conducted an audit to review the overearnings.

Rule 25-7.0141, Florida Administrative Code, states that no utility may charge or change its AFUDC rate without prior Commission approval. We have not approved an Allowance For Funds Used During Construction (AFUDC) rate for Chesapeake. According to Chesapeake's surveillance filing an adjustment was added to AFUDC increasing operating revenues by \$57,051. Chesapeake's general ledger showed an AFUDC 1994 year-end balance of \$86,159, with a 13 month average of \$50,125. For purposes of overearnings, we approve the removal of unauthorized AFUDC

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FPSC-RECORDS/REPORTING

from rate base and operating revenues by reducing operating revenues by \$57,051, rate base by \$50,125, and income tax expense by \$21,532.

In Order No. 23166, issued on July 10, 1990, we determined that the second story of Chesapeake's office building was not used for utility related operations, and accordingly we disallowed \$38,517 in related expenses. Now, however, approximately 38 percent of the second floor of the office building is being used to store utility records. Thus, we approve the following adjustments to the surveillance report for the test year ended December 31, 1994. Chesapeake will increase its Plant Balance by \$14,815, accumulated depreciation by \$2,582, the depreciation expense by \$368, and taxes by \$320. In addition, Chesapeake will reduce the interest synchronization adjustment by \$283.

In Order No. PSC-95-0160-FOF-GU issued February 6, 1995, we granted Chesapeake's proposal to cap its 1994 earnings at 12% Return on Equity (ROE). We also approved Chesapeake's request to offset its 1994 excess earnings against anticipated increases in major expense areas in 1995, and to recover its annual accrual to the environmental clean-up reserve.

Chesapeake's 1994 Surveillance report showed that its ROE was 12.53%. The excess Net Operating Income earned was \$38,164, resulting in excess revenues of \$62,360. We will defer the excess revenues until 1995.

Modified minimum filing requirements

Before the 1995 Legislative session, Section 366.06(3)(a), Florida Statutes, required each public natural gas utility whose sales exceeded 50 million therms annually to comply with Commission-established modified minimum filing requirements (MMFRs) every four years from the date of the utility's last full rate case. On August 5, 1994, the Florida Division of Chesapeake Utilities Corporation (Chesapeake) filed its 1994 Quadrennial Modified Minimum Filing Requirements in compliance with the statute and the Commission's rules. After Chesapeake made its filing, the Florida Legislature repealed Section 366.06(3)(a). The repeal affected future filings as well as those currently pending before the Commission. Since MMFRs are no longer required, this docket should be closed. We will continue to monitor Chesapeake's earnings through its earnings surveillance reports and its forecasted earning surveillance reports.

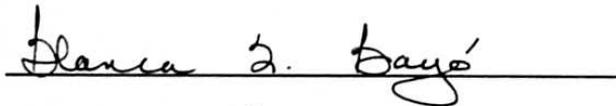
Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the Division of Chesapeake Utilities Corporation's adjustments to rate base, revenues and expenses, as discussed in the body of this Order, are hereby approved. It is further

ORDERED that the Division of Chesapeake Utilities Corporation's excess revenues of \$62,360 for 1994 will be deferred until 1995. It is further

ORDERED that this Order shall become final and effective and this docket shall be closed unless an appropriate petition for formal proceedings is received by the Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission, this 28th day of September, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

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The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 19, 1995.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Chesapeake Utilities Corporation
 Florida Division
 December 31, 1994

RATE OF RETURN AND EXCESS REVENUE
 ADJUSTED FOR AUDIT EXCEPTIONS AND DISCLOSURES

AVG RATE OF RETURN (JURISDICTIONAL)	(1) SURVEILLANCE REPORT ADJUSTMENTS	(2) STAFF	(3) STAFF ADJUSTED
NET OPERATING INCOME	\$ 1,433,137	(\$35,924)	\$ 1,397,213
AVERAGE RATE BASE	\$14,716,407	(\$37,892)	\$14,678,515
AVERAGE RATE OF RETURN	9.74%		9.52%
NET OPERATING INCOME		\$ 1,397,213	
RATE BASE		\$14,678,515	
ACHIEVED RATE OF RETURN		9.52%	
ALLOWED RATE OF RETURN		9.26%	
EXCESS NET OPERATING INCOME		\$38,164	
TIMES NOI MULTIPLIER		<u>1.634</u>	
EXCESS REVENUE		\$62,360	
REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)		EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)	
LOW	8.26%	A. INCLUDING FLEX RATE REVENUES	12.53%
MIDPOINT	8.76%	B. EXCLUDING FLEX RATE REVENUES	11.25%
HIGH	9.26%		

Chesapeake Utilities Corporation
 Florida Division
 December 31, 1994

AVERAGE RATE BASE
 PPSC ADJUSTMENTS

	PLANT IN SERVICE	ACCUM. DEPR.	PLANT IN SERVICE	CWIP	NET UTILITY PLANT	WORKING CAPITAL	RATE BASE	TOTAL
SURVEILLANCE REPORT	\$17,559,004	(\$4,210,839)	\$13,348,165	\$1,368,242	\$14,716,407	\$0	\$14,716,407	
STAFF ADJUSTMENTS								
Eliminations to working capital						201,188	\$201,188	
Elim. 2nd story office bldg.	14,815	(2,582)	\$12,233	0	\$12,233		\$12,233	
Adjust neg. working cap. to zero				(\$50,125)	(\$50,125)	(201,188)	(\$201,188)	
Eliminate AFUDC								
Total Staff Adjustments	14,815	(2,582)	12,233	(50,125)	(37,892)	0	(37,892)	
STAFF ADJUSTED	\$17,573,819	(\$4,213,421)	\$13,360,398	\$1,318,117	\$14,678,515	\$0	\$14,678,515	

NET OPERATING INCOME
 PPSC ADJUSTMENTS

	OPERATING REVENUES	EXPENSE	OTHER	DEPREC. & AMORT.	TAXES, INTEREST	INCOME TAXES CURRENT	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
SURVEILLANCE REPORT	\$15,943,401	\$9,332,527	\$2,958,960	\$721,281	\$867,569	\$629,927	\$14,510,264	\$1,433,137
STAFF ADJUSTMENTS								
Add AFUDC	(57,051)	0	0	0	0	(21,468)	(21,468)	(35,583)
Elim. 2nd story off. bldg.	0	0	0	368	320	(87)	(21,468)	(35,583)
Interest synchronization								
Total Staff Adjustments	(\$57,051)	\$0	\$0	\$368	\$320	(\$21,815)	(\$21,127)	(\$35,924)
STAFF ADJUSTED	\$15,886,350	\$9,332,527	\$2,958,960	\$721,649	\$867,889	\$608,112	\$14,489,137	\$1,397,213

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ATTACHMENT 2
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