

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of) DOCKET NO. 960738-GU
Load Profile Enhancement) ORDER NO. PSC-96-1196-FOF-GU
Discount Rider LE for Rate) ISSUED: September 23, 1996
Schedules C and CLV, and for)
approval of Rate Schedule RSLE)
by 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

ORDER APPROVING TARIFF MODIFICATIONS

BY THE COMMISSION:

On June 17, 1996, the Florida Division of Chesapeake Utilities Corporation (Chesapeake or company) filed a petition for approval of a Load Profile Enhancement Rider LE and a new Rate Schedule RSLE. Chesapeake filed minor revisions to its petition on July 12, 1996, and August 21, 1996.

Chesapeake's load profile reflects a significant degree of seasonal variation. The company's average monthly firm sales quantity is approximately 40-percent higher in the winter period than in the summer period. The winter period is defined as November through March; the summer period as April through October. Due to this seasonal variation, Chesapeake must negotiate for larger quantities of gas in the winter and less in the summer which, in turn, results in less favorable pricing and contract terms.

A local distribution company can improve its load profile by increasing summer gas consumption. Interest in new gas technology with summer intensive load profiles, such as gas-fired air conditioning, gas-fired desiccant cooling, and gas-fired cogeneration, appears to have strengthened due to expanded product availability, improved technology, and heightened efficiency awareness.

Chesapeake's rate schedules, including Residential (RS), Commercial (C), and Commercial Large Volume (CLV), each contained a single, year-round, non-fuel tariff charge. However, the rate

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schedules provided little incentive for customers to add summer-intensive gas usage. Chesapeake, therefore, has requested our approval of its Load Profile Enhancement Rider LE and Rate Schedule RSLE in order to provide that incentive.

Rider LE

In order to qualify for service under Rider LE, a customer's incremental consumption must result in an overall increase in the customer's total annual gas usage. In addition, the customer's total incremental consumption for the summer period must be at least twice the incremental consumption for the winter period. This will ensure that incremental load is added in a manner that enhances the load profile. Chesapeake will meter the incremental service separately to ensure that the rates provided by Rider LE are applied only to eligible, incremental, summer-intensive gas load. The company will review actual consumption at the end of the year to determine if the customer is eligible for Rider LE the following year.

Under Rider LE, incremental load service will be charged at a rate equal to 50-percent of the non-fuel charge for all incremental therms consumed during the summer period, plus the otherwise applicable charges for such service.

Chesapeake anticipates that the majority of the Rider LE customers will be existing customers, or customers located in the vicinity of existing mains. Any main extensions required to initiate service under Rider LE will be subject to Chesapeake's main extension tariff provisions. Chesapeake will incur costs for meters, pressure regulating equipment, and service lines where such facilities are necessary to initiate service. Chesapeake also expects minimal advertising, personnel, operations and maintenance costs associated with Rider LE.

Chesapeake projects cumulative annual load additions under Rider LE of up to 402,000 therms by the end of the fifth year and 882,000 therms by the end of the tenth year. The additional load will improve the company's overall load factor, and will ensure the recovery of fixed costs over a greater volume of gas sold. Chesapeake also projects that within the first year, incremental revenues derived from the Rider LE will exceed the incremental cost of service.

The Rider LE will give C and CLV customers incentive to increase their summer gas usage, thus improving Chesapeake's load profile. As a result, Chesapeake will have the ability to negotiate more favorable and cost-effective gas contracts.

Improved capacity usage and levelized gas purchases will ultimately lead to lower prices. Subscribers of Rider LE will benefit from lower incremental rates. Further, the general body of ratepayers will benefit from lower gas costs. Chesapeake has included necessary provisions to ensure that the Rider LE will apply only to the incremental load of qualified customers.

We find that Chesapeake's Rider LE will benefit the company and its ratepayers. We, therefore, approve Chesapeake's Rider LE.

Rate Schedule RSLE

Chesapeake also seeks approval of Load Profile Enhancement Rate Schedule RSLE. Like Rider LE, this schedule is designed to improve Chesapeake's load profile.

Rate Schedule RSLE is somewhat similar to the current RS schedule, except that under RSLE incremental consumption over 30 therms per month, during the summer period, will be assessed at 50 percent of the non-fuel energy charge. All other applicable charges, such as purchased gas adjustment and conservation, will remain. In addition, Rate Schedule RSLE has the same customer qualification provisions as the Rider LE.

Chesapeake anticipates that the majority of the RSLE customers will be existing customers, or customers located in the vicinity of existing mains. Any main extensions required to initiate service under Rate Schedule RSLE will be subject to Chesapeake's main extension tariff provisions. Chesapeake will incur costs for meters, pressure regulating equipment, and service lines where such facilities are necessary to initiate service. Chesapeake also anticipates minimal advertising, personnel, operations and maintenance costs associated with Rate Schedule RSLE.

Chesapeake projects cumulative annual load additions under Rate Schedule RSLE of up to 162,000 therms by the end of the fifth year and 432,000 therms by the end of the tenth year. The additional load will improve the company's overall load factor, and will result in the recovery of fixed costs over a greater volume of gas sold. Chesapeake further projects that, within the first year of implementation, incremental revenues derived from the Rate Schedule RSLE will exceed the incremental cost of service.

Rate Schedule RSLE will give Chesapeake's RS customers incentive to increase their summer gas usage, thus improving Chesapeake's load profile. As a result, Chesapeake will have the ability to negotiate more favorable and cost-efficient gas contracts. Subscribers of Rate Schedule RSLE will benefit from

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lower incremental rates and the general body of ratepayers will benefit from lower gas costs. Also, Chesapeake has included the necessary provisions to ensure that Rate Schedule RSLE will apply only to incremental load of qualified customers. The company will review actual consumption at the end of the year to determine if the customer is eligible for Rate Schedule RSLE the following year.

We find that Chesapeake's Rate Schedule RSLE will benefit the company and its ratepayers. We, therefore, approve Chesapeake's Rate Schedule RSLE.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Florida Division of Chesapeake Utilities Corporation's proposed Rider LE and Rate Schedule RSLE are, hereby, approved. It is further

ORDERED that the effective date of these tariff modifications is September 3, 1996. It is further

ORDERED that if a protest is filed in accordance with the requirements set forth below, the tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 23rd day of September, 1996.



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.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), 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 14, 1996.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

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 on the date described above, any party adversely 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 date this Order becomes final, 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.