

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation of 1991) DOCKET NO. 920729-GU
Overearnings of Chesapeake) ORDER NO. PSC-92-0817-FOF-GU
Utilities Corporation - Florida) ISSUED: 08/14/92
Division.)
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION

CHESAPEAKE UTILITIES' OVEREARNINGS REFUND

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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Background

In accordance with Rule 25-7.024, Florida Administrative Code, each investor-owned natural gas utility is required to submit a rate of return surveillance report on a periodic basis. Chesapeake Utilities Corporation - Florida Division (Chesapeake) files its reports on a monthly basis. As a result of this surveillance program, our Staff became aware of the potential for overearnings with the filing of the required report for the month of June 1991. That report was received on September 3, 1991 and indicated that the earned return on equity (ROE) was 18.79%. This ROE exceeds the authorized ceiling of 14.00% which was established in Chesapeake's most recent rate case in Docket No. 891179-GU.

In an effort to protect Chesapeake's ratepayers and to resolve this apparent overearnings situation, our Staff contacted Chesapeake in early September 1991 and requested that Chesapeake agree to refund any 1991 earnings that exceeded the 14.00% ROE

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ceiling. By letter dated September 16, 1991, Chesapeake agreed to refund any earnings that exceeded the 14.00% maximum allowed rate of return of the 12 months ending December 31, 1991.

1991-Earnings

Based on the unaudited December 1991 ROE report, Chesapeake's earned ROE was 17.37% which exceeds the ceiling by 3.37%. This includes the 1990 flex rate revenues of \$223,676 that were not booked until 1991. This results in a refund of \$284,782, plus interest, computed as follows:

Rate Base	\$11,370,883
ROR @ 14% ROE	<u>x 9.83%</u>
Maximum Allowed NOI	1,117,758
Achieved NOI	<u>1,292,043</u>
Excess NOI	174,285
NOI Multiplier	<u>x 1.6340</u>
Revenue Refund	\$ <u>284,782</u>

The audit of the December 1991 ROE surveillance report is not due to be completed until September 1992. Therefore, the amount of the refund cannot be finalized until after the audit report is received and reviewed. Any true up of the amount refunded will be made as an adjustment to gas cost in the Purchase Gas Adjustment (PGA) clause.

Form of Refund

Chesapeake has agreed to refund the amount identified above within 90 days of this Order and shall file, within 30 days of the refund, a report which will specify the following:

- (a) The total amount of the refund and how that amount was computed, indicating the amount of interest and taxes.
- (b) The amount to be credited to the PGA clause.

Future Return on Equity

As indicated previously Chesapeake's currently authorized return on equity was established at 13.00% plus or minus 1.00% in July 1990. Since its last ROE was established, the cost of equity

has declined. In two recent gas rate cases, the ROE was set at 12.00% plus or minus 1.00% (Dockets Nos. 910873-GU and 910778-GU, Sebring and West Florida Natural Gas, respectively). We agree with our Staff's recommendation a 12.00% ROE midpoint plus or minus 100 basis points be used beginning July 1, 1992 for all future purposes.

1992-Earnings

To determine any overearnings for 1992, our Staff and Chesapeake suggest and we agree that we use an average of the ceiling of 14.00% in effect from January through June, 1992, and a ceiling of 13.00% in effect for July through December 1992. This results in a ceiling of 13.50% for earnings during 1992.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that Chesapeake Utilities Corporation - Florida Division shall refund \$284,782 plus interest for the year 1991 within 90-days of the date of this order. It is further

ORDERED that Chesapeake Utilities Corporation - Florida Division that this docket shall remain open to true-up the amount refunded for 1991 through the Purchase Gas Adjustment clause. It is further

ORDERED that Chesapeake Utilities Corporation - Florida Division shall refund overearnings for the year 1992 and the refund shall be predicated upon earnings with a return on equity of 13.50%. It is further

ORDERED that beginning July 1, 1992 that Chesapeake Utilities Corporation - Florida Division return on equity is hereby established at 12.00% plus or minus 1% for all purposes. It is further

ORDERED that this Order shall become final unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

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By ORDER of the Florida Public Service Commission, this 14th
day of August, 1992.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MRC:bmi

by: Kay Flynn
Chief, Bureau of Records

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 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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on September 4, 1992.

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 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 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.