



Public Service Commission

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DATE: JANUARY 4, 2001

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF COMPETITIVE SERVICES (MAKIN, BULECZA-BANKS) *CRBB*
DIVISION OF LEGAL SERVICES (K. WALKER) *KOW*

RE: DOCKET NO. 001763-GU - PETITION FOR AUTHORITY TO IMPLEMENT TRANSPORTATION COST RECOVERY MECHANISM TO FACILITATE RECOVERY OF CERTAIN PURCHASED GAS COST INCURRED IN PROVIDING SERVICE TO CERTAIN CUSTOMERS PRIOR TO 1/1/01 BY FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION.

AGENDA: JANUARY 16, 2001 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: FEBRUARY 6, 2001

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\001763.RCM

CASE BACKGROUND

On November 28, 2000, by Order No. PSC-00-2263-FOF-GU, issued in Docket No. 000108-GU, the Commission partially granted the Florida Division of Chesapeake Utilities Corporation's (Chesapeake or Company) request for a general rate increase. The Commission approved the Company's request to eliminate certain rate classes and replace them with new, more volumetric-specific rate classes for sales and transportation services. The Commission also approved the Company's proposed natural gas transportation service tariff, filed as part of the rate case to comply with Rule 25-8.0335, Florida Administrative Code. This tariff allows all non-residential customers to transport natural gas from qualified marketers or suppliers on the Company's system.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

In Order No. PSC-00-2263-FOF-GU, the Commission did not approve the Company's proposed Transportation Cost Recovery methodology, stating that:

While a transportation cost recovery mechanism is appropriate for the recovery of non-recurring costs related to transportation service, such costs should be recovered from all non-residential customers except for special contract customers, not just from the transportation-only customers. We approve the concept of a recovery clause, but the specifics regarding how the cost should be recovered from the rate classes and the level of costs to be recovered should be addressed in a subsequent proceeding.

This recommendation addresses Chesapeake's petition.

Jurisdiction over this matter is vested in the Commission by Sections 366.04, 366.05, and 366.06, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant the Florida Division of Chesapeake Utilities' petition for authority to implement Transportation Cost Recovery mechanism to facilitate recovery of certain purchased gas cost incurred in providing service to certain customers prior to January 1, 2001?

RECOMMENDATION: Yes. The Commission should approve the Florida Division of Chesapeake Utilities' petition for authority to implement Transportation Cost Recovery mechanism to facilitate recovery of certain purchased gas cost incurred in providing service to certain customers prior to January 1, 2001, effective, January 16, 2001. (MAKIN, BULECZA-BANKS)

STAFF ANALYSIS: On November 20, 2000, in Docket No. 000003-GU, the Commission voted to approve stipulations authorizing the Company to recover its projected \$917,674 underrecovery of purchased gas cost through the end of December 2000, to be recovered during the period of January 2001 through December 2001 as part of the Company's Purchased Gas Cost Recovery True-up Clause.

In order to prevent these unrecovered purchased gas cost from being charged exclusively to future residential and non-residential sales customers, the Company filed a petition on December 8, 2000, to implement a transitional Transportation Cost Recovery mechanism providing for a surcharge to be applied to any non-residential customer moving from sales service to transportation service during 2001. The Company proposes a per therm charge of \$0.04803, which is derived by dividing the underrecovery of \$917,674 by the estimated therms sales in 2001 of 19,107,365 therms.

The Company proposes two methods of recovering the underrecovery:

1. Any customer who transported less than 100% of its total gas requirements during the calendar year 2000, would have purchased sales gas for some if its requirements during 2000. To calculate each customer's underrecovery responsibility, the Company would multiply the therms of sales gas sold by the Company to each such customer during the calendar year 2000 by the \$0.4803 surcharge and divide that by 12 months; the resulting monthly fee would be billed at a flat rate per month during the calendar year 2001. This would permit the Company to recover the exact amount of the underrecovery attributed to such customers during the calendar year 2000.

2. Any other customer who received sales service during calendar year 2000 that switches to transportation service during calendar year 2001 would be billed the \$0.04803 per therm surcharge on gas it subsequently receives under transportation service during calendar year 2001, just as it would have been billed as a sales service customer under the approved purchased gas cost recovery factor. The surcharge would apply to such customers through the balance of calendar year 2001, regardless of when that customer transfers to transportation service during 2001.

The surcharge to these customers will be discontinued as of January 1, 2002. The Company will address the need, if any, for recovery of its purchased gas costs from customers receiving sales service after January 1, 2002, through the ordinary course of its filings in future purchased gas cost true-up proceedings.

Any customer transporting 100% of its gas requirements during the calendar year 2000 would not be subject to the surcharge, as well as any new customer who did not take sales service during calendar year 2000.

Staff believes that Chesapeake's proposed Transportation Cost Recovery Mechanism is reasonable and should be approved. The tariff should become effective January 16, 2001, the date of the Commission's vote in this matter.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (K. WALKER)

STAFF ANALYSIS: If a protest is filed by a person whose substantial interests are affected within 21 days of the Commission Order approving this tariff, the tariff should remain in effect pending resolution of the protest, with any charges held subject to refund pending resolution of the protest. If no protest is filed, this docket should be closed upon the issuance of a Consummating Order.