

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for authority to implement transportation cost recovery mechanism to facilitate recovery of certain purchased gas costs incurred in providing service to certain customers prior to 1/1/01, by Florida Division of Chesapeake Utilities Corporation.

DOCKET NO. 001763-GU  
ORDER NO. PSC-01-0304-TRF-GU  
ISSUED: February 5, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman  
J. TERRY DEASON  
LILA A. JABER  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI

ORDER GRANTING PETITION FOR AUTHORITY TO IMPLEMENT TRANSPORTATION  
COST RECOVERY MECHANISM TO FACILITATE RECOVERY OF CERTAIN  
PURCHASED GAS COSTS INCURRED IN PROVIDING SERVICE TO CERTAIN  
CUSTOMERS PRIOR TO JANUARY 1, 2001

BY THE COMMISSION:

On November 28, 2000, by Order No. PSC-00-2263-FOF-GU, issued in Docket No. 000108-GU, we partially granted the Florida Division of Chesapeake Utilities Corporation's (Chesapeake or Company) request for a general rate increase. We 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. We 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

01594 FEB-5

FPSC-RECORDS/REPORTING

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

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.

Jurisdiction is vested pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

On November 20, 2000, in Docket No. 000003-GU, we 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 costs 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.

We believe that Chesapeake's proposed Transportation Cost Recovery Mechanism is reasonable and therefore, approved. The tariff will become effective January 16, 2001.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Division of Chesapeake Utilities Corporation's petition for Authority to Implement Transportation Cost Recovery Mechanism to Facilitate Recovery of Certain Purchased Gas Costs Incurred in Providing Service to Certain Customers prior to January 1, 2001, is granted. It is further

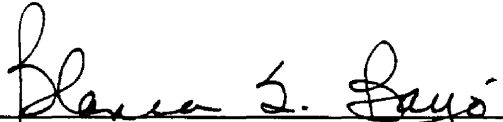
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ORDERED that the tariff shall become effective January 16, 2001. It is further

ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 5th day of February, 2001.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), 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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Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, 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 February 26, 2001.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

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.