

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Division  
of Chesapeake Utilities  
Corporation for Approval of  
Tariff Modifications Relating to  
Competitive Rate Adjustment  
Cost Recovery Mechanism.

PETITION FOR APPROVAL OF TARIFF MODIFICATIONS

011061-BU

The Florida Division of Chesapeake Utilities Corporation (the  
Petitioner or the Company), by and through the undersigned counsel,  
hereby petitions for approval of modifications to the tariff provisions  
providing for its competitive rate adjustment cost recovery  
mechanism and in support hereof states as follows.

1. The name and address of the Petitioner are:

Florida Division  
Chesapeake Utilities Corporation  
P.O. Box 960  
Winter Haven, FL 33882-0960

2. The name and address, and telephone and facsimile numbers,  
of the person authorized to receive notices and  
communications with respect to this petition are:

Wayne L. Schiefelbein  
P.O. Box 15856  
Tallahassee, FL 32317-5856  
(850) 671-1111  
(850) 671-1222 (fax)

Attorney for Petitioner

DOCUMENT NUMBER - DATE

09656 AUG-85

FPSC-COMMISSION CLERK

3. The Company is a natural gas distribution utility subject to the regulatory jurisdiction of this Commission as prescribed in Chapter 366, Florida Statutes. The Commission's disposition of this petition will affect the Company's ability to recover revenues associated with its competitive rate adjustment cost recovery tariff.
4. The Commission has long supported efforts by local distribution companies subject to its jurisdiction to compete with market alternatives, such as customer bypass to the interstate pipeline, and alternative fuels. In that regard, the Commission has authorized various flexible rate mechanisms for LDCs. The Commission has recognized that flexible rate adjustment authority is beneficial to all ratepayers on an LDC's system, because the retention of large customers which have bypass or alternative fuel options reduces the pressure on rates to other customers, and absorbs fixed interstate pipeline transportation costs that would otherwise be passed through to remaining customers. If an LDC were to lose these larger customers, it would be forced to reallocate its fixed costs among the remaining customers, through the purchased gas adjustment (PGA) cost recovery mechanism for interstate pipeline charges, and through a general or limited rate proceeding for fixed system costs.
5. Over the last decade or so, and until the completion of the Company's recent general rate proceeding,\* the Company was authorized to offer flexible rates to both General Sales Service and Transportation customers under its Industrial Interruptible Service (IIS) and Contract Transportation Service (CTS) Rate Schedules. These rate schedules were limited to customers using over 200,000 annual therms, with alternate fuel options. A base non-fuel charge of \$0.05312 per therm under the rate schedules could be adjusted by the Company to an amount not

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\*The final order in the rate case was Order No. PSC-00-2263-FOF-GU, issued on November 28, 2000.

less than 0.00 cents per therm nor greater than 90% of the customer's (then) currently applicable firm rate. The base non-fuel charge was used in the annual determination of surplus or shortfall revenues through the comparison of actual revenues at flexed rates to "base revenues" derived from the "base non-fuel charge." Through its "Firm Rate Adjustment," the Company was authorized to adjust base rates for **all** firm customers to account for surpluses or shortfalls in revenue from interruptible customers. In the case of a shortfall, the Company increased rates to all firm customers to recover an amount not to exceed one-half the shortfall. In the case of a surplus, the Company reduced rates to all firm customers to credit them with revenues equal to one-half the surplus.

6. When its Firm Rate Adjustment was initially approved, transportation service was not yet available on the Company's system. Therefore, all customers received sales service from the Company at that time. As transportation service options have become available, the existing mechanism did not authorize the Company to apply the rate adjustment to transportation service, so customers electing the service were not subject to the Firm Rate Adjustments that were applied. The regulatory intent of the Commission that the Firm Rate Adjustment should be applied to all customers, except those whose rates were set in response to market pressures, had begun to erode.
7. In the Company's recent rate case, the Commission approved a number of significant refinements to its tariff provisions providing flexible rate authority. The traditional interruptible customer designations were replaced with alternate fuel customer designations. Customers with legitimate fuel options remained eligible for the Company's flexible rates. The IIS and CTS schedules were eliminated, and replaced with the Contract Sales Service Rider (Rider CSS) and the Contract Transportation Service Rider (Rider CTS), respectively, which incorporated the Company's flexible rate mechanism, with modifications. The tariff provisions approved eliminate any rate caps for alternate fuel customers (previously the cap was set at 90% of the applicable firm rate), and continue to allow the rate

to be lowered to a minimum of 0.00 cents per therm, to facilitate effective competition with the customers' alternative fuel options. The flex rate would be used to reflect real market-price adjustments, both above and below the "base" rate. In order to determine the level of surplus or shortfall, the Company would compare the actual revenue derived from the customer through the implemented flex rate with the revenues that would have been derived by the currently applicable energy charge rate under the appropriate Rate Schedule (GS/TS-7, GS/TS-8, or GS/TS-9). Under the approved mechanism, the "General Sales Service Rate Adjustment" (as the Firm Rate Adjustment is now called), the Company either credits or recovers 50% of the surplus or shortfall revenues to or from general sales customers only.

8. In the Company's recent rate case, the Commission also approved the Company's proposal to implement the Commission's directive, pursuant to Rule 25-7.0335, Florida Administrative Code, to offer the transportation of natural gas to all non-residential customers. Prior to actual implementation of the approved plan, approximately 70% of the Company's system throughput consisted of third-party transportation service. Unbundled transportation service on the Company's system became available to all non-residential customers in March, 2001. In the short time since then, the percentage of the Company's system throughput associated with third-party transportation service has soared. The customers which have now elected transportation service (approximately 240 customers representing about 95% of total throughput) are not subject to the flexible rate adjustments that are applied. This represents a significant further erosion of the Commission's intent that the flexible rate adjustment should be applied to all customers not subject to the flexible rate provisions. The Company believes that significant additional migration of its commercial customers to unbundled transportation service will occur by the end of the calendar year, further exacerbating the situation.
9. Under the Company's existing General Sales Service Rate Adjustment, as approved in the recent rate case, revenue

shortfalls or surpluses generated from customers opting for CSS and CTS Riders are collected or refunded only to sales customers. The mechanism does not allow for the equitable distribution of surpluses or collection of shortfalls from the general body of ratepayers because it does not apply to transportation customers, which now account for about 95% of the Company's total throughput. Virtually the entire excluded throughput had been subject to the flexible rate adjustment at the inception of the mechanism. Absent approval of the proposed modification, the flexible rate adjustment would apply only to customers who either do not currently have the option of transportation service (residential customers) or who have otherwise opted to continue to receive sales service.

10. The Company proposes to change the name of its flexible rate mechanism, from General Sales Service Rate Adjustment, to the "Competitive Rate Adjustment." The Company proposes that the rate adjustment refund or surcharge apply to all non-contracted sales and transportation customers. The rate schedules that would be excluded because they are contracted services include Special Contract customers and customers which receive service under the CSS and CTS Riders, the Off-System Sales (OSS) Service Rate Schedule, and the Flexible Gas Service tariff.
11. In addition, the Company proposes to utilize the same methodology as used in calculating Energy Conservation Cost Recovery (ECCR) factors in determining the specific rate per therm to be applied to each rate class under the Competitive Rate Adjustment. As is the case with ECCR factors, it is appropriate for each rate classification to be allocated its pro rata share of any competitive rate surplus or shortfall. To do otherwise would unfairly benefit or burden some rate classifications over others; therefore, it is inappropriate to utilize a single factor for every rate classification. Because the rate is applied on a per therm basis, the largest users would receive the bulk of any potential refund and would bear the majority of any surcharge, if the "one factor fits all" methodology were applied. Each

rate classification should instead incur the same percentage of any calculated refund or surcharge, which by definition means that each rate classification should have a different factor per therm applied to their respective usage.

12. The Company also proposes to modify the affidavit form used by simplifying the existing form for Rider CSS customers; and creating two new forms for Rider CTS customers, one for customers with alternate fuel and the second form for those with legitimate bypass options. The new forms solicit information necessary to make the calculation of the Company's energy charge, such as third party gas supply costs and capacity costs, and to determine the applicable costs of both alternate fuel available to the customer and natural gas supply obtained from parties other than the Company.
13. Submitted concurrently with the instant petition are the following tariff sheets, in proposed final and (where appropriate) legislative formats, which set forth the proposed modifications.

**Competitive Rate Affidavit**

-CSS Rider            First Revised Sheets Nos. 66 and 67

**Competitive Rate Affidavit**

-CTS Rider            Original Sheets Nos. 67.1 and 67.2

**Competitive Rate Affidavit**

-Bypass                Original Sheet Nos. 67.3 and 67.4

**Competitive Rate Adjustment**

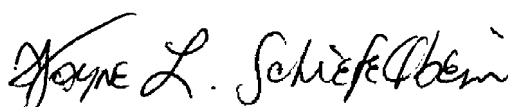
Third Revised Sheet No. 76.1 and  
First Revised Sheets Nos. 77 and 78.

14. The Company requests that the Commission's approval of the proposed tariff changes be made effective as of the date of its vote. In the event that any person files a valid objection to a tariff order approving the changes, the Company requests that it be authorized to collect charges and/or refund surpluses under the Competitive Rate Adjustment mechanism, as proposed, on a temporary basis, to preserve the Company's

ability to retain or refund such revenue to the extent that the changes are sustained by subsequent Commission action.

WHEREFORE, the Florida Division of Chesapeake Utilities Corporation requests that the Commission approve the foregoing petition and the accompanying proposed revised tariff sheets, and that such approval be made effective on the date of the Commission's vote, so that in the event of any valid objection to the tariff order being filed, the Company would collect charges or refund surpluses in accordance with its proposed tariff changes pending the Commission's final disposition of the matter.

Respectfully submitted this 8<sup>th</sup> day of August, 2001,



Wayne L. Schiefelbein

P.O. Box 15856

Tallahassee, FL 32317-5856

(850) 671-1111

(850) 671-1222 (fax)

Attorney for the Florida Division of  
Chesapeake Utilities Corporation

ALTERNATE FUEL COMPETITIVE RATE AFFIDAVIT – CSS RIDER  
Form AFA CRA - CSS

To: Chesapeake Utilities Corporation  
Florida Division  
P. O. Box 960  
Winter Haven, FL 33882-0960  
Attention: Finance Manager

(Name of Customer) has received a firm offer from (Customer's Fuel Supplier) for our purchase of up to \_\_\_\_\_ units of (Specific Alternate Fuel) for use by us at our facility located at \_\_\_\_\_, Florida, delivery to commence on (Date), at a price of \$ \_\_\_\_\_ per \_\_\_\_\_.

Copy of the offer, which will expire \_\_\_\_\_ is attached hereto.

Taxes payable by us should we purchase the referenced fuel pursuant to the attached offer, would be \$ \_\_\_\_\_ per \_\_\_\_\_.

Transportation costs for delivery of the fuel to our facility at (Location) from \_\_\_\_\_ (Location) would be \$ \_\_\_\_\_ per \_\_\_\_\_.

I hereby certify on behalf of (Name of Customer) that the foregoing information is true, complete and correct, and that (Name of Customer) has the facilities to utilize the fuel specified above in the amount specified above at its (Location) facility.

**From:** Company Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Contact: \_\_\_\_\_  
Telephone/Fax: \_\_\_\_\_  
Location of Facility \_\_\_\_\_  
Receiving Offer: \_\_\_\_\_

Issued by: John R. Schimkaitis, President  
Chesapeake Utilities Corporation

Effective:



Alternate Fuel Offer

- Fuel Supplier \_\_\_\_\_
- Fuel Type \_\_\_\_\_
- Quantity \_\_\_\_\_
- Term \_\_\_\_\_
- Price per Unit \_\_\_\_\_
- Taxes \_\_\_\_\_
- Fuel Delivery Cost \_\_\_\_\_
- Offer Expires \_\_\_\_\_

ALTERNATE FUEL COMPETITIVE RATE AFFIDAVIT – CSS RIDER  
Form AFA CRA - CSS  
(Continued)

As a Corporate Officer of (Name of Customer) , I hereby certify that the foregoing information is true, complete and correct, and that the Company has the capability to utilize the designated alternate fuel in the quantities specified at the above referenced facility. A copy of the Alternate Fuel Offer is attached as evidence of the bona fide offer from the Alternate Fuel provider.

I hereby further certify that (Name of Customer) will cease taking gas service from the Florida Division on (Date) unless such the total price for natural gas service is adjusted, as provided in the Florida Division's Rate Schedule Rider CSS, to compete with the alternate fuel price listed above is priced at less than \$ \_\_\_\_\_ per therm as provided in Florida Division's Rate Schedule \_\_\_\_\_.

\_\_\_\_\_  
(Customer Name)

By:

\_\_\_\_\_  
(Signature of Corporate Officer)

\_\_\_\_\_  
(Title)

Issued by: John R. Schimkaitis, President  
Chesapeake Utilities Corporation

Effective:

Florida Division  
Original Volume No. 3

First Revised Original Sheet No. 67  
Cancels Original Sheet No. 67

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

SWORN TO AND SUBSCRIBED before me this \_\_\_\_\_ day of

\_\_\_\_\_, 20\_\_.

My commission expires: \_\_\_\_\_

Notary Public

Issued by: John R. Schimkaitis, President  
Chesapeake Utilities Corporation

Effective:

<u>Rate Schedule</u>	<u>Service Classification</u>	<u>Charge</u>
TS-1 - Commercial	< 500 therms	\$0.11682
TS-2 - Commercial	>500 up to 3,000 therms	\$0.11682
TS-3 - Commercial	>3,000 up to 10,000 therms	\$0.11682
TS-4 - Commercial	>10,000 up to 25,000 therms	\$0.11682
TS-5 - Commercial	>25,000 up to 50,000 therms	\$0.11682
TS-6 - Comm/Ind	>50,000 up to 100,000 therms	\$0.11682
TS-7 - Comm/Ind	>100,000 up to 500,000 therms	\$0.11682
TS-8 - Industrial	>500,000 up to 1,000,000 therms	\$0.11682
TS-9 - Industrial	>1,000,000 therms	\$0.11682

(4) GENERAL SALES SERVICE COMPETITIVE RATE ADJUSTMENT:  
Applicable:

To the Rate per Monthly Rate provision in each of the Company's General Sales Service and Transportation Service Rate Schedules. Customers receiving service under a Special Contract, the Contract Sales Service, the Contract Transportation Service, the Off-System Sales Service, and the Flexible Gas Service tariff rate schedules are specifically excluded from the application of the Competitive Rate Adjustment Clause.

The non-gas eEnergy eCharge for General Sales Service and Transportation Service gas supplied after September 30, 1990 is subject to adjustment in accordance with the following provisions for prior Shortfalls or Surpluses in the Company's revenues resulting from salesservice provided under the CSS and CTS riders, respectively.

Issued by: John R. Schimkaitis, President  
Chesapeake Utilities Corporation

Effective:

- (a) For the purposes of this clause, the following definitions shall apply:
- (1) "Actual Revenue" means Company's actual ~~non-gas~~Energy Charge revenue derived from service provided to alternate fuel customers at rates prescribed, under the rates section of the CSS Rider or CTS Rider, during a Determination Period.
  - (2) "Base Revenue" means the ~~non-gas~~Energy Charge revenue which Company would have derived had all gas sold or transported at rates prescribed, under the "Currently Applicable Base Rate," during a Determination Period, been billed at the base ~~non-gas~~eEnergy eCharge.
  - (3) "Currently Applicable Base Rate" means the General Sales Service or Transportation Service Rate Schedule for which the customer would otherwise qualify for service.
  - (4) "Surplus" means the amount, if any, by which Florida Division's Actual Revenue exceeds its Base Revenue for a Determination Period.
  - (5) "Shortfall" means the amount, if any, by which the Florida Division's Base Revenue exceeds its Actual Revenue for a Determination Period.
- (b) The existence of a Shortfall or Surplus shall be determined by comparing Florida Division's Actual Revenue with its Base Revenue. This determination shall be made each year for the twelve months ending September 30 ("Determination Period").
- (c) Adjustments to firm rates pursuant to this clause shall be implemented during an "Adjustment Period," which shall be the twelve months immediately following the Determination Period in the event of a Surplus. In the event of a Shortfall, any twelve successive months ending on September 30 within five years following the Determination Period may be an Adjustment Period.

- (d) In the event of a Surplus, Florida Division shall reduce rates to General Sales Service and Transportation Service customers to credit them with revenues equal to one-half the Surplus. In the event of a Shortfall, Company may increase rates to firm customers to recover an amount not to exceed one-half the Shortfall. The amount of any credit or recovery is governed by the following:

$$\text{Credit to Firm} = (\text{Actual Revenue} - \text{Base Revenue}) \times 0.5$$
$$\text{Shortfall recovery} = (\text{Base Revenue} - \text{Actual Revenue}) \times 0.5$$

- (e) A credit or Shortfall recovery shall be implemented during an Adjustment Period by reducing or increasing the non-gas eEnergy eCharge prescribed in each firm General Sales Service and Transportation Service rate schedule of this tariff by an adjustment factor computed as follows and rounded to the nearest .001 cent per therm. An adjustment factor shall be computed for each rate schedule. The computation of adjustment factors for each rate schedule shall conform to the methodology approved by the Commission for use in determining cost recovery factors by rate schedule in the Company's Energy Conservation Cost Recovery Adjustment Clause.:

In event of a surplus, subtract:  $\frac{\text{Credit to Firm}}{\text{PFS}}$

In event of a shortfall, add:  $\frac{\text{Shortfall Recovery}}{\text{PFS}}$

Where PFS is the projected therm sales to General Sales Service customers during the adjustment period. Any variation between the actual credit to General Sales Service and Transportation Service customers and the amount calculated pursuant to the preceding paragraph, or between the actual Shortfall recovery and the amount which the Florida Division elected to recover in an Adjustment Period, shall be "trued-up" during the succeeding twelve months pursuant to methodology approved by the Florida Public Service Commission.

- (f) Company may defer all or a portion of a Shortfall recovery to a subsequent Adjustment Period or portion thereof.

COMPETITIVE RATE AFFIDAVIT – CSS RIDER  
Form CRA - CSS

To: Chesapeake Utilities Corporation  
Florida Division  
P. O. Box 960  
Winter Haven, FL 33882-0960  
Attention: Finance Manager

From: Company Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Contact: \_\_\_\_\_  
Telephone/Fax: \_\_\_\_\_  
Location of Facility \_\_\_\_\_  
Receiving Offer: \_\_\_\_\_

**Alternate Fuel Offer**

- Fuel Supplier \_\_\_\_\_
- Fuel Type \_\_\_\_\_
- Quantity \_\_\_\_\_
- Term \_\_\_\_\_
- Price per Unit \_\_\_\_\_
- Taxes \_\_\_\_\_
- Fuel Delivery Cost \_\_\_\_\_
- Offer Expires \_\_\_\_\_

Issued by: John R. Schimkaitis, President  
Chesapeake Utilities Corporation

Effective:

COMPETITIVE RATE AFFIDAVIT – CSS RIDER  
Form CRA - CSS  
(Continued)

As a Corporate Officer of (Name of Customer), I hereby certify that the foregoing information is true, complete and correct, and that the Company has the capability to utilize the designated alternate fuel in the quantities specified at the above referenced facility. A copy of the Alternate Fuel Offer is attached as evidence of the bona fide offer from the Alternate Fuel provider.

I further certify that (Name of Customer) will terminate Gas Sales Service from the Florida Division on (Date) unless the total price for natural gas service is adjusted, as provided in the Florida Division's Rate Schedule Rider CSS, to compete with the alternate fuel price listed above.

\_\_\_\_\_  
(Customer Name)

By:

\_\_\_\_\_  
(Signature of Corporate Officer)

\_\_\_\_\_  
(Title)

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

SWORN TO AND SUBSCRIBED before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 20\_\_\_\_.

My commission expires: \_\_\_\_\_

Notary Public

Issued by: John R. Schimkaitis, President  
Chesapeake Utilities Corporation

Effective:

COMPETITIVE RATE AFFIDAVIT – CTS RIDER  
Form CRA - CTS

To: Chesapeake Utilities Corporation  
Florida Division  
P. O. Box 960  
Winter Haven, FL 33882-0960  
Attention: Finance Manager

From: Company Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Contact: \_\_\_\_\_  
Telephone/Fax: \_\_\_\_\_  
Location of Facility \_\_\_\_\_  
Receiving Offer: \_\_\_\_\_

**Alternate Fuel Offer**

- Fuel Supplier \_\_\_\_\_
- Fuel Type \_\_\_\_\_
- Quantity \_\_\_\_\_
- Term \_\_\_\_\_
- Price per Unit \_\_\_\_\_
- Taxes \_\_\_\_\_
- Fuel Delivery Cost \_\_\_\_\_
- Offer Expires \_\_\_\_\_

**Third Party Natural Gas Costs**

- Gas Supplier \_\_\_\_\_
- Gas Supply Cost \_\_\_\_\_
- Interstate Pipeline Capacity Cost \_\_\_\_\_
- Interstate Pipeline Fuel Reimbursement Cost \_\_\_\_\_
- Taxes \_\_\_\_\_
- Offer Expires \_\_\_\_\_

Issued by: John R. Schimkaitis, President  
Chesapeake Utilities Corporation

Effective:



COMPETITIVE RATE AFFIDAVIT – CTS RIDER  
Form CRA - CTS  
(Continued)

As a Corporate Officer of (Name of Customer), I hereby certify that the foregoing information is true, complete and correct, and that the Company has the capability to utilize the designated alternate fuel in the quantities specified at the above referenced facility. A copy of the Alternate Fuel Offer and the Third Party Natural Gas Costs are attached as evidence of the bona fide offer from the Alternate Fuel provider and the natural gas costs from the third party provider.

I further certify that (Name of Customer) will terminate Gas Transportation Service from the Florida Division on (Date) unless the total price for natural gas service is adjusted, as provided in the Florida Division's Rate Schedule Rider CTS, to compete with the alternate fuel price listed above.

\_\_\_\_\_  
(Customer Name)

By:

\_\_\_\_\_  
(Signature of Corporate Officer)

\_\_\_\_\_  
(Title)

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

SWORN TO AND SUBSCRIBED before me this \_\_\_\_\_ day of

\_\_\_\_\_, 20\_\_.

My commission expires: \_\_\_\_\_

Notary Public

Issued by: John R. Schimkaitis, President  
Chesapeake Utilities Corporation

Effective:

COMPETITIVE RATE AFFIDAVIT – BYPASS  
Form CRA - BYPASS

To: Chesapeake Utilities Corporation  
Florida Division  
P. O. Box 960  
Winter Haven, FL 33882-0960  
Attention: Finance Manager

**From:** Company Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Contact: \_\_\_\_\_  
Telephone/Fax: \_\_\_\_\_  
Location of Facility \_\_\_\_\_  
Receiving Offer: \_\_\_\_\_

**Bypass Alternative**

- Distance from Interstate Pipeline (Feet) \_\_\_\_\_
- Construction Cost \_\_\_\_\_
- Payback (Years) \_\_\_\_\_
- Quantity (Annual Therms) \_\_\_\_\_
- Bypass Avoidance Rate (per Therm) \_\_\_\_\_

Issued by: John R. Schimkaitis, President  
Chesapeake Utilities Corporation

Effective:

COMPETITIVE RATE AFFIDAVIT – BYPASS  
Form CRA - BYPASS  
(Continued)

As a Corporate Officer of  (Name of Customer) , I hereby certify that the foregoing information is true, complete and correct, and that the Company has the capability to bypass the Florida Division at the above referenced facility. A copy of the detailed Construction Costs is attached as evidence of the bona fide opportunity to bypass.

I further certify that  (Name of Customer)  will terminate Gas Transportation Service from the Florida Division on  (Date)  unless the total price for natural gas service is adjusted, as provided in the Florida Division's Rate Schedule Rider CTS, to compete with the bypass price indicated above.

\_\_\_\_\_  
(Customer Name)

By:

\_\_\_\_\_  
(Signature of Corporate Officer)

\_\_\_\_\_  
(Title)

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

SWORN TO AND SUBSCRIBED before me this \_\_\_\_\_ day of

\_\_\_\_\_, 20\_\_.

My commission expires: \_\_\_\_\_

Notary Public

Issued by: John R. Schimkaitis, President  
Chesapeake Utilities Corporation

Effective:

<u>Rate Schedule</u>	<u>Service Classification</u>	<u>Charge</u>
TS-1 - Commercial	< 500 therms	\$0.11682
TS-2 - Commercial	>500 up to 3,000 therms	\$0.11682
TS-3 - Commercial	>3,000 up to 10,000 therms	\$0.11682
TS-4 - Commercial	>10,000 up to 25,000 therms	\$0.11682
TS-5 - Commercial	>25,000 up to 50,000 therms	\$0.11682
TS-6 - Comm/Ind	>50,000 up to 100,000 therms	\$0.11682
TS-7 - Comm/Ind	>100,000 up to 500,000 therms	\$0.11682
TS-8 - Industrial	>500,000 up to 1,000,000 therms	\$0.11682
TS-9 - Industrial	>1,000,000 therms	\$0.11682

(4) **COMPETITIVE RATE ADJUSTMENT:**  
Applicable:

To the Monthly Rate provision in each of the Company's General Sales Service and Transportation Service Rate Schedules. Customers receiving service under a Special Contract, the Contract Sales Service, the Contract Transportation Service, the Off-System Sales Service, and the Flexible Gas Service tariff rate schedules are specifically excluded from the application of the Competitive Rate Adjustment Clause.

The Energy Charge for General Sales Service and Transportation Service is subject to adjustment in accordance with the following provisions for prior Shortfalls or Surpluses in the Company's revenues resulting from service provided under the CSS and CTS riders, respectively.

Issued by: John R. Schimkaitis, President  
Chesapeake Utilities Corporation

Effective:

- (a) For the purposes of this clause, the following definitions shall apply:
- (1) "Actual Revenue" means Company's actual Energy Charge revenue derived from service provided to alternate fuel customers at rates prescribed, under the rates section of the CSS Rider or CTS Rider, during a Determination Period.
  - (2) "Base Revenue" means the Energy Charge revenue which Company would have derived had all gas sold or transported at rates prescribed, under the "Currently Applicable Base Rate," during a Determination Period, been billed at the base Energy Charge.
  - (3) "Currently Applicable Base Rate" means the General Sales Service or Transportation Service Rate Schedule for which the customer would otherwise qualify for service.
  - (4) "Surplus" means the amount, if any, by which Florida Division's Actual Revenue exceeds its Base Revenue for a Determination Period.
  - (5) "Shortfall" means the amount, if any, by which the Florida Division's Base Revenue exceeds its Actual Revenue for a Determination Period.
- (b) The existence of a Shortfall or Surplus shall be determined by comparing Florida Division's Actual Revenue with its Base Revenue. This determination shall be made each year for the twelve months ending September 30 ("Determination Period").
- (c) Adjustments to firm rates pursuant to this clause shall be implemented during an "Adjustment Period," which shall be the twelve months immediately following the Determination Period in the event of a Surplus. In the event of a Shortfall, any twelve successive months ending September 30 within five years following the Determination Period may be an Adjustment Period.

- (d) In the event of a Surplus, Florida Division shall reduce rates to General Sales Service and Transportation Service customers to credit them with revenues equal to one-half the Surplus. In the event of a Shortfall, Company may increase rates to firm customers to recover an amount not to exceed one-half the Shortfall. The amount of any credit or recovery is governed by the following:

Credit to Firm = (Actual Revenue - Base Revenue) X 0.5

Shortfall recovery = (Base Revenue - Actual Revenue) X 0.5

- (e) A credit or Shortfall recovery shall be implemented during an Adjustment Period by reducing or increasing the Energy Charge prescribed in each General Sales Service and Transportation Service rate schedule of this tariff. An adjustment factor shall be computed for each rate schedule. The computation of adjustment factors for each rate schedule shall conform to the methodology approved by the Commission for use in determining cost recovery factors by rate schedule in the Company's Energy Conservation Cost Recovery Adjustment Clause.

Any variation between the actual credit to General Sales Service and Transportation Service customers and the amount calculated pursuant to the preceding paragraph, or between the actual Shortfall recovery and the amount which the Florida Division elected to recover in an Adjustment Period, shall be "trued-up" during the succeeding twelve months pursuant to methodology approved by the Florida Public Service Commission.

- (f) Company may defer all or a portion of a Shortfall recovery to a subsequent Adjustment Period or portion thereof.