

State of Florida



Public Service Commission
CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: DECEMBER 26, 2001

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYO)

FROM: DIVISION OF COMPETITIVE SERVICES (MAKIN, BULECZA-BANKS) *AM*
DIVISION OF LEGAL SERVICES (DODSON) *RUE* *AM*

RE: DOCKET NO. ~~011579~~ GU - PETITION FOR APPROVAL OF TRANSPORTATION COST RECOVERY FACTORS BY FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION.

AGENDA: 01/08/02 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: JANUARY 14, 2002

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\011579.RCM

CASE BACKGROUND

In Order No. PSC-00-2263-FOF-GU, issued November 28, 2000, which relates to the Florida Division of Chesapeake Utilities Corporation's (Chesapeake or Company) most recent rate case, the Commission recognized that Chesapeake's proposed transportation cost recovery methodology would be appropriate for the recovery of non-recurring costs related to transportation services, stating that:

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.

Since December 2000, the Company has incurred incremental non-recurring cost related to providing transportation service. Chesapeake projects that it will incur additional expenses related to

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to the transition of customers from sales service to various transportation services. As of October 2001, transportation volumes have increased to over 96% of the total throughput and are expected to reach approximately 98% by year-end.

On November 14, 2001, Chesapeake filed a petition seeking approval of its transportation cost recovery factors. This recommendation addresses Chesapeake's petition.

Jurisdiction over this matter is vested in the Commission by several provisions of Chapter 366, Florida Statutes, including 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 Corporation's petition for approval of its transportation cost recovery factors, effective the date of the Commission's vote in this matter?

RECOMMENDATION: Yes. The Commission should approve the Florida Division of Chesapeake Utilities Corporation's petition for approval of its transportation cost recovery (TCR) factors effective the date of the Commission's vote in this matter. (MAKIN, BULECZA-BANKS)

STAFF ANALYSIS: On November 14, 2001, Chesapeake filed a petition for approval of its transportation cost recovery factors. The Company is seeking recovery of \$164,922 in incremental expenses incurred from December 7, 2000 through October 31, 2001. These expenses have been recorded in a deferred debit account, pending Commission approval for their recovery. The projected incremental expenses of \$175,000 are expected to be incurred from November 1, 2001 through December 31, 2002, resulting in a total of \$339,922 to be recovered through the TCR mechanism.

The Company proposes to recover its actual and projected expenses over a two-year period. As proposed, any over or under recovery would be trued-up at the end of the recovery period.

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The Company proposes the following cost recover factors (cents per therm) for non-residential customer only, under the Transportation Cost Recovery Clause:

GS-1/TS-1 Rate Schedule	\$0.02936
GS-2/TS-2 Rate Schedule	\$0.01569
GS-3/TS-3 Rate Schedule	\$0.01260
GS-4/TS-4 Rate Schedule	\$0.01009
GS-5/TS-5 Rate Schedule	\$0.00886
GS-6/TS-6 Rate Schedule	\$0.00704
GS-7/TS-7 Rate Schedule	\$0.00444
GS-8/TS-8 Rate Schedule	\$0.00374
GS-9/TS-9 Rate Schedule	\$0.00325

The Company used its annualized budget data for 2002 for the number of bills and therms and spread the annualized costs to the different rate schedules. This is the same methodology used in the Natural Gas Conservation Cost Recovery Clause to determine the specific factor for each rate schedule.

These proposed factors would not be applied to residential customers, as they are not eligible for transportation services at this time, or non-residential customers whose rates are set in response to market pressures, including the Contract Sales Service and Contract Transportation Service riders, Off-System Sales Service, Flexible Gas Service, and the Special Contract customers. The Company has included, and will continue to include, the cost of providing transportation service within its Cost of Service studies for these rate schedules.

Staff believes that Chesapeake's proposed Transportation Cost Recovery factors are reasonable and should be approved. The tariff should become effective January 8, 2002, the date of the Commission's vote in this matter.

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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. (DODSON)

STAFF ANALYSIS: If a protest is filed by a person whose substantial interest are affected within 21 day 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 should be closed upon the issuance of a Consummating Order.