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August 18, 2008

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#### **VIA Hand Delivery**

Ms. Ann Cole Commission Clerk Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850

Re: Docket No. 060675-GU - Petition for authority to implement phase two of experimental transitional transportation service pilot program and for approval of new tariff to reflect transportation service environment, by Florida Division of Chesapeake Utilities Corporation.

Dear Ms. Cole:

Enclosed for filing, please find the original and 7 copies of the Report to the Florida Public Service Commission regarding Year One Implementation: July 1, 2007 – June 30, 2008, filed on behalf of the Florida Division of Chesapeake Utilities Corporation.

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If you have any questions whatsoever, please do not hesitate to contact me. Thank you

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Ms. An	n C	ole
August	18,	2008
Page 2		

for your assistance with this filing.

Sincerely,

**Beth Keating** 

**AKERMAN SENTERFITT** 

Det Heating

106 East College Avenue, Suite 1200

Tallahassee, FL 32302-1877 Phone: (850) 224-9634

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**Enclosures** 

cc: Connie Kummer

# Florida Division of Chesapeake Utilities Corporation Transitional Transportation Service (TTS) Experimental Pilot Program Report to the Florida Public Service Commission Year One Implementation: July 1, 2007 to June 30, 2008

### TTS Program Phase Two And Experimental Fixed Base Rates

August 2008

Commission Order No. PSC-07-0427-TRF-GU, issued May 15, 2007 authorized the Company to implement Phase Two of the Company's Transitional Transportation Service Program and offer optional fixed charge monthly transportation rates for certain small volume, TTS Program participating consumers (<10,000 therms per year). The Commission Order also required the Company to file annual reports; one on the status of the TTS Program implementation and a second report providing information on customer migration by class to the fixed rates and a comparison of the actual fixed charge revenues compared to revenues that would have been collected under the Company's traditional fixed and variable component rates. To simplify the reporting process, the Company has combined the 2008 annual reports into one submittal. The Company intends to provide a combined annual report on or before September 1<sup>st</sup> of each year the experimental programs are in effect.

#### TTS Program Historic Overview

The Florida Public Service Commission (the Commission) in Rule 25-7.0335, F.A.C., (approved April 4, 2000) required each local distribution company (LDC) to offer gas transportation service to all non-residential customers. The Rule also offered LDCs the option to provide transportation service to residential customers. In accordance with the above rule, on May 15, 2000, the Company filed a proposed transportation service tariff, as a part of its request for a general rate increase. In addition to various tariff changes to modify the administrative procedures for its large volume transportation customers (>100,000 therms per year), the Company proposed a new Transportation Aggregation Service open to all non-residential customers regardless of consumption, levels. Customers electing the proposed Transportation Aggregation Service would be required to enter into an approved aggregation pool, and to select from a list of qualified Pool Managers. By Order No. PSC-00-2263-FOF-GU, issued on November 28, 2000, the Commission approved the Company's proposals, with an effective date of March 2001.

When the Company implemented the expanded transportation service programs required in Rule 25-7.0335, F.A.C., thirty-five (35) large volume (>200,000 annual therms) industrial customers were transporting. The new aggregated transportation service program provided transportation access to any non-residential customer.

Response to the Company's transportation programs exceeded expectations. By the end of 2001, over 400 (approximately 40%) of the Company's non-residential customers were transporting, representing approximately 96% of the total system throughput. The remaining sales customers consisted of approximately 9,500 residential and small volume commercial accounts. The annual fuel requirements of these sales customers equaled approximately 3 million therms, less than 4% of the Company's total throughput.

The Company projected that gas costs, reflected in its Purchase Gas Adjustment (PGA) rate, for the remaining, primarily residential, sales customers would dramatically increase as a result of its implementation of Rule 25-7.0335, F.A.C. The cost increases were forecast, in part, based on the relatively small quantity of gas the Company would be purchasing for its sales customers. In addition, the allocation of interstate pipeline capacity costs was of significant concern. Historically, the cost of pipeline capacity was allocated to all customers through the Commission's PGA cost recovery procedures. As large volume industrial customers migrated to transportation, the Company had traditionally assigned capacity to the transporting customers based on their average monthly load requirements. This allocation method appropriately assigned the majority of the costs for capacity held for seasonal peaking and system growth to the residential and small commercial sales customers through the PGA. However, as virtually all of the Company's industrial customers and hundreds of smaller volume commercial customers migrated to transportation, the cost for peaking and growth capacity would be recovered primarily from the remaining residential sales customers. Under these circumstances, the Company recognized that it would become increasingly difficult to keep fuel rates competitive for its sales customers.

To address the projected cost escalation for non-transporting customers, the Company, on March 28, 2002, filed a petition with the Commission to establish a threephase Transitional Transportation Service (TTS) Program. Under the TTS program all remaining sales customers would be transferred to transportation service, the interstate pipeline capacity allocation method would be revised, and the Company would exit the retail gas sales merchant function. In Phase One of the TTS Program the Company proposed to select, through competitive bid, one third party gas marketer to serve as the Pool Manager for all TTS customers. The TTS Pool Manager would operate under contract with the Company and in accordance with the Company's applicable tariff provisions. The contract would be subject to Company audit and the general oversight of the Commission. Customers would be offered periodic opportunities to elect a fixed price option during Phase One. Pipeline capacity would be allocated based on a proposed tariff methodology that equitably spread the capacity held for system peaking and growth over all customers. In Phase Two the Company would, through competitive bid, select two Pool Managers. Initially, Phase Two customers would be randomly and equally distributed to each Pool Manager. At prescribed intervals customers would be able to switch Pool Managers and select from multiple pricing options. Phase Three would enable all customers to select from any of the Company's authorized Pool Managers. Customers would be free to negotiate services, terms and pricing from the Pool Manager of their choice.

By Order No. PSC-02-1646-TRF-GU, issued on November 25, 2002, the Commission authorized the implementation of Phase One of the Company's TTS program. The program was approved as an experimental and transitional pilot program under Section 366.075. Florida Statutes, with an effective date of November 5, 2002. The Commission ordered that any substantive change to the program, including proceeding to Phase Two, would require affirmative action on the part of the Commission. Under Phase One, the Company assigned 9,587 residential and 552 small commercial customers to Infinite Energy, the gas marketer selected to manage the TTS customer pool during Phase One. The Company recovered its recurring administrative costs for Phase One through an increase in its monthly Customer Charge for the respective rate classes transferred to the TTS program (at the time of the transfer of all customers to transportation service the Company's tariff included a higher Customer Charge for transportation customers than sales customers). In addition, the Commission authorized the Company to collect a Customer Account Administrative Charge of \$2.00 per bill from the TTS Pool Manager and any other marketer for which the Company provided billing and collection services.

Shortly after the TTS program was implemented, the Company received inquiries from a few very low use residential customers concerning their overall program savings. The Company worked with Commission staff to evaluate both current and projected savings for all TTS pool customers. Based on the analysis, it appeared that customers with one or two low-use appliances were not benefiting from the program. By petition filed with the Commission on May 16, 2003, the Company proposed to restructure its smallest volume rate class (0 to 500 annual therms) into three new rate classes, with lower monthly Customer Charges for the two smallest volume classes. The proposed rates reduced customer costs by approximately \$298,000 per year. The Commission authorized the new rates and classifications, effective July 15, 2003 by Order No. PSC-03-0890-TRF-GU, issued on August 4, 2003. The restructured rates were designed to achieve an appropriate overall balance of Company revenues with TTS Phase One implementation costs, and to better ensure that all customers receive proportionate and immediate benefits from the program.

The Commission's November 2002 Order authorizing Phase One of the TTS Program required the Company to report on the results of the program at the end of each of the first two years of implementation. The Company provided its first annual report to the Commission in February 2004. The second annual report was submitted in February 2005. These reports provide an historical overview of program implementation, detailed descriptions of transition activities and estimates of customer savings.

#### Phase Two Implementation

On October 10, 2006, the Company filed a petition requesting authorization from the Commission to implement Phase Two of its TTS Program. Several factors encouraged the Company to move to Phase Two. During the four years of Phase One

operations, the Company gained significant experience and insight in the day-to-day operation of a transportation service environment. For the most part, the primary computer system requirements and internal operating procedures were in-place to support Phase Two implementation. The Company had received numerous requests from residential consumers for expansion of the program to include additional pricing options from more than one marketer. The Company had received no requests from customers to return to merchant sales service. Several gas marketers had expressed interest in bidding to become a Phase Two TTS shipper and had indicated their ability to provided expanded pricing options to consumers. Finally, consumers were saving money through the program. The Company's petition (Appendix A) included a comparison of fuel prices under TTS Phase One to the Company's PGA rates for a twoyear period prior to phase One implementation using the monthly NYMEX settle price as a baseline index. The results indicated a substantial savings for TTS consumers. The Company also believed that the TTS program monthly index pricing was sending timely market price signals to the Company's TTS Program customers. In the past, the Company's PGA pricing frequently reflected over or under recovered costs from prior periods that resulted in monthly prices that varied significantly from the market price for natural gas.

In Phase Two the Company proposed to retain two gas marketing firms (TTS Shippers) through a competitive bid process. In January 2007, the Company issued an RFP to conditionally select the TTS Shippers, subject to Commission approval of Phase Two. The Company ultimately selected Infinite Energy and Florida Natural Gas (a division of Southstar Energy Services) as the TTS Shippers. In the Company's petition it proposed an initial division of the existing TTS consumers, on a random and equitable basis, between the TTS Shippers. Any new consumer additions would be equitably assigned to the TTS Shippers. Both Shippers would initially serve consumers under a Standard Price Option. The Standard Price Option would be identical for all consumers, regardless of their assigned TTS Shipper. The Company's TTS Shipper Agreement would identify the price point (commodity index, interstate capacity cost pass-through, imbalance resolution, margin, etc.) for the Standard Price Option.

Between six and twelve months following Phase Two implementation, the Company proposed to administer an open enrollment period wherein consumers could change Shippers or select from various pricing options offered by each Shipper. The Company would provide each TTS Shipper the opportunity to promote their respective capabilities, various pricing options or other factors that would influence customer choice, to all TTS customers during an open enrollment of approximately thirty (30) days duration. The Company would administer the open enrollment process and mail the TTS Shipper's solicitation materials to all TTS customers. Customers changing their TTS Shipper or selecting a new pricing option (fixed price or a change in index, etc.) would respond in writing to the Company. Company personnel would process all consumer selections. Those consumers not responding would receive the standard price option from their selected TTS Shipper. The Company would administer an open enrollment process as described above on at least an annual basis throughout the

period Phase Two is effect. In all other respects, Phase Two of the TTS Program would operate in the same manner as approved by the Commission for Phase One.

In Order No. PSC-07-0427-TRF-GU, issued on May 15, 2007, the Commission authorized the Company to proceed to Phase Two of its TTS Program on an experimental, pilot basis. Prior to Phase Two implementation, the Company contracted for several modifications to its UtiliCis Customer Information System. The modifications were designed to accommodate the addition of a second TTS Shipper. The principal billing related modifications included adding a new receivable module for the second TTS Shipper and the expansion of various rate tables, adjustment codes and tax calculation fields. Various data reporting capabilities were expanded to provide enhanced information on gas usage to TTS Shippers (for imbalance resolution purposes). In addition, reports required to track payment status, bad debt and the transfer of consumers between Shippers were improved. The Company also sought legal counsel to clarify several Federal Energy Regulatory Commission (FERC) rules and policies related to the release of interstate pipeline capacity and the applicability of the Hinshaw provisions related to the Phase Two program design. The proposed Phase Two program design was deemed to be compliance with applicable FERC regulations.

On July 1, 2007, the Company equitably divided its existing TTS consumers, both active and inactive accounts, (15,763 residential and 682 non-residential consumers) between the two TTS Shippers and initiated the Phase Two program. The Company notified all TTS consumers by mail that Phase Two had been approved by the Commission, the initial consumer assignment between the selected TTS Shippers was effective in the July 2007 billing month and that an Open Enrollment Period would occur in the near future. Over the first several months of the program the Company worked to ensure its back office functions and Customer Information System (CIS) were adequately supporting Phase Two implementation.

As noted above, the Company's Phase Two program design included an Open Enrollment period where consumers could change TTS Shipper's or pricing options. During the latter part of 2007, the Company consulted with the TTS Shippers on the pricing options the Shipper's intended to offer during the first open enrollment period. Each TTS Shipper proposed to include over a dozen pricing options. Due to the limitations of the Company's CIS, each Shipper was required to significantly reduce their pricing options to a manageable number. The Company was able to modify its CIS to enable consumers to select from an expanded, but limited, menu of gas supply pricing options. In addition to the Standard Price Option required by the TTS Shipper Agreement, Infinite Energy offered two additional options; an annual 100% fixed price per therm and a 50/50 rate wherein half the consumer's annual volume is at a fixed rate and half the volume floats at the Standard Price Option rate. Florida Natural Gas offered four pricing options in addition to the Standard Price Option, a senior plan (age 55 and over) with a discount of at least 5 cents per therm off the Standard Price Option, a fixed rate for six months, a fixed rate for one year and a high volume plan for large users. The Company made several additional modifications to its CIS to accommodate the above TTS Shipper pricing options.

On January 17, 2008, the Company sent a letter to all TTS consumers providing a preliminary overview of the open enrollment period scheduled to begin the following month. On February 11, 2008, the Company sent a second letter to TTS consumers announcing the initial Phase Two open enrollment period would continue through March 12, 2008. Included with the open enrollment letter was information on each TTS Shipper and their available pricing options. Approximately 15% (2008 consumers) of the active TTS consumers elected to either change TTS Shippers or select a pricing option other than the Standard Price Option. On April 1, 2008 the consumer choices from the open enrollment period were activated in the Company's billing system. The Company continued to receive inquiries (approximately 200) from consumers after the open enrollment period ended. Only two consumers that selected an alternative pricing option during the open enrollment period have requested to return to the Standard Price Option.

#### **Future Activities**

The Company plans to initiate a second Open Enrollment Period in March 2009, with an effective date for consumer selections in April 2009. Prior to the open enrollment, the Company's anticipates additional CIS modifications to further expand consumer options and improve the administration of the program.

- Expand consumer pricing options. The TTS Shipper's offered over a dozen different pricing programs (various fixed price terms, senior citizen pricing, etc.).
   At this time the Company is not able to fully accommodate the available options.
- Improve reporting functions. One of the key elements in reducing consumer gas supply costs is the reduction in imbalance resolution costs. Providing more timely usage data would enable Shippers to better manage imbalances.
- Reduce the hand keying required to set up a rate field. The process in the current system is complex and requires manual, repetitive keying of rates to ensure the correct factors are picked up across all system modules.
- Eliminate the manual processing required to final bill a consumer prior to setting up a new consumer at the same location with a TTS Shipper.
- Automate the process of assigning consumers between TTS Shippers at the time of initial account processing or order completion.

#### **Experimental Optional Fixed Charge Rates**

In addition to approving Phase Two of the Company's TTS program, Commission Order No. PSC-07-0427-TRF-GU also approved an experimental fixed base rate option for several small volume rate classes. The affected rate schedules (FTS-A, FTS-B, FTS-1, FTS-2 and FTS-3) include both residential and commercial consumers using

less than 10,000 therms per year. All consumers eligible to select the fixed rates are participants in the Company's TTS Program. The approved optional fixed charge rates eliminate the variable per therm usage charge and recover all costs through a fixed monthly transportation charge. The fixed rate for each respective class is derived from the revenue requirement approved for the class in Commission Order No. PSC-05-0208-PAA-GU, issued February 5, 2005. The target revenue requirement for each class was divided by the annual number of bills in each class to establish the respective monthly fixed charge. The Company also developed fixed charge rates for its Energy Conservation Cost Recovery and Competitive Rate Adjustment factors. Consumers selecting the fixed charge rate option would decouple their gas transportation charge from the monthly volumetric usage quantity.

The Company proposed the fixed charge option to address three principal issues. First, the Company had received numerous requests from consumers requesting a fixed rate option without the true-up provisions associated with most budget billing programs. The fixed rates approved by the Commission for the transportation (delivery) of gas to a consumers meter represent the average cost to serve a consumer in the applicable rate class. The revenues from the fixed charges are not subject to true-up, regardless of a consumer's usage. Second, the fixed delivery rates were generally designed to operate in concert with the fixed commodity pricing offered by TTS Shipper's in Phase Two of the TTS Program. Under the Company's tariff, consumers could transfer to the fixed charge transportation rates independent of the selection of any pricing option in the Company's Phase Two TTS Program. However, the Company anticipated that the majority of consumers selecting the fixed charge transportation service rates would also select a fixed price gas supply option from their TTS Shipper. The Company's fixed charge for transportation service selected in tandem with the fixed price option offered by TTS Shippers would enable consumers to "lock-in" pricing for both gas supply and delivery charges. It should be noted that while the gas supply "price" per therm could be fixed for a specific term by a TTS Shipper, a consumer's actual monthly gas supply costs would continue to be billed volumetrically based on measured usage at the fixed price. Third, the fixed base rates continued to move the Company toward its long-term goal of adopting rates that recover fixed costs from fixed charges.

On January 17, 2008 the Company sent a letter to all existing TTS consumers describing the experimental fixed rate option and an example bill calculation under both fixed and traditional rate designs. The example bill calculation provided to each consumer was based on that consumer's current rate class. The letter also included an enrollment form for consumer's electing the fixed rate and established an Open Enrollment Period. The mailing was designed to provide consumers a preview of the fixed base rates in advance of the TTS Shipper Open Enrollment Period. The fixed base rate and TTS Program Open Enrollment Periods both ended on March 10, 2008, allowing consumers to consider both delivery and commodity pricing options. Consumer's selecting the fixed rate option committed to remain on the fixed rate for a period on one year. The Company's fixed charge rate option was effective as of the April 2008 billing month. As a result of the mailing, the Company transferred 560

consumers to an experimental fixed rate. The distribution of consumers selecting a fixed base rate by rate class is as follows:

Rate Class	Applicability	Fixed <u>Rate/Month</u>	Fixed Rate Consumers
FTS-A	0 - 120, closed	\$ 15.20	141
FTS-B	120 - 240, closed	\$ 20.40	121
FTS-1	0 - 500	\$ 28.00	260
FTS-2	<500 - 3,000	\$ 55.25	34
FTS-3	<3,000 - 10,000	\$189.00	4

As of the end of the first year of TTS Program Phase Two (June 30, 2008), the Company's experimental fixed rate option has been in effect for three months. The Company has compiled data that compares the revenue received under the fixed rates to revenue that would have been received from the base rates which would otherwise have been applicable to the respective consumers. The data is provided in Attachment A to this report.

The Company's consumer information letters referenced in this report, along with the gas supply pricing material provided by the TTS Shippers, Infinite Energy and Florida Natural Gas, are included as Attachment B.

## Attachment A

Florida Division of Chesapeake Utilities Corporation
Transitional Transportation Service (TTS) Experimental Pilot Program
Report to the Florida Public Service Commission

Comparison of Experimental Rate Revenues to Tariff Base Rate Revenues

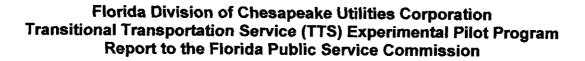
#### Fiorida Division of Chesapeake Utilities Corporation TTS Experimental Pilot Program Report to the Fiorida Public Service Commission

Year One implementation; July 1, 2007 to June 30, 2008

Attachment A

	Number of		Experime Firm Trans.	ntal Rate	<b>Tariff Ba</b> Firm Trans.	se Rate	Experimental Rate	Tariff Base Rate	
	Consumers	Therms	Service	Usage	Charge	Usage	Margin	Margin	Difference
FTS-A									2.110101100
Apr	ii 141	1,355.79	\$15.20	\$0.00000	\$10.00	\$0.44073	\$2,143.20	\$2,007.54	\$135.66
Ma		1,116.84	\$15.20	\$0.00000	\$10.00	\$0.44073	\$2,143.20	\$1,902.22	\$240.98
Jun	•	1,039.17	\$15.20	\$0.00000	\$10.00	\$0.44073	\$2,143.20	\$1,867.99	\$275.21
FTS-B									
Арі	il 121	1,867.58	\$20.40	\$0.00000	\$12.50	\$0.44073	\$2,468.40	\$2,335.60	\$132.80
Ma		1,639.74	\$20.40	\$0.00000	\$12.50	\$0.44073	\$2,468.40	\$2,235.18	\$233.22
Jun	•	1,339.29	\$20.40	\$0.00000	\$12.50	\$0.44073	\$2,468.40	\$2,102.77	\$365.63
FTS-1									
Apr	il 260	7,991.12	\$28.00	\$0.00000	\$15.00	\$0.44073	\$7,280.00	\$7,421.93	(\$141.93)
Ma		7,620.08	\$28.00	\$0.00000	\$15.00	\$0.44073	\$7,280.00	\$7,258.40	\$21.60
Jun	•	5,420.42	\$28.00	\$0.00000	\$15.00	\$0.44073	\$7,280.00	\$6,288.94	\$991.06
FTS-2									
Арі	il 34	3,905.93	\$55.25	\$0.00000	\$27.50	\$0.29356	\$1,878.50	\$2,081.62	(\$203.12)
Ma		2,827.13	\$55.25	\$0.00000	\$27.50	\$0.29356	\$1,878.50	\$1,764.93	\$113.57 <sup>°</sup>
Jun	e 34	1,708.80	\$55.25	\$0.00000	\$27.50	\$0.29356	\$1,878.50	\$1,436.64	\$441.86
FTS-3									
Api	ril 4	1,725.70	\$189.00	\$0.00000	\$90.00	\$0,19781	\$756.00	\$701.36	\$54.64
Ма		1,472.54	\$189.00	\$0.00000	\$90.00	\$0.19781	\$756.00	\$651.28	\$104.72
Jun	-	1,009.91	\$189.00	\$0.00000	\$90.00	\$0.19781	\$756.00	\$559.77	\$196.23
Total									
Apı	ril 560	16,846.12					\$14,526.10	\$14,548.05	(\$21.95)
Ma		14,676.33					\$14,526.10	\$13,812.02	\$714.08
Jun	•	10,517.59					\$14,526.10	\$12,256.11	\$2,269.99

# Attachment B



Consumer Education Materials; Rate and Pricing Option Selection Forms



August 10, 2007

RE: CFG welcomes an additional natural gas marketer, Florida Natural Gas (FNG) providing fuel for Residential Customers

#### Dear Central Florida Gas (CFG) Residential Customer,

CFG is excited to announce that we have implemented the second step in our multi-phased transitional program allowing our residential customers the ability to purchase their gas directly from marketers! As you may recall, in November 2002, we began this process by transferring all residential customers from the traditional utility sales service to one marketer, Infinite Energy (Infinite). As a result of the first phase of the program, over the last 4+ years our residential customers have enjoyed reliable natural gas from Infinite at prices below what CFG could provide through the traditional sales service.

As of July 1st, CFG has implemented the second phase of its transitional program, and a 2nd gas marketer has been selected to participate. CFG is pleased to welcome Florida Natural Gas (FNG), a division of SouthStar Energy Services, LLC as the newest natural gas provider for our residential customers. Both FNG and Infinite were selected by CFG through a "Request for Proposal" process. In July 2007, CFG assigned equal numbers of residential customers to each marketer. On your CFG July invoice you will have noted either "Infinite fuel" or "FNG fuel" in the bill calculation area, based on that specific assignment. For now, the fuel rate for both marketers is identical, so every residential customer is paying exactly the same per therm rate for fuel.

However in the near future, you will have the ability during an "Open Enrollment" period to choose which marketer you want to receive your natural gas from, Infinite or FNG. At that time you will also be provided a menu of pricing options from your chosen marketer and that choice will also be yours.

Additional information regarding the "Open Enrollment" period and process will be provided to you within the next few months. Or, as soon as we make sure the second phase is running smoothly.

CFG is proud to partner with both Infinite Energy and Florida Natural Gas in providing for the reliable delivery of natural gas at competitive prices to our residential consumers.

CFG, Infinite Energy and Florida Natural Gas are working together to provide consumers with "Choice Options".



January 17, 2008

RE: Central Florida Gas (CFG) now offers its residential and commercial Transitional Transportation Service (TTS) program customers the ability to choose a Gas Marketer and from pricing plans offered, through an Open Enrollment Program.

#### Dear CFG TTS Program Customer,

On July 1, 2007, CFG implemented the second step in our multi-phased transitional program allowing our TTS program customers the ability to purchase their gas directly from two (2) approved Gas Marketers. As you may recall, this process began in 2002 when all gas sales customers were transitioned from CFG to one Gas Marketer, **Infinite Energy** (**Infinite**). In July of 2007, CFG successfully added a second Gas Marketer, **Florida Natural Gas** (**FNG**) as we continued to enhance the TTS program and offer "Customer Choice" in their purchase of natural gas.

At this time, CFG is excited to announce the first Open Enrollment period promoting customer choice. Soon CFG will be mailing to all TTS program customers, information from both **Infinite** and **FNG** regarding their company and pricing options. All mailings will come from CFG; you will not receive any direct mailings from either Gas Marketer.

Through the Open Enrollment process you may choose to purchase your natural gas from either Gas Marketer, as well as, select from the pricing options they offer. The choice is yours. CFG remains your local utility, providing dependable natural gas service, including metering, facility safety and customer service, for you and the Gas Marketer you choose. In order to assist you in the selection of the Gas Marketer that will best meet your needs, we are enclosing historic fuel price data for the last twenty four months in this mailing.

You are not required to participate in this Open Enrollment offering. If you do not wish to participate, simply do nothing and you will remain with your current Gas Marketer and pricing plan. You will continue to receive the same affordable and dependable service as in the past.

If you choose to participate, your choices will become effective April 1, 2008. Completed authorization forms must be received by CFG no later than March 10, 2008 in order to be effective with April's billing.

In addition to Gas Marketer choices as described above, you can now also choose from two (2) rates for the transportation service received from CFG. You are not required to participate in this offering and the same rules apply as with the Gas Marketer choices, details of these rates are also enclosed.

CFG is proud to partner with both Infinite Energy and Florida Natural Gas to provide you with "Customer Choice" for your natural gas needs. We welcome you to participate in this unique CFG program.

Historical TTS Fuel Pricing per therm for the last twenty-four months:

2006	January	\$	1.50
2000	January	Ψ	
	February		1.38
	March		1.19
	April		1.10
	May		.99
	June		.90
	July		.93
	August		1.06
	September		1.00
	October		.94
	November		1.10
	December		1.21
2007	January		.85
	February		.99
	March		1.07
	April		1.15
	May		1.12
	June		1.16
	July		1.10
	August		1.06
	September		.94
	October		1.28
	November		1.24
	December		1.11

If you have questions, concerns or need additional assistance please contact our Customer Care Center at 863.293.2125 ext 0.

Or on our website cfgas.com; Central Florida Gas will have this letter and all marketing materials from both Infinite and Florida Natural Gas for your convenience.

# Central Florida Gas (CFG) Fixed Transportation Cost Offering for Firm Transportation Service – Rate Classification FTS -A

# Important Information about Your Current Transportation Service:

- Currently CFG charges you a per therm price or variable price for transporting natural gas to your home or business
- Your usage on an annual basis is low to moderate in Florida's market
- Low volume customer pay the highest per therm price of all customers
- CFG's transportation charges consist of the base transportation charge, and additional approved surcharges, such as energy conservation costs charged to you on a per therm basis
- Your transportation bill fluctuates on a monthly basis based on usage
- Normally your monthly usage, and therefore your CFG transportation cost, varies; higher in the winter, lower in the summer

# Now Consider this Opportunity:

- ✓ CFG can now offer a fixed monthly transportation price to you
- ✓ Regardless of how much you use each month the CFG transportation price does not change for the length of the agreement
- ✓ The surcharges are also fixed and will not change depending upon usage
- ✓ Winter, Summer, Spring and Fall, your price per month does not change for the length of the agreement
- ✓ With a fixed transportation charge from CFG, you can stop some of the increases that happen when temperatures drop
- ✓ You can levelize your monthly transportation costs and know the amount you will pay each and every month

# Example of Current, Variable Monthly Transportation Charges:

\$10.00	Firm Transportation Service		\$10.00 Firm Transportation Service
<u>6.43</u>	<b>10 therms</b> x .64321 cents	OR	12.86 20 therms x .64321 cents
\$16.43	Total Transportation Cost		\$22.86 Total Transportation Cost

In this standard transportation rate your cost changes monthly based on usage.

# Example of Optional, Fixed Monthly Transportation Charges:

\$15.20	Firm Transportation Service
1.78	Surcharges <sup>I</sup>
\$16.98	Total Transportation Cost (regardless of usage)

Your monthly transportation costs will be \$16.98 and will not change (see footnote 1) for the length of your agreement (see footnote 2 on next page).

<sup>&</sup>lt;sup>1</sup> Surcharge rates change slightly January 1<sup>st</sup> of every year.

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t Number
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<sup>&</sup>lt;sup>2</sup> Per approved CFG tariff, all customers must be evaluated annually for rate classification changes based on annual volume usage. If for any reason you classification changes during your agreement period you will be notified and allowed to select the standard pricing offered or request the fixed plan that is associated with your new rate classification. CFG operates under rules and regulations that are approved by the Florida Public Service Commission.

# Central Florida Gas (CFG) Fixed Transportation Cost Offering for Firm Transportation Service – Rate Classification FTS -B

# Important Information about Your Current Transportation Service:

- Currently CFG charges you a per therm price or variable price for transporting natural gas to your home or business
- Your usage on an annual basis is low to average in Florida's market
- Lower volume customers pay a higher per therm price
- CFG's transportation charges consist of the base transportation charge, and additional approved surcharges, such as energy conservation costs charged to you on a per therm basis
- Your transportation bill fluctuates on a monthly basis based on usage
- Normally your monthly usage, and therefore your CFG transportation cost, varies; higher in the winter, lower in the summer

## Now Consider this Opportunity:

- ✓ CFG can now offer a fixed monthly transportation price to you
- ✓ Regardless of how much you use each month the CFG transportation price does not change for the length of the agreement
- ✓ The surcharges are also fixed and will not change depending upon usage
- ✓ Winter, Summer, Spring and Fall, your price per month does not change for the length of the agreement
- ✓ With a fixed transportation charge from CFG, you can stop some of the increases that happen when temperatures drop
- ✓ You can levelize your monthly transportation costs and know the amount you will pay each and every month

# Example of Current, Variable Monthly Transportation Charges:

\$12.50	Firm Transportation Service		\$12.50 Firm Transportation Service
6.05	<b>10 therms</b> x .60562 cents	OR	21.20 35 therms x .60562 cents
\$18.55	Total Transportation Cost		\$33.70 Total Transportation Cost

In this standard transportation rate your cost changes monthly based on usage.

#### Example of Optional, Fixed Monthly Transportation Charges:

\$20.40	Firm Transportation Service
2.44	Surcharges <sup>1</sup>
\$22.84	Total Transportation Cost (regardless of usage)

Your monthly transportation costs will be \$22.84 and will not change (see footnote 1) for the length of your agreement (see footnote 2 on next page).

<sup>&</sup>lt;sup>1</sup> Surcharge rates change slightly January 1<sup>st</sup> of every year.

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Yes, I want to be enrolled in the CFG program of \$22.84, regardless of usage, effective with me The term of the agreement <sup>2</sup> is for one year and w March 31, 2009. I understand that this agreement provided by my selected Marketer.	ter readings on or after April 1, 2008.
Please return this enrollment request to Central F Postage Required" envelope.	lorida Gas using the enclosed "No
Customer Name	Account Number
Service Address	Date
Customer Signature	
If you DO NOT want to select the Fixed Month nothing and your account will remain unchanged standard CFG transportation rates based on your	l. You will continue to receive the same
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<sup>&</sup>lt;sup>2</sup> Per approved CFG tariff, all customers must be evaluated annually for rate classification changes based on annual volume usage. If for any reason you classification changes during your agreement period you will be notified and allowed to select the standard pricing offered or request the fixed plan that is associated with your new rate classification. CFG operates under rules and regulations that are approved by the Florida Public Service Commission.

# Central Florida Gas (CFG) Fixed Transportation Cost Offering for Firm Transportation Service – Rate Classification FTS -1

# Important Information about Your Current Transportation Service:

- Currently CFG charges you a per therm price or variable price for transporting natural gas to your home or business
- Your usage on an annual basis is average in Florida's market
- CFGs transportation charges consist of the base transportation charge, and additional approved surcharges, such as energy conservation costs charged to you on a per therm basis
- Your transportation bill fluctuates on a monthly basis based on usage
- Normally your monthly usage, and therefore your CFG transportation cost, varies; higher in the winter, lower in the summer
- Changes in usage between warmer weather and cooler weather creates monthly pricing increases that can be substantial

#### Now Consider this Opportunity:

- ✓ CFG can now offer a fixed monthly transportation price to you
- ✓ Regardless of how much you use each month the CFG transportation price does not change for the length of the agreement
- ✓ The surcharges are also fixed and will not change depending upon usage
- ✓ Winter, Summer, Spring and Fall, your price per month does not change for the length of the agreement
- ✓ With a fixed transportation charge from CFG, you can stop some of the increases that happen when temperatures drop
- ✓ You can levelize your monthly transportation costs and know the amount you will pay each and every month

# Example of Current, Variable Monthly Transportation Charges:

\$15.00	Firm Transportation Service		\$15.00 Firm Transportation Service
<u> 11.74</u>	<b>20 therms</b> x .58689 cents	OR	29.33 50 therms x .58659 cents
\$26.74	Total Transportation Cost		\$44.33 Total Transportation Cost

In this standard transportation rate your cost changes monthly based on usage.

# Example of Optional, Fixed Monthly Transportation Charges:

\$28.00	Firm Transportation Service
3.14	Surcharges <sup>1</sup>
\$31.14	Total Transportation Cost (regardless of usage)

Your monthly transportation costs will be \$31.14 and will not change (see footnote 1) for the length of your agreement (see footnote 2 on next page).

<sup>&</sup>lt;sup>1</sup> Surcharge rates change slightly January 1<sup>st</sup> of every year.

Yes, I want to be enrolled in the CFG program at a Fixed Monthly Transportation Rate of \$31.14, regardless of usage, effective with meter readings on or after April 1, 2008. The term of the agreement <sup>2</sup> is for one year and will end with meter readings on or before March 31, 2009. I understand that this agreement does not cover the cost of natural gas provided by my selected Marketer.		
Please return this enrollment request to Central Florida Postage Required" envelope.	Gas using the enclosed "No	
Customer Name	Account Number	
Service Address	Date	
Customer Signature		
If you DO NOT want to select the Fixed Monthly Transonthing and your account will remain unchanged. You standard CFG transportation rates based on your natura	will continue to receive the same	
**=====================================		

<sup>&</sup>lt;sup>2</sup> Per approved CFG tariff, all customers must be evaluated annually for rate classification changes based on annual volume usage. If for any reason you classification changes during your agreement period you will be notified and allowed to select the standard pricing offered or request the fixed plan that is associated with your new rate classification. CFG operates under rules and regulations that are approved by the Florida Public Service Commission.

# Central Florida Gas (CFG) Fixed Transportation Cost Offering for Firm Transportation Service – Rate Classification FTS -2

# Important Information about Your Current Transportation Service:

- Currently CFG charges you a per therm price or variable price for transporting natural gas to your home or business
- Your usage on an annual basis is higher than average in Florida's market
- CFG's transportation charges consist of the base transportation charge, and additional approved surcharges, such as energy conservation costs charged to you on a per therm basis
- Your transportation bill fluctuates on a monthly basis based on usage
- Normally your monthly usage, and therefore your CFG transportation cost, varies; higher in the winter, lower in the summer
- Changes in usage between warmer weather and cooler weather creates monthly pricing increases that can be substantial

## Now Consider this Opportunity:

- ✓ CFG can now offer a fixed monthly transportation price to you
- ✓ Regardless of how much you use each month the CFG transportation price does not change for the length of the agreement
- ✓ The surcharges are also fixed and will not change depending upon usage
- ✓ Winter, Summer, Spring and Fall, your price per month does not change for the length of the agreement
- ✓ With a fixed transportation charge from CFG, you can stop some of the increases that happen when temperatures drop
- ✓ You can levelize your monthly transportation costs and know the amount you will pay each and every month

# Example of Current, Variable Monthly Transportation Charges:

\$27.50	Firm Transportation Service		\$27.50 Firm Transportation Service
22.60	<b>60 therms</b> x .3767 cents	OR	45.20 <b>120 therms</b> x .3767 cents
\$50.10	Total Transportation Cost		\$72.70 Total Transportation Cost

In this standard transportation rate your cost changes monthly based on usage.

# Example of Optional, Fixed Monthly Transportation Charges:

\$55.25	Firm Transportation Service
6.45_	Surcharges <sup>1</sup>
\$61.70	Total Transportation Cost (regardless of usage)

Your monthly transportation costs will be \$61.70 and will not change (see footnote 1) for the length of your agreement (see footnote 2 on next page).

<sup>&</sup>lt;sup>1</sup> Surcharge rates change slightly January 1st of every year.

Yes, I want to be enrolled in the CFG program at a Fixed of \$61.70, regardless of usage, effective with meter reading The term of the agreement <sup>2</sup> is for one year and will end wit March 31, 2009. I understand that this agreement does not provided by my selected Marketer.	s on or after April 1, 2008. h meter readings on or before
Please return this enrollment request to Central Florida Gas Postage Required" envelope.	susing the enclosed "No
Customer Name	Account Number
Service Address	Date
Customer Signature	
If you DO NOT want to select the Fixed Monthly Transpondenting and your account will remain unchanged. You will standard CFG transportation rates based on your natural ga	l continue to receive the same

<sup>&</sup>lt;sup>2</sup> Per approved CFG tariff, all customers must be evaluated annually for rate classification changes based on annual volume usage. If for any reason you classification changes during your agreement period you will be notified and allowed to select the standard pricing offered or request the fixed plan that is associated with your new rate classification. CFG operates under rules and regulations that are approved by the Florida Public Service Commission.

# Central Florida Gas (CFG) Fixed Transportation Cost Offering for Firm Transportation Service – Rate Classification FTS -3

# Important Information about Your Current Transportation Service:

- Currently CFG charges you a per therm price or variable price for transporting natural gas to your home or business
- CFG's transportation charges consist of the base transportation charge, and additional approved surcharges, such as energy conservation costs charged to you on a per therm basis
- Your transportation bill fluctuates on a monthly basis based on usage
- Normally your monthly usage, and therefore your CFG transportation cost, varies;
   higher in the winter, lower in the summer or varies bases on business applications
- Changes in usage can creates monthly pricing increases that can be substantial

### Now Consider this Opportunity:

- ✓ CFG can now offer a fixed monthly transportation price to you
- ✓ Regardless of how much you use each month the CFG transportation price does not change for the length of the agreement
- ✓ The surcharges are also fixed and will not change depending upon usage
- ✓ Winter, Summer, Spring and Fall, your price per month does not change for the length of the agreement
- ✓ Monthly changes in business applications will not change the fixed monthly fee
  for the length of the agreement
- ✓ With a fixed transportation charge from CFG, you can stop some of the increases that happen when temperatures drop
- ✓ You can levelize your monthly transportation costs and know the amount you will pay each and every month

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\$90.00	Firm Transportation Service		\$90.00 Firm Transportation Service
122.25	<b>500 therms</b> x .2445 cents	OR	244.45 1000 therms x .2445 cents
\$212.25	Total Transportation Cost		\$334.50 Total Transportation Cost

In this standard transportation rate your cost changes monthly based on usage.

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\$189.00	Firm Transportation Service
25.32	Surcharges <sup>1</sup>
\$214.32	Total Transportation Cost (regardless of usage)

Your monthly transportation costs will be \$214.32 and will not change (see footnote 1) for the length of your agreement (see footnote 2 on next page).

<sup>&</sup>lt;sup>1</sup> Surcharge rates change slightly January 1<sup>st</sup> of every year.

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f \$214.32, regardless of usage, effective with the term of the agreement is for one year a	gram at a Fixed Monthly Transportation Rate ith meter readings on or after April 1, 2008. and will end with meter readings on or before ement does not cover the cost of natural gas
Please return this enrollment request to Centrostage Required" envelope.	tral Florida Gas using the enclosed "No
Customer Name	Account Number
Service Address	Date
Customer Signature	
nothing and your account will remain unch standard CFG transportation rates based on	anged. You will continue to receive the same

<sup>&</sup>lt;sup>2</sup> Per approved CFG tariff, all customers must be evaluated annually for rate classification changes based on annual volume usage. If for any reason you classification changes during your agreement period you will be notified and allowed to select the standard pricing offered or request the fixed plan that is associated with your new rate classification. CFG operates under rules and regulations that are approved by the Florida Public Service Commission.



# "CUSTOMER CHOICE PROGRAM" MARKETER OPEN ENROLLMENT PRICING OPTIONS ENCLOSED

February 11, 2008

Dear Central Florida Gas (CFG) Customer,

Since November 5, 2001, all CFG residential and some commercial customers have been receiving their natural gas from approved Marketers appointed through our Transitional Transportation Service (TTS) program. As you know, CFG provides reliable and safe transportation service and customer support while approved marketers provide the natural gas used by the appliances in your homes and businesses.

Your monthly statement reflects the Marketer that is currently providing you natural gas, either Infinite Energy or Florida Natural Gas. In accordance with CFG's Florida Public Service Commission (PSC) approved tariff, you have been assigned to one of these Marketers. In July 2007, the PSC approved a program where you, through an "Open Enrollment" process, can now choose your own approved marketer as well as the pricing option that best fits your needs.

The enclosed Marketer Offerings are for all TTS Customers regardless of expected usage. All customers are encouraged to review and choose from the enclosed offerings as presented by Florida Natural Gas and Infinite Energy.

In a recent CFG mailing, many eligible TTS Customers selected a Fixed Transportation Rate offered by CFG. This chosen rate plans provides a fixed rate ONLY for the CFG transportation service on the CFG invoice.

Please read all enclosed materials carefully and select the Marketer and pricing option that meets your needs. Customers who **do not wish to** make a selection are not required to do anything. If CFG does not receive a signed agreement, no changes will be made to your account. You will continue to receive the same dependable service from your appointed Marketer as in the past.

You have several options: you may choose just your Marketer and their pricing option OR you can choose just the CFG Fixed Transportation Rate OR you can choose both your CFG Fixed Transportation Rate and the Marketer and the pricing option of your choice OR you can do nothing. Yes, if you received the CFG mail offering, it is still not too late to select the CFG Fixed Transportation Rate offering in addition to the Marketer Offerings enclosed with this notice.

Please return your completed agreements to CFG no later than March 10, 2008. A prepaid postage return envelope has been enclosed for your convenience.

The "CHOICE" is yours.

7001 SW 24<sup>th</sup> Avenue Gainesville, Florida 32060

Hello Central Florida Gas Customer:

I would like to introduce myself. My name is Bill Wagner and I am a Regional Sales Manager for Infinite Energy, Inc. in Gainesville, Florida. We are Florida's largest independent natural gas marketing company. I am writing to you today because you recently received an Open Enrollment letter from Central Florida Gas explaining the transitional programs that allow TTS customers the ability to choose different pricing options for their natural gas service.

You might ask, what does this mean to you? What it means is that you now have the opportunity to select a marketer of your choice and an opportunity to manage your natural gas needs. Infinite Energy is proud to be part of the Central Florida Gas "Customer Choice Program."

Customers want a supplier that provides quality and personalized service, knowledge and experience in the industry, and stability all for a fair price. Because of our long standing relationship with Central Florida Gas, Infinite can bring all of this and more to the consumer. Central Florida Gas has entrusted Infinite to provide natural gas to their service area since 2002.

Infinite is excited to offer you four (4) unique choices and I am sure you will be able to find one that will fit your needs:

- 100% Fixed
- 50/50 Plan
- Monthly Rate
- Yearly Residential Discount Rate

Please find the detailed information about the above-listed options on the following page.

We know you have a choice and we want you to choose Infinite Energy, Inc.

Thank You,

Bill Wagner Regional Sales Manager



#### Infinite Energy, Inc. "Customer Choice Program" for Central Florida Customers

You have several pricing options available to you. Each option has benefits that will allow you to choose the program that is right for your family. If you were happy with the gas prices last year, then the Monthly Variable might be best for you. Do you like the idea of knowing what your cost is every month, then the Fixed Option might be the right choice for you. If you are not sure what program best fits your needs, then the 50/50 plan might be right up your alley.

Please review the pricing options below. Once you have selected the program that is right for you, please fill out the card below and mail it to Central Florida Gas. Your choice will start April 1, 2008 and continue until March 31, 2009.

#### "Customer Choice" Options

- •Monthly Variable Rate: You do nothing and choose the PGA rate that you are currently on. This rate varies from month to month.
- •<u>Fixed Rate</u>: Fix it and forget it. A 100% of your gas usage will be priced at a fixed rate. Example: If you use 585 Therms annually, you would pay a monthly average of \$57.04 for your natural gas. This is using a fixed rate of \$1.17 per Therm.
- •50/50 Rate: This option allows you to lock in 50% of your usage at a fixed rate and the other 50% would be at the Monthly Variable rate. Example: If you use 585 Therms annually, you would pay a monthly average of 50% Fixed Gas of \$28.52 and \$27.18 for the other 50%, for a monthly average of \$55.70.

Infinite E  ☐ I choose the Monthly Var	Customer Choice Card Please Mail By March 10, 2008
☐ I choose the Fixed Rate —	
☐ I choose the 50/50 Rate —	Fixed at \$1.17 for 50% and Monthly Rate for 50%
Please insert your Custon	ner Name, Address and CFG Account Number
Signature:	Date:





Your Natural Choice. Florida Natural Gas'

Dear Central Florida Gas/Florida Natural Gas Customer:

#### GIVING YOU MORE OPTIONS

Central Florida Gas recently sent you a letter outlining its Customer Choice® plan. This Open Enrollment process not only allows you to choose your natural gas marketer, but also gives you the added flexibility of multiple pricing plans to fit your individual needs. At Florida Natural Gas® we're excited to be working with Central Florida Gas to help provide you with this unique opportunity. And as a current Florida Natural Gas customer, you now have the ability to choose from the menu of pricing options listed below. Best of all, you can choose to do nothing to remain a Florida Natural Gas customer and be enrolled in our most popular plan!

**Standard Plan** - This is the plan of choice for most customers. With our competitive variable rate, the price per therm will fluctuate from month to month based on natural gas market conditions. You can get this plan by *simply doing nothing* during the enrollment period.

**High Volume Plan** - If you are a customer who uses an above-average amount of natural gas (perhaps for a pool or hot tub), this may be the plan for you. Our High Volume Plan variable rate is guaranteed to be at least 5 cents per therm less than the published variable Standard Plan rate. Monthly service charge is \$2.99.

**Senior Plan** - This is a special discounted rate plan available only to customers age 55 or older. This plan rate is guaranteed to be at least 5 cents per therm less than the published variable Standard Plan rate. Proof of eligibility is required to be a participant in this special plan.

**Fixed Rate Plan** - If you want consistency, our price per therm will not change under Fixed Rate Plans, regardless of what happens to natural gas prices in the marketplace. Best of all, you can choose to lock in this fixed rate for 6 months or for an entire year.\* Monthly service charge is \$1.99.

#### PEACE OF MIND

Florida Natural Gas remains your simple, safe and smart choice. Because when you choose Florida Natural Gas, you get the peace of mind that comes with being a part of SouthStar Energy Services - a company that has served more than half a million residential, commercial and industrial natural gas customers throughout the Southeast for nearly a decade.

#### MAKE THE RIGHT CHOICE

Choosing a pricing plan that's right for you is easy! You don't need to do a thing to stay with Florida Natural Gas and be enrolled in the Standard Plan. Or you can simply check the appropriate box below and mail your selection form in the enclosed, self-addressed envelope no later than March 10th. For more information about Customer Choice from Central Florida Gas and details on all our plans, visit: www.cfgas.com and www.onlyfng.com.

We genuinely appreciate your business. Thank you for choosing Florida Natural Gas!

Standard Plan Fixed Rate 12 Month Plan*	NameAddress	
High Volume Plan  Check the Senior Plan if you are 55 or older Please visit our website at www.ordyling.com for more information.  **Pice Plan will disput Senior Plan after duction of your term. If customer terminates Fixed Plan before term is over an early termination fee of \$50 will apply.	Driver's License, AARP or Medicare member number (required for sr. plan only)	
	Signature (required)	
Mail to: Central Florida Gas P.O. Box 960 Winter Haven, Fl. 33882-0960 Attn: Open Enrollment	CENTRAL FLORIDA Florida Natural Gas	