

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: November 19, 2013

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Garl) *EJD*
Office of the General Counsel (Young) *Y*

RE: Docket No. 130258-GU – Petition for approval of tariff sheets reflecting gas service to customers in the City of Ft. Meade, by Florida Public Utilities Company.

AGENDA: 12/03/13 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 12/21/13 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

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COMMISSION
CLERK

Case Background

On October 22, 2013, Florida Public Utilities Company (FPUC) filed a petition requesting Commission approval of tariff sheets containing service information for customers in the City of Fort Meade, Florida (the City). The petition also provided notice to the Commission that FPUC will acquire the natural gas system serving the City of Fort Meade, which will be known as Florida Public Utilities Company – Fort Meade Division (Ft. Meade Division). Upon finalization of the acquisition, currently scheduled for December 2, 2013, Fort Meade will operate as a new investor-owned natural gas utility in Florida as a division of FPUC, which is a subsidiary of Chesapeake Utilities Corporation.

The City provides natural gas service to about 1,100 customers; however, relatively low revenues during the past few years prompted the City Commission to sell the system. The purchase agreement for the sale of the system to FPUC was approved by the City Commission

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on October 8, 2013. FPUC purchased the system for \$820,000 plus an additional amount of \$20,000 to be paid annually over the next 5 years for economic development, community improvements, or installation of natural gas improvements in the Ft. Meade area. A 30-year franchise agreement for the Ft. Meade Division to provide natural gas service to customers in the City was approved at the City Commission's November 12, 2013 meeting. Under the agreement, the City will collect an annual franchise fee of \$10,000 from the Ft. Meade Division.

The Commission has no authority over acquisitions; however, as discussed in Issue 1, the Commission does have authority over rates and charges. The Commission has jurisdiction pursuant to Section 366.06, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Commission approve the proposed tariff sheets for Florida Public Utilities Company – Ft. Meade Division?

Recommendation: Yes. The proposed tariff sheets should be approved. (Garl)

Staff Analysis: The base rates (customer and energy charges) contained in the proposed tariff are the same rates the City has been charging and were established by the purchase agreement between the City and FPUC. The purchase agreement requires that the base rates stay the same for three years, unless and until the Commission were to compel a rate change. The base rates contained in the proposed tariff are shown below:

Base Rates for Natural Gas Service

	Residential (RS)	Commercial (GS)	Industrial (LVS)
Customer Charge	\$8.50	\$17.50	\$175.00
Energy Charge/Therm	\$0.5570	\$0.5570	\$0.2180

The proposed Ft. Meade Division service charges are equal to or lower than those charged by the City. These fees include service connection, meter deposits, meter testing, late payment penalties, and service applications. The proposed tariff sheet specifying these charges, Original Sheet No. 27, is included as Attachment 1.

FPUC's residential customers pay a Commission-approved monthly customer charge of \$11.00 and an energy charge of \$0.4983 per therm, resulting in a \$20.97 monthly bill for a residential customer using 20 therms. A Ft. Meade Division residential customer would pay \$19.64, a difference of \$1.33. A small commercial GS-1 FPUC customer using 20 therms per month pays \$28.83, while a Ft. Meade Division GS-1 customer would pay \$28.64 per month.

The Ft. Meade Division customers will pay the same Purchased Gas Adjustment (PGA) and energy conservation factor as FPUC's customers. In response to staff's data request, FPUC reported that its data provided for the 2014 PGA cap in Docket No. 130003-GU and energy conservation factor in Docket No. 130002-GU included 2014 projections for the Ft. Meade Division. The Commission approved FPUC's PGA and conservation factor on November 4, 2013.¹ Additionally, Ft. Meade Division customers would be entitled to participate in FPUC's conservation programs.

The proposed Ft. Meade Division tariff also includes provisions for natural gas transportation services that were not part of the City's services. These new provisions are identical to those in the existing FPUC tariff.

¹ See Order No. PSC-13-0600-FOF-GU, issued November 13, 2013, in Docket No. 130003-GU, In re: Purchased gas adjustment (PGA) true-up. The Commission made a bench decision on the annual conservation docket, Docket No. 130002. The order is anticipated on December 1, 2013.

Staff notes that the initial rate base value of the Ft. Meade assets is not being determined in this docket. FPUC should be advised that the value of rate base will be an issue in FPUC's next rate case and it will be FPUC's burden to justify the value of the Ft. Meade assets.

FPUC, as an established company in the natural gas service industry, expects it will be able to provide better service to customers than the City had been able to achieve. Anticipated benefits include more efficient service, repair, maintenance, expansion as needed, and timely upgrades.

Ft. Meade Division's proposed tariffs maintain the same base rates Ft. Meade customers are currently paying. Staff believes since the proposed Ft. Meade Division base rates are comparable to the Commission approved FPUC base rates,² they appear fair, just, and reasonable as required by Section 366.06, F.S. Staff recommends approval of the proposed tariff.

² See Order No. PSC-09-0375-PAA-GU, issued May 27, 2009, in Docket No. 080366-GU, In re: Retition for rate increase by Florida Public Utilities Comapny.

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Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the tariffs should become effective on December 3, 2013. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Young)

Staff Analysis: If Issue 1 is approved, the tariffs should become effective on December 3, 2013. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

18. Service Charges

<u>Rate Schedule</u>	<u>RS</u>	<u>GS-1, GSTS-1</u>	<u>LVS, LVTS</u>
A. Establishment Of Service Regularly Scheduled	\$50.00	\$50.00	112.00
Same Day or Outside Normal Business Hours (Based on Availability)	\$50.00	\$50.00	114.00
B. Change of Account (Read Meter Only) Regularly Scheduled	\$23.00	\$23.00	\$23.00
Same Day or Outside Normal Business Hours (Based on Availability)	\$29.00	\$29.00	\$29.00
C. Reconnection After Disconnection for Non-Pay Regularly Scheduled	\$30.00	\$30.00	\$30.00
Same Day or Outside Normal Business Hours (Based on Availability)	\$50.00	\$50.00	\$50.00
D. Bill Collection in Lieu of Disconnection for Non-Pay	\$25.00	\$25.00	\$25.00
E. Trip Charge-applies when customer fails to keep scheduled appointment with the Company's employee, agent, or representative Regularly Scheduled	\$23.00	\$23.00	\$23.00
F. Temporary Disconnection of Service for Cause or at Customer's Request Regularly Scheduled	\$29.00	\$29.00	\$29.00
Same Day or Outside Normal Business Hours	\$35.00	\$35.00	\$35.00
G. Worthless Check Service Charge			

The service charge for each worthless check shall be determined in accordance with Section 68.065, Florida Statutes. Such service charge shall be added to the customer's bill for gas service for each check dishonored by the bank upon which it is drawn. Termination of service shall not be made for failure to pay the returned check charge.