

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Approval of) DOCKET NO. 950523-GU
Modifications to Tariff) ORDER NO. PSC-95-0817-FOF-GU
Provisions Governing Main and) ISSUED: July 6, 1995
Service Extensions by Florida)
Division of Chesapeake Utilities)
Corporation)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING TARIFF MODIFICATIONS

BY THE COMMISSION:

Chesapeake Utilities Corporation (Company) presently extends its facilities to provide service in accordance with the provisions of Rule 25-7.054, Florida Administrative Code. The rule requires extensions to be made at no cost to the customer if the capital investment necessary to extend facilities to provide service is equal to or less than the maximum allowable construction cost. The maximum allowable construction cost (MACC) is an amount equal to four times the estimated annual gas revenues to be derived from the facilities, minus the cost of gas.

If the required capital investment exceeds the MACC, the Company requires customers to make a non-interest bearing contribution in aid of the construction in an amount equal to the difference. In requiring this contribution, the Company also provides that:

1. At the end of the first year, the Company will refund to the customers who paid the advance an amount equal to the excess, if any, of the MACC. This will be calculated using the actual gas revenues minus the actual cost of gas over the MACC in order to determine the amount of the advance in aid of construction.

2. For each additional customer taking service at any point on the extension within a period of five years from the date of construction, the Company will refund to customers who paid the

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

advance the amount by which the MACC for the new customer exceeds the cost of connecting the customer. This amount will be refunded only if an additional main extension was not necessary to serve the new customer.

The Company now proposes to increase the MACC from four to five times the estimated annual gas revenues. This change is permitted under Commission Rule 25-7.054, Florida Administrative Codes. In addition, the Company proposes an alternative method of recovering capital investment in excess of the MACC. The proposed method will allow new gas customers that do not meet feasibility criteria to obtain gas service without increasing costs to existing customers of the Company. The Company will fund the amount above the MACC that is required to construct the facilities and will recover the investment from customers served by the extension by collecting an Area Expansion Program (AEP) surcharge.

Under the AEP, a specific surcharge may be applied to each designated expansion area by class of customer. The surcharge is calculated based on the amount of excess capital investment required, the Company's authorized rate of return approved by the Commission, the projected sales to be made on the extension, the period of time the surcharge is applicable, and the competitive conditions in the prevailing expansion area. Under the Company's proposal, the AEP for any geographic area can be modified once upon the earlier of (1) the third anniversary of the date when the project facilities are placed in service or (2) the date on which 80% of the originally forecast annual load is connected. The Company will then reassess the amount of additional revenue required to recover the unamortized excess cost of the facilities and the calculation of the AEP. The resulting adjustment of the AEP (whether upward or downward) shall be applied prospectively over the remainder of the amortization period. Any revenues in excess of the projected surcharge total shall be rewarded to all existing customers in the AEP area if the revenues collected exceed the estimated AEP projection. Refunds to any customer shall not exceed the amount contributed through the AEP.

For ratemaking and earnings surveillance report purposes, the excess cost above the MACC will not be included in rate base, and the related surcharge recovery will be excluded from the income statement. Specific adjustments will be made on the earnings surveillance report to eliminate these items. In addition, specific subaccounts will be established to clearly identify the amounts related to costs in excess of the MACC and its recovery.

ORDER NO. PSC-95-0817-FOF-GU
DOCKET NO. 950523-GU
PAGE 3

The potential income tax impact of the contributions has also been reviewed. The tax impact of the contribution appears to be immaterial. However, if the company's amount or quantity of contributions increases, this may require future review.

The AEP surcharge option for funding main and service extensions will allow customers that could not otherwise receive natural gas service under the existing tariff provisions to have gas service. Such service may include: existing L.P. gas (propane) customers; new areas not yet constructed; and fully developed areas that are remote from existing gas systems. The existing customers and the Company will be protected by the surcharge recovery of any amount by which the investment exceeds the MACC.

Based on the foregoing, it is therefore

ORDERED that the Florida Division of Chesapeake Utilities Corporation's proposed modifications to its tariff provisions governing main and service extensions is, hereby, approved. It is further

ORDERED that the effective date for these modifications is June 27, 1995. It is further

ORDERED that if a protest is filed in accordance with the requirements set forth below, the modified tariff provisions shall remain in effect, subject to refund, pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 6th day of July, 1995.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 27, 1995.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this Order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.