

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for rate increase
by Florida Division of
Chesapeake Utilities
Corporation.

DOCKET NO. 000108-GU
ORDER NO. PSC-00-1416-PCO-GU
ISSUED: August 3, 2000

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
E. LEON JACOBS, JR.
LILA A. JABER

ORDER SUSPENDING PERMANENT RATE INCREASE AND
ESTABLISHING INTERIM RATE INCREASE

BY THE COMMISSION:

On May 15, 2000, the Florida Division of Chesapeake Utilities Corporation ("Chesapeake" or "the company") filed a petition for a permanent rate increase, requesting an increase of \$1,826,569 in additional annual revenues. The company based its request on a 13-month average rate base of \$21,321,700 for a projected test year ending December 31, 2001. The requested overall rate of return is 8.89% based on a 12.00% return on equity.

The company also requested an interim revenue increase of \$830,330. It calculated the interim increase request using a 13-month average rate base of \$18,514,698, at a 7.86% rate of return using a 10.00% return on equity. The interim test year is the period ended December 31, 1999. By this Order, we suspend Chesapeake's request for a permanent rate increase and approve an interim revenue increase for the company as set forth below.

We most recently granted Chesapeake a permanent revenue increase in 1990 in Docket No. 891179-GU. By Order No. 23166, issued July 10, 1990, we allowed the company a \$780,097 annual revenue increase. We found the company's jurisdictional rate base to be \$11,635,331 for the projected test year ending June 30, 1991. We established the company's allowed rate of return at 9.93% for the test year based on a 13.00% return on equity.

DOCUMENT NUMBER-DATE

09418 AUG-38

FPSC-RECORDS/REPORTING

I. Suspension of Permanent Rate Increase

As stated above, Chesapeake is now requesting a permanent, annual revenue increase of \$1,826,569. We find that this permanent revenue increase should be suspended to allow us the necessary time to sufficiently review and analyze the company's minimum filing requirements ("MFRs"), and take customer comments pursuant to Section 366.041, Florida Statutes.

II. Determination of Appropriate Interim Rate Increase

A. Interim Test Year Rate Base

Chesapeake has proposed an interim test year rate base of \$18,514,698. Upon review of the rate base adjustments approved in the company's last rate case (Order No. 23166) and to maintain consistency with those adjustments, we find that the adjustments discussed below should be made to establish the appropriate interim test year rate base for Chesapeake. These adjustments are shown in Attachments 1 and 1A to this Order, which are incorporated herein by reference.

Adjustment 1: Second Story Office Building - In the company's last rate case, we disallowed the investment in the second floor of the company's office building because it was "not used or useful". In this case, the company made an adjustment to its interim filing and the 1999 historic test year to remove only a portion of the second floor by reducing Plant, Accumulated Depreciation, Depreciation Expense, and Taxes Other by \$23,702, \$7,407, \$593, and \$512, respectively. The company has taken the position that 38 percent of the second floor is now used and useful and, therefore, that portion should be allowed.

We find that it is appropriate, for interim purposes, to remove 100 percent of the second floor investment consistent with our decision in the company's last rate case. In establishing permanent rates, we will determine what portion, if any, of the second floor is used and useful in utility operations. Therefore, we find that Plant, Accumulated Depreciation, Depreciation Expense, and Taxes Other should be reduced by \$14,815, \$4,628, \$369, and \$306, respectively, for interim purposes. These amounts represent the 38 percent of 1999 second floor costs that the company did not remove.

Adjustment 2: Common Plant - Consistent with the company's last rate case, the company adjusted Common Plant, Depreciation Expense, and Accumulated Depreciation for non-utility activities in the 1999 historic test year. However, the company did not make these adjustments for interim purposes. Accordingly, we find that Common Plant Allocated, Accumulated Depreciation - Common Plant, and Depreciation Expense should be reduced by \$87,326, \$38,988, and \$3,737, respectively.

Adjustment 3: Cash - The company has a cash management system whereby cash is transmitted to its parent corporation daily and invested in an interest bearing account. The company received \$15,554 in interest and recorded it below-the-line. In Chesapeake's last rate case, cash was included in working capital with no adjustment to revenues, but it is not clear whether the cash was interest bearing. In prior decisions of this Commission, interest bearing cash was either removed from working capital or the associated interest earned was moved above-the-line and included as an increase to revenues. (See, e.g., Order No. PSC-95-0518-FOF-GU, issued April 26, 1995, in Docket No. 940620-GU.) Therefore, based on our prior decisions, we find that cash should be included in working capital and that revenues be increased by \$15,554.

Adjustment 4: Materials and Supplies - The company did not adjust interim test year working capital for nonregulated materials and supplies. However, an adjustment of \$58,688 for materials and supplies associated with its nonregulated house piping and appliance repair operations is appropriate. Because these expenses are considered non-utility-related and non-utility expenses were removed in the last rate case, we find that Plant and Operating Materials and Supplies be reduced by \$58,688.

Adjustment 5: Unamortized Rate Case Expense - The company included \$1,099 in working capital for unamortized rate case expense, representing costs incurred for the current case. Because an adjustment was made in the last rate case to remove unamortized rate case expense, we find that a reduction of \$1,099 in working capital is appropriate in this case.

Adjustment 6: Customer Deposits - Refunds - The company made an adjustment to remove Customer Deposits - Refunds of \$1,231 from working capital with the apparent intention to include the adjustment as an increase to Customer Deposits in its Capital Structure. However, this \$1,231 adjustment to increase Customer

Deposits was not included in its Capital Structure. This account includes customer deposits that have been unclaimed and, after seven years, would escheat to the State. As such, these customer deposits are noninterest-bearing. Therefore, we find that this account is more in the nature of a liability than interest-bearing Customer Deposits and should be included in working capital allowance. Thus, we find that the company's adjustment which results in the \$1,231 remaining as a reduction to working capital should be reversed.

Adjustment 7: Miscellaneous Current Liabilities - The company made an adjustment to remove from working capital and place in capital structure \$46,880 for the flex rate revenue liability. We find that the correct amount of this adjustment is \$57,184, rather than \$46,880. To correct this error, working capital should be increased by \$10,304. The corresponding capital structure flex rate revenue liability and interest rate is addressed in Issue 4.

Adjustment 8: Customer Advances for Construction - The company made an adjustment to remove customer advances from working capital but failed to include it as a deduction to plant, in the calculation of rate base. The company properly included customer advances as a deduction to plant in the 1999 base year and the projected test year. The company included customer advances as a deduction to rate base in its last rate case. Because this item is properly included in rate base as a deduction to plant, we find that rate base should be reduced by \$196,399.

Based on these adjustments, we find that the appropriate interim test year rate base for Chesapeake is \$18,209,060.

B. Interim Test Year Net Operating Income

Chesapeake has proposed an interim test year net operating income of \$960,450. Upon review of the net operating income adjustments approved in the company's last rate case (Order No. 23166) and to maintain consistency with those adjustments, we find that the adjustments discussed below should be made to determine the appropriate interim test year net operating income for Chesapeake. These adjustments are shown in Attachment 2 to this Order, which is incorporated herein by reference.

Adjustment 9: PGA Revenues, Expenses and Taxes Other - The company included PGA revenues, expenses, and related taxes in Net Operating Income in error. Consistent with the company's last rate case, we

find that Operating Revenues, Gas Expenses, and Taxes Other than Income Tax should be reduced by \$9,433,221, \$9,150,224, and \$282,997, respectively.

Adjustment 10: FNGA-PAC - The company contributed \$2,000 to the Florida Natural Gas Association Political Action Committee for lobbying. The company made an adjustment to remove this in the 1999 historical test year, but did not make this adjustment for interim purposes. The interim test year and the 1999 test year are the same period of time. A similar adjustment was made in the company's last rate case to remove the lobbying portion of American Gas Association (AGA) dues. Therefore, we find that expenses should be reduced by \$2,000.

Adjustment 11: Non-Recurring Consulting Fee - The company made an adjustment to the 1999 historical test year reducing expenses \$73,559 for consulting fees related to a Property Tax Audit, a Marketing Study, and miscellaneous, related administrative costs. A similar adjustment was not made for interim purposes. The interim test year and the 1999 test year are the same period. An adjustment was made in the company's last rate case to remove non-recurring consulting fees. Therefore, we find that expenses should be reduced by \$73,559.

Adjustment 12: Relocation Advance - The company advanced funds to an employee for relocation expenses. The company removed this in the 1999 test year, but not for the interim test year. The interim test year and the 1999 test year are the same period. A similar adjustment was made in the company's last rate case to remove non-recurring recruiting costs related to moving expenses, mortgage payments, and job search services. Therefore, we find that Operations and Maintenance Expenses, (O&M) - Accountant Relocation Expense should be reduced by \$867.

Adjustment 13: Out of Period - The company made an adjustment increasing expenses by \$11,558 in the 1999 test year for several expenses primarily related to 1998 bonuses. The company did not make the adjustment for the interim test year. The interim test year and the 1999 test year are the same period. A similar adjustment was made in the company's last rate case. Therefore, consistent with the last rate case, we find that expenses should be increased by \$11,558.

Adjustment 14: Nonregulated Plumbing Exam - The company made an adjustment in the 1999 test year to remove \$1,611 for non-regulated

expenses associated with the state plumbing exam for house piping certification. No adjustment was made in the interim period. The interim test year and the 1999 test year are the same period. Because these expenses are considered non-utility related, and non-utility expenses were removed in the last rate case, we find that expenses should be reduced by \$1,611.

Adjustment 15: Peake Party - The company removed \$2,441 from expenses for its Peake Party in the 1999 test year, but not for the interim test year. The interim test year and the 1999 test year are the same period. Similar adjustments were made in the company's last rate case to remove Christmas party and picnic expenses. Therefore, we find that O&M Expense - Peake Party should be reduced by \$2,441.

Adjustment 16: Memberships and Dues - The company made an adjustment for interim purposes to remove \$560 in memberships and dues; in the 1999 historical test year it made an adjustment for \$2,304, a difference of \$1,744. The interim test year and the 1999 test year are the same period. This discrepancy has not been adequately resolved. We believe the adjustments should be identical. An adjustment to remove memberships and dues was made in the last rate case. Therefore, we find that expenses should be reduced by \$1,744.

Adjustment 17: Charitable Contributions - The company made an adjustment in the interim test year to remove \$14,850 for charitable contributions; in the 1999 test year it made an adjustment to remove \$25,877, a difference of \$11,027. The interim test year and the 1999 test year are the same period. This discrepancy has not been adequately resolved. We believe the adjustments should be identical. An adjustment to remove charitable contributions was made in the last rate case. Therefore, we find that expenses should be reduced by \$11,027.

Adjustment 18: Advertising - The company reduced operations and maintenance expense in the 1999 historical test year by \$18,330 for advertising expense; the company reduced operations and maintenance expense in the interim test year by \$3,222, a difference of \$15,108. The interim test year and the 1999 test year are the same period. This discrepancy has not been adequately resolved. We believe the adjustments should be identical. An adjustment to remove promotional advertising was made in the last rate case. Therefore, we find that O&M - Advertising should be reduced by \$15,108.

Adjustment 19: Income Tax Expense - The company's adjusted income tax expense for the interim test year is \$266,720. We find, however, that the appropriate adjusted income tax expense for the interim test year is \$295,008, a difference of \$28,288. Of this difference, an increase of \$43,946 represents our adjustment for the tax effect of our revenue and expense adjustments. The balance, a decrease of \$15,658, represents our corrections to the company's income tax expense based on our recalculation and adjustment for interest reconciliation, based on the capital structure and cost rates determined to be appropriate in this Order.

Based on these adjustments, we find that the appropriate interim test year net operating income for Chesapeake is \$1,048,947.

C. Interim Return on Equity and Overall Rate of Return

Chesapeake has proposed an interim return on equity of 10.00% and an overall rate of return of 7.86%. Based on our adjustments to Chesapeake's capital structure, we find that the appropriate interim return on equity is 10.00% and the appropriate overall rate of return is 7.78% for interim purposes, as discussed below.

Consistent with Chesapeake's last rate case, we find it appropriate to make pro rata adjustments over investor sources to adjust the company's per book capital structure ratios to reflect the ratios of its parent corporation, Chesapeake Utilities Corporation. In addition, consistent with the last rate case, a specific adjustment to common equity to remove non-utility investments from the company's capital structure is appropriate.

In Order No. 14965, issued October 9, 1985, the company was allowed to use a flexible gas rate for some of its customer classes. This was done to help prevent the company's larger customers with alternative fuel options from leaving the system when oil prices were lower than natural gas. Losing these large customers would increase the remaining customer's total costs. A flex rate liability is created when the company's gas prices are flexed-up to match oil prices, which creates an amount to be refunded.

For purposes of determining interim rates, the company included a flex rate liability component in its capital structure that was not included in its last rate case. For the flex rate

liability component of \$46,880, the company used an effective rate of 6.30% as the cost rate. Due to an error in the company's calculation of the flexible rate liability amount, we find it appropriate to make a \$10,304 specific adjustment to the capital structure as a correction, resulting in the effective cost rate decreasing from 6.30% to 5.16%. Removing the flexible rate liability from the capital structure would increase the interim overall cost of capital. We believe that leaving the flexible rate liability in the capital structure is a conservative approach that is appropriate for determining interim rates. We also believe that further analysis of the flex rate liability in the capital structure is necessary to determine if this is the appropriate treatment.

In accordance with Rule 25-7.083(5)(a), Florida Administrative Code, we find that a 6.44% cost rate for customer deposits is appropriate. The company's last authorized rate of return on common equity was 11.00%, with a range from 10.00% to 12.00%. Using a 10.00% cost of equity and the adjusted capital structure shown in Attachment 3, which is hereby approved for interim purposes and incorporated herein by reference, we calculate an overall weighted cost of capital for the interim test year of 7.78%.

D. Interim Revenue Expansion Factor

Chesapeake has proposed an interim revenue expansion factor of 1.6784. Based on the two adjustments discussed below, we find that the appropriate interim revenue expansion factor is 1.6114.

First, in its proposed revenue expansion factor, the company included 2.5% for gross receipts tax. However, following its recent rate restructuring proceeding in Docket No. 971559-GU, the company unbundled its gross receipts tax and continues to bill its customers for the gross receipts tax as a separate line item on the customers' bills. Therefore, we find that the gross receipts tax should be excluded from the revenue expansion factor.

Second, the company used a 35% federal income tax rate in its proposed interim revenue expansion factor. However, during the 1999 interim test year, the Florida Division of Chesapeake Utilities Corporation's federal income tax rate was 34%. In determining the appropriate interim revenue expansion factor, we find it appropriate to use the Florida Division's stand-alone rate

of 34%. This treatment is consistent with the treatment afforded federal income tax expense in the company's last rate case.

These two adjustments decrease the interim revenue expansion factor from 1.6784 to 1.6114. These adjustments are shown in Attachment 4, which is incorporated herein by reference.

E. Interim Revenue Increase

Chesapeake requested \$830,330 in interim revenue relief for the historical base year ended December 31, 1999. Based on the company's calculations and adjustments, this would have allowed the company to earn an overall rate of return of 7.86%. As set forth above, we have found that the appropriate interim rate base is \$18,209,060, and the appropriate interim net operating income is \$1,048,947. Applying the 7.78% overall rate of return approved, above, for interim purposes, we approve an interim revenue increase of \$591,579 for Chesapeake, as shown in Attachment 5, which is incorporated herein by reference.

III. Distribution of Interim Revenue Increase by Rate Class

Rule 25-7.040, Florida Administrative Code, provides that any interim revenue increase should be applied evenly across the board to all rate classes based on their base rate revenues and should be collected on a cents-per-therm basis. We find that the interim revenue increase approved above should be applied to the company's rate classes on a cents-per-therm basis as set forth in Attachment 6A, which establishes the portion of the interim increase to be applied to each rate class in accordance with the rule. Attachment 6A is incorporated herein by reference. Although none of the interim increase was applied to the two customers who take service under approved special contracts, we will review these special contracts as part of our proceeding to establish permanent rates for Chesapeake.

The interim rates set forth in Attachment 6B, which is incorporated herein by reference, shall be effective for all meter readings made on or after thirty days from the date of our July 11, 2000, vote on this matter, i.e. August 10, 2000. The company shall give appropriate notice of these interim rates to customers commencing with the first bill for service which reflects the increase authorized herein, explaining the nature, purpose, and effect of the increase. A copy of the notice should be submitted

to this Commission's Division of Economic Regulation for approval prior to its use.

IV. Security to Guarantee Amount Subject to Refund

The interim revenue increase approved above is subject to refund with interest, pending our final order on Chesapeake's request for a permanent revenue increase. To guarantee the amount subject to refund, we find that a corporate undertaking by Chesapeake in the amount of \$345,088 is appropriate.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. The 1997, 1998, and 1999 SEC 10-K reports of Chesapeake were used to determine the financial condition of the company. Based on our review of the company's financial condition, we find that Chesapeake can support a corporate undertaking in the amount of \$345,088. This finding is consistent with our findings concerning Chesapeake's most recent interim rate increase (Order No. 22475, issued January 29, 1990, in Docket No. 891179-GU) and with prior Commission practice.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Florida Division of Chesapeake Utilities Company's request for a permanent revenue increase is suspended. It is further

ORDERED that the Florida Division of Chesapeake Utilities Corporation is granted an interim annual revenue increase of \$591,579 to be applied to each rate class as set forth in Attachment 6B to this Order, which is incorporated herein by reference, effective for all meter readings made on or after August 10, 2000. It is further

ORDERED that the Florida Division of Chesapeake Utilities Corporation shall provide a corporate undertaking in the amount of \$345,088 as security for the potential refund of the interim rates approved in this Order. It is further

ORDERED that this docket shall remain open.

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By ORDER of the Florida Public Service Commission this 3rd
day of August, 2000.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By:

Kay Flynn
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 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in

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the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

COMPARATIVE AVERAGE RATE BASES

ATTACHMENT 1
 02-Aug-2000
 INTERIM

FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION
 DOCKET NO. 000108-GU
 TYE 12/31/99

ADJ. NO.	TOTAL PER BOOKS	COMPANY		COMMISSION VOTE	
		COMPANY ADJS.	COMPANY ADJUSTED	ADJS.	ADJUSTED
	PLANT IN SERVICE				
	UTILITY PLANT	25,394,961			
1	Remove 2nd story office bldg.		(23,702)	(14,815)	
2	COMMON PLANT ALLOCATED	0	0	(87,326)	
	ACQUISITION ADJUSTMENT	670,185			
	Remove disallowed acquisition adj.		(546,776)		
	PLANT HELD FOR FUTURE USE	0			
	CONSTRUCTION WORK IN PROGRESS	927,693			
	TOTAL PLANT	26,992,839	(570,478)	26,422,361	(102,141)
				26,320,220	
	DEDUCTIONS				
	ACCUM. DEPR. - PLANT IN SERVICE	8,258,828			
1	Remove 2nd Story Office Bldg.		(7,407)	(4,628)	
	Remove Franchise & Consent		(5,078)		
	ACCUM. AMORT. - ORG.	20,446			
	ACCUM. AMORT. PCNG.	123,009			
	ACCUM. AMORT OLD APP. ACQ. ADJ.	5,543			
2	ACCUM DEPR. - COMMON PLANT	0	0	(38,988)	
	ACCUM. DEPR. - ACQUISITION ADJ.	461,266			
	Remove Disallowed Acquisition Adj.		(461,266)		
8	CUSTOMER ADVANCES FOR CONSTR.	0	0	196,399	
	TOTAL DEDUCTIONS	8,869,092	(473,751)	8,395,341	152,783
	NET UTILITY PLANT	18,123,747	(96,727)	18,027,020	(254,924)
	WORKING CAPITAL ALLOWANCE	(6,591,010)	7,078,688	487,678	(50,714)
	TOTAL RATE BASE	11,532,737	6,981,961	18,514,698	(305,638)
					18,209,060

COMPARATIVE WORKING CAPITAL COMPONENTS

ATTACHMENT 1A
 02-Aug-2000
 INTERIM

FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION
 DOCKET NO. 000108-GU
 TYE 12/31/99

ADJ. NO.	COMPANY AS FILED			COMMISSION VOTE	
	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	ADJS.	ADJUSTED
	WORKING CAPITAL	(6,591,010)			
	Accts. Rec. - Area Exp. Program		(470,142)		
	Accts. Rec. - Service		(93,388)		
	Receivable Assoc. Companies		5,052,965		
4	Materials and supplies			(58,688)	
	Conservation		(83,886)		
	Misc. Deferred Debits		(120,404)		
5	Unamortized rate case expense			(1,099)	
6	Customer Deposits - Refunds		1,231	(1,231)	
	Customer Deposits		627,767		
	Interest Accrued		(99,611)		
7	Misc. Current Liabilities		525,478	10,304	
	Accumulated Deferred Inc. Tax		1,370,750		
	Deferred Investment Tax Credit		346,024		
	Health Insurance Reserve		(44,290)		
	Self Insurance Reserve		(130,205)		
	Customer Advances for Construction		196,399		
	TOTALS	<u>(6,591,010)</u>	<u>7,078,688</u>	<u>487,678</u>	<u>(50,714)</u>
					<u>436,964</u>

COMPARATIVE NOIs

ATTACHMENT 2
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FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION
 DOCKET NO. 000108-GU
 TYE 12/31/99

02-Aug-2000
 INTERIM

ADJ. NO.	COMPANY			COMMISSION VOTE	
	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	ADJS.	ADJUSTED
	OPERATING REVENUES	17,293,932			
	Remove unregulated revenues		(738,010)		
3	Include interest on cash			15,554	
9	Remove PGA			(9,433,221)	
	TOTAL REVENUES	<u>17,293,932</u>	<u>(738,010)</u>	<u>16,555,922</u>	<u>(9,417,667)</u>
	OPERATING EXPENSES:				
	OPERATION & MAINTENANCE EXPENSE	13,464,238			
	Remove unregulated expenses		(361,269)		
	Remove expenses per last rate case		(34,995)		
9	Remove PGA			(9,150,244)	
10	Remove FNGA-PAC			(2,000)	
11	Remove non-recurring consulting fee			(73,559)	
12	Remove relocation advance			(867)	
13	Include out of period expenses			11,558	
14	Remove nonregulated plumbing exam fee			(1,611)	
15	Remove Peake party			(2,441)	
16	Remove additional membership & dues			(1,744)	
17	Remove additional charitable contrib.			(11,027)	
18	Remove additional advertising			(15,108)	
	TOTAL O & M EXPENSE	<u>13,464,238</u>	<u>(396,264)</u>	<u>13,067,974</u>	<u>(9,247,043)</u>

COMPARATIVE NOIs

ATTACHMENT 2
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FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION
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TYE 12/31/99

02-Aug-2000
INTERIM

ADJ. NO.	COMPARATIVE NOIs			COMMISSION VOTE	
	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	ADJS.	ADJUSTED
	DEPRECIATION & AMORTIZATION	1,138,653			
2	Remove deprec. common plant			(3,737)	
	Remove amort. acquisition adj.		(33,961)		
1	Remove amort. 2nd story		(593)	(369)	
	Remove amort. of franchises & consents		(424)		
	TOTAL DEPRECIATION & AMORT.	<u>1,138,653</u>	<u>(34,978)</u>	<u>1,103,675</u>	<u>(4,106)</u>
	TAXES OTHER THAN INCOME	1,157,615			
1	Remove property tax 2nd story		(512)	(306)	
9	Remove PGA			(282,997)	
	TOTAL TAXES OTHER THAN INCOME	<u>1,157,615</u>	<u>(512)</u>	<u>1,157,103</u>	<u>(283,303)</u>
	INCOME TAX EXPENSE				
19	Federal & State	375,598		(15,658)	
	Interest synchronization		6,366		
	Remove flex revenue tax adj.		12,780		
	Tax effect of revenue & expense adj.		(128,024)	43,946	
	TOTAL INCOME TAXES	<u>375,598</u>	<u>(108,878)</u>	<u>266,720</u>	<u>28,288</u>
	TOTAL OPERATING EXPENSES	<u>16,136,104</u>	<u>(540,632)</u>	<u>15,595,472</u>	<u>(9,506,164)</u>
	NET OPERATING INCOME	<u>1,157,828</u>	<u>(197,378)</u>	<u>960,450</u>	<u>88,497</u>
				<u>1,048,947</u>	

DOCKET NO. 000108-GU
 DATE: June 29, 2000

Chesapeake Utilities Corporation
 Interim Capital Structure for the Florida Division
 Year Ending December 31, 1999
 Docket No. 000108- GU
 13 Month Average

ATTACHMENT 3
 29-Jun-2000
 INTERIM

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	COMPANY ADJUSTMENTS			FPSC APPROVED RATE BASE ADJUSTMENTS			RATIO	COST RATE	WEIGHTED COST	
	PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED PER BOOKS	SPECIFIC	PRO RATA				FPSC ADJUSTED
COMMON EQUITY	\$11,532,736	(\$2,766,674)		8,766,062	(107,026)	(98,220)	8,560,816	47.01%	10.00%	4.70%
LONG TERM DEBT	0	5,432,487		5,432,487		(61,621)	5,370,866	29.50%	7.78%	2.29%
SHORT TERM DEBT	0	1,805,478		1,805,478		(20,480)	1,784,998	9.80%	5.56%	0.55%
FLEX RATE LIABILITY	0	46,880		46,880	10,304	(649)	56,535	0.31%	5.16%	0.02%
CUSTOMER DEPOSITS	627,767			627,767		(7,121)	620,646	3.41%	6.44%	0.22%
TAX CREDITS - ZERO COST	346,024			346,024		(3,925)	342,099	1.88%	0.00%	0.00%
DEFERRED INCOME TAX	1,370,750	119,250		1,490,000		(16,901)	1,473,099	8.09%	0.00%	0.00%
DEFERRED INC TAX - 109	(119,250)			(119,250)		1,353	(117,897)	-0.65%	0.00%	-0.00%
REG ASSETLIAB. - 109	119,250			119,250		(1,353)	117,897	0.65%	0.00%	0.00%
	\$13,877,277	\$4,637,421	\$0	\$18,514,698	(\$96,722)	(\$208,916)	\$18,209,060	100.0%		7.78%
			EQUITY RATIO	54.77%			54.47%			

ATTACHMENT 3

NET OPERATING INCOME MULTIPLIER

FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION
 DOCKET NO. 000108-GU
 TYE 12/31/99

ATTACHMENT 4
 02-Aug-2000
 INTERIM

<u>DESCRIPTION</u>	<u>COMPANY PER FILING</u>	<u>COMMISSION VOTE</u>
REVENUE REQUIREMENT	100.0000%	100.0000%
GROSS RECEIPTS TAX RATE	2.5000%	0.0000%
REGULATORY ASSESSMENT RATE	0.5000%	0.5000%
BAD DEBT RATE	0.0000%	0.0000%
NET BEFORE INCOME TAXES	<u>97.0000%</u>	<u>99.5000%</u>
STATE INCOME TAX RATE	5.5000%	5.5000%
STATE INCOME TAX	5.3350%	5.4725%
NET BEFORE FEDERAL INCOME TAXES	<u>91.6650%</u>	<u>94.0275%</u>
FEDERAL INCOME TAX RATE	35.0000%	34.0000%
FEDERAL INCOME TAX	32.0828%	31.9694%
REVENUE EXPANSION FACTOR	<u>59.5823%</u>	<u>62.0582%</u>
NET OPERATING INCOME MULTIPLIER	<u>1.6784</u>	<u>1.6114</u>

COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION
 DOCKET NO. 000108-GU
 TYE 12/31/99

ATTACHMENT 5
 02-Aug-2000
 INTERIM

	<u>COMPANY ADJUSTED</u>	<u>COMMISSION VOTE</u>
RATE BASE (AVERAGE)	\$18,514,698	\$18,209,060
RATE OF RETURN	X <u>7.86%</u>	X <u>7.78%</u>
REQUIRED NOI	<u>\$1,455,255</u>	<u>\$1,416,068</u>
 Operating Revenues	 16,555,922	 7,138,255
Operating Expenses:		
Operation & Maintenance	13,067,974	3,820,931
Depreciation & Amortization	1,103,675	1,099,569
Amortization of Environ. Costs	0	0
Taxes Other than Income Taxes	1,157,103	873,800
Income Taxes	266,720	295,008
Total Operating Expenses	15,595,472	6,089,308
ACHIEVED NOI	<u>960,450</u>	<u>1,048,947</u>
NET REVENUE DEFICIENCY	494,805	367,121
Revenue Tax Factor	1.6784	1.6114
TOTAL REVENUE DEFICIENCY	<u>\$830,481</u>	<u>\$591,579</u>

COMPANY: CHESAPEAKE UTILITIES CORPORATION
 ALLOCATION OF INTERIM INCREASE
 BASED ON 12 MONTHS ENDED: 12/31/1999

ATTACHMENT : 6(a)
 DOCKET NO. 000108-GU

(1) RATE SCHEDULE	PRESENT REVENUE				INTERIM INCREASE			
	(2) BILLS	(3) THERM SALES	(4) CUSTOMER CHARGE	(5) ENERGY CHARGE	(6) (4)+(5) TOTAL	(7) (6)X(8) \$ INCREASE	(8) (7)/(6) % INCREASE	(9) (7)/(3) INCREASE CENTS PER THERM
RESIDENTIAL	104,937	2,109,072	\$734,559	\$989,260	\$1,723,819	\$187,388	10.87	8.885
COMMERCIAL	9,598	4,576,505	\$143,970	\$1,012,094	\$1,156,064	\$125,670	10.87	2.746
COMMERCIAL LG. VOL.	296	1,577,734	\$5,920	\$272,743	\$278,663	\$30,292	10.87	1.920
INDUSTRIAL	272	6,074,056	\$10,880	\$479,182	\$490,062	\$53,272	10.87	0.877
INDUSTRIAL INTERRUPTIBLE	138	8,770,946	\$48,300	\$465,913	\$514,213	\$55,898	10.87	0.637
LARGE VOL. CONTRACT TRANS	25	N/A	N/A	N/A	N/A	N/A		N/A
INTERRUPTIBLE TRANS.	22	4,280,196	\$0	\$227,364	\$227,364	\$24,716	10.87	0.577
FIRM TRANS.	251	13,333,150	\$0	\$1,051,852	\$1,051,852	\$114,342	10.87	0.858
SPEC. CONTRACT TRANS.	35	N/A	N/A	N/A	N/A	N/A		N/A
TOTAL	115,574	40,721,659	\$943,629	\$4,498,408	\$5,442,037	\$591,579	10.87	1.453

NOTE: REVENUES ABOVE DO NOT INCLUDE FUEL

COMPANY: CHESAPEAKE UTILITIES CORPORATION

ATTACHMENT : 6(b)
DOCKET NO. 000108-GU

ORDER NO. PSC-00-1416-PCO-GU
DOCKET NO. 000108-GU
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<u>RATE SCHEDULE</u>	<u>PRESENT RATE</u>	<u>PSC APPROVED INTERIM INCREASE</u>	<u>PSC APPROVED INTERIM RATE</u>
<u>RESIDENTIAL</u>			
CUSTOMER CHARGE	\$7.00	\$0.00	\$7.00
ENERGY CHARGE (cents/therm)	46.905	8.885	55.790
<u>COMMERCIAL</u>			
CUSTOMER CHARGE	\$15.00	\$0.00	\$15.00
ENERGY CHARGE (cents/therm)	22.115	2.746	24.861
<u>COMMERCIAL LG. VOL.</u>			
CUSTOMER CHARGE	\$20.00	\$0.00	\$20.00
ENERGY CHARGE (cents/therm)	17.287	1.920	19.207
<u>INDUSTRIAL</u>			
CUSTOMER CHARGE	\$40.00	\$0.00	\$40.00
ENERGY CHARGE (cents/therm)	7.889	0.877	8.766
<u>INDUSTRIAL INTERRUPTIBLE</u>			
CUSTOMER CHARGE	\$350.00	\$0.00	\$350.00
ENERGY CHARGE (cents/therm)	5.312	0.637	5.949
<u>LARGE VOL. CONTRACT TRANS.</u>			
CUSTOMER CHARGE	N/A	N/A	N/A
ENERGY CHARGE (cents/therm)	N/A	N/A	N/A
<u>INTERRUPTIBLE TRANS.</u>			
CUSTOMER CHARGE	\$350.00	\$0.00	\$350.00
ENERGY CHARGE (cents/therm)	5.312	0.577	5.889
<u>FIRM TRANS.</u>			
CUSTOMER CHARGE	\$40.00	\$0.00	\$40.00
ENERGY CHARGE (cents/therm)	7.889	0.858	8.747
<u>SPEC. CONTRACT TRANS.</u>			
CUSTOMER CHARGE	N/A	N/A	N/A
ENERGY CHARGE (cents/therm)	N/A	N/A	N/A

ATTACHMENT 6B