

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Purchased Gas Adjustment  
(PGA) True-Up.

DOCKET NO. 010003-GU  
ORDER NO. PSC-01-0411-PCO-GU  
ISSUED: February 19, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman  
J. TERRY DEASON  
LILA A. JABER  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI

ORDER APPROVING MID-COURSE CORRECTION

BY THE COMMISSION:

On January 12, 2001, the Florida Division of Chesapeake Utilities Corporation ("Chesapeake") filed a petition for relief in the form of a mid-course correction to its currently authorized purchased gas adjustment ("PGA") cap to become effective for the period February 1, 2001, through December 31, 2001. Jurisdiction over this matter is vested in this Commission by several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

By Order No. PSC-00-2383-FOF-GU, issued December 12, 2000, we established Chesapeake's currently authorized PGA cap for the period January 2001 through December 2001 of 74.358 cents per therm. This factor was derived by dividing projected purchased gas costs of \$12,700,409 by projected therm sales of 19,107,365.

In its petition, Chesapeake indicates that it now projects an underrecovery of \$6,840,000 in purchased gas costs based on "an unanticipated increase in gas costs nationally" caused by increased demand for natural gas. Chesapeake indicates that these increases are the result of a colder than normal winter in combination with historically low natural gas storage levels across the nation. Chesapeake further indicates that any significant reduction in

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these prices in not expected. To address this projected underrecovery, Chesapeake requests approval to increase its authorized PGA cap from 74.358 cents per therm to \$1.22211 per therm for the remainder of the January 2001 through December 2001 recovery period.

We note that increasing Chesapeake's PGA cap from 74.358 cents per therm to \$1.22211 per therm during the period February 6, 2001, (the date of our vote) through December 31, 2001, would cause an \$11.96 increase per month for residential customers using 25 therms, if the cap is charged. This increase would not eliminate the full amount of the projected underrecovery. However, increasing the PGA cap now will mitigate the impact of Chesapeake's projected underrecovery on ratepayers during the January 2002 through December 2002 recovery period.

Chesapeake's purchased gas costs have increased as a result of drastic increases in the price of natural gas during the current winter season (2000-2001). Since we approved Chesapeake's currently authorized PGA cap in December 2000, colder than normal winter weather across the mid-west and northeast United States and historically low natural gas storage levels have caused an unprecedented increase in natural gas cost on a national basis. Further, there are no current indications that natural gas prices will experience any meaningful decrease in the next several months.

Based on the foregoing, we find that Chesapeake's request to increase its PGA cap from 74.358 cents per therm to \$1.22211 per therm is reasonable, and we approve the mid-course correction effective with all meter readings taken on and after February 6, 2001, the date of our vote in this matter, through December 31, 2001. Although Chesapeake requested an effective date of February 1, 2001, we find it more appropriate to apply the new PGA factor on a going-forward basis from the date of our vote.

We recognize that there will not be time to conduct a prudence review of Chesapeake's re-projections of purchased gas costs prior to implementing this increase in Chesapeake's PGA factor. However, the prudence of these purchased gas costs will be determined at our annual hearing in Docket No. 010003-GU, scheduled for November 2001. If the increase in Chesapeake's PGA cap is ultimately found imprudent, Chesapeake's ratepayers will suffer no harm because any

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costs found imprudent will be disallowed for recovery and will be credited to the ratepayers through this docket's true-up mechanism.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition of the Florida Division of Chesapeake Utilities Corporation for approval to increase its authorized purchased gas adjustment cap from 74.358 cents per therm to \$1.22211 per therm is granted. It is further

ORDERED that the Florida Division of Chesapeake Utilities Corporation's newly authorized purchased gas adjustment cap shall become effective for all meter readings taken on and after February 6, 2001, the date of our Commission vote in this matter, through December 31, 2001. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission this 19th day of February, 2001.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

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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 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.