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WAYNE L. SCHIEFELBEIN
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OF COUNSEL
THOMAS F. WOODS

RECORDS AND
REPORTING
TELEPHONE: 904.433.1111
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July 15, 1998

ORIGINAL

HAND DELIVERY

Blanco Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

980595 RU

RE: Petition by the Florida Division of Chesapeake Utilities Corporation for authority to implement proposed flexible gas service tariff and revise certain tariff sheets

Dear Ms. Bayo:

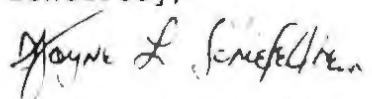
Enclosed on behalf of the Florida Division of Chesapeake Utilities Corporation are an original and 15 copies of the above-referenced petition.

Please open a docket for its consideration.

Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention. Thank you for your assistance.

RECEIVED & FILED

FPSC BUREAU OF RECORDS

Sincerely,

Wayne L. Schiefelbein

WLS/cas
Enclosures

77436 JUL 15 8

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2

ORIGINAL

In re: Petition by the Florida Division)
of Chesapeake Utilities Corporation)
for authority to Implement Proposed)
Flexible Gas Service Rate and to)
Revise Certain Tariff Sheets)

980895 GU

**PETITION FOR AUTHORITY TO
IMPLEMENT PROPOSED FLEXIBLE GAS
SERVICE TARIFF AND REVISE CERTAIN TARIFF SHEETS**

Pursuant to §366.07, Florida Statutes and Rule 25-9.005(4)-(5), Florida Administrative Code, the Florida Division of Chesapeake Utilities Corporation (the "Florida Division" or the "Company") by and through its undersigned counsel, hereby petitions the Florida Public Service Commission ("the Commission") for approval of the Florida Division's proposed Flexible Gas Service ("FGS") tariff and to revise certain tariff sheets to allow for expanded customer payment and deposit options.

In support of its Petition, the Florida Division states as follows:

1. The principal business address of the Florida Division is P.O. Box 960, Winter Haven, Florida 33882.

2. The name and address of the person authorized to receive notices and communications with respect to this Petition is:

Wayne L. Schiefelbein
Gatlin, Schiefelbein & Cowdery, P. A.
3301 Thomasville Road, Suite 300
Tallahassee, Florida 32312
(850) 385-9996

3. The Florida Division is a natural gas distribution company subject to the regulatory jurisdiction of this Commission as prescribed in Chapter 366, Florida Statutes. Its substantial interests will be affected by the Commission's disposition of this Petition in that such disposition will

7455 JUL 19 82

determine whether the Florida Division will be permitted to incorporate the Flexible Gas Service option into its existing tariff and to revise certain tariff sheets to expand customer payment and deposit options.

Flexible Gas Service Tariff

4. As the Commission is aware, federal initiatives have transformed the distribution of natural gas from what was traditionally a monopoly enterprise to one of multiple providers who participate in a competitive market. Whereas the Florida Division was at one time the sole source of natural gas to an exclusive customer base, those customers now have options. In addition, customers are becoming increasingly aware of their ability to meet their energy requirements with alternative sources of energy. The customers' options may include physical relocation, bypassing the Florida Division's distribution system by connecting directly to the interstate pipeline, or accessing viable fuel alternatives, such as propane, fuel oil, and/or electric energy. The authority to implement greater price flexibility is imperative to the Florida Division's ability to succeed in the present, highly competitive energy market.

5. Over time, the Commission has recognized the changing markets the Florida Division faces by providing the Company with a degree of flexibility in certain situations. However, particularly with respect to its ability to attract new customers and to compete in new markets, the Company requires more flexibility to compete effectively for customers who have viable energy alternatives.

6. By this Petition, the Florida Division seeks authority to implement a new Flexible Gas Service tariff. The tariff is designed to meet the Company's need to compete for potential customers

who have viable energy options in a way that assures that existing customers will never be called upon to subsidize contracts entered pursuant to the tariff.

7. The Florida Division's proposed flexible gas service rates will apply, in the Company's discretion, only to customers who show that viable alternatives exist to the Company's service which warrant deviation from the standard tariff options. Only after receipt and review of a documented statement detailing a customer's alternatives would the Company offer Flexible Gas Service to any customer.

8. Importantly, the Florida Division's proposed tariff incorporates several protective measures designed to ensure that existing customers will not be adversely affected by the adoption of the Flexible Gas Service tariff for new customers. To ensure that other customers have no responsibility for costs attributable to this tariff, in future rate cases, the Company will impute revenues sufficient to offset the administrative and operational costs of serving customers under the Flexible Gas Service Tariff so that other customers will not bear these costs. Additionally, the Company will not attempt to recover from the other customers the difference between the otherwise applicable tariff rate and the Flexible Gas Service contract rate, either through cost recovery clauses or during future base rate cases. This is the same degree of protection proposed by City Gas Company of Florida in Docket 960920-GU and approved by the Commission by Order No. PSC-96-1218-FOF-GU (September 24, 1996). Thus, the tariff rate will assist the Company to be competitive and at the same time will shield the remaining customers from any additional costs associated with competitive efforts.

9. The Flexible Gas Service tariff will have a floor equivalent to the incremental cost of providing service to the customer. The Company will exclude all incremental capital costs related to serving the customer from rate base and will retain all revenue received from these customers.

While the Flexible Gas Service tariff is intended primarily to enable the Company to compete effectively for new customers who have viable alternatives to the Company's service, there may be instances in which the tariff could be applicable to existing customers. In such instances, in addition to excluding all incremental capital costs from rate base, the Company shall remove from rate base the depreciated cost of the service line, metering equipment, and any other facilities that were installed specifically to serve the customer. In addition to investments made specifically to serve the existing customer, the tariff requires the Company to remove from rate base a portion of the depreciated costs of common distribution mains reflecting the size of the pipe serving the customer and the distance of the customer from the interstate pipeline. This same methodology would also be applicable to new customers who require an extension of incremental facilities from the pre-existing natural gas distribution system. To illustrate how the costs associated with a customer will be excluded from rate base, the Company has prepared several hypothetical examples which are attached as Exhibits A and B to this petition.

10. The Florida Division's proposed Flexible Gas Service Tariff contemplates that the Company will submit information relating to each contract entered pursuant to the tariff to the Commission within 30 days of execution of the contract. The information will include the name of the customer, the contract rate, the alternative energy sources available to the customer that justified the application of the Flexible Service Tariff, and a copy of the contract entered between the customer and the Company pursuant to the tariff. The tariff prescribes that such information will be submitted to the Commission on a confidential basis. Because each contract will be separately negotiated, the Florida Division regards the confidentiality provisions as an essential component of the tariff, without the approval of which the Company could not offer the program.

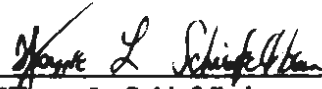
Tariff Sheet Revisions

11. With this Petition, the Company requests to make several changes to its tariff to expand payment alternatives to its customers. The Company proposes to expand its payment options to include payment by credit card, debit card, or direct bank debit (See Revised Tariff Sheets No. 25 and 27 and Exhibit C). In addition, the Company seeks authority to bill customer deposits to residential customers. Some areas of the Company's service territory are as much as 30 miles from the closest Company office, and it is often difficult for a potential residential customer to physically come to the office to pay their deposit in advance of receiving gas service. We believe the ability to bill customer deposits to residential customers will facilitate the application process for new customers at minimal cost to the utility.

12. The Company proposes these changes to improve customer service and to offer a wider variety of options to its customers.

WHEREFORE, the Florida Division respectfully requests that the Florida Public Service Commission authorize the Company to implement its proposed Flexible Gas Service tariff under the conditions and procedures set forth herein and to revise certain tariff sheets.

Respectfully submitted this 15th of July, 1998.



Wayne L. Schiefelbein
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3301 Thomasville Road, Suite 300
Tallahassee, Florida 32312
(850) 385-9996

Attorneys for the Florida Division of
Chesapeake Utilities Corporation

FLEXIBLE GAS SERVICE TARIFF SHEETS

FLEXIBLE GAS SERVICE
Rate Schedule FGS

OBJECTIVE

The objective of this service classification is to enable the Company the opportunity to compete in markets where natural gas service is not a monopoly service.

This tariff provides the Company with both the opportunity and risk to compete in these markets. It is designed to increase load by working with customers with regard to the specific terms and conditions of service.

This tariff places the Company's shareholders at risk, not the general body of rate payers (see rate-making treatment).

APPLICABILITY

This service is available at the Company's option to customer(s) meeting the applicability standards, which include (1) The customer must provide the Company with a viable economic energy alternative including verifiable documentation of customer alternative and (2) the Company must demonstrate that this new customer will not cause any additional cost to the Company's other rate classes. The Company is under no obligation to grant service under this tariff. Absent a service agreement with the Company under this rate schedule, customers are under no obligation to accept service under this rate schedule, and may elect to receive service under other applicable tariff rate schedules.

Terms of service under this rate schedule, including pressure, capital repayment, operating conditions and length of service are separately set forth in individual agreements between the Company and the Customers.

FLEXIBLE GAS SERVICE (Continued)

MONTHLY RATE

The rate will be developed based on economic market conditions at the time gas service is requested. The rate shall not be set lower than the incremental cost the Company incurs to serve the Customer.

CONFIDENTIALITY

The Company and Customer each regard the terms and conditions of the negotiated service agreement as confidential, proprietary business information.

The Company and Customer agree to utilize all reasonable and available measures to guard the confidentiality of said information, subject to the requirements of courts and agencies having jurisdiction hereof.

In the event either party is asked to provide the information by such a court or agency, it will promptly inform the other of the request, and will cooperate in defending and maintaining the confidentiality of the information.

This provision shall not prohibit or restrict the FPSC from reviewing the service agreement in the performance of its duties, but the FPSC shall treat the service agreement as a confidential document. Within 30 days after a service agreement has been executed under this rate schedule, the Company shall file the service agreement and related documents with the Commission's Division of Records and Reporting for review by the Commission Staff who shall treat them as confidential documents.

FLEXIBLE GAS SERVICE (Continued)

RATE-MAKING TREATMENT

The Company will separately account for all incremental capital cost, and such cost will be excluded from rate base. To the extent that the Company enters into flexible gas service agreements with Customers, the Company is at risk for the capital investment, not the general body of rate payers.

As part of the incremental cost analysis, in determining the Customer's rate, the Company will specifically identify the incremental O & M costs. In future base rate cases, the customer operating cost (the annual operating and maintenance cost of meter reading, billing, and maintenance of facilities) will be imputed as revenue to offset the revenue requirement of such cost. The imputed revenue will be the greater of the specifically identified O & M cost, or applicable customer cost component, as identified in the cost of service study of the Company's most recent base rate proceeding.

Revenues, exclusive of the appropriate taxes and assessments, shall be retained by the Company. In addition, revenue will be excluded from regulated revenues. For the purpose of monthly surveillance reports, only the imputed revenue component of revenue shall be included.

Although the primary purpose of the flexible gas service schedule is to attract new customers, the Company shall not be precluded from using the schedule to keep existing customers from leaving its system. Flexible gas service rates for existing customers, shall be determined on a case-by-case basis. If this rate schedule is applied to an existing customer, in addition to excluding all incremental capital costs from rate base, the existing depreciated cost of the gas service line, metering equipment and any other facilities that were specifically installed to serve that particular customer shall be removed from rate base. Also, a portion of the depreciated costs of common distribution mains reflecting that customer's distance from the nearest point on an interstate Gas Pipeline and the size of pipe required to serve that customer's peak demand for gas shall be removed from rate base.

OTHER TARIFF SHEETS

GENERAL RULES AND REGULATIONS
(Continued)

4. DEPOSITS (Continued)

4.1 Deposits Required: Establishment of Credit (Cont.)

- (a) (continued)
meets the requirements of Section 4.3 of this Rule. Guarantors providing security for payment of residential customers' bills shall only be liable for bills contracted at the service address contained in the Contract of Guaranty.
- (b) The applicant pays a cash deposit by cash, check, credit card, or debit card at the time gas service is requested.
- (c) The applicant for service furnishes an irrevocable letter of credit from a bank or a surety bond.
- (d) The applicant for service furnishes a letter from another utility showing a satisfactory payment record for the preceding 23 months. Satisfactory payment record will be deemed to be established if the applicant meets the criteria stated below in Section 4.3.
- (e) Residential customers may request to be billed for the amount of deposit. A bill for customer deposit is due upon receipt and shall be considered delinquent by the Company at the expiration of seven days from the date of mailing by the Company. Delinquent accounts are subject to Section 10. Discontinuance of Service.

GENERAL RULES AND REGULATIONS
(Continued)

4.4 Interest on Deposits

Six percent (6%) per annum interest will be credited to residential customer's account annually in accordance with the current effective rules and regulations of the Commission. Seven percent (7%) per annum will be credited annually on deposits of residential customers qualifying under Section 4.3 when the Company elects not to refund such a deposit after twenty three (23) months. The utility shall credit annually seven percent (7%) per annum on deposits of non-residential customers qualifying under Section 4.3 of this Rule until the Commission sets a new interest rate applicable to the Company. A receipt for any deposit made by a customer shall be given to customer. Such receipt is not negotiable or transferable.

5. BILLING AND COLLECTING

5.1 Billing Periods

Each customer's meter will be read at regular intervals and bills for gas service will be rendered regularly on a monthly basis, except for customers contracting for Residential Annual Contract Service (Rate Schedule RACS) wherein meters will be read and bills returned once a year on the anniversary date of each contract. The Company may, however, read the meters of such annual contract customers at more frequent intervals. Bills will be rendered as soon as practical after determination of their amount and shall be due and payable at the office of the Company in accordance with the Florida Public Service Commission rules and regulations, and the requirements of this section.

- (a) Customers may choose to pay their bill in person, by mail, or by telephone no later than twenty days from the date of mailing by the Company.
- (b) Customers choosing to pay their bill by telephone will be required to furnish a valid credit card number to the Company for processing.
- (c) Customers may choose to participate in the Company's direct bank debit program by completing an agreement with the Company. Customers choosing this payment method agree that the Company may debit their bank account for the balance due on customer's gas account on the 15th day following the date of mailing by the Company.

GENERAL RULES AND REGULATIONS
(Continued)

5.2 Partial Month

Upon commencement of gas service less than fifteen (15) days prior to a regular monthly billing date and when the gas service continues thereafter to the same customer at the same address where customers are receiving gas service on monthly rate schedules, no bill will be rendered for gas service covering such period, but the charge for such period will be included in the bill rendered for the next succeeding monthly billing period.

INDEX OF RATE SCHEDULES

Title	Symbol	Sheet No.
Residential Sales Service	RS	52
Residential Load Enhancement Service	RSLE	52.1
Residential Annual Contract Sales Service	RACS	53
Commercial Sales Service	C	54
Load Profile Enhancement Rider	Rider LE	54.2
Commercial Large Volume Sales Service	CLV	55
Industrial Sales Service	I	56
Industrial Interruptible Sales Service	IIS	58
Firm Transportation Service	FTS	64
Contract Transportation Service	CTS	66
Large Volume Contract Transportation Service	LVCTS	70
<u>Off System Sales Service</u>	<u>OSSS</u>	<u>71.1</u>
<u>Flexible Gas Service</u>	<u>FGS</u>	<u>71.6</u>
Billing Adjustments	BA	72

Florida Division
Original Volume No. 2

Original Sheet No. 71.5

Reserved for Future Use

Issued by: John R. Schimkaitis, President
Chesapeake Utilities Corporation

Effective:

GENERAL RULES AND REGULATIONS
(Continued)

4. DEPOSITS (Continued)

4.1 Deposits Required: Establishment of Credit (Cont.)

- (a) (continued)**
meets the requirements of Section 4.3 of this Rule. Guarantors providing security for payment of residential customers' bills shall only be liable for bills contracted at the service address contained in the Contract of Guaranty.
- (b)** The applicant pays a deposit by cash, check, credit card, or debit card at the time gas service is requested.
- (c)** The applicant for service furnishes an irrevocable letter of credit from a bank or a surety bond.
- (d)** The applicant for service furnishes a letter from another utility showing a satisfactory payment record for the preceding 23 months. Satisfactory payment record will be deemed to be established if the applicant meets the criteria stated below in Section 4.3.
- (e)** Residential customers may request to be billed for the amount of deposit. A bill for customer deposit is due upon receipt and shall be considered delinquent by the Company at the expiration of seven days from the date of mailing by the Company. Delinquent accounts are subject to Section 10, Discontinuance of Service.

GENERAL RULES AND REGULATIONS
(Continued)

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GENERAL RULES AND REGULATIONS

(Continued)

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Industrial Interruptible Sales Service	IIS	58
Firm Transportation Service	FTS	64
Contract Transportation Service	CTS	66
Large Volume Contract Transportation Service	LVCTS	70
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Flexible Gas Service	FGS	71.6
Billing Adjustments	BA	72

**Florida Division
Original Volume No. 2**

Original Sheet No. 71.5

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**Issued by: John R. Schimkaitis, President
Chesapeake Utilities Corporation**

Effective:

EXHIBITS

DEDICATED

Chesapeake Utilities Corporation
Flexible Gas Service Tariff Incremental Cost - Dedicated Facility

Dedicated Facility Example 1/

Capital Cost - Incremental

Description	Labor	Materials	Total
Incremental Cost of Plant:			
Distribution Main	\$5,000	\$105,000	\$110,000
Regulator	\$200	\$3,000	\$3,200
Service Line	\$500	\$5,000	\$5,500
Meter Set	\$500	\$5,100	\$5,600
Total	\$6,200	\$118,100	\$124,300 *

- 1/ This hypothetical example assumes a new customer who would receive service entirely from new facilities. For this reason, there would be no need to remove a portion of the embedded costs from rate base in conjunction with the execution of the Flexible Gas Service (FGS) contract with the new customer. Only the "incremental costs", those incurred with building the new facilities, would be excluded from rate base.

* Capital cost excluded from Rate Base

DEDICATED

**Chesapeake Utilities Corporation
Flexible Gas Service Tariff Incremental Cost - Dedicated Facility**

Dedicated Facility Example 2/

Estimated O & M Expenses - Incremental

<u>Description</u>	<u>Man hours</u>	<u>Labor</u>	<u>Other</u>	<u>Total</u>
I <u>Customer Maintenance:</u>				
Leak Surveys (main and service line)	8	\$160	\$175	\$335
Meter Set Maintenance	8	\$160	\$800	\$960
Valve Maintenance	12	\$240	\$800	\$1,040
II <u>Pipe Inspection:</u>				
Exposure Reports	8	\$160	\$50	\$210
Locate for Others	8	\$160	\$100	\$260
Third Party Monitoring	8	\$160	\$75	\$235
III <u>Cathodic Protection:</u>				
Pipe to Soil Survey	4	\$80	\$100	\$180
Interference Testing	4	\$80	\$100	\$180
Atmospheric Inspection	8	\$160	\$50	\$210
Anode Replacement	2	\$40	\$100	\$140

DEDICATED

**Chesapeake Utilities Corporation
Flexible Gas Service Tariff Incremental Cost - Dedicated Facility**

Dedicated Facility Example 2/

Estimated O & M Expenses - Incremental (cont'd)

Description	Man hours	Labor	Other	Total
IV Administrative Functions:				
Meter Reading	4	\$100	\$500	\$600
Billing	12	\$300	\$500	\$800
Other	24	\$600	\$200	\$800
Total estimated O & M Expenses		<u>\$2,400</u>	<u>\$3,550</u>	<u>\$5,950 *</u>

2/ In this example, because only dedicated facilities are necessary to serve the FGS customer, the only revenues to be imputed to protect existing customers are those that correspond with the expenses of operating the dedicated facilities.

* Amount of revenue which would be imputed in future base rate proceedings and used in monthly surveillance reports.

COMMON

Chesapeake Utilities Corporation
Flexible Gas Service Tariff Incremental Cost - Common Facility

Common Facility Example 1/

Capital Cost - Incremental

Description	Labor	Materials	Total
Incremental Cost of Plant:			
Distribution Main Extension	\$3,000	\$10,000	\$13,000
Regulator	\$200	\$3,000	\$3,200
Service Line	\$500	\$5,000	\$5,500
Meter Set	\$500	\$5,100	\$5,600
Total	\$4,200	\$23,100	\$27,300 *

COMMON

Chesapeake Utilities Corporation
Flexible Gas Service Tariff Incremental Cost - Common Facility

Common Facility Example 1/

Capital Cost - Common

Description

Main: Original Cost	\$80,000
Accumulated Depreciation	<u>(\$40,000)</u>
Net Cost	<u>\$40,000</u>
Peak Capacity of Common Main	50 Mcf/Hour
Peak Load of New Customer	10 Mcf/Hour
Percent of Common Main allocated to New Customer	20.00%
Total Cost Allocation to New Customer	\$8,000 **
Total Capital	<u>\$35,300</u>

1/ This hypothetical example assumes the FGS customer will be served partially through existing facilities and partially through new facilities. As a result, all capital costs associated with the new facility plus a portion of embedded costs related to existing plant that will be used to serve the customer will be excluded from rate base. Typically, this scenario will apply to new customers; however, it could conceivably apply to an existing customer whose service line is being enhanced in conjunction with a change to the FGS tariff.

* Capital cost excluded from Rate Base

** Amount to be removed from Rate Base

COMMON

Chesapeake Utilities Corporation
Flexible Gas Service Tariff Incremental Cost - Common Facility

Common Facility Example 2/

Estimated O & M Expenses - Incremental

Description	Man hours	Labor	Other	Total
I Customer Maintenance:				
Leak Surveys (service line)	1	\$20	\$25	\$45
Meter Set Maintenance	8	\$160	\$800	\$960
Valve Maintenance	6	\$120	\$400	\$520
IV Administrative Functions:				
Meter Reading	4	\$100	\$500	\$600
Billing	12	\$300	\$500	\$800
Other	24	\$600	\$200	\$800
Total estimated O & M Expenses		\$1,300	\$45,735	\$3,725

COMMON

Chesapeake Utilities Corporation
Flexible Gas Service Tariff Incremental Cost - Common Facility

Common Facility Example 2/

Estimated O & M Expenses - Common Facilities

Description	Man hours	Labor	Other	Total
I Customer Maintenance:				
Leak Surveys (main)	7	\$140	\$150	\$290
Meter Set Maintenance	0	\$0	\$0	\$0
Valve Maintenance	6	\$120	\$400	\$520
II Pipe Inspection:				
Exposure Reports	8	\$160	\$50	\$210
Locate for Others	8	\$160	\$100	\$260
Third Party Monitoring	8	\$160	\$75	\$235
III Cathodic Protection:				
Pipe to Soil Survey	4	\$80	\$100	\$180
Interference Testing	4	\$80	\$100	\$180
Atmospheric Inspection	8	\$160	\$50	\$210
Anode Replacement	2	\$40	\$100	\$140
Total estimated O & M Expenses		\$1,100	\$1,125	\$2,225
Percent of O & M allocated to New Customer				20.00%
Allocation of Common Facilities O & M to New Customer				\$445
Total O&M Expenses of New Customer				\$4,170 *

2/ Because this hypothetical example assumes service will be provided to the FGS customer will be served through a combination of existing and new facilities, the Company will impute revenues reflecting the Customer's share of the cost of maintaining existing facilities as well as the full cost of maintaining the new dedicated facility.

* Amount of revenue which would be imputed in future base rate proceedings and used in monthly surveillance reports.

Please complete the following form to have us automatically withdraw your monthly payment from your bank account.

 (Cut along the perforated line)

DIRECT DEBIT AUTHORIZATION FORM

I/We hereby authorize Central Florida Gas* to direct debit my/our account 15 days after my/our bill date. I/We understand that Central Florida Gas reserves the right, upon written notification, to terminate this payment option. I/We also have the right to terminate this payment option if not completely satisfied. I/We understand that my/our account may be subject to an additional charge if my/our payment is rejected, reversed or refused by Central Florida Gas's financial institution.

My/Our gas bill should be deducted from my/our:

Checking Savings account as follows:

Name _____
 Name _____
 Address _____

 City _____ State _____ Zip _____
 Daytime Phone _____
 Account # _____

Bank Name _____
 Bank Address _____

 Bank Phone # _____
 Bank Transit/ABA # _____
 Bank Account # _____
 Signature(s) of bank account holder(s):

*Central Florida Gas is a division of Chesapeake Utilities Corporation

 (Cut along the perforated line)

Mail this form, with a voided check for a checking account or a deposit slip for a savings account to:

Central Florida Gas
 P.O. Box 960
 Winter Haven, FL 33882