

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
TALLAHASSEE, FLORIDA

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

DOCKET NO. 980895-GU

COPY

BEFORE: CHAIRMAN JULIA A. JOHNSON  
COMMISSIONER J. TERRY DEASON  
COMMISSIONER SUSAN F. CLARK  
COMMISSIONER JOE GARCIA  
COMMISSIONER E. LEON JACOBS

PROCEEDING: AGENDA CONFERENCE

ITEM NUMBER: 7\*\*

DATE: October 6, 1998

PLACE: 4075 Esplanade Way, Room 148  
Tallahassee, Florida

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**APPEARANCES:**

KENNETH GATLIN, Esquire, ANNE WOOD, and JOHN McCLELLAN  
representing Chesapeake Utilities Corporation

**STAFF RECOMMENDATION**

**Issue 1:** Should the Commission approve Chesapeake's petition to implement a Flexible Gas Service Tariff?

**Recommendation:** Yes. The Commission should approve Chesapeake's petition to implement a Flexible Gas Service Tariff.

**Issue 2:** What is the appropriate accounting treatment?

**Recommendation:** If Issue 1 is approved, the accounting treatment proposed by Chesapeake in Attachment 1 to staff's September 24, 1998 memorandum should be approved. However, staff further recommends that the Commission review the results of the proposed accounting methodology to ensure that the remaining ratepayers are adequately compensated.

**Issue 3:** Should the Commission approve Chesapeake's request to expand its payment options?

**Recommendation:** Yes. The Commission should approve Chesapeake's request to expand its payment options.

**Issue 4:** What is the appropriate effective date for the Flexible Gas Service tariff and revision of certain tariff sheets?

**Recommendation:** The effective date for the Flexible Gas Service tariff and revision of certain tariff sheets should be the effective date of the Commission's vote.

**Issue 5:** Should this docket be closed?

**Recommendation:** Yes. If no substantially affected person files a protest within 21 days of issuance of the order, the docket should be closed. If a protest is filed within 21 days from issuance of the order, the tariff should remain in effect with any increase held subject to refund, pending resolution of the protest.

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CHAIRMAN JOHNSON: Item 7.

COMMISSION STAFF: Commissioners, Item 7 is Docket Number 980895-GU, petition by Florida Division of Chesapeake Utilities Corporation for authority to implement proposed flexible gas service tariff and to revise certain tariff sheets. And I believe representatives of the company are here, and they will be glad to answer any of your questions.

CHAIRMAN JOHNSON: Are the representatives here to make statements or just to answer questions?

COMMISSION STAFF: Statements.

MR. GATLIN: We have a statement we wish to make.

CHAIRMAN JOHNSON: Mr. Gatlin.

MR. GATLIN: My name is Kenneth Gatlin, and I represent Chesapeake Utilities. With me is Anne Wood of Chesapeake. She is the manager of accounting and rates, and to her left is Mr. John McClellan, he is the business development manager, and Ms. Wood will make the statement.

MS. WOOD: Good morning, Commissioners. My name is Anne Wood, and I'm with Chesapeake Utilities Corporation.

As the Commission is aware, federal initiatives have transformed the distribution of natural gas from

1 what was traditionally a monopoly enterprise to one of  
2 multiple providers who participate in a competitive  
3 market.

4 Chesapeake Utilities Corporation was at one time  
5 the sole source of natural gas to an exclusive  
6 customer base. This is not true today. Our customers  
7 now have options. Large sophisticated customers are  
8 well aware of their ability to meet their energy  
9 requirements with alternate sources of energy. A  
10 customers options may include physical relocation,  
11 physical bypass of Chesapeake's system by directly  
12 connecting to the pipeline, or accessing viable fuel  
13 alternatives, such as propane, fuel oil, and electric  
14 energy.

15 In this proceeding Chesapeake is requesting  
16 authority to implement greater flexibility in  
17 contracting with customers to demonstrate viable  
18 energy alternatives. This ability is imperative to  
19 Chesapeake's success in the present highly competitive  
20 energy market.

21 Chesapeake is requesting approval for what we  
22 believe is a tool of last resort to use in its efforts  
23 to attract new customers as well as keep existing  
24 customers contributing to the system as a whole. We  
25 intend to use this mechanism after traditional

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21 Chesapeake is requesting approval for what we  
22 believe is a tool of last resort to use in its efforts  
23 to attract new customers as well as keep existing  
24 customers contributing to the system as a whole. We  
25 intend to use this mechanism after traditional

1 methods, such as our existing tariff and special  
2 contracts have failed in negotiations to attract or  
3 retain the customer.

4 As we reviewed our options to deal with  
5 competition, we reviewed City Gas Company's flexible  
6 gas service tariff approved by this Commission on  
7 September 24th, 1996, in Order Number  
8 PSC-96-1218-FOF-GU. As a result, we modeled this  
9 tariff filing after that of City Gas. Our original  
10 tariff filing in this docket was identical to City  
11 Gas' approved tariff.

12 After discussions with staff, in both the  
13 auditing and financial analysis division, as well as  
14 the electric and gas division, we offered supplemental  
15 information to assist staff in their understanding of  
16 our accounting treatment with respect to this tariff.  
17 As a result, we subsequently modified our tariff to  
18 withdraw the accounting treatment methodology from the  
19 tariff. The accounting treatment presented to and  
20 reviewed with both AFAD and E&G staff is attached to  
21 staff's recommendation as Attachment 1.

22 As revised, there are two differences between the  
23 tariffs filed by Chesapeake and by City Gas. The  
24 first difference relates to reporting of this tariff  
25 for ratemaking purposes. Chesapeake proposes to

1           remove all capital revenues and O&M related to this  
2           tariff for ratemaking purposes, placing these items  
3           below-the-line for surveillance and future base rate  
4           proceedings. City Gas chose to impute revenues to  
5           offset the revenue requirement associated with the  
6           customers' operating costs under this tariff.  
7           Mathematically, the regulated results will be the same  
8           under either methodology.

9           The second difference relates to the cost  
10          allocation methodology with respect to this tariff.  
11          Chesapeake's cost allocation methodology allocates  
12          customer costs, commodity costs, capacity costs, and  
13          revenue related costs to customers under this tariff  
14          based on the company's most recent cost of service  
15          study. City Gas' cost allocation methodology, as we  
16          understand it, allocates the greater of the  
17          specifically identified costs for a customer or the  
18          applicable customer costs as identified in their most  
19          recent cost of service study.

20          The City Gas tariff does not allocate commodity,  
21          capacity, and revenue related costs. As Chesapeake's  
22          customer-related costs are only 45 percent of our  
23          total cost of service in our most recent rate  
24          restructuring filing, we believe it is more  
25          appropriate to allocate a percentage of total cost to

1 customers under this tariff.

2 Although we have requested that this tariff be  
3 treated below-the-line for regulatory purposes, we  
4 believe the Commission still retains the ability for  
5 regulatory oversight. Each of these contracts will be  
6 filed with the Commission within 30 days of their  
7 execution. In addition, the accounting and financial  
8 analysis division will have the opportunity to review  
9 the appropriateness of cost allocations during  
10 quarterly surveillance reports and any base rate  
11 proceedings.

12 We believe that this tariff provides the company  
13 with a tool to compete in today's competitive energy  
14 market in a manner that ensures that our general body  
15 of ratepayers will never be called upon to subsidize  
16 contracts entered into under this tariff. In fact, we  
17 believe that this tariff will generate positive  
18 benefits for the general body of ratepayers as a whole  
19 as we increase or retain load on our system through  
20 its application. Thank you.

21 CHAIRMAN JOHNSON: Thank you. Any other  
22 comments?

23 CHAIRMAN JOHNSON: So you support the staff's  
24 recommendation?

25 MS. WOOD: Yes, ma'am.

1           COMMISSIONER CLARK: Let me ask a question. I  
2 was confused by staff's comments at several places.  
3 It would say that we would not have jurisdiction over  
4 it. Let me find it. Page 4, it says any customers  
5 under this tariff are not subject to Florida Public  
6 Service Commission regulation. What do you mean?

7           COMMISSION STAFF: Well, the company in their  
8 tariff, which was not attached to the recommendation,  
9 states -- this is a quote -- to the extent that the  
10 company enters into flexible gas service agreements  
11 with customers, the company is at risk for the capital  
12 investment necessary to serve the flexible gas service  
13 tariff customers, not the general body of ratepayers.  
14 With the exception of pipeline safety requirements,  
15 the agreement putting the company and the flexible gas  
16 service tariffs customers, including rates, terms, and  
17 conditions of service is not subject to regulation by  
18 the Florida Public Service Commission. So we  
19 interpreted that to mean that it was basically a  
20 request to establish a tariff which will deregulate  
21 any company that goes under this tariff.

22           COMMISSIONER CLARK: I'm not sure that's what  
23 they were trying to do. Is that what you were trying  
24 to do? I take that to mean the regular  
25 tariff-approved provisions that would apply to a large

1 customer would not be applicable. They would be  
2 taking under this tariff, this tariff is applicable  
3 and we still have jurisdiction over customers of a  
4 regulated company.

5 MR. GATLIN: I think that's true.

6 COMMISSIONER CLARK: That's true?

7 MR. GATLIN: I think it's true.

8 COMMISSIONER DEASON: Well, what would be the  
9 extent of our jurisdiction for those customers who  
10 choose to exercise this tariff provision?

11 MR. GATLIN: Well, the oversight that you  
12 generally have for tariffs and rates.

13 COMMISSIONER DEASON: Quality of service would be  
14 our jurisdiction?

15 MR. GATLIN: Quality of service is certainly --

16 COMMISSIONER DEASON: Billing disputes?

17 MR. GATLIN: I'm sorry?

18 COMMISSIONER DEASON: Billing disputes.

19 MR. GATLIN: Yes.

20 COMMISSIONER DEASON: I mean, any and everything  
21 would still be under our jurisdiction, it's just that  
22 the accounting would be below-the-line?

23 MR. GATLIN: That's right. As Ms. Wood said,  
24 when we filed this -- I don't know if you are familiar  
25 with the City Gas case, an order in 1996, Chesapeake

1 patterned its application exactly by what you approved  
2 in that case. It got modified along the way with  
3 discussions with staff and all, but that's what we set  
4 out to do. We didn't think we were plowing new ground  
5 or asking for anything different than what the  
6 Commission had already approved.

7 COMMISSIONER CLARK: Then what was in the City  
8 Gas, was this similar language in City Gas?

9 COMMISSION STAFF: Similar. The primary  
10 difference was within the City Gas tariff, as was  
11 pointed out by Ms. Wood, the accounting was in there,  
12 which we came to an agreement that it really served no  
13 purpose for any customer to have the accounting in the  
14 tariff. And the other thing was primarily when it  
15 came to O&M expenses, City Gas' tariff indicates --  
16 and at the present time they have no customers under  
17 this tariff. The order indicates that they will be  
18 required -- that they will follow one of two methods;  
19 it will either be actual O&M expenses at the time they  
20 have a customer on this tariff, or using the  
21 methodology in their latest cost of service study,  
22 whichever is greater. And Chesapeake plans on using  
23 basically actual at the time the contract is arrived  
24 at.

25 But I think what staff was picking up is the last

1 line in the second paragraph under the objective of  
2 the tariff. It was an attachment. It indicates that  
3 with the exception of pipeline safety requirements,  
4 the agreement between the company and the customer  
5 basically including rates, terms, and conditions of  
6 service are not subject to regulations.

7 Now, I would assume that conditions of service  
8 will be quality of service and the ability for the PSC  
9 to handle complaints and the type of things that were  
10 mentioned by the Commission. But that's basically  
11 what we picked on is -- excuse me? I'm sorry -- that  
12 it was clear that what we got out of it is that they  
13 would still be covered by safety like, for example,  
14 the airlines, but they would not be covered for any  
15 other matters that the Commission normally regulates.  
16 So that was really -- that was the basis for our  
17 accounting treatment.

18 COMMISSIONER CLARK: Let me ask this. I'm not  
19 even sure we can say we don't have jurisdiction over  
20 them. We can't agree to give away jurisdiction. I  
21 guess -- I think it needs to be made clear to these  
22 customers that if they choose to go under this tariff,  
23 then the terms and conditions they agreed to will be  
24 controlling as opposed to anything in the general  
25 tariff. But that doesn't take away our overall

1 jurisdiction. And I think somehow the language should  
2 be modified, because I don't want a customer thinking  
3 that they can't come to the Commission should they be  
4 dissatisfied in some way for something that is within  
5 our jurisdiction. And I would ask that maybe you work  
6 on -- maybe we could temporarily pass this and you can  
7 work on some language in the tariff that accomplishes  
8 that and just bring it back later on in the agenda.

9 MR. GATLIN: Sure, we can do that.

10 CHAIRMAN JOHNSON: Okay. Staff and the company?

11 COMMISSIONER DEASON: Well, I have some other  
12 questions. I can wait or I can ask them now. It  
13 seems to me that a key ingredient for this tariff  
14 provision to be successful is cost allocation. I  
15 think the company would agree with that. Is it the  
16 company's proposal to use the last cost of service  
17 study to allocate costs to these customers who choose  
18 to exercise this option?

19 MS. WOOD: Yes, sir, that is correct.

20 COMMISSIONER DEASON: And does it include all  
21 costs, including overhead and shared costs?

22 MS. WOOD: Yes, sir, it does.

23 COMMISSIONER DEASON: Do you agree that the  
24 Commission has continuing jurisdiction to monitor the  
25 cost allocations?

1 MS. WOOD: Yes, sir, we do.

2 COMMISSIONER CLARK: Wayne, this is the one you  
3 also passed out a change in the language from credit  
4 card to debit?

5 MR. MAKIN: Yes, ma'am.

6 COMMISSIONER CLARK: All right. Let me ask a  
7 question. Does that mean there will be -- you won't  
8 be able to pay by credit card, only debit; is it a  
9 substitution?

10 MS. WOOD: No, ma'am, it's an addition.

11 COMMISSIONER CLARK: Okay.

12 COMMISSIONER JACOBS: Are we -- is this any kind  
13 of precedent? Because as I understand it,  
14 historically when we have encountered these kinds of  
15 tariffs in the other industries, we have not awarded  
16 this kind of accounting treatment. Is that correct?

17 COMMISSION STAFF: That is correct, except to  
18 City Gas.

19 COMMISSIONER JACOBS: Are we doing anything here  
20 that opens a precedent in those other areas? What  
21 distinguishes this in the event we are presented with  
22 this proposed treatment in another industry?

23 COMMISSIONER CLARK: We are doing it now in  
24 electric, I think, aren't we? Aren't we doing some  
25 -- we are giving them some flexibility to --

1           COMMISSION STAFF: They have flexibility as the  
2           big four electric have special tariffs in effect that  
3           in a lot cases have different components such as job  
4           creation or things of that nature. But in all cases  
5           all of the accounting treatment is above-the-line.

6           COMMISSIONER JACOBS: Right.

7           COMMISSIONER DEASON: The accounting treatment is  
8           above-the-line with revenue imputation.

9           COMMISSION STAFF: Now, in the case of  
10          Chesapeake, it would not be a precedent in the contest  
11          that it has been done before two years ago. But as we  
12          have pointed out, Chesapeake's treatment is a little  
13          bit different.

14          COMMISSIONER CLARK: Well, I had understood that  
15          by imputing the revenues, you basically accomplish the  
16          same thing as putting it below-the-line, so they are  
17          really no different.

18          COMMISSION STAFF: Well, the company argues that  
19          putting it below-the-line will, to use their word,  
20          isolate the general body of ratepayers from any  
21          problems down the line with these companies. And they  
22          are particularly trying to get new customers. And, of  
23          course, as long as they set the floor price, which  
24          they say they would at least the incremental cost to  
25          serve, the company stands a good chance of at least

1 covering fixed cost and ensure that their facilities  
2 are better used and that would be a benefit. I think  
3 our main concern, and without making any assumption  
4 that it would happen, is they already have one tariff  
5 that is called a special contracts tariff, which has  
6 some of the very same types of customers. They are  
7 large industrial customers with alternate sources of  
8 energy. And, in fact, I think in a couple of cases  
9 the rate restructuring that went on earlier this year  
10 was due to the possibility that they might lose a  
11 system. If it was only applied to new customers, we  
12 wouldn't have quite the concern. But if you moved  
13 existing customers to it, particularly in that special  
14 contracts tariff, which basically are subsidizing the  
15 residential tariff, it could possibly have an impact.  
16 Not that it necessarily -- not that we are saying the  
17 company would do that, but if it happened it could  
18 have an impact.

19 MR. McCLELLAN: Commissioners, I'm John  
20 McClellan, Central Florida Natural Gas. I would like  
21 to make one comment about the tariff --

22 CHAIRMAN JOHNSON: You need to speak directly  
23 into the microphone. If you could just lower it a  
24 bit.

25 MR. McCLELLAN: One comment about the tariff

1 being used on existing customers. Today we have one  
2 customer, which is a generating company that we are  
3 supplying natural gas to. Approximately 2,058,000  
4 MMBTUs, or decatherms per year. This company uses our  
5 capacity, FTS-1 capacity from FGT, which in essence  
6 amounts to 37 cents, almost 38 cents, .3772 cents per  
7 MMBTU. If this customer would move away from our  
8 system today, the rate shocks for our customers just  
9 on capacity alone would be almost \$800,000. If the  
10 customer moved away, not only would the capacity be  
11 lost, but also our margin of \$460,000, which amounts  
12 to 1,200,000-plus, plus the capital costs that has  
13 been generated or put in place for this generating  
14 company.

15 In today's environment, we need all the tools  
16 that we possibly can have to keep our operation going.  
17 We are trying to help -- actually trying to move some  
18 of these assets away where the company will be at risk  
19 and not the rest of our ratepayers. You have all the  
20 authority in the world to monitor our revenues, our  
21 releases from rate base, anything that you need to do  
22 when these numbers are below-the-line. I'm not an  
23 accountant, so I can't tell you how to do it, but it  
24 looks like to me that in this environment -- and its  
25 coming. It just happened in Georgia last year -- it

1           totally got out of the merchant business. So we need  
2           the tools to operate. We need to be able to add new  
3           customer load. The non-traditional type customers.  
4           The people out there that is using the fuel that's not  
5           as environmentally friendly as ours. The Number 6  
6           oils, the coal, the Number 2 fuel oils. We need the  
7           tools to be able to bring those type customers on  
8           board and to change those customers from oil to  
9           natural gas. That's where I see this tariff coming.  
10          It's both for retention and it's both for new customer  
11          base, load base. And, again, you have the authority  
12          in the future if you don't like the tariff to remove  
13          it.

14                 COMMISSIONER DEASON: So you are agreeing we have  
15          the continuing jurisdiction to monitor the  
16          effectiveness of this tariff and to ensure that it is  
17          not harming the general body of ratepayers?

18                 MR. McCLELLAN: That is correct.

19                 COMMISSIONER DEASON: Back to the question of  
20          cost allocations. It is going to be necessary to have  
21          cost allocations. Under the previous method of  
22          imputing revenue, you are not actually separating  
23          costs, it's a question of imputing revenues. Here you  
24          are actually going to have to identify costs and  
25          separate them out so they can be placed

1 below-the-line. I assume our auditing staff is aware  
2 of this situation, feels comfortable that these costs  
3 can be audited, the allocations can be audited, and  
4 that we can continue to monitor that situation, is  
5 that correct?

6 COMMISSION STAFF: That's correct, along with our  
7 engineering staff, because they really do the  
8 separations, go in the field to make that  
9 determination.

10 CHAIRMAN JOHNSON: Any other questions,  
11 Commissioners? We are going to TP it?

12 COMMISSIONER CLARK: Yes. I mean, I think the  
13 language in the tariff needs to be fixed. And I think  
14 it can be fixed, and maybe if we can TP it and you  
15 just tell us when you have gotten it straightened out.

16 CHAIRMAN JOHNSON: We will TP the item.

17 \* \* \* \* \*

18 CHAIRMAN JOHNSON: We will convene with Item 7.

19 Staff, anything to report on the language? Or  
20 Mr. Gatlin?

21 COMMISSION STAFF: Yes. I believe it's working  
22 now, and I believe the company is prepared to give you  
23 the run down of our agreement.

24 MS. WOOD: My name is Anne Wood with Chesapeake  
25 Utilities Corporation. We met with Commission staff

1 and have come up with some language in the tariff that  
2 we believe will be acceptable.

3 In original sheet Number 71.6, the second  
4 paragraph, the last sentence, we would remove the  
5 language, "with the exception of pipeline safety  
6 requirements, the agreement between the Company and  
7 the flexible gas service tariff customers, including  
8 rates, terms, and conditions of service is not subject  
9 to regulation by the Florida Public Service  
10 Commission."

11 We would replace that language with, "The Florida  
12 Public Service Commission will maintain jurisdiction  
13 over Subsections 3, 5, 6, 8, 9, 10, 11, 13, 14, 18,  
14 19, 20, and 21 of the general rules and regulations of  
15 the Company as approved by the Florida Public Service  
16 Commission."

17 COMMISSIONER DEASON: What sections do we not  
18 have control over?

19 MS. WOOD: The subsections that we believe we  
20 would be negotiating with the customer, and included  
21 in their contract would be Sections 1, initiation of  
22 service; Section 2, election of rate schedules;  
23 Section 4, deposits; Section 7, extension of  
24 facilities; Section 12, termination of service;  
25 Section 15, applicability of rules and regulations;

1 Section 16, ownership of property; and Section 17,  
2 capacity relinquishment.

3 COMMISSIONER DEASON: And explain to me why those  
4 should not be under our jurisdiction? Assuming we can  
5 relinquish jurisdiction.

6 COMMISSIONER CLARK: I have to say I was looking  
7 for more general language that didn't enumerate in  
8 that way so that we don't have to go through a  
9 case-by-case and try to make a judgment at this point.  
10 I was just -- you know, I think maybe you can just  
11 take that language out. Does City Gas have it in  
12 theirs?

13 MR. MAKIN: No, they didn't have that.

14 COMMISSIONER CLARK: It seems to me if they  
15 negotiate things in the tariff, if it clearly gives  
16 you the authority to negotiate, then there is nothing  
17 in the tariff that controls what you might do. I  
18 mean, it's a license to negotiate. It just seems to  
19 me that trying to determine if we have jurisdiction  
20 over termination of it, maybe we do, I don't know.

21 MR. MAKIN: I think what we are trying to do in  
22 the tariff is to identify those types of items in  
23 their tariff that the customer is still protected  
24 under by this Commission. And all of these items that  
25 were listed are such items.

1           COMMISSIONER DEASON: Well, for example, one of  
2 those was deposits. Our deposit policy would no  
3 longer apply for these customers?

4           MR. MAKIN: That's correct. It's revenue, it's  
5 below-the-line, and they want to negotiate a different  
6 deposit and pay a different interest rate on that  
7 deposit. That does not affect the general body of  
8 ratepayers.

9           COMMISSIONER DEASON: Well, I think we could  
10 allow there to be negotiations on deposits. And as  
11 long as it continues to meet the general test that  
12 it's not adverse to the general body of ratepayers,  
13 that's fine. And it will give them the latitude and  
14 the flexibility to negotiate what they think is in the  
15 best interest, but we are not relinquishing any  
16 jurisdiction. And if we look at that and say this  
17 deposit policy with this customer is adversely  
18 affecting other customers, we could step in and do  
19 something about it it seems to me.

20           MR. MAKIN: Oh, without question.

21           COMMISSIONER CLARK: Well, Madam Chair, I think  
22 we should temporarily pass this again and come up with  
23 something that is more general or perhaps take the  
24 language out.

25           MR. GATLIN: We will agree to take the language

1 out.

2 COMMISSIONER CLARK: Okay. If they have agreed  
3 to take the language out, that kinds of solves it.

4 COMMISSIONER DEASON: One other clarifying  
5 question. Customers taking service under this tariff  
6 would continue to be responsible for -- or the company  
7 would continue to be responsible for collecting  
8 regulatory assessment fees on that or not?

9 MR. MAKIN: No.

10 COMMISSIONER DEASON: No?

11 MR. MAKIN: No.

12 COMMISSIONER DEASON: Well, I've got a problem,  
13 then.

14 MR. MAKIN: Currently, particular customers that  
15 would qualify -- I mean, we are only talking large  
16 customers -- are transport customers, and because they  
17 are transport customers, buy their gas from a third  
18 party, therefore, it doesn't go through the books and  
19 records of the company, and we don't collect  
20 regulatory assessment fees on those fuel dollars.

21 COMMISSIONER DEASON: On pass-through, is that  
22 what you're saying, fuel?

23 MR. MAKIN: Yes. It is a completely separate  
24 item. It's not pass-through anymore.

25 COMMISSIONER DEASON: Whatever our normal

1 procedures are for collecting regulatory assessment  
2 fees, as long as that continues, that's fine. I'm not  
3 writing in an exception for these customers because  
4 they take service under this tariff that they are no  
5 longer responsible, or the company is no longer  
6 responsible for collecting regulatory assessment fees.  
7 I think we have made it abundantly clear here today  
8 that we are continuing our jurisdiction over these  
9 customers. In fact, we probably legally -- I don't  
10 think we can relinquish our jurisdiction. I don't  
11 know if legally we could relinquish not collecting  
12 regulatory assessment fees either.

13 CHAIRMAN JOHNSON: Mr. Gatlin.

14 MR. GATLIN: Commissioner Deason, we will agree  
15 to collect the assessment fees to the extent that we  
16 still do.

17 COMMISSIONER DEASON: Whatever our current policy  
18 is it will continue to apply?

19 MR. GATLIN: Yes. Whatever the current policy is  
20 we will continue to do that.

21 CHAIRMAN JOHNSON: Any other questions,  
22 Commissioners? Is there a motion?

23 COMMISSIONER GARCIA: You said that there was one  
24 more of these that City Gas had. Do they have these  
25 same provisions? Did it get by us that time?

1           MR. MAKIN: It's not exactly the same. It's not  
2 written the exactly the same as Chesapeake's.

3           COMMISSIONER GARCIA: Okay.

4           MR. MAKIN: They go into, I think, accounting  
5 treatment, but there is no mention of what we just  
6 discussed. I'm sorry, I don't have it in front of me.

7           CHAIRMAN JOHNSON: Do you have a question? Any  
8 other questions? Is there a motion?

9           COMMISSIONER CLARK: I will move it as amended.

10          COMMISSIONER DEASON: Second.

11          CHAIRMAN JOHNSON: There is a motion and a  
12 second. Any further discussion?

13          COMMISSIONER JACOBS: I'm debating, since it has  
14 been seconded -- he jumped in before I could say  
15 anything. I was wondering to what benefit it would be  
16 to do this on both kinds of accounting to see and  
17 track the impact of doing it below-the-line for six  
18 months and then come back so we can make a more --  
19 would that be of any use, to do this by imputing the  
20 revenues and by putting it below-the-line and track it  
21 for six months?

22          COMMISSIONER DEASON: Let me say, first of all,  
23 that we are retaining jurisdiction, we will continue  
24 to monitor this thing even under an experimental basis  
25 or a temporary basis. I don't know if it is going to

1 accomplish that much. Where it's really going to come  
2 in play is if the company files for a rate case and we  
3 start analysing the impact of this, and hopefully they  
4 will not be filing a rate case within the next six  
5 months anyway. So I think we can continue to monitor  
6 it. That's my feeling on it.

7 COMMISSIONER JACOBS: Okay. And I heard you ask  
8 the staff if they could look at these costs  
9 separately. You wouldn't have a problem with that?

10 MR. MAKIN: Anytime.

11 CHAIRMAN JOHNSON: There is a motion and a  
12 second. Any further discussion? All those in favor  
13 signify by saying aye. Opposed? Show it approved  
14 unanimously, as modified. Thank you.

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## CERTIFICATE OF REPORTER

STATE OF FLORIDA )

COUNTY OF LEON )

I, JANE FAUROT, RPR, do hereby certify that the foregoing proceeding was transcribed from cassette tape, and the foregoing pages are a true and correct record of the proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, or financially interested in the foregoing action.

DATED THIS 26<sup>th</sup> day of October, 1998.



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