

State of Florida



Public Service Commission

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RECORDS AND REPORTING

**DATE:** SEPTEMBER 14, 2000

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

**FROM:** DIVISION OF COMPETITIVE SERVICES (MAKIN, BULECZA-BANKS)  
DIVISION OF LEGAL SERVICES (C. KEATING) WCK RVE

**RE:** DOCKET NO. 000003-GU - PURCHASED GAS ADJUSTMENT (PGA)  
TRUE-UP - PETITION OF THE FLORIDA DIVISION OF CHESAPEAKE  
UTILITIES CORPORATION FOR APPROVAL OF MID-COURSE  
CORRECTION IN PGA CAP

**AGENDA:** SEPTEMBER 26, 2000 - REGULAR AGENDA - INTERESTED PERSONS  
MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\CMP\WP\000003.RCM

DISCUSSION OF ISSUES

**ISSUE 1:** Should the Commission grant The Florida Division of Chesapeake Utilities Corporation's (Chesapeake or the Company) petition for an increase in its Purchased Gas Adjustment (PGA) cap from 46.424 cents per therm to 65.000 cents per therm?

**RECOMMENDATION:** Yes. The Commission should approve the Company's proposed PGA cap of 65.000 cents per therm effective October 1, 2000, through the December 31, 2000 billing cycles. (MAKIN)

**STAFF ANALYSIS:** On August 24, 2000, Chesapeake filed a petition for expedited relief in the form of a mid-course correction to its currently authorized purchased gas adjustment cap for the period October 1, 2000, through December 31, 2000. Jurisdiction over this

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matter is vested in the Commission by several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

Chesapeake's existing PGA factor for the period January 2000 through December 2000 is 46.424 cents per therm. Because the Company historically has experienced higher gas costs during the winter months, the 46.424 factor was derived by using the winter average cost of gas for the months of January 2000 through March 2000 and October 2000 through December 2000, divided by the projected therms sales for the same periods.

Currently, Chesapeake projects to have an underrecovery of \$1,956,029 for this recovery period. The proposed increase in the PGA cap to 65.000 cents per therm for October 1, 2000, through December 31, 2000, will not eliminate the full amount of the projected underrecovery. The increase will, however, reduce the amount which will be included in the projected January 2001 through December 2001 period.

Chesapeake's expenses have increased by twenty percent, as a result of increased gas costs on a national level. Increasing the PGA cap from 46.424 to 65.000 cents per therm during the period October 1, 2000 through December 31, 2000, will cause a \$4.64 increase per month for residential customers using 25 therms.

Increasing the PGA cap now will help reduce the impact of the underrecovery on ratepayers during the twelve month period of January 2001 through December 2001.

Chesapeake has requested that the mid-course correction become effective with the first billing cycle in October 2000. Unlike the recent City Gas mid-course correction, Chesapeake will not need to prorate the mid-course correction because the implementation begins with the first billing cycle in October.

Accordingly, Staff recommends approval of the requested mid-course correction to become effective October 1, 2000 (October's first billing cycle reading date).

Staff recognizes there will not be time to conduct a prudence review of Chesapeake's re-projections of purchased gas costs prior to implementing the increase in the PGA factor. However, a prudence review will occur in preparation for the hearing in Docket No. 000003-GU, scheduled for November 2000. If the increase in the cost recovery cap is ultimately found imprudent, Chesapeake's ratepayers will suffer no harm since any costs found imprudent will

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be disallowed for recovery and will flow back to the ratepayers through the true-up mechanism.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** No. The Purchased Gas Adjustment True-up docket is ongoing and should remain open. (C. KEATING)

**STAFF ANALYSIS:** The Purchased Gas Adjustment True-up docket is ongoing and should remain open.