



Public Service Commission

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INDEXING

DATE: DECEMBER 7, 2000

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

FROM: DIVISION OF COMPETITIVE SERVICES (S. BROWN, B. CASEY, C. BULECZA-BANKS) *170*
DIVISION OF LEGAL SERVICES (M. STERN) *MKS mad*

RE: DOCKET NO. 001736-EG - PETITION FOR APPROVAL OF REALIGNED CONSERVATION COST RECOVERY FACTORS BY FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION. *CRBB AR*

AGENDA: 12/19/2000 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: 2/05/2001

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\001736EG.RCM

CASE BACKGROUND

At the November 20, 2000, hearing in Docket No. 000002-EG, the Commission voted to approve new conservation cost recovery factors for the period January 2001 through December 2001 for Chesapeake Utilities Commission (Chesapeake). These factors were determined by using Chesapeake's May 2000 true-up filing for the period April 1999 through December 1999 and the September 2000 projection filing which provided seven months actual and five months projected data. The factors approved by the Commission are contained in the Prehearing Order issued November 14, 2000, (Order No. PSC-00-2166-PHO-EG). As approved, conservation cost recovery factors are effective for the period January 2001 through December 2001.

On May 15, 2000, Chesapeake filed a petition for a rate increase. Within that docket, Chesapeake proposed to establish nine rate classes rather than using the previously established five rate classes. By Commission Order No. PSC-00-2263-FOR-GU, issued

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November 28, 2000, in Docket No 000108-GU, the Commission approved the application of nine rate classes. The new rate classes for sales and transportation services are more volumetric-specific than the previous rate classes. As provided in Order No. PSC-00-2263-FOR-GU, the new rates are effective for service on or after December 7, 2000, except that new aggregated transportation service through pool managers will be effective the first day of the month following seventy days after issuance of the Commission Order.

On November 22, 2000, Chesapeake filed a petition seeking to apply the same nine rate classes in developing its conservation factors for the period January 2001 through December 2001. On December 6, 2000, Chesapeake amended the November 22nd petition. Jurisdiction in this matter is vested in the Commission by Section 366.06(3), Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Chesapeake's petition for approval of realigned conservation cost recovery factors?

RECOMMENDATION: Yes, the Commission should approve Chesapeake's amended petition for approval of realigned conservation cost recovery factors. If approved, the new factors to be used are:

GS-1\TS-1= 4.578 cents/therm	GS-6\TS-6= .963 cents/therm
GS-2\TS-2= 1.734 cents/therm	GS-7\TS-7= .599 cents/therm
GS-3\TS-3= 1.680 cents/therm	GS-8\TS-8= .515 cents/therm
GS-4\TS-4= 1.595 cents/therm	GS-9\TS-9= .471 cents/therm
GS-5\TS-5= 2.061 cents/therm	

STAFF ANALYSIS: On November 22, 2000, Chesapeake filed a petition to realign its cost recovery factors to the new rate classes. Chesapeake has proposed to apply the nine new rate classes approved by the Commission in the rate case in developing the conservation cost recovery factors previously approved by the Commission. Since the cost recovery factors are calculated by spreading projected costs over the company's rate classes, Chesapeake believes it would be appropriate to modify the conservation factors so that there will be consistency between the base rates and the conservation factors. Staff agrees with Chesapeake regarding these matters.

To calculate the conservation factors to be charged, Chesapeake used the same data regarding projected bills, therms, and revenues as filed in its conservation filings. This data was used to determine the ECCR factors that were reflected in the November 14, 2000, Prehearing Order, PSC-00-2166-PHO-EG, and admitted into the record as Composite Exhibit No. 9 in Docket No. 000002-EG. These factors were approved by the Commission at a hearing held November 20, 2000.

On November 28, 2000, the Commission issued Order No. PSC-00-2263-FOR-GU, granting Chesapeake's petition for an increase in rates and charges. In filing for realignment, Chesapeake applied the new rate classes but did not use the newly-approved corresponding rates to calculate the conservation factors. Instead, Chesapeake used the approved rate classes, but applied the previous rates.

Staff does not believe that using the previous rates is appropriate. Staff believes it would be more appropriate to use the newly-approved rates associated with the new rate classes. As a result, Staff contacted Chesapeake and expressed concern over the

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appropriate rates to be used in calculating each classes' revenue contribution. Chesapeake agreed with the Staff, and on December 6, 2000, Chesapeake amended its petition to incorporate the newly-approved base rates to calculate the corresponding revenue contributions. In its amended petition, Chesapeake attached a spreadsheet showing the calculation of the new factors. The new factors included in Chesapeake's amended filing are:

GS-1\TS-1= 4.578 cents/therm	GS-6\TS-6= .963 cents/therm
GS-2\TS-2= 1.734 cents/therm	GS-7\TS-7= .599 cents/therm
GS-3\TS-3= 1.680 cents/therm	GS-8\TS-8= .515 cents/therm
GS-4\TS-4= 1.595 cents/therm	GS-9\TS-9= .471 cents/therm
GS-5\TS-5= 2.061 cents/therm	

Accordingly, Staff recommends the Commission approve Chesapeake's amended petition for realigned conservation cost recovery factors since the Commission has already voted to approve Chesapeake's new final rate classes (Docket No.000108, Order No. PSC-00-2263-FOF-GU).

ISSUE 2: What should be the effective date of the conservation cost recovery factors for billing purposes?

RECOMMENDATION: The factors should be effective beginning with the specified conservation cost recovery cycle and thereafter for the period January 2001, through December 2001. Billing cycles may start before January 1, 2001, and the last cycle may be read after December 31, 2001, so that each customer is billed for twelve months regardless of when the adjustment factor became effective.

STAFF ANALYSIS: As stated in the Commission's Prehearing Order No. PSC-00-2166-PHO-EG, issued November 14, 2000, the factors should be effective beginning with the specified conservation cost recovery cycle and thereafter for the period January, 2001, through December, 2001. Billing cycles may start before January 1, 2001, and the last cycle may be read after December 31, 2001, so that each customer is billed for twelve months regardless of when the adjustment factor became effective.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes, the docket should be closed upon the issuance of a Consummating Order if there is no timely protest filed by a person whose substantial interests are affected. (Stern)

STAFF ANALYSIS: If a protest is filed within 21 days of the Commission Order approving this tariff, the tariff should remain in effect pending resolution of the protest, with any charges held subject to refund pending resolution of the protest. If no protest is filed, this docket should be closed upon issuance of the Consummating Order. (Stern)