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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re Petition by Florida
Division of Chesapeake
Utilities Corporation for
Authority to Implement
Transportation Cost
Recovery Mechanism.

ORIGINAL

001763 - GU

Petition for Authority to Implement Transportation Cost Recovery Mechanism

The Florida Division of Chesapeake Utilities Corporation, by and through the undersigned counsel, petitions the Commission to approve this petition and the accompanying proposed tariff sheets and to grant the Petitioner the authority to implement a Transportation Cost Recovery mechanism providing for proposed surcharges to be collected from certain customers electing to switch from sales to transportation service, which would facilitate recovery of certain purchased gas costs incurred by the Petitioner in providing service to those customers prior to January 1, 2001, and in support hereof, states the following.

- 1. The name and address of the Petitioner is:

Chesapeake Utilities Corporation
Florida Division
P.O. Box 960
Winter Haven, FL 33882-0960

- 2. The name, address, and telephone number of the person authorized to receive all notices, pleadings, correspondence and other communications with respect to this Petition are:

Wayne L. Schiefelbein
P.O. Box 15856
Tallahassee, FL 32317-5856
(850) 422-1013
(850) 531-0011 (facsimile)

Attorney for the Florida Division of Chesapeake Utilities Corporation

- 3. By Order No. PSC-00-2263-FOF-GU, issued on November 28, 2000, the Commission partially granted the Petitioner's request for a general rate increase. The Commission thereby approved the Petitioner's request to

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eliminate certain existing rate classes and replace them with new, more volumetric-specific rate classes for sales and transportation services. The Commission also approved the Petitioner's request that customers would be required to take 100% of their service as either sales service or transportation service, rather than as a combination of the two. Many customers had previously split their total volumes between sales and transportation services, essentially using sales gas to balance their own usage requirements. The Commission found that this practice leads to additional costs being incurred by the Petitioner and the general body of ratepayers, and should therefore be eliminated. The Commission also approved the Petitioner's proposed natural gas transportation service tariff, filed as part of the rate case to comply with new Rule 25-7.0335, Florida Administrative Code, which allows any non-residential customer to transport natural gas from any qualified marketer or supplier on the Petitioner's distribution system.

4. The Petitioner is in the process of implementing its new unbundled transportation service tariff. Individual transportation service, for customers with annual usage of 100,000 therms or more, was ordered effective for all meter readings taken on or after December 7, 2000. Many of Petitioner's existing larger customers served in whole or in part as sales service customers have initiated the process to convert to individual transportation service; these customers will begin receiving transportation service only beginning January 1, 2001, with the first bills rendered at the end of January, 2001. The effective date for the Petitioner's approved aggregated transportation service, allowing individual nonresidential customers to qualify for transportation service by aggregating their annual usage in pools no smaller than 100,000 therms, is March 1, 2001.
5. In the rate case order, the Commission did not approve the Petitioner's proposed Transportation Cost Recovery methodology, declaring that

While a transportation cost recovery mechanism is appropriate for the recovery of non-recurring costs related to transportation service, such costs should be recovered from all nonresidential customers except for special contract customers, not just from the transportation-only customers. We approve of the concept of a recovery clause, but the specifics regarding how the costs should be recovered from the rate classes and the level of costs to be recovered should be addressed in a subsequent proceeding.
(Order at page 11)

6. On November 20, 2000, in Docket No. 000003-GU, the Commission voted to approve stipulations authorizing the Petitioner to recover its projected \$917,674 underrecovery of purchased gas costs through the end of December 2000 (the total of a \$26,715 underrecovery of purchased gas costs incurred by the Petitioner in calendar year 1999 and an \$890,959 underrecovery of such costs projected to be incurred in calendar year 2000), through a levelized purchased gas cost recovery (cap) factor of 74.358 cents per therm for the period January 2001 through December 2001. Subsumed within this cost recovery factor was a calculation of \$0.04803 per therm designed to recover said \$917,674 underrecovery from the Petitioner's gas sales customers. Issuance of an Order memorializing that decision is anticipated shortly.
7. The Petitioner's projections of estimated therms of sales gas in calendar year 2001 that were used in calculating the levelized purchased gas cost recovery (cap) factor in Docket No. 000003-GU were submitted in September, 2000. These projections did not anticipate the conversion from sales to transportation service that will now result from the unbundling of transportation service for all nonresidential customers. As a result, actual sales gas volumes will certainly be substantially lower in 2001 than projected in Docket No. 000003-GU.
8. Absent further action by the Commission, any customer who converts from receiving sales service during 2000 to receiving transportation service during 2001 would escape liability for that customer's share of the unrecovered purchased gas costs accumulated through the end of calendar year 2000. This would create an unfair and disproportionate burden on the residential and nonresidential customers who remain as sales service customers, as the unrecovered purchased gas costs of 2000 incurred in serving the general body of ratepayers would be recovered over a smaller therm base, creating a higher rate per therm applicable to residential customers, to whom transportation service is not available, and to nonresidential sales customers electing to remain as sales customers.
9. In order to prevent these unrecovered purchased gas costs from being charged exclusively to future residential and nonresidential sales customers, the Petitioner proposes to implement a transitional Transportation Cost Recovery mechanism providing for surcharges to be applied to any customer moving from sales service during 2000 to transportation service during 2001.

10. As indicated above, the Petitioner has a Commission-approved estimated underrecovery of purchased gas costs of \$917,674 at December 31, 2000. Estimated therm sales for 2001, as submitted by the Petitioner and utilized by the Commission in calculating the approved levelized purchased gas cost recovery (cap) factors for calendar year 2001, are 19,107,365. The Petitioner proposes a per therm true-up surcharge, calculated by dividing said underrecovery of \$917,674 by the estimated therm sales in 2001 of 19,107,365 therms. This results in a true-up charge of \$0.04803 per therm, which is the per therm surcharge approved by the Commission in Docket No. 000003-GU for Petitioner's sales customers during 2001. Consistent with the Commission's finding in the rate case order quoted in paragraph 5 hereinabove, the appropriate costs of purchased gas supplied up through the end of calendar year 2000 would be recovered from all nonresidential customers, except for special contract customers, not just from the transportation-only customers, through application of Petitioner's proposed surcharges.

11. The Petitioner proposes two methods of calculating such surcharges.

- a) First, any customer which transported at less than 100% of its total gas requirements during calendar year 2000 would have purchased sales gas for some of its natural gas requirements during 2000. The Petitioner would multiply the therms of sales gas sold by the Petitioner to each such customer during calendar year 2000 by the \$0.04803 surcharge and divide that by 12 months; the resulting monthly fee would be billed at a flat rate per month. This would permit the Petitioner to recover the exact amount of the underrecovery attributed to such customer during calendar year 2000.
- b) Second, any other customer which received sales service during calendar year 2000 that switches to transportation service during calendar year 2001 would be billed the \$0.04803 per therm surcharge on gas it subsequently receives under transportation service during calendar year 2001, just as it would have been billed as a sales service customer under the approved purchased gas cost recovery factor. This surcharge would apply regardless of when that customer transfers to transportation service during 2001. If such customer converted after the first month of calendar year 2001, it would have properly borne a share of the underrecovery associated with calendar year 2000 through the established purchased gas cost recovery factor approved for sales customers during the month or months in 2001 preceding its election of transportation service; the surcharge would apply to such

customer through the balance of calendar year 2001. This customer would pay its appropriate share of the calendar year 2000 underrecovery, whether as a sales service customer or as a transportation service customer.

- c) The surcharges to recover the Petitioner's underrecovery of purchased gas costs through the end of calendar year 2000 would be discontinued as of January 1, 2002. The Petitioner would address the need, if any, for recovery of its purchased gas costs from customers receiving sales service through the end of calendar year 2001 which elect transportation service after January 1, 2002, through the ordinary course of its filings in future purchased gas cost true-up proceedings.
12. Any customer transporting at 100% of its gas requirements during calendar year 2000 would not be subject to any surcharge since such customer would not have purchased any gas that contributed to the underrecovery through the end of calendar year 2000.
13. Any new customer which did not take sales service during calendar year 2000 would similarly not have contributed to the underrecovery in calendar year 2000 and would therefore not be subject to the surcharge.
14. Any customer receiving sales service during calendar year 2000 which remained a sales customer through the end of calendar year 2001 would not be subject to the surcharge; such customers would bear their proportionate share of the underrecovery incurred in calendar year 2000 through the application of the approved purchased gas cost recovery (cap) factor approved for sales customers in 2001, in Docket No. 000003-GU.
15. Submitted concurrently with the instant Petition are proposed revised tariff sheets which set forth the proposed surcharges.
16. The Petitioner requests that the Commission's approval be made effective as of the date of its vote. In the event that any person files a valid objection to a tariff order approving the surcharges, the Petitioner requests that it be authorized to collect its proposed surcharges on a temporary basis subject to refund, to preserve the Petitioner's ability to retain such revenue to the extent that the surcharges are sustained by subsequent Commission action.
17. The Petitioner may petition the Commission for approval of recovery of other nonrecurring costs related to transportation service, through a methodology or methodologies to be determined in future proceedings.

Based on the foregoing, the Florida Division of Chesapeake Utilities Corporation requests that the Commission approve the foregoing petition and the accompanying proposed revised tariff sheets, and grant Petitioner the authority to implement the Transportation Cost Recovery mechanism therein addressed, and that such approval be made effective on the date of the Commission's vote, so that in the event of any valid objection to the tariff order being filed, the Petitioner would collect its proposed surcharges subject to refund pending the Commission's final disposition of the matter.



Wayne L. Schiefelbein
P.O. Box 15856
Tallahassee, FL 32317-5856
(850) 422-1013
(850) 531-0011 (facsimile)

Attorney for the Florida Division of
Chesapeake Utilities Corporation

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was furnished on this 8th day of December, 2000, by hand-delivery to Robert V. Elias, Esq., Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, and by U.S. Mail to:

Norman H. Horton, Esq.
Messer Caparello & Self
P.O. Box 1876
Tallahassee, FL 32302-1876

Stephen C. Burgess, Esq.
Deputy Public Counsel
111 W. Madison St., Suite 812
Tallahassee, FL 32399-1400

Colette M. Powers
Indiantown Gas Company
P.O. Box 8
Indiantown, FL 34956-0008

Stuart L. Shoaf
St. Joe Natural Gas Co., Inc.
P.O. Box 549
Port St. Joe, FL 32457-0549

Michael A. Palecki, Esq.
PMB 224
3539 Apalachee Parkway
Tallahassee, FL 32311

Lee L. Willis, Esq.
James D. Beasley, Esq.
Ausley & McMullen
P.O. Box 391
Tallahassee, FL 32302

David M. Nicholson, Esq.
Ellen W. Anderton, Esq.
TECO Energy, Inc.
P.O. Box 111
Tampa, FL 33601-0111

Ansley Watson, Jr., Esq.
MacFarlane Ferguson
P.O. Box 1531
Tampa, FL 33601-1531


Wayne L. Schiefelbein

(3) **TRANSPORTATION COST RECOVERY CLAUSE (TCR):**

Applicable:

To each of the Company's rate schedules referenced below in this section.

~~The bill for service provided to all non-residential customers. In order to recover the transition costs associated with the under-recovered purchased gas costs for calendar year 2000, the following method will be used for all non-residential customers for the period of January, 2001 through December 2001, except those receiving service under the Contract Transportation Service (CTS) Rider, the Contract Sales Service (CSS) Rider, the Flexible Gas Service rate schedule or a Special Contract, shall be adjusted as determined in a subsequent filing made by the Company.~~

For all non-residential customers, except for those customers transporting at less than 100% of total gas requirements in 2000, and the exceptions noted above, the charge per therm is as shown in the table below.

For all customers transporting at less than 100% of total gas requirements in 2000, each customer's actual Sales gas usage for 2000 will be multiplied by the charge specified below to determine the amount to be recovered on an annual basis in 2001. This amount will be divided by twelve and will be charged to the customer monthly through December 2001.

Customers who transported at 100% of their total gas requirements in 2000 and new customers added to the system in 2001 under a transportation service rate schedule will not be subject to this charge.

The Transportation Cost Recovery factor for the period December 7th, 2000-January 2001 to December 31st, 2001 for each transportation service rate schedule is as follows:

<u>Rate Schedule</u>	<u>Service Classification</u>	<u>Charge</u>
GS-1 Residential	< 500 therms	\$0.00
GS-1/TS-1 - Commercial	< 500 therms	\$0.04803
GS-2 Residential	>500 up to 3,000 therms	\$0.00
GS-2/TS-2 - Commercial	>500 up to 3,000 therms	\$0.04803
GS-3 Residential	>3,000 up to 10,000 therms	\$0.00
GS-3/TS-3 - Commercial	>3,000 up to 10,000 therms	\$0.04803
GS-4/TS-4 - Commercial	>10,000 up to 25,000 therms	\$0.04803
GS-5/TS-5 - Commercial	>25,000 up to 50,000 therms	\$0.04803
GS-6/TS-6 - Comm/Ind	>50,000 up to 100,000 therms	\$0.04803
GS-7 Comm/Ind	>100,000 up to 500,000 therms	\$0.00
TS-7 - Comm/Ind	>100,000 up to 500,000 therms	\$0.04803
GS-8 Industrial	>500,000 up to 1,000,000 therms	\$0.00
TS-8 - Industrial	>500,000 up to 1,000,000 therms	\$0.04803
GS-9 Industrial	>1,000,000 therms	\$0.00
TS-9 - Industrial	>1,000,000 therms	\$0.04803

~~The TCR Clause will expire at the earlier of the Company's full recovery of the non-recurring costs associated with implementing unbundled transportation service, or at the end of December 2005.~~

(4) GENERAL SALES SERVICE RATE ADJUSTMENT:
Applicable:

To the Rate per Month provision in each of the Company's General Sales Service Rate Schedules.

The non-gas energy charge for General Sales Service gas supplied after September 30, 1990 is subject to adjustment in accordance with the following provisions for prior shortfalls or surpluses in the Company's revenues resulting from sales under the CSS and CTS riders.

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

Effective:

(3) TRANSPORTATION COST RECOVERY CLAUSE (TCR):

Applicable:

To each of the Company's rate schedules referenced below in this section.

In order to recover the transition costs associated with the under-recovered purchased gas costs for calendar year 2000, the following method will be used for all non-residential customers for the period of January, 2001 through December 2001, except those receiving service under the Flexible Gas Service rate schedule or a Special Contract.

For all non-residential customers, except for those customers transporting at less than 100% of total gas requirements in 2000, and the exceptions noted above, the charge per therm is as shown in the table below.

For all customers transporting at less than 100% of total gas requirements in 2000, each customer's actual Sales gas usage for 2000 will be multiplied by the charge specified below to determine the amount to be recovered on an annual basis in 2001. This amount will be divided by twelve and will be charged to the customer monthly through December 2001.

Customers who transported at 100% of their total gas requirements in 2000 and new customers added to the system in 2001 under a transportation service rate schedule will not be subject to this charge.

The Transportation Cost Recovery factor for the period January 2001 to December 2001 for each service rate schedule is as follows:

<u>Rate Schedule</u>	<u>Service Classification</u>	<u>Charge</u>
TS-1 - Commercial	< 500 therms	\$0.04803
TS-2 - Commercial	>500 up to 3,000 therms	\$0.04803
TS-3 - Commercial	>3,000 up to 10,000 therms	\$0.04803
TS-4 - Commercial	>10,000 up to 25,000 therms	\$0.04803
TS-5 - Commercial	>25,000 up to 50,000 therms	\$0.04803
TS-6 - Comm/Ind	>50,000 up to 100,000 therms	\$0.04803
TS-7 - Comm/Ind	>100,000 up to 500,000 therms	\$0.04803
TS-8 - Industrial	>500,000 up to 1,000,000 therms	\$0.04803
TS-9 - Industrial	>1,000,000 therms	\$0.04803

(4) **GENERAL SALES SERVICE RATE ADJUSTMENT:**
Applicable:

To the Rate per Month provision in each of the Company's General Sales Service Rate Schedules.

The non-gas energy charge for General Sales Service gas supplied after September 30, 1990 is subject to adjustment in accordance with the following provisions for prior shortfalls or surpluses in the Company's revenues resulting from sales under the CSS and CTS riders.

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

Effective: