



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

RECORDS AND REPORTING
JAN 25 AM 10:36
CRBB
WCK RUE

DATE: JANUARY 25, 2001

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

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

RE: DOCKET NO. 010003-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: FEBRUARY 6, 2001 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\010003b.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 74.358 cents per therm to \$1.22211 per therm?

RECOMMENDATION: Yes. The Commission should approve the Company's proposed PGA cap of \$1.22211 per therm effective for all meter readings taken on or after February 6, 2001, the date of the Commission's vote in this matter. (MAKIN, BULECZA-BANKS)

STAFF ANALYSIS: On January 12, 2001, Chesapeake filed a petition for relief in the form of a mid-course correction to its currently authorized purchased gas adjustment cap for the period February 1, 2001, through December 31, 2001. Jurisdiction over this matter is

DOCUMENT NUMBER-DATE

01116 JAN 25 01

FPSC-RECORDS/REPORTING

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 (Cap) factor for the period January 2001 through December 2001 is 74.358 cents per therm. This factor was derived by dividing projected purchased gas costs of \$12,700,409 by projected therm sales of 19,107,365.

Currently, Chesapeake projects to have an underrecovery of \$6,840,000 for this recovery period. The proposed increase in the PGA cap to \$1.22211 per therm for February 6, 2001, through December 31, 2001, 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 2002 through December 2002 recovery period. Increasing the PGA cap from 74.358 cents per therm to \$1.22211 per therm during the period February 6, 2001, through December 31, 2001, will cause an \$11.96 increase per month for residential customers using 25 therms, if the cap is charged.

Chesapeake's purchased gas costs have increased because of drastic increases in the price of natural gas during the current winter season. Since the Company's cap was approved by the Commission in December 2000, colder than normal winter weather across the mid-west and northeast United States and historically low storage levels have caused an unprecedented increase in natural gas cost on a national basis. The resulting price volatility and upward pressures are expected to continue, and may even affect the summer electric generation season. There are no current indications that natural gas prices will experience any meaningful decrease in the next several months.

Accordingly, Staff recommends approval of the requested mid-course correction to become effective with all meter readings taken on and after February 6, 2001, the date of the Commission vote in this matter, through December 31, 2001. Although Chesapeake requested an effective date of February 1, 2001, Staff believes it would be more appropriate to apply the new PGA factor on a going-forward basis from the date of the Commission's vote.

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. 010003-GU, scheduled for November 2001. If the increase in the cost recovery cap is ultimately found imprudent, Chesapeake's

DOCKET NO. 010003-GU
DATE: JANUARY 25, 2001

ratepayers will suffer no harm since any costs found imprudent will 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.

-
.
.