



# Public Service Commission

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

**DATE:** FEBRUARY 8, 2001

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

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

**RE:** DOCKET NO. 010103-GU - PETITION TO INCREASE TRANSPORTATION COST RECOVERY FACTOR BY THE FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION.

**AGENDA:** FEBRUARY 20, 2001 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** 60-DAY SUSPENSION DATE: MARCH 25, 2001

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\CMP\WP\010103.RCM

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### CASE BACKGROUND

On November 20, 2000, in Docket No. 000003-GU, the Commission voted to approve stipulations authorizing the Florida Division of Chesapeake Utilities Corporation (Chesapeake or Company) to recover its projected \$917,674 underrecovery of purchased gas cost through the end of December 2000, during the period of January 2001 through December 2001 as part of the Company's Purchased Gas Cost Recovery True-up Clause. The Commission's vote is memorialized in Order No. PSC-00-2383-FOF-GU, issued December 12, 2000.

In order to prevent these unrecovered purchased gas costs from being charged exclusively to future residential and non-residential sales customers, the Company filed a petition on December 8, 2000, in Docket No. 001763-GU, to implement a transitional Transportation Cost Recovery mechanism providing for a surcharge to be applied to any non-residential customer moving from sales service to transportation service during 2001. The Company proposed a per therm charge of \$0.04803, which was calculated by dividing the

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underrecovery of \$917,674 by the estimated therms sales in 2001 of 19,107,365 therms.

By Order No. PSC-01-0304-TRF-GU, issued February 5, 2001, the Commission approved Chesapeake's request to implement a transportation cost recovery mechanism in Docket No. 001763. The transportation cost recovery mechanism approved by the Commission provided for recovery of non-recurring costs related to transportation service from all non-residential customers, except for special contract customers.

On January 25, 2001, the Company filed a petition to increase its transportation cost recovery factor. This recommendation addresses Chesapeake's petition.

Jurisdiction over this 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.

#### **DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission grant the Florida Division of Chesapeake Utilities Corporation's petition to increase its transportation cost recovery factor effective February 20, 2001, the date of the Commission's vote in this matter?

**RECOMMENDATION:** Yes. The Commission should approve the Florida Division of Chesapeake Utilities Corporation's petition to increase its transportation cost recovery factor effective February 20, 2001, the date of the Commission's vote in this matter. (MAKIN, BULECZA-BANKS)

**STAFF ANALYSIS:** On January 25, 2001, Chesapeake filed a petition to increase its transportation cost recovery factor because the projections of its purchased gas costs and volumes submitted in September, 2000, in the purchased gas cost recovery proceedings did not anticipate the drastic increase in natural gas prices during the current winter season. By petition filed on January 12, 2001, in the ongoing purchased gas cost recovery proceeding, the Company requested a mid-course correction in its purchased gas cost recovery factor cap, from \$0.74358 per therm to \$1.2221 per therm, to be effective February 6, 2001, the date of the Commission's

vote. The Commission voted to approve Chesapeake's mid-course correction at its February 6, 2001, Agenda Conference.

Given the severity of the price increases incurred by the Company for natural gas, it appears that Chesapeake's actual under-recovery in purchased gas costs for calendar year 2000 will be \$2,232,214, about two-and-a-half times that projected in the September 2000 purchased gas cost recovery proceedings.

The Company proposes to increase the transportation cost recovery factor, from \$0.04803 per therm, to \$0.11682 per therm. The proposed factor was calculated by dividing the actual underrecovery of \$2,232,214, by the estimated therm sales of 19,107,365 in calendar year 2001. These are the same estimated therm sales used in:

- (a) calculating the true-up factor for the calendar year 2000;
- (b) the currently approved transportation cost recovery factor; and
- (c) calculating its request for mid-course correction of the levelized purchased gas cost recovery factor effective February 6, 2001.

Staff believes that Chesapeake's proposed increase in its transportation cost recovery factor is reasonable and should be approved. The tariff should become effective February 20, 2001, the date of the Commission's vote in this matter.

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

**RECOMMENDATION:** Yes. If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (C. KEATING)

**STAFF ANALYSIS:** If a protest is filed by a person whose substantial interests are affected 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 the issuance of a Consummating Order.