

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida
Division of Chesapeake Utilities
Corporation for approval of
tariff modifications relating to
Competitive Rate Adjustment Cost
Recovery Mechanism.

DOCKET NO. 011061-GU
ORDER NO. PSC-01-1962-TRF-GU
ISSUED: October 1, 2001

The following Commissioners participated in the disposition of
this matter:

E. LEON JACOBS, JR., Chairman
J. TERRY DEASON
LILA A. JABER
BRAULIO L. BAEZ
MICHAEL A. PALECKI

ORDER APPROVING TARIFF MODIFICATIONS
RELATING TO COMPETITIVE RATE ADJUSTMENT
COST RECOVERY MECHANISM

BY THE COMMISSION:

Chesapeake Utilities Corporation (Chesapeake or Company) has a tariff in place which allows the Company to modify the non-gas energy charge to customers that demonstrate the ability and intent to physically bypass the Company's distribution system or to use alternative fuels. Under its current tariff, General Sales Service Rate Adjustment, the Company has the discretion to discount the non-gas energy charge to a level necessary to retain the customer on the Company's distribution system. Similarly, when market conditions allow, the Company can increase the non-gas energy charge. As long as market conditions warrant, the Company can continue to charge the increased rate.

The Commission has allowed Chesapeake to collect (or refund) the difference between the base rate and the discounted rate (or increased rate), from the general body of ratepayers, on a cents per therm basis. Cents per therm is based on the cumulative

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discount or surplus divided by the total projected annual therm sales.

On August 8, 2001, Chesapeake filed a petition for approval of tariff modification to its Competitive Rate Adjustment Cost Recovery Mechanism.

The intent of the Company's petition was four fold: modify its current General Sales Service Rate Adjustment tariff provision to include all non-contracted sales and transportation customers; utilize the same methodology as used in calculating the Energy Conservation Cost Recovery factors; change the name of the General Sales Service Rate Adjustment to Competitive Rate Adjustment; and modify its current affidavit forms.

When Chesapeake's General Sales Service Rate Adjustment was initially approved, transportation service was not yet available on the Company's system. As transportation service options have become available, the existing mechanism did not authorize the Company to apply the rate adjustment to transportation service, so customers electing the service were not subject to the rate adjustments that were applied. The regulatory intent of the Commission was that the rate adjustment should be applied to all customers, except those whose rates were set in response to market pressures.

The current recovery mechanism does not allow for the equitable distribution of surpluses or collection of discounts from the general body of ratepayers because it does not apply to transportation customers. Transportation service now accounts for about 95% of the Company's total throughput. The flexible rate adjustment applies only to customers who either do not currently have the option of transportation service (residential customers) or who have otherwise opted to continue to receive sales service.

Unbundled transportation service on the Company's system became available to all non-residential customers in March 2001, pursuant to Commission Order No. PSC-00-2263-FOF-GU. Since that time, the percentage of the Company's system throughput associated with third-party transportation service has increased. Chesapeake's current transportation customers (approximately 240 customers representing about 95% of the total throughput) are not

subject to the flexible rate adjustments. The Company believes that significant migration of its commercial customers to unbundled transportation service will occur by the end of the calendar year, further exacerbating the situation.

The Company believes that the rate adjustment refund or surcharge should apply to all non-contracted sales and transportation customers. As a result, the Company proposed to change the name of its flexible rate mechanism, from General Sales Service Rate Adjustment, to the Competitive Rate Adjustment.

The Company proposed to change the methodology used to allocate any discounts or surpluses. Currently, a single factor is applied to all customer classes. Chesapeake believes it would be more appropriate to apply the methodology used in calculating the Energy Conservation Cost Recovery (ECCR) factors. This methodology develops a specific rate per therm to be applied to each rate class under the Competitive Rate Adjustment.

As is the case with the ECCR factors, it is appropriate for each rate classification to be allocated its pro rata share of any competitive rate surplus or discounts. To do otherwise would unfairly benefit or burden some rate classifications over others. If the one-factor-fits-all methodology continues to be applied, the large users would receive the bulk of the any potential refund and would bear the majority of any surcharge. Therefore, we believe it is inappropriate to utilize the single factor for every rate classification.

The Company also proposed to modify the affidavit forms used by customers to justify their ability and intent to bypass the Company's distribution system and purchase gas or another source of energy from an alternate supplier. This modification is intended to simplify the language and reflect the name change.

Therefore, we find that Chesapeake's proposed tariff modifications are reasonable and are hereby approved.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Florida Division of Chesapeake Utilities Corporation's Petition for Approval of Tariff Modifications Relating to Competitive Rate Adjustment Cost Recovery Mechanism is approved. It is further

ORDERED that the effective date of the Florida Division of Chesapeake Utilities Corporation's Tariff Modifications Relating to Competitive Rate Adjustment Cost Recovery Mechanism is September 18, 2001. It is further

ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 1st day of October, 2001.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records and Hearing
Services

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 22, 2001.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.