



# 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-

RECEIVED-FPSC  
JUL -2 AM 10:29  
COMMISSION CLERK

**DATE:** JULY 2, 2003

**TO:** DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

**FROM:** DIVISION OF COMPETITIVE MARKETS & ENFORCEMENT (MAKIN, BULECZA-BANKS) *CRB*  
DIVISION OF ECONOMIC REGULATION (WHEELER) *DPW*  
OFFICE OF THE GENERAL COUNSEL (BRUBAKER) *Tax*

**RE:** DOCKET NO. 030452-GU - PETITION FOR AUTHORIZATION TO ESTABLISH NEW SMALL VOLUME CUSTOMER CLASSIFICATIONS AND RATES FOR EXPERIMENTAL TRANSITIONAL TRANSPORTATION SERVICE PROGRAM, BY FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION.

**AGENDA:** 07/15/03 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** 60-DAY SUSPENSION DATE: JULY 16, 2003

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\CMP\WP\030452.RCM

### CASE BACKGROUND

By Order No. PSC-02-1646-TRF-GU, issued November 25, 2002, in Docket No. 020277-GU, the Commission approved Phase One of Chesapeake Utilities Corporation's (Chesapeake or the Company) petition to convert all remaining sales customers to transportation service and to exit the merchant function, effective November 5, 2002. The Transitional Transportation Service (TTS) program was approved as an experimental pilot program, pursuant to Section 366.075 Florida Statutes.

Since the implementation of the TTS program, the Company's TTS customers have been experiencing lower fuel costs than the Company would have billed had it remained the customers' gas supplier. The

DOCUMENT NUMBER: 030452

05890 JUL-28

FPSC-COMMISSION CLERK

DOCKET NO. 030452-GU

DATE: JULY 2, 2003

savings have resulted from the reallocation of pipeline capacity and enhanced commodity buying capabilities of the TTS Pool Manager. While customer fuel costs have been reduced, a number of small volume customers have contacted the Company regarding an increase in their overall gas bill and questioned the benefits of the TTS Program.

As a result of the customer complaints, Chesapeake began an evaluation of the TTS program. Based on the results of its analysis, the Company filed a petition on May 16, 2003, to establish new small volume customer classifications and rates for the experimental TTS program.

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 approve the Company's petition to establish new small volume customer classifications and rates for the experimental transitional transportation service program?

**RECOMMENDATION:** Yes. The Commission should approve the new small volume customer classifications and rates for the experimental transitional transportation service program, effective the date of the Commission vote in this matter. (MAKIN, BULECZA-BANKS, WHEELER)

**STAFF ANALYSIS:** Through its analysis of bill frequencies, appliance mix, seasonal usage patterns and related data, the Company has determined that there is a need to establish a greater stratification of its smallest volume (TS-1) customer class. The current volume range of 0 to 500 annual therms in the TS-1 rate class (approved by Commission Order No. PSC-00-2263-FOF-GU, issued on November 28, 2000 in Docket No. 000108-GU), is insufficient to adequately represent the group of customers currently assigned to the class. The Company proposes to restructure the existing TS-1 class into three new customer classes.

When the TTS program was implemented, all of Chesapeake's remaining sales service customers (9,538 residential and 552 non-residential) were transferred to transportation service rate schedules. As the transportation rate schedules have higher customer charges than the corresponding sales rate schedules, the customers began paying a higher monthly customer charge. For the residential customers, the customer charge increased by \$5.00 per month.

For most customers, the fuel and tax savings associated with the TTS program more than offset the increases in the monthly customer charges, and result in an overall lower monthly bill. However, for certain low-use customers, such as residential water heating only and cooking only accounts, this was not the case.

Staff believes the TTS program should be designed to provide a net benefit to all participating customers.

DATE: JULY 2, 2003

In order for these small-volume customers to realize savings from Phase One of the TTS program, the Company proposes a base rate reduction for the TS-1 rate class as follows:

<u>PRESENT</u>			<u>PROPOSED</u>		
	<u>Customer</u>	<u>Energy</u>		<u>Customer</u>	<u>Energy</u>
<u>Rate</u>	<u>Charge</u>	<u>Charge</u>	<u>Rate</u>	<u>Charge</u>	<u>Charge</u>
TS-1	\$15.00	\$0.44073	TS-1A	\$10.00	\$0.44073
0-500 Therms/year			0-130 Therms/year		
			TS-1B	\$12.50	\$0.44073
			131-250 Therms/year		
			TS-1C	\$15.00	\$0.44073
			251-500 Therms/year		

Based on the current rates, the projected TTS-related transportation service revenues of \$906,480 are greater than the currently projected program costs of \$606,146.

If the new rates are implemented, the Company will incur a revenue decrease of approximately \$298,000, resulting in a projected revenue amount of \$608,480 (\$906,480-\$298,000.) This revenue reduction will cause the total revenues to be essentially equal to the total costs.

The proposed new customer classifications and rates applicable to the TS-1 class will thus achieve an appropriate overall balance of projected program revenues with costs, and ensure that all customers receive proportionate and immediate benefits from the TTS program. Staff recommends that the new rates and classifications should be approved and should become effective the date of the Commission vote in this matter.

DOCKET NO. 030452-GU

DATE: JULY 2, 2003

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

**RECOMMENDATION:** Yes. If a protest is filed by a person whose substantial interests are affected within 21 days of the Commission Order approving the rates, the rates should remain in effect pending resolution of the protest. If no protest is filed, this docket should be closed upon the issuance fo a Consummating Order.  
(BRUBAKER)

**STAFF ANALYSIS:** If a protest is filed by a person whose substantial interests are affected within 21 days of the Commission Order approving the rates, the rates should remain in effect pending resolution of the protest. If no protest is filed, this docket should be closed upon the issuance fo a Consummating Order.