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August 18, 2008

VIA Hand Delivery

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Petition of the Florida Division of Chesapeake Utilities Corporation for Approval of Transportation Cost Recovery Factors

Dear Ms. Cole:

Enclosed for filing, please find the original and 15 copies of the Petition for Approval of Transportation Cost Recovery Factors, filed on behalf of the Florida Division of Chesapeake Utilities Corporation.

If you have any questions whatsoever, please do not hesitate to contact me. Thank you

COM ___
ECR ___
GCL 1
OPC ___
RCP ___
SSC ___
SGA ___
ADM ___
CLK 1

{TL166736;1}

for your assistance with this filing.

Sincerely,

Beth Keating
AKERMAN SENTERFITT
106 East College Avenue, Suite 1200
Tallahassee, FL 32302-1877
Phone: (850) 224-9634
Fax: (850) 222-0103

Enclosures

cc: Office of the Public Counsel (Kelly)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Petition of the Florida Division of	)	
Chesapeake Utilities Corporation for	)	Docket No.
Approval of Transportation Service	)	
Cost Recovery Factors	)	Filed: August 18, 2008

PETITION FOR APPROVAL OF
TRANSPORTATION COST RECOVERY FACTORS

The Florida Division of Chesapeake Utilities Corporation (the Company), by and through its undersigned counsel, hereby petitions the Florida Public Service Commission (the Commission) for approval of certain transportation service cost recovery factors and the tariff changes in connection therewith, and in support hereof states as follows.

1. The name and address of the petitioner is:

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

   The name, address, and telephone and fax numbers of the person authorized to receive notices and communications with respect to this petition is:

   Beth Keating
   Of Counsel
   Akerman Senterfitt
   106 East College Avenue, Suite 1200
   Tallahassee, FL 32301
   (850) 224-9634 (telephone)
   (850) 222-0103 (fax)

   Attorneys for Petitioner
   The Florida Division of Chesapeake Utilities Corporation

2. The Company is a natural gas distribution utility subject to the regulatory jurisdiction of this Commission as prescribed in Chapter 366, Florida Statutes. Its substantial interests will be affected by the Commission's disposition of this petition in that the Company's ability to recover certain costs related to the

implementation of Phase Two of its Transitional Transportation Service (TTS) Program, under terms and conditions agreeable to the Company, will be thereby determined.

3. The Commission has jurisdiction to grant the relief requested pursuant to Sections 366.04, 366.05, 366.06, and 366.075, Florida Statutes.

HISTORIC BACKGROUND

4. On April 4, 2000, the Commission adopted Rule 25-7.0335, F.A.C., requiring each local distribution company to offer gas transportation service to all non-residential customers. The rule further provided that each LDC "may offer the transportation of natural gas to residential customers when it is cost effective to do so."

5. In accordance with the above rule, on May 15, 2000, the Company filed a proposed transportation service tariff, as a part of its request for a general rate increase. In addition to various tariff changes to modify the administrative procedures for its large volume transportation customers, the Company proposed a new Transportation Aggregation Service open to all non-residential customers regardless of consumption levels. Customers electing the proposed Transportation Aggregation Service would be required to enter into an approved aggregation pool, and to select from a list of qualified Pool Managers. By Order No. PSC-00-2263-FOF-GU, issued on November 28, 2000, the Commission approved the Company's proposals, with an effective date of March 2001.

6. Included in its general rate filing, the Company requested and ultimately received Commission approval to recover the projected <u>recurring</u> costs associated with administering the expanded transportation programs required under Rule 25-7.0335, F.A.C. The Company did not, however, propose to recover <u>non-recurring</u> program costs in its base rates. At the time of the rate proceeding many of these non-recurring costs (program design consulting fees, computer software modifications, etc.) were unknown and impossible to quantify with certainty. The

Company proposed to defer the non-recurring costs necessary to develop and implement the transportation program for recovery subject to Commission authorization in a future filing.

7. The Commission agreed with the Company's position on its non-recurring transportation costs. In Order No. PSC-2263-FOF-GU, the Commission noted on page 11:

> "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 non-residential 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."

8. The Commission reaffirmed its recognition of the need for the Company to recover non-recurring costs in support of its expanded transportation offerings in Order No. PSC-01-0304-TRF-GU, issued February 5, 2001. In that Order, the Commission authorized Transportation Cost Recovery (TCR) factors which modified the Company's PGA billing rates for certain non-residential customers. The TCR factors approved in this proceeding were designed to recoup projected under-recovered PGA gas fuel costs from customers who received sales service in 2000 (purchasing gas directly from the Company) and then elected to convert to transportation service in 2001 and began purchasing gas from a third party supplier. Absent the TCR mechanism, the customers converting to transportation service would have escaped paying their share of the under-recovered PGA costs. In this circumstance the under-recovered PGA costs would have been inappropriately allocated to the remaining sales customers. The original TCR factors approved in the above Order, based on projected costs, were modified to reflect actual PGA under-recovery costs in Commission Order No. PSC-01-0568-TRF-GU, issued March 12, 2001. The PGA related TCR factors expired on January 1, 2002.

9. On November 14, 2001, the Company filed a petition seeking authorization to establish TCR factors for the recovery of certain non-recurring costs associated with the development and implementation of transportation programs under Rule 25.7.0335. In its petition, the Company identified $164,922 of incurred expenses recorded in a deferred debit account at the date of the petition. An additional $175,000 in costs was projected through the end of 2002. The Company proposed to establish TCR factors applicable to the Energy Charge (per therm variable rate) of certain rate schedules for non-residential customers which would recover a total of $339,922 over a two-year period. The TCR factors for each applicable rate class were derived based on the methodology used in the Commission's Natural Gas Conservation Cost Recovery program. The Commission approved the Company's TCR factors in Order No. PSC-02-0110-TRF-GU, issued on January 24, 2002, subject to true-up at the end of the collection period.

On February 4, 2004, the Company filed a petition proposing to true-up the cost recovery authorized in Order No. PSC-02-0110-TRF-GU. The Company under-recovered the actual costs (including interest) to comply with rule 25-7.0335 by $7.00. In Order No. PSC-04-0403-TRF-GU, issued April 2004, the Commission authorized the Company to charge its Operation Balancing Account for the amount of the under-recovery and eliminate the TCR factors. The Operational Balancing Account, authorized by the Commission in Order No. PSC-00-2263-FOF-GU, replaced the PGA account and was designed to account for on-going transactions with marketers (imbalance resolution, etc.) subsequent to the Company's exit of the merchant function.

Transitional Transportation Service Program Overview – Phase One

11. In March 2001, when the Company implemented the expanded transportation service programs required in Rule 25-7.0335, F.A.C., thirty-five (35) large volume (>200,000 annual therms) industrial customers were transporting. The new aggregated transportation service program provided transportation access to any

non-residential customer. Response to the Company's transportation programs exceeded expectations. By the end of 2001, over 400 (approximately 40%) of the Company's non-residential customers were transporting, representing approximately 96% of the total system throughput. The remaining sales customers consisted of approximately 9,500 residential and small volume commercial accounts. The annual fuel requirements of these sales customers equaled approximately 3 million therms, less than 4% of the Company's total throughput.

12. The Company projected that gas costs, reflected in its Purchase Gas Adjustment (PGA) rate, for the remaining, primarily residential, sales customers would dramatically increase as a result of its implementation of Rule 25-7.0335, F.A.C. The cost increases were forecast, in part, based on the relatively small quantity of gas the Company would be purchasing for its sales customers. In addition, the allocation of interstate pipeline capacity costs was of significant concern. Historically, the cost of pipeline capacity was allocated to <u>all</u> customers through the Commission's PGA cost recovery procedures. As large volume industrial customers migrated to transportation, the Company had traditionally assigned capacity to the transporting customers based on their average monthly load requirements. This allocation method appropriately assigned the majority of the costs for capacity held for seasonal peaking and system growth to the residential and small commercial sales customers through the PGA. However, as virtually all of the Company's industrial customers and hundreds of smaller volume commercial customers migrated to transportation, the cost for peaking and growth capacity would be recovered primarily from the remaining residential sales customers. Under these circumstances, the Company recognized that it would become increasingly difficult to keep fuel rates competitive for its sales customers.

13. To address the projected cost escalation for non-transporting customers, the Company, on March 28, 2002, filed a petition with the Commission to establish a three-phase Transitional Transportation Service (TTS) Program. Under the TTS

program all remaining sales customers would be transferred to transportation service, the interstate pipeline capacity allocation method would be revised, and the Company would exit the retail gas sales merchant function. In Phase One of the TTS Program the Company proposed to select, through competitive bid, one third party gas marketer to serve as the Pool Manager for all TTS customers. The TTS Pool Manager would operate under contract with the Company and in accordance with the Company's applicable tariff provisions. The contract would be subject to Company audit and the general oversight of the Commission. Customers would be offered periodic opportunities to elect a fixed price option during Phase One. Pipeline capacity would be allocated based on a proposed tariff methodology that equitably spread the capacity held for system peaking and growth over all customers. In Phase Two the Company would, through competitive bid, select two Pool Managers. Initially, Phase Two customers would be randomly and equally distributed to each Pool Manager. At prescribed intervals customers would be able to switch Pool Managers and select from multiple pricing options. Phase Three would enable all customers to select from any of the Company's authorized Pool Managers. Customers would be free to negotiate services, terms and pricing from the Pool Manager of their choice.

14. By Order No. PSC-02-1646-TRF-GU, issued on November 25, 2002, the Commission authorized the implementation of Phase One of the Company's TTS program. The program was approved as an experimental and transitional pilot program under Section 366.075, Florida Statutes, with an effective date of November 5, 2002. The Commission ordered that any substantive change to the program, including proceeding to Phase Two, would require affirmative action on the part of the Commission. Under Phase One, the Company assigned 9,587 residential and 552 small commercial customers to Infinite Energy, the gas marketer selected to manage the TTS customer pool during Phase One. The Company recovered its recurring administrative costs for Phase One through an increase in its monthly Customer Charge for the respective rate classes transferred to the TTS program (at the time of the transfer of all customers to transportation service the Company's tariff included a higher Customer Charge

for transportation customers than sales customers). In addition, the Commission authorized the Company to collect a Customer Account Administrative Charge of $2.00 per bill from the TTS Pool Manager and any other marketer for which the Company provided billing and collection services.

15. Shortly after the TTS program was implemented, the Company received inquiries from a few very low use residential customers concerning their overall program savings. The Company worked with Commission staff to evaluate both current and projected savings for all TTS pool customers. Based on the analysis, it appeared that customers with one or two low-use appliances were not benefiting from the program. By petition filed with the Commission on May 16, 2003, the Company proposed to restructure its smallest volume rate class (0 to 500 annual therms) into three new rate classes, with lower monthly Customer Charges for the two smallest volume classes. The proposed rates reduced customer costs by approximately $298,000 per year. The Commission authorized the new rates and classifications, effective July 15, 2003 by Order No. PSC-03-0890-TRF-GU, issued on August 4, 2003. The restructured rates were designed to achieve an appropriate overall balance of Company revenues with TTS Phase One implementation costs, and to better ensure that all customers receive proportionate and immediate benefits from the program.

16. The Commission's November 2002 Order authorizing Phase One of the TTS Program required the Company to report on the results of the program at the end of each of the first two years of implementation. The Company provided its first annual report to the Commission in February 2004. The second annual report was submitted in February 2005. These reports provide an historical overview of program implementation, detailed descriptions of transition activities and estimates of customer savings.

17. In August 2004, the Company filed a petition with the Commission requesting authority to restructure its rates and move toward a Straight Fixed Variable rate design. Included in the Company's petition was a request to recognize Third

Party Marketers (gas suppliers) as customers. The Company proposed to allocate certain recurring costs to the Third Party Marketers (TPM) relative to the metering data and transportation administration services provided by the Company. In its cost of service study, the Company allocated costs to two categories of TPM, those that utilize the Company's billing service and those that do not. In its petition, the Company proposed to discontinue its existing $2.00 per bill Customer Account Administrative Service fee and institute a new Third Party Marketer-1 rate schedule (TPM-1, with billing services). A new TPM-2 rate schedule (without billing services) was also proposed. The monthly fee to recover the billing and collection costs under the TPM-1 rate schedule was proposed at $100 per month per TPM and $3.00 per bill. The TPM-2 rate was set at $172.50 per month per TPM. The Commission approved the TPM rate classes and rates in Order No. PSC-05-0208-PAA-GU, issued on February 22, 2005. It should be noted that the Commission approved a name change for both rate schedules as part of the Company's Phase Two implementation request discussed below. Commission Order No. PSC-07-0427-TRF-GU, authorized renaming the TPM-1 rate schedule to Shipper Administrative and Billing Service (SABS); the TPM-2 rate schedule was renamed the Shipper Administrative Service (SAS). There was no change in the billing rates.

Transitional Transportation Service Program Overview – Phase Two

18. On October 10, 2006, the Company filed a petition requesting authorization from the Commission to implement Phase Two of its TTS Program. Several factors encouraged the Company to move to Phase Two. During the four years of Phase One operations, the Company gained significant experience and insight in the day-to-day operation of a transportation service environment. Over this period, the Company received numerous requests from residential consumers for expansion of the program to include additional pricing options from more than one marketer. The Company had received no requests from customers to return to merchant sales service. Several gas marketers had expressed interest in bidding to become a Phase Two TTS shipper and had indicated their ability to

provided expanded pricing options to consumers. Finally, consumers were saving money through the program. The Company's petition (Appendix A) included a comparison of fuel prices under TTS Phase One to the Company's PGA rates for a two-year period prior to phase One implementation using the monthly NYMEX settle price as a baseline index. The results indicated a substantial savings for TTS consumers. The Company also believed that the TTS program monthly index pricing was sending timely market price signals to the Company's TTS Program customers. In the past, the Company's PGA pricing frequently reflected over or under recovered costs from prior periods that resulted in monthly prices that varied significantly from the market price for natural gas.

19. In Phase Two the Company proposed to retain two gas marketing firms (TTS Shippers) through a competitive bid process. In January 2007, the Company issued an RFP to conditionally select the TTS Shippers, subject to Commission approval of Phase Two. The Company ultimately selected Infinite Energy and Florida Natural Gas (a division of Southstar Energy Services) as the TTS Shippers. In the Company's petition it proposed an initial division of the existing TTS consumers, on a random and equitable basis, between the TTS Shippers. Any new consumer additions would be equitably assigned to the TTS Shippers. Both Shippers would initially serve consumers under a Standard Price Option. The Standard Price Option would be identical for all consumers, regardless of their assigned TTS Shipper. The Company's TTS Shipper Agreement would identify the price point (commodity index, interstate capacity cost pass-through, imbalance resolution, margin, etc.) for the Standard Price Option. Between six and twelve months following Phase Two implementation, the Company would administer an Open Enrollment Period wherein consumers could change Shippers or select from various pricing options offered by each Shipper. The Company would provide each TTS Shipper the opportunity to promote their respective capabilities, various pricing options or other factors that would influence customer choice, to all TTS customers during an Open Enrollment Period of approximately thirty (30) days duration. The Company would administer the open enrollment process and mail the TTS Shipper's solicitation materials to

all TTS customers. Customers changing their TTS Shipper or selecting a new pricing option (fixed price or a change in index, etc.) would respond in writing to the Company. Company personnel would process all consumer selections. Those consumers not responding would receive the standard price option from their selected TTS Shipper. The Company would administer an open enrollment process as described above on at least an annual basis throughout the period Phase Two is effect. In all other respects, Phase Two of the TTS Program would operate in the same manner as approved by the Commission for Phase One.

20. In Order No. PSC-07-0427-TRF-GU, issued on May 15, 2007, the Commission authorized the Company to proceed to Phase Two of its TTS Program on an experimental, pilot basis. On July 1, 2007, the Company equitably divided its existing TTS consumers, both active and inactive accounts, (15,763 residential and 682 non-residential consumers) between the two TTS Shippers and initiated the Phase Two program. The Company notified all TTS consumers by mail that Phase Two had been approved by the Commission, the initial consumer assignment between the selected TTS Shippers was effective in the July 2007 billing month and that an Open Enrollment Period would occur in the near future. Over the first several months of the program the Company worked to ensure its back office functions and Customer Information System (CIS) were adequately supporting Phase Two implementation.

21. As noted above, the Company's Phase Two program design included an Open Enrollment Period where consumers could change TTS Shippers or pricing options. During the latter part of 2007, the Company consulted with the TTS Shippers on the pricing options the Shipper's intended to offer during the first Open Enrollment Period. Each TTS Shipper proposed to include over a dozen pricing options. Due to the limitations of the Company's CIS, each Shipper was required to significantly reduce their pricing options to a manageable number. The Company was able to modify its CIS to enable consumers to select from an expanded, but limited, menu of gas supply pricing options. On January 17, 2008, the Company sent a letter to all TTS consumers providing a preliminary overview

of the open enrollment period scheduled to begin the following month. On February 11, 2008, the Company sent a second letter to TTS consumers announcing the initial Phase Two Open Enrollment Period would continue through March 10, 2008. Included with the open enrollment letter was information on each TTS Shipper and the Shipper's available pricing options. Approximately 15% (2008 consumers) of the active TTS consumers elected to either change TTS Shippers or select a pricing option other than the Standard Price Option. On April 1, 2008 the consumer choices from the Open Enrollment Period were activated in the Company's billing system. The Company continued to receive inquiries (approximately 200) from consumers after the open enrollment period ended. Only two consumers that selected an alternative pricing option during the Open Enrollment Period have requested to return to the Standard Price Option.

22. In addition to approving Phase Two of the Company's TTS program, Commission Order No. PSC-07-0427-TRF-GU also approved an experimental fixed rate option for TTS Program participants in several small volume rate classes. The affected rate schedules (FTS-A, FTS-B, FTS-1, FTS-2 and FTS-3) include both residential and commercial consumers using less than 10,000 therms per year. The optional fixed charge rates eliminate the variable per therm usage charge and recover all costs through a fixed monthly transportation charge. The fixed rate for each respective class is derived from the revenue requirements approved for the class in Commission Order No. PSC-05-0208-PAA-GU, issued February 5, 2005. On January 17, 2008 the Company sent a letter to all existing TTS consumers offering the experimental fixed rate option. A total of 560 consumers selected the experimental fixed rate.

<u>Other Commission Approved TCR Mechanisms</u>

23. In addition to the Company's 2002 TCR mechanism described above, the Commission has previously approved transportation cost recovery factors for Peoples Gas System (Order No. PSC-00-1814-TRF-GU, issued October 4,

2000); Florida Public Utilities Company (Order No. PSC-01-1963-TRF-GU, issued October 1, 2001) and Indiantown Gas Company (Order No. 03-1109-PAA-GU, issued October 6, 2003).

RELIEF REQUESTED

24. The Company has incurred certain incremental non-recurring costs to implement Phase Two of its TTS Program and provide expanded fuel service options to its TTS consumers. Incurred expenses include i) modifications to the Company's computerized Customer Information System (CIS), ii) legal costs to ensure the capacity release and pricing requirements in Phase Two were not in conflict with FERC or anti-trust rules, iii) forms, duplicating, processing and postage of the initial Open Enrollment Period and iv) consulting support for tariff and procedure development. These expenses are detailed in Exhibit A to this petition. The Company is seeking recovery of $77,980 in current expenses incurred from May 1, 2007 through June 30, 2008. The Company's actual expenses to date have been recorded in a deferred debit account, pending Commission authorization for their recovery.

25. The Company also projects that it will incur additional non-recurring expenses to further modify its CIS and automate several manual TTS processes, restructure certain back office processes to streamline and improve the distribution of usage data for TTS Shippers, and to provide one additional consumer education effort during the 2009 open enrollment period. The Company implemented Phase Two with the knowledge that its current CIS was not programmed to handle many of the processes required to administer a multiple Shipper, multiple pricing option TTS program. The Company completed the basic CIS modifications necessary to allow Phase Two to begin and instituted manual procedures to provide additional support. The Company's intent was to operate Phase Two for several months to identify real, rather than perceived, additional modifications to its CIS. The Company also projects expenses for consulting assistance related to the development of CIS and other back office procedures as well as a similar level of

expenses for the 2009 Open Enrollment Period as were incurred in 2008. The Company projects that it will incur approximately $100,000 in non-recurring Phase Two expenses from July 1, 2008 through May 31, 2009 (the end of the 2009 open enrollment processing). These expenses are detailed in Exhibit A to this petition.

26. The Company proposes to recover expenses through the TCR mechanism totaling approximately $177,980 ($77,980 in actual expenses and $100,000 in projected expenses), plus interest and regulatory assessment fees. Interest expense would be calculated monthly beginning with the first month in which incurred expenses were deferred for recovery, May 2007. The monthly interest rate would be the rate approved in the Commission's on-going ECCR and PGA cost recovery dockets for the applicable months. The Company proposes to recover these expenses over a twelve (12) month period, beginning on first day of the month following the issuance date of the Commission's Consummating Order in this proceeding. The recovery of both actual and projected expenses will enable the Company to appropriately recover its non-recurring costs to implement Phase Two of the TTS program. The recovery of projected expenses is consistent with Commission practice in approving the Company's Phase One TCR mechanism in Order No. PSC-02-0110-TRF-GU, as well as the Peoples Gas System and Florida Public Utilities Company TCR mechanism orders described in paragraph 23.

27. The Company proposes to recover its non-recurring TTS Phase Two program costs from the two TTS Shippers, not individual consumers. As noted above, the Company is proposing to recover $177,980, plus interest and regulatory assessment fees, from the TCR mechanism. The Company would divide the total TCR amount into twelve monthly amounts of approximately $15,300. Exhibit B provides a schedule detailing the calculation of the TCR amount. Each month the Company would determine the actual number of consumers assigned to each TTS Shipper. The Company would allocate the monthly TCR amount between the TTS Shippers based on the ratio of consumers in each TTS Shipper's

Consumer Pool for each billing month during the proposed twelve (12) month recovery period. For example, if the ratio of consumers between TTS Shippers in a given month is 60% to 40%, the monthly TCR amount would be divided on a 60% to 40% basis to the respective TTS Shippers. During the final month of the recovery period, the actual monthly billing amount would be adjusted to recover the exact remaining TCR amount.

28. The Company's proposed recovery methodology has several advantages over a traditional volumetric rate adjustment for individual consumers. It is easier to administer for the Company. There is no need to modify the Company's CIS to accommodate a billing surcharge. The Company has an existing billing relationship with the TTS Shippers, including a Commission approved rate schedule (Shipper Administrative and Billing Service (SABS); Original Sheet No. 94 in the Company's tariff). The Shipper Administration Charge in the SABS rate schedule would be adjusted to include the monthly TCR amount. The proposed recovery method would account for monthly consumer additions or deletions in each TTS Shipper's Consumer Pool. There would be no need for a true-up since the final TCR amount billed to the TTS Shippers can be adjusted to match actual expenses. The Company's existing TTS Shipper Agreement allows TCR related charges to be passed-through to consumers by the TTS Shipper in the TTS Shipper's monthly gas cost rate. The Company routinely monitors and audits TTS Shipper billing rates each month to ensure compliance with the pricing provisions established in the TTS Shipper Agreements. The Company has in place procedures to ensure that the total approved TCR collection amount billed to the TTS Shippers by the Company equals the amount billed to consumers by the TTS Shippers over the collection period. The Company anticipates that the average TTS consumer's bill will increase approximately $1.10 per month per consumer during the twelve (12) month recovery period (based on a recovery of approximately $15,300 per month and approximately 13,847 TTS consumers, as of June 2008).

29. The Company submits that the TCR factors proposed herein are fair, and reasonably designed to recover the incremental non-recurring costs associated with implementing Phase Two of the Company's TTS Program.

NEW TARIFF SHEET

30. The Company is submitting with the instant petition (Exhibit C) the proposed new tariff sheet that incorporate the proposed factors. A new Original Sheet No. 103.1, Transportation Cost Recovery Adjustment, would be added to the Monthly Rate Adjustment rate schedule section of the Company's approved tariff.

WHEREFORE, the Florida Division of Chesapeake Utilities Corporation requests that the Commission grant this petition and approve the accompanying proposed TCR factors and new tariff sheet, to become effective as of the first day of the month following the issue date of the Commission's Consummating Order in this proceeding.

Respectfully submitted,

Beth Keating

Beth Keating
Of Counsel
Akerman Senterfitt
106 East College Avenue, Suite 1200
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(850) 222-0103 (fax)

Attorneys for Petitioner
Florida Division of Chesapeake Utilities Corporation

Exhibit A

Florida Division of Chesapeake Utilities Corporation
Petition for Approval of Transportation Cost Recovery Factors

Actual and Projected TTS Program Phase Two Implementation Costs

Exhibit A

Florida Division of Chesapeake Utilities Corporation
Transportation Cost Recovery Petition
Actual and Projected TTS Program Phase Two Implementation Costs

Actual Costs Incurred May 2007 through June 2008: $77,980.60

Computer Programming Services: $13,274.39

The Company contracted for several modifications to its UtiliCis Customer Information System. The modifications accommodated the addition of a second TTS Shipper and supported billing functions that enabled consumers to select from an expanded, but limited, menu of gas supply pricing options. The principal billing related modifications included adding a new receivable module for the second TTS Shipper and the expansion of various rate tables, adjustment codes and tax calculation fields. Various data reporting capabilities were expanded to provide enhanced information on gas usage to TTS Shippers (for imbalance resolution purposes). In addition, reports required to track payment status, bad debt and the transfer of consumers between Shippers were improved.

Consultant Fees: $9,715.00

The Company contracted for consulting services to assist in the development of CIS and other back office procedural modifications related to Phase Two implementation. The consultant also provided assistance in staff training on tariff and program procedural issues, the design of the Open Enrollment process and worked with Shippers on a variety of program implementation issues.

Legal Fees: $6,825.00

Prior to implementing Phase Two, the Company sought legal counsel to clarify several Federal Energy Regulatory Commission (FERC) rules and policies related to the release of interstate pipeline capacity and the applicability of the Hinshaw provisions related to the Phase Two program design.

2008 Open Enrollment Forms, Duplication, Mail Processing, Postage: $48,166.21

The Company contracted with a third party mail house to duplicate and process for mailing the various Phase Two program educational materials, selection forms and TTS Shipper pricing descriptions provided to consumers. Three separate mailings to over 15,000 consumers were handled by the mail house.

Exhibit A

***Projected Costs Incurred July 2008 through May 2009*: $100,000**

Computer Programming Services: $25,000

As noted in the paragraph 24 of the Company's petition, relatively minor modifications were undertaken to the Company's CIS prior to implementing Phase Two of the TTS Program. Only those modifications necessary to add an additional TTS Shipper and a limited number of pricing options were included. The Company has operated with multiple Shippers under Phase Two for over a year; including the past five months with multiple pricing options. Several additional CIS modifications are needed to:

- Expand consumer pricing options. The TTS Shipper's offered over a dozen different pricing programs (various fixed price terms, senior citizen pricing, etc.). At this time the Company is not able to fully accommodate the available options.
- Improve reporting functions. One of the key elements in reducing consumer gas supply costs is the reduction in imbalance resolution costs. Providing more timely usage data would enable Shippers to better manage imbalances.
- Reduce the hand keying required to set up a rate field. The process in the current system is complex and requires manual, repetitive keying of rates to ensure the correct factors are picked up across all system modules.
- Eliminate the manual processing required to final bill a consumer prior to setting up a new consumer at the same location with a TTS Shipper.
- Automate the process of assigning consumers between TTS Shippers at the time of initial account processing or order completion.

Consultant Fees: $22,500

The Company plans to contract for consulting services to assist in the development of the above CIS enhancements and other back office procedural modifications related to Phase Two implementation. The consultant would also continue to provided staff training on program procedural issues and work with TTS Shippers on a variety of program implementation issues. Of primary concern is the development of data reporting procedures that would result in imbalance and Alert Day cost reductions for members of the TTS Consumer Pool.

Legal Fees: $2,500

Legal expenses incurred to file the Phase Two TCR mechanism petition.

Exhibit A

<u>2009 Open Enrollment Forms, Duplication, Mail Processing, Postage</u>: $50,000

The Company intends that its 2009 Open Enrollment process will be similar to the process followed in 2008. It is anticipated that three mailings to inform consumers and facilitate Shipper and pricing option selections will occur in 2009. The Company would again contract with a third party mail house to duplicate, process and mail the various Open Enrollment educational materials, selection forms and TTS Shipper pricing descriptions. It is expected that the cost for this service in 2009 will be approximately equal to the 2008 cost.

Exhibit B

Florida Division of Chesapeake Utilities Corporation
Petition for Approval of Transportation Cost Recovery Factors

Calculation of TCR True-up with Interest

Exhibit B

Florida Division of Chesapeake Utilities Corporation
Transportation Cost Recovery Petition
Calcuation of TCR True-up with Interest

2007

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
TCR REVENUES BILLED	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
TCR EXPENSES INCURRED	$0.00	$0.00	$0.00	$0.00	$4,725.00	$0.00	$2,100.00	$1,343.75	$5,187.50	$758.75	$2,093.75	$2,890.63
REG. ASSESSMENT FACTOR	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503
TCR RECOVERABLE EXPENSE	$0.00	$0.00	$0.00	$0.00	$4,748.77	$0.00	$2,110.56	$1,350.51	$5,213.59	$762.57	$2,104.28	$2,905.17
TRUE-UP THIS PERIOD	$0.00	$0.00	$0.00	$0.00	($4,748.77)	$0.00	($2,110.56)	($1,350.51)	($5,213.59)	($762.57)	($2,104.28)	($2,905.17)
INTEREST EXPENSE	$0.00	$0.00	$0.00	$0.00	($10.41)	($20.90)	($25.58)	($34.35)	($48.49)	($56.77)	($60.90)	($72.98)
TRUE-UP & INTER. PROV. BEGINNING OF MONTH	$0.00	$0.00	$0.00	$0.00	$0.00	($4,759.17)	($4,780.08)	($6,916.22)	($8,301.08)	($13,563.16)	($14,382.50)	($16,547.68)
TOTAL NET TRUE-UP	$0.00	$0.00	$0.00	$0.00	($4,759.17)	($4,780.08)	($6,916.22)	($8,301.08)	($13,563.16)	($14,382.50)	($16,547.68)	($19,525.83)

Exhibit B

Florida Division of Chesapeake Utilities Corporation
Transportation Cost Recovery Petition
Calcuation of TCR True-up with Interest

2007

INTEREST PROVISION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
BEGINNING TRUE-UP	$0.00	$0.00	$0.00	$0.00	$0.00	($4,759.17)	($4,780.08)	($6,916.22)	($8,301.08)	($13,563.16)	($14,382.50)	($16,547.68)
ENDING TRUE-UP BEFORE INTEREST	$0.00	$0.00	$0.00	$0.00	($4,748.77)	($4,759.17)	($6,890.64)	($8,266.73)	($13,514.67)	($14,325.73)	($16,486.78)	($19,452.85)
TOTAL BEGINNING & ENDING TRUE-UP	$0.00	$0.00	$0.00	$0.00	($4,748.77)	($9,518.35)	($11,670.71)	($15,182.94)	($21,815.75)	($27,888.90)	($30,869.27)	($36,000.53)
AVERAGE TRUE-UP (LINE 3 TIMES 50%)	$0.00	$0.00	$0.00	$0.00	($2,374.38)	($4,759.17)	($5,835.36)	($7,591.47)	($10,907.87)	($13,944.45)	($15,434.64)	($18,000.27)
INTER. RATE - 1ST DAY OF REPORTING MONTH	5.270%	5.260%	5.260%	5.260%	5.260%	5.260%	5.280%	5.240%	5.620%	5.050%	4.720%	4.750%
INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	5.260%	5.260%	5.260%	5.260%	5.260%	5.280%	5.240%	5.620%	5.050%	4.720%	4.750%	4.980%
TOTAL (SUM LINES 5 & 6)	10.53%	10.52%	10.52%	10.52%	10.52%	10.54%	10.52%	10.86%	10.67%	9.77%	9.47%	9.73%
AVG INTEREST RATE (LINE 7 TIMES 50%)	5.27%	5.26%	5.26%	5.26%	5.26%	5.27%	5.26%	5.43%	5.34%	4.89%	4.74%	4.87%
MONTHLY AVG INTEREST RATE	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.45%	0.44%	0.41%	0.39%	0.41%
INTEREST PROVISION (LINE 4 TIMES LINE 9)	$0.00	$0.00	$0.00	$0.00	($10.41)	($20.90)	($25.58)	($34.35)	($48.49)	($56.77)	($60.90)	($72.98)

Exhibit B

Florida Division of Chesapeake Utilities Corporation
Transportation Cost Recovery Petition
Calcuation of TCR True-up with Interest

2008

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
TCR REVENUES BILLED	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
TCR EXPENSES INCURRED	$13,877.75	$16,792.75	$18,495.72	$2,537.50	$0.00	$7,177.50	$6,380.00	$6,000.00	$6,000.00	$6,000.00	$6,000.00	$7,000.00
REG. ASSESSMENT FACTOR	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503
TCR RECOVERABLE EXPENSE	$13,947.56	$16,877.22	$18,588.75	$2,550.26	$0.00	$7,213.60	$6,412.09	$6,030.18	$6,030.18	$6,030.18	$6,030.18	$7,035.21
TRUE-UP THIS PERIOD	($13,947.56)	($16,877.22)	($18,588.75)	($2,550.26)	$0.00	($7,213.60)	($6,412.09)	($6,030.18)	($6,030.18)	($6,030.18)	($6,030.18)	($7,035.21)
INTEREST EXPENSE	($144.57)	($150.66)	($182.30)	($198.83)	($194.80)	($188.11)	($202.76)	($218.06)	($233.73)	($246.78)	($259.85)	($274.00)
TRUE-UP & INTER. PROV. BEGINNING OF MONTH	($19,525.83)	($33,617.95)	($50,645.83)	($69,416.88)	($72,165.98)	($72,360.78)	($79,762.49)	($86,377.35)	($92,625.59)	($98,889.49)	($105,166.45)	($111,456.48)
TOTAL NET TRUE-UP	($33,617.95)	($50,645.83)	($69,416.88)	($72,165.98)	($72,360.78)	($79,762.49)	($86,377.35)	($92,625.59)	($98,889.49)	($105,166.45)	($111,456.48)	($118,765.70)

Exhibit B

Florida Division of Chesapeake Utilities Corporation
Transportation Cost Recovery Petition
Calcuation of TCR True-up with Interest

2008

INTEREST PROVISION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
BEGINNING TRUE-UP	($36,073.51)	($50,165.63)	($67,193.51)	($85,964.56)	($88,713.66)	($88,908.46)	($96,310.17)	($102,925.03)	($109,173.27)	($115,437.18)	($121,714.13)	($128,004.16)
ENDING TRUE-UP BEFORE INTEREST	($50,021.06)	($67,042.85)	($85,782.26)	($88,514.82)	($88,713.66)	($96,122.06)	($102,722.26)	($108,955.21)	($115,203.45)	($121,467.36)	($127,744.31)	($135,039.37)
TOTAL BEGINNING & ENDING TRUE-UP	($86,094.57)	($117,208.48)	($152,975.77)	($174,479.38)	($177,427.31)	($185,030.52)	($199,032.44)	($211,880.24)	($224,376.72)	($236,904.53)	($249,458.44)	($263,043.54)
AVERAGE TRUE-UP (LINE 3 TIMES 50%)	($43,047.29)	($58,604.24)	($76,487.89)	($87,239.69)	($88,713.66)	($92,515.26)	($99,516.22)	($105,940.12)	($112,188.36)	($118,452.27)	($124,729.22)	($131,521.77)
INTER. RATE - 1ST DAY OF REPORTING MONTH	4.980%	3.080%	3.090%	2.630%	2.840%	2.430%	2.450%	2.440%	2.500%	2.500%	2.500%	2.500%
INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	3.080%	3.090%	2.630%	2.840%	2.430%	2.450%	2.440%	2.500%	2.500%	2.500%	2.500%	2.500%
TOTAL (SUM LINES 5 & 6)	8.06%	6.17%	5.72%	5.47%	5.27%	4.88%	4.89%	4.94%	5.00%	5.00%	5.00%	5.00%
AVG INTEREST RATE (LINE 7 TIMES 50%)	4.03%	3.09%	2.86%	2.74%	2.64%	2.44%	2.45%	2.47%	2.50%	2.50%	2.50%	2.50%
MONTHLY AVG INTEREST RATE	0.34%	0.26%	0.24%	0.23%	0.22%	0.20%	0.20%	0.21%	0.21%	0.21%	0.21%	0.21%
INTEREST PROVISION (LINE 4 TIMES LINE 9)	($144.57)	($150.66)	($182.30)	($198.83)	($194.80)	($188.11)	($202.76)	($218.06)	($233.73)	($246.78)	($259.85)	($274.00)

Florida Division of Chesapeake Utilities Corporation
Transportation Cost Recovery Petition
Calcuation of TCR True-up with Interest

2009

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
TCR REVENUES BILLED	$15,300.00	$15,300.00	$15,300.00	$15,300.00	$15,300.00	$15,300.00	$15,300.00	$15,300.00	$15,300.00	$15,300.00	$15,300.00	$15,423.91
TCR EXPENSES INCURRED	$15,000.00	$17,620.00	$20,000.00	$7,500.00	$2,500.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
REG. ASSESSMENT FACTOR	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503
TCR RECOVERABLE EXPENSE	$15,075.45	$17,708.63	$20,100.60	$7,537.73	$2,512.58	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
TRUE-UP THIS PERIOD	$224.55	($2,408.63)	($4,800.60)	$7,762.28	$12,787.43	$15,300.00	$15,300.00	$15,300.00	$15,300.00	$15,300.00	$15,300.00	$15,423.91
INTEREST EXPENSE	($247.19)	($249.98)	($258.02)	($255.47)	($234.59)	($205.82)	($174.38)	($142.87)	($111.29)	($79.65)	($47.94)	($16.03)
TRUE-UP & INTER. PROV. BEGINNING OF MONTH	($118,765.70)	($118,788.34)	($121,446.95)	($126,505.57)	($118,998.76)	($106,445.93)	($91,351.76)	($76,226.13)	($61,069.00)	($45,880.29)	($30,659.94)	($15,407.87)
TOTAL NET TRUE-UP	($118,788.34)	($121,446.95)	($126,505.57)	($118,998.76)	($106,445.93)	($91,351.76)	($76,226.13)	($61,069.00)	($45,880.29)	($30,659.94)	($15,407.87)	$0.00

Exhibit B

Florida Division of Chesapeake Utilities Corporation
Transportation Cost Recovery Petition
Calcuation of TCR True-up with Interest

2009

INTEREST PROVISION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
BEGINNING TRUE-UP	($118.765.70)	($118,788.34)	($121,446.95)	($126,505.57)	($118,998.76)	($106,445 93)	($91,351.76)	($76,226.13)	($61,069.00)	($45,880.29)	($30,659.94)	($15.407.87)
ENDING TRUE-UP BEFORE INTEREST	($118,541.15)	($121,196.97)	($126,247.55)	($118,743.29)	($106,211.34)	($91,145.93)	($76,051.76)	($60,926.13)	($45,769.00)	($30,580.29)	($15,359.94)	$16.04
TOTAL BEGINNING & ENDING TRUE-UP	($237,306.84)	($239,985.31)	($247,694.51)	($245,248.86)	($225,210.10)	($197,591.86)	($167,403.51)	($137,152.27)	($106,838.00)	($76,460.58)	($46,019.87)	($15,391.84)
AVERAGE TRUE-UP (LINE 3 TIMES 50%)	($118,653.42)	($119,992.66)	($123,847.25)	($122,624.43)	($112,605.05)	($98,795.93)	($83,701.76)	($68,576.13)	($53,419.00)	($38,230.29)	($23,009.94)	($7,695.92)
INTER. RATE - 1ST DAY OF REPORTING MONTH	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
TOTAL (SUM LINES 5 & 6)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
AVG INTEREST RATE (LINE 7 TIMES 50%)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
MONTHLY AVG INTEREST RATE	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%
INTEREST PROVISION (LINE 4 TIMES LINE 9)	($247.19)	($249.98)	($258.02)	($255.47)	($234.59)	($205.82)	($174.38)	($142.87)	($111.29)	($79.65)	($47.94)	($16.03)

Exhibit C

Florida Division of Chesapeake Utilities Corporation
Petition for Approval of Transportation Cost Recovery Factors

Tariff Sheet No. 103.1

RATE SCHEDULES
MONTHLY RATE ADJUSTMENTS
Rate Schedule MRA

7. TRANSPORTATION COST RECOVERY ADJUSTMENT

Applicability:

All Transitional Transportation Service (TTS) Shippers.

Commission Order No. PSC-08-xxxx-TRF-GU, authorizes the Company to recover certain non-recurring, incremental expenses incurred, or projected to be incurred, in the implementation of Phase Two of the Company's experimental TTS program. A Transportation Cost Recovery (TCR) Monthly Rate Adjustment shall be charged to all TTS Shippers. Under the provisions of the Company's TTS Shipper Agreement, the charges levied under this TCR adjustment may be passed-through to consumers in the TTS Shipper's monthly gas supply billing charge, subject to audit by the Company.

Each month during the twelve (12) month TCR period identified in the above Commission Order, the Company shall adjust the Shipper Administration Charge in the Shipper Administration and Billing Service (SABS) rate schedule by the TCR Monthly Rate Adjustment.

The TCR Monthly Rate Adjustment shall be determined as follows:

The TCR amount authorized by the Commission, including applicable interest and regulatory assessment fees, shall be divided into twelve (12) approximately equal monthly amounts (the Monthly TCR Amount). Each month the Company shall determine the number of consumers assigned to each TTS Shipper's respective Consumer Pool. The Company shall prorate each Monthly TCR Amount between TTS Shipper's based on the relative number of consumers in each TTS Shipper's Consumer Pool. In the final month of the recovery period (month twelve), the Company may adjust the Monthly TCR Amount (increase or decrease) to ensure that the actual total TCR amount recovered is equal to the Company's actual TCR expenses. For each TTS Shipper, the respective Shipper Administration Charge shall be increased by the Monthly TCR Amount.