

State of Florida



## 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-**

---

**DATE:** September 22, 2014

**TO:** Office of Commission Clerk (Stauffer)

**FROM:** Division of Economics (Garl) *Handwritten initials*  
Office of the General Counsel (Mapp) *Handwritten initials: KRIL, JSC*

**RE:** Docket No. 140151-GU – Petition for approval to close firm transportation service - 13 rate schedule, by Florida Division of Chesapeake Utilities Corporation.

**AGENDA:** 10/02/14 – Regular Agenda – Tariff Filing – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Edgar

**CRITICAL DATES:** 10/12/14 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

RECEIVED-FPSC  
14 SEP 22 AM 9:12  
COMMISSION  
CLERK

---

### Case Background

On August 13, 2014, the Florida Division of Chesapeake Utilities Corporation (Chesapeake) filed a petition requesting Commission approval to close its Firm Transportation Service-13 (FTS-13) rate schedule to new customers. The Commission last reviewed the FTS-13 rate schedule in Chesapeake's 2009 rate case, acknowledging that the rate was based on unique circumstances of the one customer taking service under this rate, the Mosaic phosphate company.<sup>1</sup> Mosaic has the ability to bypass Chesapeake's distribution system since the Florida Gas Transmission (FGT) pipeline traverses Mosaic's property and Mosaic could directly interconnect with FGT. The FTS-13 Firm Transportation Charge was developed as a retention rate based on Mosaic's cost to bypass Chesapeake. Mosaic is the only customer on the rate, but the rate is open to any other qualified customer. The Commission has jurisdiction in this matter pursuant to Section 366.06, Florida Statutes.

<sup>1</sup> See Order No. PSC-10-0029-PAA-GU, issued January 14, 2010, in Docket No. 090125-GU, In re: Petition for increase in rates by Florida Division of Chesapeake Utilities Corporation.

### Discussion of Issues

**Issue 1:** Should the Commission approve Chesapeake's proposal to close rate schedule FTS-13 to new customers?

**Recommendation:** Yes. Staff recommends approval of Chesapeake's proposal to close rate schedule FTS-13 to new customers. The proposed tariff should become effective on October 2, 2014. (Garl)

**Staff Analysis:** As mentioned in the case background, the Commission reviewed the FTS-13 rate, along with all other rate schedules, during Chesapeake's last rate case in 2009.<sup>2</sup> At that time, the FTS-13 rate covered the cost to serve Mosaic, the one customer taking service under that rate. Chesapeake's 2nd Quarter Earnings Surveillance Reports for 2014, dated August 8, 2014, shows a rate of return within the Commission-approved range.<sup>3</sup>

Chesapeake acknowledged in its petition that rate schedule FTS-13 was created for Mosaic and is more akin to a special contract. The rate was specifically designed to retain this customer and to cover the cost to serve Mosaic so the general body of ratepayers did not subsidize service to this one customer.

Chesapeake further explained that a new customer seeking service under the same tariff may not have the same cost to serve profile as Mosaic. A different cost profile could result in Chesapeake's FTS-13 rate schedule not covering the cost to serve the new customer, thereby causing Chesapeake to lose revenues and the new customer being subsidized by the general body of ratepayers. Chesapeake stated that it knows of no such potential customers.

Chesapeake proposed to retain Mosaic on the FTS-13 rate schedule, i.e. grandfather the only customer, until Chesapeake files for a rate case or Mosaic terminates service with Chesapeake, whichever occurs first. Upon filing of a rate case, Chesapeake would reassess whether the rate for Mosaic continues to recover the cost to serve Mosaic, and whether it would be more appropriate to either move Mosaic to another rate class or attempt to establish a special contract with Mosaic.

### Conclusion

Special contracts can be individually tailored for customers that have the option to bypass a utility. In this case, the "open-tariff" should be closed to ensure that special contracts are used to retain at-risk customers.

Staff believes Chesapeake's proposal to close rate schedule FTS-13 to new customers, and to grandfather Mosaic under the FTS-13 rate is in the best interest of Chesapeake and its ratepayers. The proposed tariff should become effective October 2, 2014. The proposed tariff revision is included as Attachment A. Staff recommends approval of Chesapeake's request.

---

<sup>2</sup> Id.

<sup>3</sup> Florida Public Utilities Company (Electric and all Gas Divisions), and Central Florida Gas (Florida Division of Chesapeake Utilities Corporation) 2nd Quarter Surveillance Reports, available at <http://www.floridapsc.com/library/Financials/GU616-DOCS/EARNINGS-SURVEILLANCE/GU616-2014-06-ESR.pdf>.

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

**Recommendation:** Yes. If Issue 1 is approved, and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any increase in revenue collected held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Mapp)

**Staff Analysis:** If Issue 1 is approved, and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any increase in revenue collected held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

Florida Division of Chesapeake Utilities  
Corporation Original Volume No. 4

Third Revised Sheet No. 90  
Cancels Second Sheet No. 90

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE- 13  
Rate Schedule FTS-13 (Closed to New Service)

Availability:

Throughout the service areas of the Company.

Applicability:

Rate Schedule is closed to all new service. Firm Transportation Service was available to all Consumers whose annual Metered transportation volume is greater than 12,500,000 therms, except for the gas delivered through a separate meter for compression and delivery into motor vehicle fuel tanks or other transportation containers. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

<u>Monthly Rate:</u>	\$16,692.25
Firm Transportation Charge:	\$0.00000 per therm
Usage Charge:	

Minimum Charge:

The Firm Transportation Charge

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: Michael P. McMasters, President  
Chesapeake Utilities Corporation

Effective: