ORIGINAL

RECEIVED-FPSC
00 SEP 18 PM 2: 14
RECORDS AND REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for a rate increase by Florida Division of Chesapeake Utilities Corporation

Docket No. 000108-GU

PREHEARING STATEMENT

The Florida Division of Chesapeake Utilities Corporation (the Company) hereby provides its prehearing statement, pursuant to Orders Nos. PSC-00-1279-PCO-GU and PSC-00-1279A-PCO-GU.

a) The Company expects to call the following witnesses:

Direct:

Thomas A. Geoffroy	General overview of Chesapeake Utilities Corporation (CUC), the Florida Division, and its customers. Efforts to control costs. Factors contributing to necessity of rate increase. Business risks facing the Florida Division, and its strategic efforts to manage those risks. Proposed compliance with recently approved Transportation Rule (Rule No. 25-7.0335). Projected capital expenditures. Selected projected test year expenses. Outside services. Rate case expenses. Benefits of affiliation of Florida Division to CUC. Allocations to unregulated activities. Selected proposed tariff changes. Modified Maximum Allowable Construction Cost calculation. Status of reserve for manufactured gas plant site remediation.
James A. Williams	Historical base year and projected test year rate base, cost of capital and capital structure, and expenses. O&M benchmark analysis. Methodologies employed for

APP
CAF
CMP 3
COM 3
CTR
ECR
LEG 1
OPC
PAI
RGO 1
SEC 1
SER 1
OTH

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
11709 SEP 18 8
FPSC-RECORDS/REPORTING

	accounting of costs between CUC and the Florida Division. Interim rate relief.
Jeff Householder	Overview of current competitive market and significant market risks facing the Florida Division. Expansion into Citrus County. Proposed transportation service offering. Forecast methodology for sales, customers, and revenues. Cost of service study. Proposed permanent rate design. Miscellaneous service charges.
Paul R. Moul	Return on equity
William L. Pence	Investigation and remediation of environmental impact at manufactured gas plant site.

Supplemental Direct:

Thomas A. Geoffroy	Interest synchronization.

Rebuttal:

Paul R. Moul	Return on equity.

b) The Company expects to offer the following exhibits:

Direct:

The Company's Accounting, Financial, Engineering, Statistical and Rate Data (Minimum Filing Requirements or MFRs) will be sponsored by Messrs. Geoffroy, Williams and Householder.

Thomas A. Geoffroy	Exhibit TAG-1 List of sponsored MFR schedules.
	Exhibit TAG-2 Proposed Tariff, Original Vol. 3.
	Exhibit TAG-3 Summary of Reserve for MGP plant site clean-up.

James A. Williams	Exhibit JAW-1 List of sponsored MFR schedules.
Jeff Householder	Composite Exhibit JMH-1 A: List of sponsored MFR schedules B: Comparison of present and proposed rates by rate classification C: Analysis of competitive fuel costs D: Map of Citrus County distribution system expansion.
Paul R. Moul	Composite Exhibit PRM-1 Financial Exhibits. Composite Exhibit PRM-2 Appendices.
William L. Pence	Composite Exhibit WLP-1 A. Resume B. Excerpts from EPA Survey C. March 25, 1986 letter from FDEP to FPSC D. Consent Order.

Rebuttal:

Paul R. Moul	Composite Exhibit PRM-3 Financial Exhibits

c) The Company's basic position is that it achieved an overall rate of return of 5.70 percent during the historic base year ended December 31, 1999; that based on its projections, absent any relief, the overall rate of return is expected to drop to 3.79 percent by December 31, 2001; and that under its existing gas rates and charges, the Florida Division does not have an opportunity to earn a fair rate of return on its property used and useful in serving the public. The Florida Division requests approval to permanently increase its gas rates and charges so as to generate increased annual revenues of $1,826,569. The requested permanent revenue increase would permit the Florida Division an opportunity to earn a fair and reasonable rate of return of 8.89 percent, including a return on equity of 12.00 percent, plus or minus 100 basis points, on a projected 2001 average rate base of $21,321,700. The Company believes that the rates under its proposed rate design and rate structure, and the proposed increased operating revenue charges, are fair and reasonable.

The Company believes that its proposed unbundled transportation service offering is reasonable and in compliance with Rule No. 25-7.0335, FAC, and should therefore be approved. The Company also seeks approval of a reconfigured tariff, including several tariff revisions designed to better position it to compete in the energy marketplace in Florida, including replacing the traditional interruptible customer designation with alternative fuel customer designations; modification of the Company's Firm Rate Adjustment; eliminating the practice of allowing customers to split their total volumes between transportation and sales service; replacing its Residential Load Enhancement Sales Service Rate Schedule with a Load Profile Enhancement Rider; and modifying its Maximum Allowable Construction Cost calculation that is used to determine the feasibility of extensions of its distribution facilities.

d) The following mixed questions of fact, law and policy are considered at issue:

1. What is the appropriate amount of rate base for the projected test year ending December 31, 2001?

   Position: As per MFRs, subject to any stipulated adjustments.

2. What is the appropriate amount of the projected test year net operating income?

   Position: As per MFRs, subject to any stipulated adjustments.

3. What is the appropriate cost of common equity capital?

   Position: 12.00 percent, plus or minus 100 basis points.

4. What is the appropriate weighted average cost of capital, including the proper components, amounts, and cost rates associated with the capital structure for the projected test year ending December 31, 2001?

   Position: As per MFRs, subject to any stipulated adjustments.

5. What is the appropriate projected test year deficiency?

   Position: As per MFRs. subject to any stipulated adjustments.

6. Should any portion of the interim increase granted in this proceeding be refunded to the customers?

   Position: No.

7. What should the rates and charges be for the Florida Division?

   Position: As per MFRs, subject to any stipulated adjustments.

8. Should the Company's proposed unbundled transportation service offering

be approved?

Position: Yes.

9. Should the Company's proposed tariff changes be approved?

Position: Yes, the Commission should approve the Company's proposed tariff changes, including replacing the traditional interruptible customer designation with alternative fuel customer designations; modification of the Company's Firm Rate Adjustment; eliminating the practice of allowing customers to split their total volumes between transportation and sales service; replacing its Residential Load Enhancement Sales Service Rate Schedule with a Load Profile Enhancement Rider; and modifying its Maximum Allowable Construction Cost calculation.

The Company recognizes that additional, more specific matters may be at issue in this case, and has agreed to confer with PSC Staff at a pre-prehearing conference scheduled for September 25, 2000, to articulate its positions on whatever issues are identified by PSC Staff.

e) No issues have been stipulated to by the Company and PSC Staff.

f) The Company seeks approval of its pending Motion for Leave to File Supplemental Direct Testimony of Thomas A. Geoffroy.

g) The Company has no pending requests or claims for confidentiality.

h) There are no requirements of the Order Establishing Procedure that cannot be complied with.

Respectfully submitted,

Wayne L. Schiefelbein

Wayne L. Schiefelbein
P.O. Box 15856
Tallahassee, FL 32317-5856
(850) 422-1013
(850) 531-0011 (fax)

Attorney for the Florida Division of
Chesapeake Utilities Corporation

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been hand-delivered to W. Cochran Keating, IV, Esq., Florida Public Service Commission, Div. of Legal Services, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850, this 18th day of September, 2000.

Wayne L. Schiefelbein