

MEMORANDUM

MARCH 10, 1998

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MAR 11 1998

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (JAJ) *RUE*

RE: DOCKET NO. 971559-GU - PETITION OF FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION FOR LIMITED PROCEEDING TO RESTRUCTURE RATES AND FOR APPROVAL OF GAS TRANSPORTATION AGREEMENTS.

98-0455-FOF-GU

Attached is an Order ORDER APPROVING RATE RESTRUCTURING AND GAS TRANSPORTATION AGREEMENTS, with attachments, to be issued in the above referenced docket. (Number of pages in order - 6)

GAJ/js  
 Attachment  
 cc: Division of Electric and Gas (Karin, Bullock-Banks, Lowery, Brown)  
 Division of Auditing and Financial Analysis (L. Romig, Revell)  
 I:971559or.gaj

*Hand  
checked 3/10*

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida  
Division of Chesapeake Utilities  
Corporation for limited  
proceeding to restructure rates  
and for approval of gas  
transportation agreements.

DOCKET NO. 971559-GU  
ORDER NO. PSC-98-0455-FOF-GU  
ISSUED: March 31, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
JOE GARCIA  
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING RATE RESTRUCTURING AND GAS TRANSPORTATION  
AGREEMENTS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On November 26, 1997, Chesapeake filed a Petition for Limited Proceeding to Restructure Rates and for Approval of Gas Transportation Agreements. Chesapeake has not sought any increase in base rates since 1989. Because of the industrial nature of Chesapeake's customer profile, and the close proximity of the industrial customers to the Florida Gas Transmission (FGT) pipeline, Chesapeake states that it has a significant exposure to loss of load of industrial customers through physical bypass to the FGT pipeline.

If Chesapeake were to lose the throughput of its two largest industrial customers, one-fifth of non-fuel revenue would be lost. Chesapeake seeks to retain these two large industrial customers,

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FPSC REGISTRATION/REPORTING

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and reduce the cross-subsidization among its customers by restructuring its rates to more closely reflect the actual cost to serve each customer class.

On February 10 and 11, 1998, customer meetings were held in Chesapeake's service areas of Winter Haven and Plant City to hear and respond to customer testimony and questions related to Chesapeake's petition. No customers attended the Winter Haven or Plant City meetings.

Because of the industrial nature of Chesapeake's customer profile, and the close proximity of the industrial customers to the (FGT) pipeline, Chesapeake has a significant exposure to loss of load of industrial customers through physical bypass to the FGT pipeline.

IMC-Agrico Company (IMC), and Alumax Extrusions, Inc. (Alumax), have advised Chesapeake of their intention to physically bypass Chesapeake's system unless appropriate agreements are entered into with Chesapeake.

Chesapeake has entered into two Gas Transportation Agreements, with IMC and Alumax. These agreements constitute special contracts for the sale of transportation services in a manner not specifically covered by Chesapeake's filed regulations and standard approved rate schedules. The parties understand, and specifically acknowledge within the agreements, that the special contracts are subject to the approval of the Commission.

We find Chesapeake's proposal to restructure its rates is reasonable and, therefore, should be approved. Under the rate restructuring, each rate class will pay rates that better reflect the actual cost of service. Chesapeake has established the rates from a cost of service study using 1996 data. This is the most recent Commission-audited data available. Chesapeake's proposed rate restructuring is designed to be revenue neutral, retain existing industrial customers and, to the extent possible, ensure equity among all rate classifications.

We also approve Chesapeake's petition for approval of Gas Transportation Agreements. IMC and Alumax are Chesapeake's two largest industrial customers, who contribute one-fifth of Chesapeake's total non-fuel revenues. Unlike most other local distribution companies in Florida, Chesapeake's 60 largest

customers consume 90% of the total annual throughput of 130,000,000 therms.

Based on its fully allocated embedded cost of service study, Chesapeake has proposed restructured rates as follows:

RATE CLASS	PRESENT CUSTOMER CHARGE	PROPOSED CUSTOMER CHARGE	PRESENT NON-FUEL ENERGY CHARGE	PROPOSED NON-FUEL ENERGY CHARGE
RESIDENTIAL	\$6.50	\$7.00	\$.43126	\$.46905
COMMERCIAL	\$15.00	\$15.00	\$.19532	\$.22115
COMMERCIAL LG. VOLUME	\$20.00	\$20.00	\$.13465	\$.17287
INDUSTRIAL	\$40.00	\$40.00	\$.07348	\$.07889
INTERRUPTIBLE	\$350.00	\$350.00	\$.04032	\$.05312

	PRESENT REVENUE	PRESENT RATE OF RETURN	PROPOSED REVENUE	REVENUE INCREASE AND %	PROPOSED RATE OF RETURN
RESIDENTIAL	1,659,667	-10.77%	1,812,929	153,262 9.23%	-1.68%
COMMERCIAL	1,052,182	3.47%	1,184,563	132,381 12.58%	9.08%
COMMERCIAL LG VOLUME	242,459	-0.63%	314,488	72,029 29.71%	9.08%
INDUSTRIAL	1,224,437	5.33%	1,342,531	118,094 9.64%	9.08%
INTRRUP-TIBLE	824,651	-0.02%	1,088,539	263,888 32.00%	9.09%
SPECIAL CONTRACT	1,926,741	59.14%	1,187,088	-739,653 -38.39%	23.62%
TOTAL	6,930,137	9.06%	6,930,137	0	9.06%

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The monthly impact of the proposed increase for a typical residential customer using 25 therms, is \$1.44.

Chesapeake's rate restructuring shall be effective with all meter readings taken on or after May 2, 1998. Gas Transportation Agreements shall be effective on May 1, 1998. Chesapeake has proposed these dates to coincide with its meter readings and billing cycles. We find that this is reasonable.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that The Florida Division of Chesapeake Utilities Corporation's petition for rate restructuring is approved. It is further

ORDERED that the proposed gas transportation agreements are approved. It is further

ORDERED that the effective date for Chesapeake's proposed rate restructuring shall be effective with all meter readings taken on or after May 2, 1998. It is further


ORDERED that the Gas Transportation Agreements shall be effective on May 1, 1998. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

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By ORDER of the Florida Public Service Commission this 31st  
day of March, 1998.



BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

GAJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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 action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 21, 1998.

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In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.