



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
OCT 26 11:54 AM '00
RECEIVED FPSC

DATE: OCTOBER 26, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ECONOMIC REGULATION (GING WHEELER) DW
DIVISION OF LEGAL SERVICES (KEATING) WCL RVE ca RAT 108

RE: DOCKET NO. 000108-GU - REQUEST FOR RATE INCREASE BY FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION.

AGENDA: 11/07/2000 - REGULAR AGENDA - POST HEARING DECISION - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

CRITICAL DATES: 8-MONTH EFFECTIVE DATE: 01/15/2001

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\000108R.RCM

CASE BACKGROUND

On October 16, 2000, a hearing was held in Docket No. 000108-GU, Request for Rate Increase by Florida Division of Chesapeake Utilities (Chesapeake). The hearing resulted in Commission approval of stipulations of all issues in the case. Following approval of the stipulated issues, staff was instructed by the Commission to bring to the November 7, 2000 Agenda Conference a recommendation containing final rates that reflect the approved stipulations.

DOCUMENT NUMBER-DATE

13719 OCT 26 8

FPSC-RECORDS/REPORTING

DISCUSSION OF ISSUES

ISSUE 1: What are the appropriate new rates and charges for Chesapeake?

RECOMMENDATION: Staff's recommended rates and charges are shown on Attachment 1. [WHEELER, GING]

STAFF ANALYSIS: The proposed rates shown on Attachment 1 reflect the stipulations approved by the Commission at the October 16, 2000, hearing. Page one of the attachment shows revenue and rate of return for each of the rate classes at present and staff proposed rates. It also shows the revenue increase and percentage increase for each class. Pursuant to the stipulation, staff's proposed rates will not result in an increase to any class that is greater than that reflected in the company's initial filing. Pages two through four contain the present and proposed rates for each of the rate classes, as well as the stipulated miscellaneous charges. As stipulated, the billing determinants (i.e. therms and number of bills) used in designing Chesapeake's new rates were adjusted downward to reflect the expected loss of two large industrial customers since the initial filing.

Based on the proposed rates, the GS-9/TS-9 classes are receiving a revenue decrease of 6.76%. Typically, no customer class should receive a rate decrease when overall rates are increasing; however, staff believes that the proposed GS-9/TS-9 rates in this case are appropriate. These large customers use over 1 million therms a year, and are the most likely to engage in bypass or to switch to alternative fuels. The two large customers who are expected to leave Chesapeake's system are in the GS-9 class, and one is leaving due to bypass. As reflected on page one, these customers at present rates are at 2.55 times parity (i.e. their rate of return is 2.55 times the system average rate of return). The proposed new rates result in 1.19 times parity for the class. Staff believes that the proposed decrease for this class is appropriate in order to offer competitive rates to these large customers. While the increases to the GS-7/TS-7 classes appear significant, these customers previously were included in a larger class that included the GS-8/TS-8 and GS-9/TS-9 classes. The GS-8/TS-8 and GS-9/TS-9 customers are larger and have more competitive options. When separated, the GS-7/TS-7 customers show a greater change in revenue requirement because they were previously benefitting from the larger combined class characteristics.

DOCKET NO. 000108-GU
DATE: OCTOBER 26,

Pursuant to the stipulation, Chesapeake's new rates and charges will go into effect 30 days after the Commission vote approving them, with the exception of Aggregated Transportation Service. This service will become effective on the first calendar day of the month following 70 days after the Commission order is issued, in order to allow Chesapeake time to establish this new service

ISSUE 2: Should this docket be closed?

RECOMMENDATION: This docket should be closed after the Commission has issued its final order and the time for filing an appeal has expired.

STAFF ANALYSIS: This docket should be closed after the Commission has issued its final order and the time for filing an appeal has expired.

FLORIDA DIVISION OF CHESAPEAKE UTILITIES

DOCKET NO. 000108-GU

STAFF PROPOSED RATE DESIGN

Attachment 1

Page 1 of 4

	TOTAL	GS-1/TS-1	GS-2/TS-2	GS-3/TS-3	GS-4/TS-4	GS-5/TS-5	GS-6/TS-6	GS-7/TS-7	GS-8/TS-8	GS-9/TS-9	SPECIAL CONTRACTS
PRESENT RATES											
GAS SALES	\$7,630,737	\$1,970,008	\$416,549	\$509,992	\$377,293	\$195,176	\$222,606	\$732,489	\$716,299	\$1,109,591	\$1,380,734
OTHER OPERATING REV.	\$80,333	\$36,333	\$21,000	\$2,200	\$600	\$200	\$0	\$0	\$0	\$0	\$0
TOTAL	<u>\$7,711,070</u>	\$2,006,341	\$437,549	\$512,192	\$377,893	\$195,376	\$222,606	\$732,489	\$716,299	\$1,109,591	\$1,380,734
RATE OF RETURN	5.11%	2.41%	5.87%	-3.43%	1.80%	1.78%	1.95%	-2.34%	5.91%	13.00%	9.52%
INDEX	100%	47%	115%	-67%	35%	35%	38%	-46%	116%	255%	187%
PROPOSED RATES											
GAS SALES	\$8,556,730	\$2,282,800	\$442,232	\$631,122	\$418,611	\$195,715	\$230,324	\$1,093,871	\$846,700	\$1,034,621	\$1,380,734
OTHER OPERATING REV.	\$126,340	\$74,785	\$27,494	\$2,719	\$1,068	\$274	\$0	\$0	\$0	\$0	0
TOTAL	<u>\$8,683,070</u>	\$2,357,585	\$469,726	\$633,841	\$419,679	\$195,989	\$230,324	\$1,093,871	\$846,700	\$1,034,621	\$1,380,734
TOTAL REV. INCREASE *	<u>\$971,984</u>	\$351,244	\$32,177	\$121,649	\$41,786	\$613	\$7,718	\$361,382	\$130,401	(\$74,970)	\$0
PERCENT INCREASE	12.61%	17.51%	7.35%	23.75%	11.06%	0.31%	3.47%	49.34%	18.20%	-6.76%	0.00%
RATE OF RETURN	7.27%	7.18%	6.16%	4.66%	4.11%	2.45%	3.01%	7.67%	8.14%	8.61%	10.05%
INDEX	100%	99%	85%	64%	57%	34%	41%	106%	112%	119%	138%

* The revenue increase of \$1,251,900 approved by the Commission has been adjusted downward by \$279,916 in this schedule to reflect the revenues attributable to two lost industrial customers, per the stipulation.

**FLORIDA DIVISION OF CHESAPEAKE UTILITIES
DOCKET NO. 000108-GU
PRESENT AND STAFF PROPOSED RATES**

<u>RATE SCHEDULE</u>	<u>PRESENT RATES</u>	<u>STAFF PROPOSED RATES</u>
<u>GS-1 - (RESIDENTIAL)</u>		
CUSTOMER CHARGE	\$7.00	\$10.00
ENERGY CHARGE (cents/therm)	46.905	44.073
<u>GS-1 - (COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$15.00	\$10.00
ENERGY CHARGE (cents/therm)	22.115	44.073
<u>TS-1 - (RESIDENTIAL)</u>		
CUSTOMER CHARGE	N/A	\$15.00
ENERGY CHARGE (cents/therm)	N/A	44.073
<u>GS-2 - (RESIDENTIAL)</u>		
CUSTOMER CHARGE	\$7.00	\$17.50
ENERGY CHARGE (cents/therm)	46.905	29.356
<u>GS-2 - (COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$15.00	\$17.50
ENERGY CHARGE (cents/therm)	22.115	29.356
<u>TS-2 - (COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	N/A	\$27.50
ENERGY CHARGE (cents/therm)	N/A	29.356
<u>GS-3 - (RESIDENTIAL)</u>		
CUSTOMER CHARGE	\$7.00	\$32.50
ENERGY CHARGE (cents/therm)	46.905	25.285
<u>GS-3 - (COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$15.00	\$32.50
ENERGY CHARGE (cents/therm)	22.115	25.285
<u>TS-3 - (COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	N/A	\$42.50
ENERGY CHARGE (cents/therm)	N/A	25.285

FLORIDA DIVISION OF CHESAPEAKE UTILITIES
DOCKET NO. 000108-GU
PRESENT AND STAFF PROPOSED RATES

<u>RATE SCHEDULE</u>	<u>PRESENT RATES</u>	<u>STAFF PROPOSED RATES</u>
<u>GS-4 - (COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$15.00	\$40.00
ENERGY CHARGE (cents/therm)	22.115	22.132
<u>TS-4 - (COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	N/A	\$55.00
ENERGY CHARGE (cents/therm)	N/A	22.132
<u>GS-5 - (COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$15.00	\$100.00
ENERGY CHARGE (cents/therm)	22.115	18.802
<u>TS-5 - (COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	N/A	\$125.00
ENERGY CHARGE (cents/therm)	N/A	18.802
<u>GS-6 - (COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$20.00	\$175.00
ENERGY CHARGE (cents/therm)	17.287	14.709
<u>TS-6 - (COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	N/A	\$200.00
ENERGY CHARGE (cents/therm)	N/A	14.709
<u>GS-7 - (FIRM COMMERCIAL/ INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$40.00	\$250.00
ENERGY CHARGE (cents/therm)	7.889	9.774
<u>GS-7 - (INTERRUPTIBLE COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$350.00	\$250.00
ENERGY CHARGE (cents/therm)	5.312	9.774
<u>TS-7 - (FIRM COMMERCIAL/ INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$40.00	\$300.00
ENERGY CHARGE (cents/therm)	7.889	9.774
<u>TS-7 - (INTERRUPTIBLE COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$350.00	\$300.00
ENERGY CHARGE (cents/therm)	5.312	9.774
<u>GS-8 - (FIRM COMMERCIAL/ INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$40.00	\$350.00
ENERGY CHARGE (cents/therm)	7.889	8.723

**FLORIDA DIVISION OF CHESAPEAKE UTILITIES
DOCKET NO. 000108-GU
PRESENT AND STAFF PROPOSED RATES**

<u>RATE SCHEDULE</u>	<u>PRESENT RATES</u>	<u>STAFF PROPOSED RATES</u>
<u>GS-8 - (INTERRUPTIBLE COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$350.00	\$350.00
ENERGY CHARGE (cents/therm)	5.312	8.723
<u>TS-8 - (FIRM COMMERCIAL/ INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$40.00	\$500.00
ENERGY CHARGE (cents/therm)	7.889	8.723
<u>TS-8 - (INTERRUPTIBLE COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$350.00	\$500.00
ENERGY CHARGE (cents/therm)	5.312	8.723
<u>GS-9 - (FIRM COMMERCIAL/ INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$40.00	\$500.00
ENERGY CHARGE (cents/therm)	7.889	7.892
<u>GS-9 - (INTERRUPTIBLE COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$350.00	\$500.00
ENERGY CHARGE (cents/therm)	5.312	7.892
<u>TS-9 - (FIRM COMMERCIAL/ INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$40.00	\$700.00
ENERGY CHARGE (cents/therm)	7.889	7.892
<u>TS-9 - (INTERRUPTIBLE COMMERCIAL/INDUSTRIAL)</u>		
CUSTOMER CHARGE	\$350.00	\$700.00
ENERGY CHARGE (cents/therm)	5.312	7.892
STIPULATED MISCELLANEOUS CHARGES	PRESENT RATES	PROPOSED RATES
CONNECTION CHARGE - RESIDENTIAL	\$22.00	\$30.00
CONNECTION CHARGE - COMMERCIAL	\$22.00	\$60.00
RECONNECTION CHARGE - RESIDENTIAL	\$22.00	\$30.00
RECONNECTION CHARGE - COMMERCIAL	\$22.00	\$60.00
COLLECTION IN LIEU OF DISCONNECT	\$9.00	\$15.00
CHANGE OF ACCOUNT	\$0.00	\$20.00
RETURNED CHECK CHARGE	\$15.00	\$25.00