

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of assumption of special contract with JDC Development, LLC by the Florida Division of Chesapeake Utilities Corporation.

DOCKET NO. 130136-GU
ORDER NO. PSC-13-0439-PAA-GU
ISSUED: September 30, 2013

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING SPECIAL CONTRACT

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 May 3, 2013, the Florida Division of Chesapeake Utilities Corporation (Chesapeake) filed a petition with the Commission seeking approval of its assumption of a Special Contract originally held by Peninsula Pipeline Company (Peninsula) for firm transportation service with JDC Development, LLC (JDC). JDC owns and operates a phosphate facility in Fort Meade, Florida.

Peninsula operates as a natural gas transmission company as defined in Section 368.103(4), Florida Statutes (F.S.).¹ Peninsula is in the business of actively pursuing transportation agreements with gas customers which include industrial, electric generation, or other large volume customers. Pursuant to Order No. PSC-07-1012-TRF-GP, Peninsula is allowed to enter into certain gas transmission agreements without express Commission approval.² As such, the original 2011 contract between Peninsula and JDC (Special Contract) did not require Commission approval. However, Peninsula and JDC did file affidavits with the

¹ See Order No. PSC-06-0023-DS-GP, issued January 9, 2006, in Docket No. 050584-GP, In re: Petition for declaratory statement by Peninsula Pipeline Company, Inc. concerning recognition as a natural gas transmission company under Section 368.101, F.S., et seq.

² See Order No. PSC-07-1012-TRF-GP, issued December 21, 2007, in Docket No. 070570-GP, In re: Petition for approval of natural gas transmission pipeline tariff by Peninsula Pipeline Company, Inc.

Commission as required by Section 368.105, F.S., stating that the contract was fairly negotiated under competitive market conditions.³

In recent months, Peninsula has determined that Chesapeake is best positioned to continue to provide transportation service to JDC at the Fort Meade location. The customer, JDC, also has indicated a preference for service by Chesapeake, which will enable the customer to participate in company conservation programs. Chesapeake is willing to undertake the service obligation and is able to provide service to the JDC facility with no adverse impact to its existing body of ratepayers. Peninsula and JDC have agreed to the assignment and have filed a Consent to Assignment pursuant to Section 9.9 of the Special Contract.

During its evaluation of the petition, Commission staff issued three data requests to Chesapeake. The majority of the questions posed by staff were intended to ensure that the assumption of the Special Contract would not impose any additional costs on Chesapeake's general body of ratepayers. The Commission has jurisdiction over this matter pursuant to Sections 366.05(1), 366.06, and 368.105, F.S.

Pursuant to Order No. PSC-07-0427-TRF-GU, this Commission approved Chesapeake's request to replace its previous volume of tariff sheets with the current volume (Volume 4).⁴ Chesapeake's Commission-approved tariff allows for Special Contracts of this nature consistent with Volume 4, Original Sheet No. 19, which provides, in pertinent part:

c. Special Contract Service (SCS)

Transportation Service provided to a Consumer, at the sole option of the Company pursuant to Commission Rule 25-9.034, F.A.C., where the rates, terms and/or conditions of service may be different than those set forth in the Company's approved tariff. All SCS Consumers shall enter into a Special Contract Agreement with the Company, subject to the approval of the Commission.

Approval to allow Chesapeake to be the gas transportation service provider to JDC will benefit the parties to the Special Contract and Chesapeake's general body of ratepayers. Chesapeake would benefit from having the additional load from JDC on its system. JDC would benefit by being able to participate with Chesapeake in a Conservation Demonstration and Development Program (CDD) project to monitor and gather data for greenhouse gas emissions during phosphate processing at the JDC demonstration plant. The CDD Program supports research and development, demonstration and monitoring projects designed to promote energy

³ Notice and affidavits filed September 30, 2011, in Docket No. 110000-OT.

⁴ See Order No. PSC-07-0427-TRF-GU, issued May 15, 2007, in Docket No. 060675-GU, In re: Petition for authority to implement phase two of experimental transitional transportation service pilot program and for approval of new tariff to reflect transportation service environment, by Florida Division of Chesapeake Utilities Corporation.

efficiency, conservation, and reductions in climate change emissions.⁵ JDC also potentially would be eligible for Chesapeake's Gas Space Conditioning Program to encourage the use of energy efficient natural gas air conditioning products by non-residential customers.⁶ Chesapeake's general body of ratepayers will not be harmed as the rate set forth in the Special Contract allows Chesapeake to appropriately recover its costs to serve JDC.

In conjunction with its petition and responses to staff's data requests, Chesapeake provided a cost of service study to illustrate that the costs of serving JDC are covered at the rate set forth in the Special Contract. Chesapeake also submitted three Requests for Confidential Classification regarding the treatment of certain information contained in the Special Contract and the cost of service study. With regard to the Special Contract, Chesapeake sought confidential treatment for the "Maximum Daily Transportation Quantity (MDTQ)" and the "Monthly Reservation Charge" in Exhibit A. With regard to the cost of service study, Chesapeake sought confidential treatment for the "Monthly Rate per Special Contract," "Annual Revenues," and "Annual Revenue Excess (Deficiency)" amounts identified on page two of the study. The indicated information has been afforded confidential classification in this docket.⁷

Peninsula's investment to serve JDC is \$393,527, which includes a city gate station, distribution mains, and meters. Upon our approval of Chesapeake's assumption of the Special Contract, Peninsula will transfer this infrastructure to Chesapeake. The estimated annual cost associated with that investment is \$63,000 and includes a return on investment, operations and maintenance expense, depreciation, and taxes.⁸ Based on our review of the contract and the cost of service study, the Special Contract rate provides for the generation of annual revenues that exceed annual costs; therefore, we find that the petitioner's request to assume the Special Contract is approved with the effective date for the assumption of the contract being the date of our vote, September 25, 2013.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Florida Division of Chesapeake Utilities Corporation's assumption of the 2011 contract between Peninsula Pipeline Company and JDC Development, LLC for firm transportation service is hereby approved effective the date of the Commission's vote, September 25, 2013. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, Division of the Commission Clerk, 2540 Shumard Oak Boulevard,

⁵ See Order No. PSC-10-0113-PAA-EG, issued February 25, 2010, in Docket No. 090122-EG, In re: Petition for approval of modifications to approved energy conservation programs, by Associated Gas Distributors of Florida.

⁶ Chesapeake response to Staff's First Data Request, Question Number 3

⁷ See Order No. PSC-13-0219-CFO-GU, issued May 23, 2013, and Order No. PSC-13-0330-CFO-GU, issued July 19, 2013.

⁸ Chesapeake's cost of service study used its Commission-approved depreciation rates. See Order No. PSC-08-0364-PAA-GU, issued June 2, 2008, in Docket No. 070322-GU, In re: 2007 Depreciation Study by Florida Division of Chesapeake Utilities Corporation.

Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if a protest is filed within 21 days of the issuance of this order, the Special Contract shall remain in effect subject to refund pending resolution of the protest. It is further

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

By ORDER of the Florida Public Service Commission this 30th day of September, 2013.



ANN COLE

Commission Clerk

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

SBr

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 that is available under Section 120.57, 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 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. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This

ORDER NO. PSC-13-0439-PAA-GU
DOCKET NO. 130136-GU
PAGE 5

petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 21, 2013.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.