

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: JANUARY 9, 2003

TO: DIRECTOR, DIVISION OF THE COMMISSION
ADMINISTRATIVE SERVICES (BAYO)

FROM: DIVISION OF COMPETITIVE MARKETS & ENFORCEMENT (MAKER,
BULECZA-BANKS, MARSHALL) *mm CRP*
OFFICE OF THE GENERAL COUNSEL (C. KEATING) *WCK MAK*

RE: DOCKET NO. 021174-GU - PETITION FOR APPROVAL OF SPECIAL
CONTRACT WITH MINUTE MAID COMPANY, A DIVISION OF THE COCA-
COLA COMPANY, AND FLORIDA DIVISION OF CHESAPEAKE UTILITIES
CORPORATION.

AGENDA: 01/21/03 - REGULAR AGENDA - INTERESTED PERSONS MAY
PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\021174.RCM

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COMMISSION
CLERK

CASE BACKGROUND

On November 19, 2002, Chesapeake filed its petition for approval of a 15-year special contract with Minute Maid under Rule 25-9.034(1), Florida Administrative Code. Jurisdiction over this matter is vested in the Commission by several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

Because Minute Maid's proposed usage, location, and operating characteristics are different than what is currently provided for in Chesapeake's approved tariff, Chesapeake and Minute Maid have entered into a special contract. Under the contract, Chesapeake will receive certain quantities of natural gas at its Auburndale Gate Station for Minute Maid's account and redeliver the natural

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gas to Minute Maid's bottling plant in accordance with the terms and conditions of the contract.

Minute Maid is currently constructing a bottling plant near the City of Auburndale in Polk County, Florida. Natural gas will be used in the bottling process. Chesapeake's facilities to serve the bottling plant are expected to be in service in the first quarter of 2003.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the special contract between the Florida Division of Chesapeake Utilities Corporation (Chesapeake or the Company) and Minute Maid Company, A Division of the Coca-Cola Company (Minute Maid)?

RECOMMENDATION: Yes. The Commission should approve the special contract between Chesapeake and Minute Maid, effective the date of the Commission's vote in this matter. (MAKIN, BULECZA-BANKS, MARSHALL)

STAFF ANALYSIS: The annual transportation revenues derived from the contract will more than recover the fully allocated cost of serving Minute Maid. As indicated in the cost study provided by Chesapeake, the estimated \$14,681 in total annual operating cost to serve Minute Maid will be fully recovered through its negotiated rate of \$0.02 per therm x 4,500 therms per day x 365 days, generating revenues of \$32,850 annually during the first several years of operation.

Minute Maid has indicated to the Company that its usage will increase to approximately 7,500 therms per day in the future when the bottling plant becomes fully operational. The Company's achieved overall rate of return from the September 2002, surveillance report filed with the Commission is 6.72%. The required overall rate of return using the 11.5% midpoint of its authorized return on equity range is 7.37%. This project will provide an overall return of 30.3% on the Company's net investment in this project alone. This will increase the Company's overall rate of return from 6.72% to 6.76%, and will increase the Company's return on equity from 9.85% to 9.94% which would still be below the

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10.5% minimum of its authorized ROE range. The agreement clearly generates revenues in excess of the cost to serve, thereby providing benefits to the general body of ratepayers.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If a protest is filed by a person whose substantial interests are affected within 21 days of the Commission Order approving this special contract, the special contract should remain in effect pending resolution of the protest, with any charges held subject to refund pending resolution of the protest. If no protest is filed, this docket should be closed upon the issuance of a Consummating Order. (C. KEATING)

STAFF ANALYSIS: If a protest is filed by a person whose substantial interests are affected within 21 days of the Commission Order approving this special contract, the special contract should remain in effect pending resolution of the protest, with any charges held subject to refund pending resolution of the protest. If no protest is filed, this docket should be closed upon the issuance of a Consummating Order.