

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Emergency Petition by) DOCKET NO. 930543-GU
the Florida Division of) ORDER NO. PSC-93-1178-FOF-GU
Chesapeake Utilities Corporation) ISSUED: August 11, 1993
for approval of a gas)
transportation agreement with)
Polk Power Partners, L.P.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
THOMAS M. BEARD
SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING CHESAPEAKE'S TRANSPORTATION AGREEMENT
WITH POLK POWER PARTNERS

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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

In April, 1992, the Commission approved the petition of Chesapeake Utilities, Florida Division (Chesapeake), to add a Large Volume Contract Transportation Service rate schedule to its tariff. At the same time, the Commission approved a gas transportation agreement between Chesapeake and Polk Power Partners, L.P. (formerly Mulberry Energy Company, Inc.), in Order No. PSC-92-0201-FOF-GU in Docket No. 920156-GU. Under that agreement Polk Power Partners (Polk) would operate a 72 MW cogeneration facility supplying power to Florida Power Corporation, beginning no earlier than January, 1994. Chesapeake would construct approximately 4.3 miles of 6 inch pipeline to serve the cogeneration facility at an approximate cost of \$820,000. Under the agreement and the Large Volume Contract Transportation Service rate schedule, Polk would receive over 20 million therms of natural gas per year for a single purpose at a single facility.

DOCUMENT NUMBER-DATE

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FILED-RECORDS/REPORTING

Polk agreed to pay the utility all associated Florida Gas Transmission (FGT) charges for use of Chesapeake's capacity. The agreement provided for an initial non-fuel energy charge (base rate) of 2.10 cents per therm with an escalation rate of 7.5% per year for a twenty-year period (1994 through 2013).

The charges specified in the agreement and the tariff provides that the transportation rate charged would not fall below the fully allocated cost of service at any time in the future, therefore ensuring that the benefits of the contract will always accrue to the general body of ratepayers.

Subsequent to the Commission's approval of the first Transportation Agreement with Polk, Chesapeake entered into a second agreement to provide additional large volume transportation service to Polk. Under this second agreement, Polk would receive up to an additional 71.9 million therms of natural gas per year at its cogeneration facility.

In the Commission-approved first agreement, Polk paid for the use of Chesapeake's capacity on the FGT system to transport its own gas. This procedure will continue for volumes purchased pursuant to the first agreement. However, under the second agreement, Polk has its own capacity agreement with FGT, under the FGT phase three expansion program. The second agreement also provides that Polk will make all necessary arrangements with other parties for transportation of its gas prior to delivery to Chesapeake's gate station. Upon receipt, Chesapeake will deliver Polk's gas to the cogeneration facility. To provide the additional service under the second agreement, Chesapeake will incur incremental capital costs of approximately \$337,000. Those expenditures will be required to upgrade the size of the pipeline from 6 inches to 8 inches, and to further upgrade meter and regulator station equipment and city gate facilities.

Under the second agreement, Polk would pay Chesapeake's proposed non-fuel rate of 0.25 cents per therm for each therm of gas received and delivered under the terms and conditions of the agreement. As with the first agreement, Chesapeake performed two cost of service studies, one on an incremental basis and one on a fully allocated or rolled-in basis. The proposed rate returns the cost to serve on either incremental or fully allocated basis. The contract specifies that charges would not fall below the fully allocated cost of service at anytime in the future.

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The Commission approves Chesapeake's agreement to provide additional large volume transportation service to Polk Power Partners. As a result of this approval, Chesapeake will have two agreements with Polk Power Partners as follows:

FIRST AGREEMENT

(Previously Approved)
Cost: \$820,000
Annual Therms: 20,586,000
Pipeline: 6 inches
Miles: 4.3
Rate: 2.10 cents per therm
up to 20,586,000 therms
with an escalation rate
of 7.5% per year for a
twenty-year period

SECOND AGREEMENT

(as proposed and herein approved)
Additional Cost: \$337,000
Additional Annual Therms: 71,900,000
Pipeline: Increase to 8 inches
Miles: Same
Rate: 0.25 cents per therm
for all over 20,586,000 therms
per year

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the agreement of Chesapeake Utilities Corporation, Florida Division, to provide additional large volume transportation service to Polk Power Partners is approved as discussed above. It is further

ORDERED that this Order shall become final and this docket shall be closed unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission this 11th day of August, 1993.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)
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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on September 1, 1993.

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 adversely 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.