

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of
CTS Gas Transportation Service
Agreement with Peace River
Citrus Products, Inc., by
Florida Division of Chesapeake
Utilities Corporation.

DOCKET NO. 000817-GU
ORDER NO. PSC-00-2103-PAA-GU
ISSUED: November 6, 2000

The following Commissioners participated in the disposition of
this matter:

J. TERRY DEASON, Chairman
E. LEON JACOBS, JR.
LILA A. JABER
BRAULIO L. BAEZ

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING PETITION FOR APPROVAL OF CTS GAS TRANSPORTATION
SERVICE AGREEMENT WITH PEACE RIVER CITRUS PRODUCTS, INC.

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 substantial
interests are substantially affected files a petition for a formal
proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

On July 6, 2000, Chesapeake Utilities Corporation (Chesapeake)
filed a Petition for Approval of CTS Gas Transportation Service
Agreement with Peace River Citrus Products, Inc. (Peace River).
The agreement with Peace River requires Chesapeake to construct,
own, and operate the Arcadia Gate Station and approximately eight
miles of a four inch steel pipeline, designed to serve Peace
River's processing plant. Chesapeake seeks approval of the service
agreement as a 10-year special contract under Rule 25-9.034(1),
Florida Administrative Code. Jurisdiction over this matter is
vested in the Commission by Chapter 366, Florida Statutes,
including Sections 366.04, 366.05, 366.06, Florida Statutes.

In accordance with the CTS Rate Schedule, Chesapeake may enter
into a special contract with a customer, subject to Commission

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approval. The CTS Rate Schedule is applicable when requested services are not covered by Chesapeake's existing tariff offerings. Approval of the special contract is dependent on the recovery of the incremental costs necessary to serve the customer.

Chesapeake's pipeline will interconnect with Florida Gas Transmission's mainline facility at the Arcadia Gate Station and extend to Peace River's processing plant. Service is expected to begin by October 2000.

Based on Chesapeake's cost of service study, the estimated \$147,605 in total annual operating costs will be fully recovered and will provide a return on Chesapeake's net investment through an annual transportation charge of \$147,840 for the first five years and \$162,843 for the second five years of the ten-year service agreement. Based on the terms of the service agreement, Chesapeake's investment should result in a fixed annual return of 8.33 percent.

On May 15, 2000, Chesapeake filed a petition, requesting authority to increase rates and charges for natural gas transportation. See Docket No. 000108-GU. All revenues and costs associated with the CTS Gas Transportation Service Agreement with Peace River are contained in the rate projections and will not change based on Commission approval for a rate increase. The negotiated 8.33% return on Chesapeake's investment is less than the overall rate of return of 8.89% requested by Chesapeake in its petition for a rate increase.

The service agreement states that Peace River shall provide Chesapeake an irrevocable letter of credit to secure Chesapeake's recovery of construction costs. In accordance with the terms of the Chesapeake's CTS Gas Transportation Service Agreement, the negotiated annual transportation charge may be revised to reflect changes in Chesapeake's operations. However, any change in the transportation charge would require Commission approval.

Upon consideration of the above factors, we grant Chesapeake's petition.

Based on the foregoing, it is

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ORDERED by the Florida Public Service Commission that Chesapeake Utilities Corporation's Petition for Approval of CTS Gas Transportation Service Agreement with Peace River Citrus Products, Inc. is granted as provided in the body of this Order. It is further

ORDERED that the effective date of the agreement between Chesapeake Utilities Corporation and Peace River Citrus Products, Inc. is October 17, 2000. 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 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" attached hereto. 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 6th Day of November, 2000.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(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 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 November 27, 2000.

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 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.