

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of amendment to special contract with Orange Cogeneration Limited Partnership, by Florida Division of Chesapeake Utilities.

DOCKET NO. 150175-GU
ORDER NO. PSC-15-0520-PAA-GU
ISSUED: November 3, 2015

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
JULIE I. BROWN
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION ORDER
APPROVING AMENDMENT TO SPECIAL CONTRACT

BY THE COMMISSION:

Background

On July 31, 2015, the Florida Division of Chesapeake Utilities Corporation (Chesapeake or Company) filed a petition for approval of an amendment to its Gas Transportation Service Special Contract (contract) with Orange Cogeneration Limited Partnership (Orange). Chesapeake and Orange entered into the original contract in July 1994 and it expires at the end of 2015.¹ Chesapeake has served Orange's Polk County 104 megawatt facility for over twenty years. According to Chesapeake, Orange could bypass Chesapeake entirely in favor of a direct connect with the Florida Gas Transmission (FGT) interstate pipeline.

Commission staff issued two data requests. In its response to Commission staff's First Data Request, Chesapeake included a correction to its operations and maintenance expense.

Rule 25-9.034(1), Florida Administrative Code, requires that whenever a special contract is entered into by a utility for the sale of its product or services in a manner or subject to the provisions not specifically covered by its filed regulations and standard approved rate schedules, such contract must be approved by this Commission prior to its execution. We have jurisdiction over this matter pursuant to Section 366.05, Florida Statutes.

¹ Order No. PSC-94-1169-FOF-GU, issued September 26, 1994, in Docket No. 940830-GU, In re: Petition for approval of a gas transportation agreement with Orange Cogeneration Limited Partnership by Florida Division of Chesapeake Utilities Corporation.

Decision

Chesapeake seeks approval of an amendment to its contract with Orange. The amendment extends the contract term to December 2025 and provides for what Chesapeake describes as a modest reduction in the negotiated transportation rate.

Chesapeake explains that the Orange facility is within 1,000 feet of FGT, and that Orange could construct an extension to interconnect with FGT for approximately \$450,000, recoverable in three years. Chesapeake avers that although Chesapeake and Orange have had a lengthy business relationship, the economic incentive for Orange to remain with Chesapeake is marginal. In recent years Orange's usage has decreased, resulting in a reduced incentive to remain on Chesapeake's system; at the same time the initial installation costs associated with the facilities that Chesapeake installed to serve Orange have largely been recovered.

The negotiated (confidential) rate is subject to a three percent annual increase over the term of the contract and fully covers the incremental cost of service after the second year of the proposed 10-year extension to the contract. The incremental cost of service study includes operations and maintenance expense, depreciation, taxes, and return on investment, resulting in an annual cost of \$120,873, which is estimated to decrease after the first year of the contract. According to Chesapeake, the rate properly recognizes the value of Orange as a Chesapeake customer, as well as the risk of harm to Chesapeake and its ratepayers if Orange were to bypass Chesapeake.

In its petition, Chesapeake states that this Commission has recognized:

Having industrial customers on the system greatly benefits all users, particularly the residential customers. Customers benefit because large load users are able to absorb a greater portion of the fixed cost necessary to provide the service; as a result, rates are lower, especially for small load users. Conversely, losing industrial customers who have alternative fuel sources or viable bypass options would pose a greater burden on all ratepayers, and could result in higher rates.²

We therefore approve the amendment because it allows Chesapeake to continue its relationship with Orange through December 2025, prevent bypass, and establish a rate that covers the incremental cost of service, thereby benefiting Chesapeake's general body of ratepayers.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that amendment to the Gas Transportation Service Special Contract between the Florida Division of Chesapeake Utilities Corporation and Orange Cogeneration Limited Partnership shall be approved. It is further

² Order No. PSC-10-0029-PAA-GU, issued January 14, 2010, in Docket No. 090125-GU, In re: Petition for increase in rates by Florida Division of Chesapeake Utilities Corporation.

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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, 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 3rd day of November, 2015.


CARLOTTA S. STAUFFER
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.

JEV

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 Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 24, 2015.

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.