

FLORIDA PUBLIC SERVICE COMMISSION

FLETCHER BUILDING
101 EAST GAINES STREET
TALLAHASSEE, FLORIDA 32399-0850

MEMORANDUM

August 19, 1993

TO : DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF ELECTRIC AND GAS (MAKIN, MILLS) *Call CM CEBB for JBJ*
DIVISION OF LEGAL SERVICES (BROWN) *MCB*

RE : DOCKET NO. 930714-GU - PETITION BY THE FLORIDA DIVISION OF
CHESAPEAKE UTILITIES CORPORATION FOR APPROVAL OF A GAS
TRANSPORTATION AGREEMENT WITH AUBURNDALE POWER PARTNERS, L.P.

AGENDA: AUGUST 31, 1993 - CONTROVERSIAL AGENDA - PROPOSED AGENCY ACTION -
PARTIES MAY PARTICIPATE

PANEL: FULL COMMISSION

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\EAG\WP\930714.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the Florida Division of Chesapeake Utilities Corporation (Chesapeake) request for a Gas Transportation Agreement with Auburndale Power Partners, L.P. (APP)?

RECOMMENDATION: Yes. The Commission should approve the Gas Transportation Agreement with Auburndale Power Partners, L.P. by Chesapeake.

STAFF ANALYSIS: Chesapeake has entered into a Gas Transportation Agreement with APP in accordance with the Large Volume Contract Transportation Service provisions of its tariff. APP will be operating a gas-fired electric generation facility supplying power to Florida Power Corporation beginning early 1994.

The circumstances giving rise to Chesapeake's Gas Transportation Agreement with APP are unique. APP requires gas service in early 1994. APP is located in Chesapeake's service territory but Chesapeake does not hold sufficient capacity on Florida Gas Transmission Company's (FGT) pipeline to provide transportation service to APP. Peoples Gas System (PGS), on the other hand, does hold sufficient capacity on FGT to receive the volume of gas required by APP.

DOCUMENT NUMBER-DATE

08974 AUG 19 93

PSC-RECORDS/REPORTING

DOCKET NO. 930714-GU
August 19, 1993

Under the terms of the agreement, APP will receive gas supply transported on FGT utilizing the capacity owned by PGS. In order to serve APP at the time gas supply is needed, PGS will construct, own, and operate the Lake Blue Gate Station. This gate station is on FGT's system near Auburndale, Florida, in Chesapeake's service territory.

In order to provide service under the agreement, Chesapeake will construct, own and operate approximately 2.3 miles of 10" steel main between PGS's Lake Blue Gate Station and APP's Power Generation Facility at an approximate cost of \$603,460. This distribution main will be for the sole purpose of providing transportation to APP's electric generating facility, and no other customer of Chesapeake will be served by it.

Because of the nature of this transaction, a volume transportation rate per therm is not necessary. Chesapeake will recover its incremental cost to serve APP through a fixed quarterly charge of \$32,850 on the first day of each calendar quarter, irrespective of the volumes actually transported. This charge exceeds the incremental cost of service by \$5,817 per year resulting in a benefit to the remaining ratepayers.

Auburndale Power Partners will pay Peoples Gas for the construction of the Lake Blue Gate Station and for the use of PGS's capacity under Peoples' Interruptible Transportation Service Large Volume (ITSLV) rate schedule. APP will also pay for all associated transportation charges assessed by FGT for the transportation of APP's gas.

Implementation of this agreement will require modification of the existing Territorial Agreement between PGS and Chesapeake. A joint petition by PGS and Chesapeake for modification to that agreement has been filed.

APP has intervened in this docket in support of the Gas Transportation Agreement requested by Chesapeake. APP's financing schedule and timely completion of the project is dependent upon APP's successful demonstration to its lenders that reliable natural gas transportation is available. Project financing cannot be obtained until the Gas Transportation Agreement is approved.

Completion of this project is necessary for APP to supply power to Florida Power Corporation pursuant to the negotiated power sales agreement between FPC and APP approved by Commission Order 24734 in Docket No. 910401-EU.

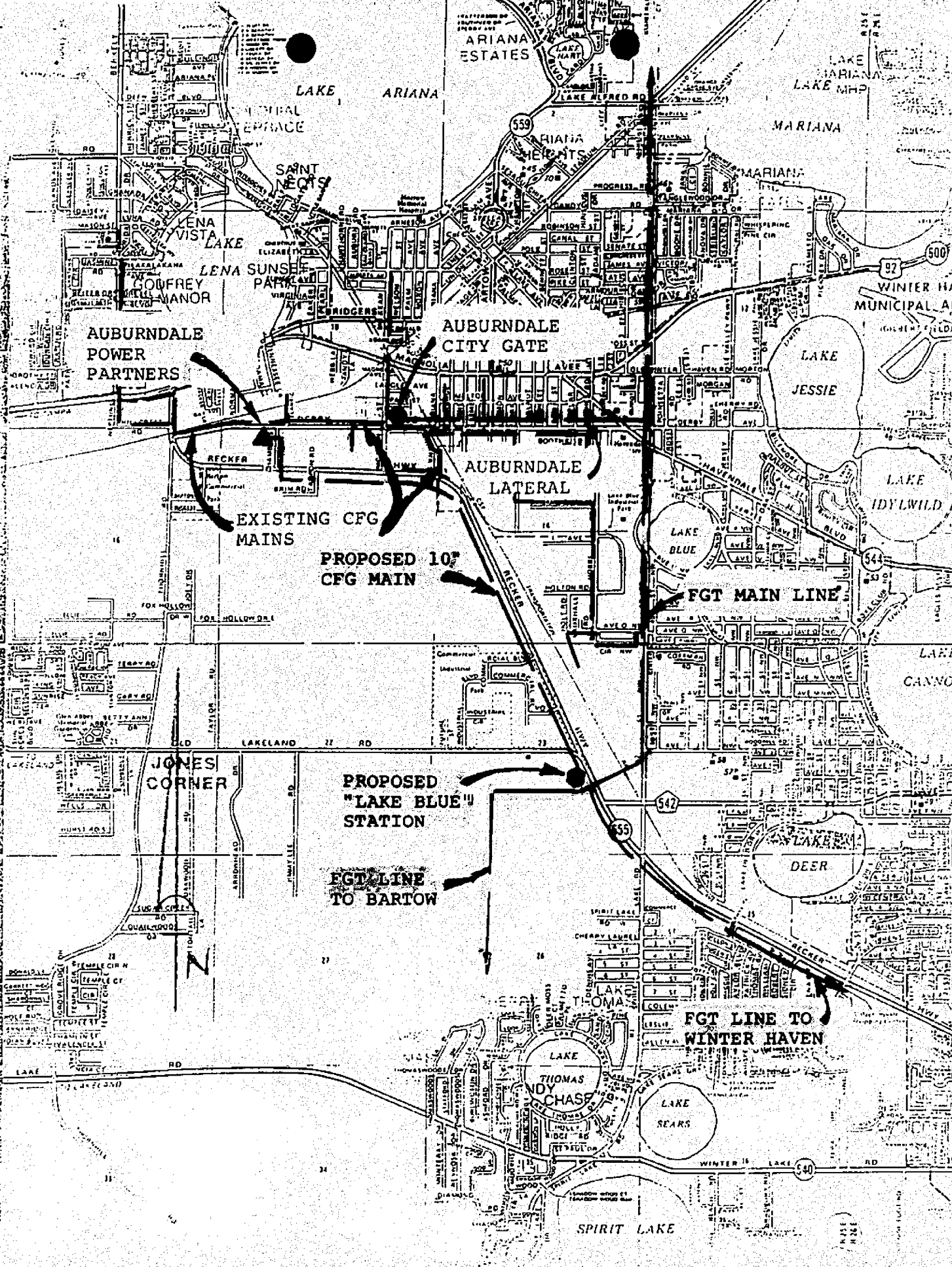
Accordingly, Staff recommends the Gas Transportation Agreement with APP by Chesapeake be approved.

ISSUE 2: Should this docket be closed?

DOCKET NO. 930714-GU
August 19, 1993

RECOMMENDATION: Yes. This docket should be automatically closed if no protests are timely filed to the proposed agency action order.

STAFF ANALYSIS: This docket should be closed if no person whose substantial interests are affected by the Commission's action, files a petition for a formal proceeding within the allowed 21-day protest period.



ARIANA
ESTATES

LAKE
ARIANA

LAKE
MARIANA
LAKE MHP

AUBURD
DALE
POWER
PARTNERS

AUBURD
DALE
CITY GATE

AUBURD
DALE
LATERAL

EXISTING CFG
MAINS

PROPOSED 10"
CFG MAIN

FGT MAIN LINE

JONES
CORNER

PROPOSED
"LAKE BLUE"
STATION

FGT LINE
TO BARTOW

FGT LINE TO
WINTER HAVEN

LAKE
THOMAS
CHASS

LAKE
SEARS

SPIRIT LAKE