



Public Service Commission

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RECORDS AND REPORTING

DATE: OCTOBER 7, 1999

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC AND GAS (MAKIN, BROWN, BULECZA-BANKS) *SBB*
DIVISION OF LEGAL SERVICES (COLLINS) *RCU* **RUE** *JDJ*

RE: DOCKET NO. 991265-GU - PETITION BY FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION FOR APPROVAL OF ADDENDUM TO FTS GAS TRANSPORTATION SERVICE AGREEMENT WITH STATE OF FLORIDA, DEPARTMENT OF MANAGEMENT SERVICES.

AGENDA: 10/19/99 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: ISSUE IN THIS RECOMMENDATION SHOULD BE CONSIDERED TOGETHER WITH RECOMMENDATION FILED IN DOCKET NO. 990921-GU, ALSO FILED ON OCTOBER 7, 1999.

FILE NAME AND LOCATION: S:\PSC\LEG\WP\991265.RCM

ISSUE 1: Should the Commission approve the Florida Division of Chesapeake Utilities Corporation (Florida Division) addendum to the FTS Gas Transportation Service Agreement with the State of Florida Department of Management Services (DMS)?

RECOMMENDATION: Yes. The Commission should approve Florida Division's addendum to the FTS Gas Transportation Service Agreement with the State of Florida Department of Management Services. (MAKIN, BULECZA-BANKS, BROWN)

STAFF ANALYSIS: On August 31, 1999, the Florida Division filed its petition for approval of an addendum to its FTS Gas Transportation Service Agreement with DMS. On July 15, 1999, the

DOCUMENT NUMBER-DATE

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Florida Division and Peoples Gas System (PGS) filed a joint petition (Docket No. 990921-GU) for an amended Territorial Boundary Agreement, redefining the territorial service areas of the parties in portions of Hillsborough, Polk, and Osceola Counties. In addition, the agreement provides for the transfer, from PGS to the Florida Division, of certain properties extending from the FGT pipeline necessary to serve the Lancaster Correction Institution in Gilchrist County, and the North Florida Reception Center in Union County. The property transfer will be at the depreciated book value.

Under the Florida Division's current rate structure, these customers would be subject to an increase in rates and charges. However, under the addendum to the Florida Division's Agreement with DMS, the Florida Division will provide service to the Lancaster Correctional Institution and the North Florida Reception Center for an initial five-year period at the same base rates effective under the agreements between DMS and PGS. After the expiration of the initial five years of service, the effective rate schedules of the Florida Division would apply.

Approval of this Agreement will not result in the decrease in availability or reliability of natural gas service to existing or future ratepayers of the Florida Division. Accordingly, Staff recommends that the petition of the Florida Division be approved, effective on the date of the Commission vote, for the following reasons:

- The Florida Division will recognize an increase in annual revenue of approximately \$49,254.
- The transfer will increase the Florida Division's rate of return from 6.93% to 7.11%. (The Florida Division's allowed rate of return midpoint is 8.52%.)
- The rates being charged are sufficient enough to cover the cost to serve. Therefore, ratepayers will not be adversely affected by the addition of the Correction Facilities.
- The Department of Corrections will continue to receive reliable service without experiencing an increase in rates.

DOCKET NO. 991265-GU
DATE: October 7, 1999

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected files a request for a Section 120.57(1), Florida Statutes, hearing within 21 days of the order, the order will become final and effective upon the issuance of a consummating order. Because no further action will be required, this docket should be closed. (COLLINS)

STAFF ANALYSIS: If no person whose substantial interests are affected files a request for a Section 120.57(1), Florida Statutes, hearing within 21 days of the order, the order will become final and effective upon the issuance of a consummating order. Because no further action will be required, this docket should be closed.