

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

ORIGINAL

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REPORTING

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PETITION FOR APPROVAL OF CTS GAS
TRANSPORTATION SERVICE AGREEMENT
WITH PEACE RIVER CITRUS PRODUCTS, INC.

The Florida Division of Chesapeake Utilities Corporation ("Florida Division"), by and through the undersigned counsel, and pursuant to Section 366.06, Florida Statutes, petitions the Commission for approval of a CTS Gas Transportation Service Agreement with Peace River Citrus Products, Inc. (Peace River Citrus), and in support thereof states as follows:

1. The name, address, and telephone number of the petitioner are:

Chesapeake Utilities Corporation, Florida Division
1015 6th Street N. W.
P. O. Box 960
Winter Haven, FL 33882
(941) 293-2125

2. The name, address, and telephone and fax numbers of the person authorized to receive notices and communications with respect to this petition are:

APP _____
CAF _____
CMP _____
COM _____
CTR _____
ECR _____
LEG _____
OPC _____
PAI _____
RGO _____
SEC _____
SER _____
OTH _____

Wayne L. Schiefelbein
Wiggins & Villacorta
P. O. Drawer 1657
Tallahassee, FL 32302
(850) 385-6007 (voice)
(850) 385-6008 (fax)

RECEIVED & FILED
W. Bockard
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
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FPSC-RECORDS/REPORTING

3. The Florida Division is a natural gas distribution company subject to the regulatory jurisdiction of this Commission as prescribed in Chapter 366, Florida Statutes. Its substantial interests will be affected by the Commission's disposition of this Petition in that such disposition will determine whether the Florida Division will be permitted to provide gas transportation service on terms agreeable to it and Peace River Citrus.

4. Peace River Citrus owns and operates a citrus processing plant near Arcadia, Florida. Natural gas will be used in the processing of citrus related products.

5. The Florida Division is constructing an approximately four-inch (4") steel natural gas pipeline ("the Pipeline") extending from the Florida Gas Transmission mainline facilities located in De Soto County, near the city of Arcadia approximately eight (8) miles to the terminus of the pipeline at the point of interconnection with Peace River Citrus's meter at its citrus processing plant, for the purpose of receiving natural gas purchased by Peace River Citrus from various gas suppliers and delivered for its account at the Florida Division's Arcadia Gate Station. The Pipeline is expected to be in service in October 2000. These facilities are designed to provide service to this citrus processing plant and can be used to support the future growth of the surrounding area.

6. The Florida Division and Peace River Citrus have entered into a CTS Gas Transportation Service Agreement, subject to Commission approval. A copy of the agreement is appended hereto as Exhibit 1. The Florida Division would thereunder receive certain quantities of natural gas at its Arcadia Gate Station for Peace River Citrus's account, transport such quantities on the Pipeline, and redeliver same to Peace River Citrus's citrus processing facility in accordance with the terms and conditions of the Florida Division's Commission-approved Contract Transportation Service (CTS) Rate Schedule.

7. The Florida Division's CTS Rate Schedule in pertinent part provides:

Notwithstanding the other provisions of this Rate Schedule, the Company may enter into a contract with an interruptible customer to provide service under terms other than those set forth herein; provided that the charges prescribed in any such contract shall be established with the objective of enabling the Company to recover at a minimum the fully allocated cost of serving that customer. Any such contract shall be subject to approval by the Florida Public Service Commission, and the Commission shall have continuing jurisdiction over the rates charged therein.

8. The CTS Gas Transportation Service Agreement has an initial term of ten (10) years.

9. During the first five (5)-years of the CTS Gas Transportation Service Agreement, Peace River Citrus would pay to the Florida Division an annual transportation charge of \$147,840.00. During the second five (5) years of the Agreement, Peace River Citrus would pay to the Florida Division an annual transportation charge of \$162,843.00. After the expiration of the initial 10-year term, both parties will negotiate in good faith all contract terms, including, but not limited to, the rate to be charged, length of secondary term and transportation service. Consistent with the Florida Division's CTS Rate Schedule, the CTS Gas Transportation Service Agreement recognizes that the annual transportation charge established thereunder may change from time to time due to changes in the Florida Division's operations, and that the aforesaid or otherwise applicable rate schedules may be revised, amended or superceded from time to time subject to the approval of the Commission.

10. Consistent with the Florida Division's CTS Rate Schedule, the aforesaid annual transportation charge would enable the Florida Division to more than recover the fully allocated cost of serving Peace River Citrus. This is demonstrated by the Cost of Service Study appended hereto as Exhibit 2. The Agreement clearly generates revenues in excess of the cost to serve, thereby providing benefits to the general body of ratepayers. The Florida Division believes that additional

benefits to the general body of ratepayers would follow the anticipated addition of new customers in the vicinity of the route of the pipeline, at a low marginal cost.

11. De Soto County is located in southwest Florida and is rural in nature. There is no natural gas service in De Soto County at this time. The Florida Division has met with representatives of the city of Arcadia and De Soto County and discussed the ramifications of the Florida Division being a natural gas service provider in De Soto County. The Florida Division did not receive any objections from those entities.

12. The Florida Division has recently filed for an increase in its rates, in Docket No. 000108-GU, filed on May 15, 2000. Contained therein are all of the applicable revenues and costs associated with the CTS Gas Transportation Service Agreement with Peace River Citrus. Therefore, the Florida Division believes that the rates negotiated with Peace River Citrus should not be subject to change within the above-mentioned Docket for an increase in rates.

13. The Florida Division has also dispensed with submitting for approval new tariff sheets depicting De Soto County as a part of the service territory of the Florida Division. The appropriate tariff sheets have been submitted in Docket No. 000108-GU, the Florida Division's request for increase in rates.

14. The Florida Division asks that the commission approve the CTS Gas Transportation Service Agreement with Peace River Citrus as a special contract under Rule 25-9.034(1), Florida Administrative Code.

15. The Florida Division is entitled to reasonable compensation for the service rendered, and the Commission has the authority to approve rates to provide such compensation, pursuant to Chapter 366, Florida Statutes.

16. This petition is filed pursuant to the provisions of the Florida Division's CTS Rate

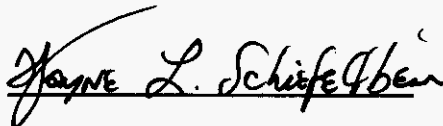
Schedule. Accordingly, the Florida Division requests that Commission approval be made effective as of the date of the vote by the Commission, and that in the event a protest to the Order granting the instant petition is timely filed, that the authority to collect the rate remain in effect, subject to refund, pending resolution of the protest.

17. The Florida Division is aware of no disputed issues of material fact.

WHEREFORE, the Florida Division of Chesapeake Utilities Corporation requests Commission approval of the CTS Gas Transportation Services Agreement with Peace River Citrus Products, Inc., as soon as is practical.

DATED this 6th day of July 2000.

Respectfully submitted,



Wayne L. Schiefelbein
Florida Bar Number 265047
Wiggins & Villacorta
P. O. Drawer 1657
Tallahassee, Florida 32302
(850) 385-6007

Attorneys for the Florida Division of
Chesapeake Utilities Corporation

EXHIBIT 1

TRANSPORTATION SERVICE AGREEMENT

**CONTRACT TRANSPORTATION SERVICE (CTS)
AGREEMENT
MADE AND ENTERED INTO BETWEEN**

CHESAPEAKE UTILITIES CORPORATION

AND

PEACE RIVER CITRUS PRODUCTS, INC.

CTS TRANSPORTATION SERVICE AGREEMENT

THIS AGREEMENT, entered into by and between Chesapeake Utilities Corporation, a Delaware corporation, doing business in Florida as Central Florida Gas Company, and hereinafter referred to as ("CUC,") and Peace River Citrus Products, Inc., hereinafter referred to as ("Shipper.")

WITNESSETH:

WHEREAS, CUC operates facilities for the distribution of natural gas in the State of Florida; and

WHEREAS, Shipper has requested that CUC receive from transporter certain quantities of gas for Shipper's account, transport such quantities on CUC's distribution system, and redeliver same to Shipper's Facilities located at Highway 72, and CUC agrees to provide such service in accordance with the terms hereof;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the Parties agree as follows:

ARTICLE I **Definitions**

Unless another definition is expressly stated, the following terms and abbreviations, when used in this Agreement and in all exhibits, recitals, and appendices contained or attached to this Agreement are intended to and will mean as follows:

- 1.1 "Btu" means the amount of heat required to raise the temperature of one pound of water from 59 degrees Fahrenheit to 60 degrees Fahrenheit at a constant pressure of 14.73 p.s.i.a.
- 1.2 "Day" means a period of 24 consecutive hours beginning and ending at 9:00 a.m. Central Clock Time.
- 1.3 "Delivery Point" means the point at the connection of the facilities of an upstream party and a downstream party's facility at which the gas leaves the outlet side of the measuring equipment of the upstream party and enters the downstream party's facility.
- 1.4 "Gas" means natural gas which is in conformance with the quality specifications of the Transporter.
- 1.5 "Maximum Daily Transportation Quantity" or "MDTQ" means the largest quantity of gas, expressed in Dts, that CUC is obligated to transport and make available for delivery to Shipper under any applicable Service Agreement or Service Agreements for CTS Transportation Service on any one day.

- 1.6 "Month" means a period beginning at 9:00 a.m. Central Clock Time ("CCT") on the first day of a calendar month and ending at 9:00 a.m. CCT on the first day of the next succeeding calendar month.
- 1.7 "Dekatherm (Dt)" means 1,000,000 Btu's or ten (10) therms.
- 1.8 "p.s.i.a." means pounds per square inch absolute.
- 1.9 "Receipt Point" means the point at which gas is received by Transporter into Transporter's system from an upstream service or facility.
- 1.10 "Shipper" means the party that has contracted with Transporter for transportation service.
- 1.11 "Therm" means a unit of heat equal to 100,000 Btu's.
- 1.12 "Transporter" means any third party pipeline or pipelines utilized to effect delivery of gas to Peace River's Facility.
- 1.13 "P.O.I." means Point of Interest, that is, the point at which control and possession of gas passes from Florida Gas Transmission to CUC.

ARTICLE II
POINTS OF DELIVERY AND REDELIVERY

- 2.1 Shipper shall cause the Transporter to deliver to CUC at the delivery point on the Transporter's system, (which specified delivery point is hereinafter referred to as "Transporter's Delivery Point"), the quantities of gas to be transported by CUC hereunder. CUC shall have no responsibility for transportation of Shipper's gas prior to receipt of such gas from the Transporter at Transporter's Delivery Point. CUC shall deliver such quantities of gas received from the Transporter at Transporter's Delivery Point for Shipper's account to CUC's Delivery Point at the Shipper's Plant Facilities (hereinafter referred to as "CUC's Delivery Point" or "Shipper's Facilities").

ARTICLE III
QUANTITIES

- 3.1 Subject to the terms and conditions of this Agreement, CUC agrees to receive from the Transporter, at Transporter's Delivery Point, on a daily basis, a quantity of gas up to Shipper's Maximum Daily Transportation Quantity ("MDTQ"), and CUC agrees to transport and deliver equivalent quantities to Shipper at CUC's Delivery Point located at Shipper's Facility. Shipper's MDTQ under this Agreement shall be the quantity of gas per day as shown in Exhibit A to this Agreement, which is incorporated herein by reference and made a part hereof.

ARTICLE IV
SCHEDULING AND BALANCING

- 4.1 Shipper shall be responsible for nominating quantities of gas to be delivered by the Transporter to Transporter's Delivery Point and delivered by CUC to Shipper's Facility. Shipper shall promptly provide notice to CUC of all such nominations. Such notices shall be provided to CUC by facsimile transmission. Imbalances between quantities (i) scheduled for delivery by the Transporter to CUC and/or delivery by CUC to Shipper's Facility, and (ii) actually delivered by the Transporter and/or CUC hereunder, shall be resolved in accordance with the applicable provisions of CUC's Florida Public Service Commission ("FPSC") Natural Gas Tariff, as such provisions may be amended from time to time, subject to approval by the FPSC.
- 4.2 The Parties hereto recognize the desirability of maintaining a uniform rate of flow of gas to Shipper's Facility over each 24-hour period and each day throughout each month. Therefore, CUC agrees to receive from the Transporter for Shipper's account at Transporter's Delivery Point and deliver to CUC's Delivery Point up to the MDTQ as described in Exhibit A attached hereto, subject to any restrictions imposed by the Transporter and to the provisions of Articles V and IX of this Agreement, and Shipper agrees to use reasonable efforts to regulate its deliveries from CUC's gas distribution system at a daily rate of flow not to exceed the applicable nomination in place, subject to any additional restrictions imposed by the Transporter or by CUC pursuant to Articles V and VI of this Agreement.

ARTICLE V
CURTAILMENT

- 5.1 This Agreement in all aspects shall be and remain subject to the applicable provisions of the General Rules and Regulations of CUC's Natural Gas Tariff, as they specifically apply to curtailment, and as approved by the FPSC or its appropriate successor agency or authority, all of which are made a part hereof by this reference.

ARTICLE VI
TITLE, CONTROL AND INDEMNIFICATION

- 6.1 All indemnity and other provisions to this paragraph are strictly limited to issues relating to ownership and title to gas.
- 6.2 Shipper warrants that it will have good and merchantable title to all gas delivered by the Transporter to CUC for Shipper's account at Transporter's Delivery Point, and that such gas will be free and clear of all liens, encumbrances, and claims whatsoever. To the extent provided by law, Shipper will indemnify CUC and save it harmless from all suits, actions, debts, accounts, damages, costs including

reasonable attorneys' fees, losses, and expenses arising from or out of the adverse claim of any and all persons to said gas. CUC will indemnify Shipper and save it harmless from all suits, actions, debts, accounts, damages, costs including reasonable attorneys' fees, losses, and expenses arising from or out of the adverse claim of any and all persons to gas delivered for the account of Shipper to CUC for transportation hereunder which arise from or relate to CUC's transportation of said gas on CUC's distribution system. In the event any adverse claim in respect to said gas is asserted, or Shipper breaches its warranty herein, CUC shall not be required to perform its obligations to transport and deliver gas to Shipper's Facility or subject to receipt of any necessary regulatory authorization, to continue service hereunder for Shipper until such claim has been finally determined; provided, however, that Shipper may receive service if (i) in the case of an adverse claim, Shipper furnishes a bond to CUC, conditioned for the protection of CUC with respect to such claim; or (ii) in the case of a breach of warranty, Shipper furnishes evidence, satisfactory to CUC, of Shipper's title to said gas.

- 6.3 CUC shall be deemed to be in control and possession of the gas to be transported by it upon delivery of such gas by the Transporter to CUC for Shipper's account at Transporter's Delivery Point and until it shall have been delivered to Shipper at CUC's Delivery Point located at Shipper's Facility; and Shipper shall be deemed to be in control and possession of such gas prior to such delivery to CUC and Shipper will be deemed to be in control and possession of such gas after such delivery by CUC to Shipper. Each party, while deemed to be in control and possession of such gas, shall be responsible for, and shall indemnify and hold the other harmless from any and all claims, actions, suits, including attorney's fees, arising out of or relating in any way to custody and control of such gas.

ARTICLE VII RATE

- 7.1 The rate to be charged each month for transportation service provided by CUC under CUC CTS rate and to be delivered hereunder by CUC, up to the MDTQ established by this agreement, shall be the negotiated monthly reservation fee of \$12,320.00 for the first five (5) year period and a monthly reservation fee of \$13,570.27 for the remaining five (5) year period. After the expiration of the initial term, both parties will negotiate in good faith all contract terms, including, but not limited to, the rate to be charged, length of secondary term and transportation service.
- 7.2 Shipper shall provide an irrevocable letter of credit or surety bond from a lending institution satisfactory to CUC in an initial amount sufficient to cover CUC's construction cost. The principal amount of such letter of credit or surety bond would be reduced annually to reflect reservation charges paid by Shipper during the preceding year.
- 7.3 If, during the term of this Agreement, the Federal Government, or any State, municipality or subdivision of such Government, should increase any present tax

or levy any additional tax, relating to the service provided by CUC under this Agreement, any such additional tax required by law to be paid by CUC shall, in CUC's discretion, insofar as such discretion is provided for under applicable law, be either separately stated on the total amount of the bill or computed on a cents per therm basis and added to the then effective rate for CUC's services hereunder. If, during the term of this Agreement, the Federal Government, or any State, municipality or subdivision of such Government, should decrease or eliminate any tax relating to the service provided by CUC under this Agreement, the reduction in such tax required to be paid by CUC shall, in CUC's discretion, insofar as such discretion is provided for under applicable law, be either separately stated as a deduction to the total amount of the bill or computed on a cents per therm basis and subtracted from the then effective rate hereunder.

ARTICLE VIII **TERM**

- 8.1 Subject to all other provisions, conditions, and limitations hereof, this Agreement shall be effective upon its date of execution by both parties and shall continue in full force and effect for an initial period of ten (10) years from the in-service date of FGT's pipeline system or when CUC begins delivery to Peace River Citrus Products, Inc.'s processing plant.

ARTICLE IX **CUC'S TARIFF PROVISIONS**

- 9.1 CUC's applicable Rate Schedule provisions and applicable Subsections of the General Rules and Regulations of CUC's Natural Gas Tariff approved with the FPSC, including any amendments thereto approved by the FPSC during the term of this Agreement, are hereby incorporated into this Agreement and made a part hereof for all purposes. In the event of any conflict between said provisions of CUC's FPSC Tariff and specific provisions of this Agreement, the latter shall prevail, in the absence of an FPSC Order to the contrary.

ARTICLE X **SAFE DESIGN AND OPERATION**

- 10.1 CUC shall maintain gas system in accordance with the Federal Department of Transportation Regulation 191-192 and Chapter 25-12 of the Florida Public Service Commission, which has statutory powers granted to establish rules and standards for safe design, installation, operation and maintenance of natural gas systems. CUC shall maintain, repair and replace equipment to assure the safety and good working order of this system at no cost to Shipper for the term of this agreement.

- 10.2 It shall be the responsibility of Shipper for the maintenance of the equipment from the meter to burner tip.
- 10.3 Shipper shall have the right to periodic third-party independent inspection of equipment. Inspection shall be a Shipper cost. CUC agrees to correct any defects noted by such inspection which relate to FDOT 191 and 192 and FPSC's Chapter 25-12 rules and regulations at CUC's cost where such defects relate to safety and/or function. The cost of any upgrades in equipment during the term of this agreement shall be paid as mutually agreed.

ARTICLE XI
INDEMNIFICATION

- 11.1 CUC shall indemnify and hold Shipper harmless for damages or injury to persons or property for any claim, suits, or actions arising out material breach by CUC of this Agreement. Shipper shall indemnify and hold CUC harmless for damages or injury to persons or property for any claim, suits, or actions arising out of material breach by Shipper of this Agreement.

ARTICLE XII
MISCELLANEOUS PROVISIONS

- 12.1 Notices and other communications. Any notice, request, demand, statement or payment provided for in this Agreement, unless otherwise specified, shall be sent to the Parties hereto at the following addresses:

Shipper: Peace River Citrus, Inc.
P. O. Box 730
Arcadia, Florida 34265

Attention: Bart Plymale, Vice President, Operations
Phone: (863) 494-0440
Facsimile: (863) 993-3161

CUC: Central Florida Gas Company
P. O. Box 960
Winter Haven, Florida 33882-0960

Attention: Manager of Gas Supply
Phone: (941) 293-8612
Facsimile: (941) 294-3895

- 12.2 Headings. All article headings, section headings and subheadings in this Agreement are inserted only for the convenience of the Parties in identification of the provisions hereof and shall not affect any construction or interpretation of this Agreement.

- 12.3 **Entire Agreement.** This Agreement, including the Exhibits attached hereto, sets forth the full and complete understanding of the parties as of the date of its execution by both parties, and it supersedes any and all prior negotiations, agreements and understandings with respect to the subject matter hereof. No party shall be bound by any other obligations, conditions or representations with respect to the subject matter of this Agreement.
- 12.4 **Amendments.** Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified except by an instrument in writing signed by the Party against which enforcement of the termination, amendment, supplement, waiver or modification shall be sought. A change in (a) the place to which notices pursuant to this Agreement must be sent or (b) the individual designated as the Contact Person pursuant to section 12.1 shall not be deemed nor require an amendment of this Agreement provided such change is communicated in accordance with Section 12.1 of this Agreement. Further, the Parties expressly acknowledge that the limitations on amendments to this Agreement set forth in this section shall not apply to or otherwise limit the effectiveness of amendments which are necessary to comply with the requirements of, or are otherwise approved by FPSC or its successor agency or authority.
- 12.5 **Severability.** If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided, however, that if such severability materially changes the economic benefits of this Agreement to either party, the parties shall negotiate an equitable adjustment in the provisions of this Agreement in good faith.
- 12.6 **Waiver.** No waiver of any of the provisions of this Agreement shall be deemed to be, nor shall it constitute, a waiver of any other provision whether similar or not. No single waiver shall constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.
- 12.7 **Legal Fees.** In the event of litigation between the parties hereto arising out of or in connection with this Agreement, then the reasonable attorneys' fees and costs of the party prevailing in such litigation shall be paid by the other party.
- 12.8 **Independent Parties.** CUC and Shipper shall perform hereunder as independent parties and neither CUC or Shipper is in any way or for any purpose, by virtue of this Agreement or otherwise, a partner, joint venturer, agent, employer or employee of the other. Nothing in this Agreement shall be for the benefit of any third person for any purpose, including, without limitation, the establishing of any type of duty, standard of care or liability with respect to any third person.
- 12.9 **Assignment and Transfer.** No assignment of this Agreement by either party may be made without the prior written approval of the other party (which approval shall not be unreasonably withheld) and unless the assigning or transferring party's assignee or transferee shall expressly assume, in writing, the duties and

obligations under this Agreement of the assigning or transferring party, and upon such assignment or transfer and assumption of the duties and obligations, the assigning or transferring party shall furnish or cause to be furnished to the other party a true and correct copy of such assignment or transfer and assumption of duties and obligations.

- 12.10 Governmental Authorizations; Compliance with Law. This Agreement shall be subject to all valid applicable state, local and federal laws, orders, directives, rules and regulations of any governmental body, agency or official having jurisdiction over this Agreement and the transportation of gas hereunder. CUC and Shipper shall comply at all times with all applicable federal, state, municipal, and other laws, ordinances and regulations. CUC and/or Shipper will furnish any information or execute any documents required by any duly constituted federal or state regulatory authority in connection with the performance of this Agreement. Each party shall proceed with diligence to file any necessary applications with any governmental authorities for any authorizations necessary to carry out its obligations under this Agreement. In the event this Agreement or any provisions herein shall be found contrary to or in conflict with any such law, order, directive, rule or regulation, the latter shall be deemed to control, but nothing in this Agreement shall prevent either party from contesting the validity of any such law, order, directive, rule, or regulation, nor shall anything in this Agreement be construed to require either party to waive its respective rights to assert the lack of jurisdiction of any governmental agency other than the FPSC over this Agreement or any part thereof. In the event of such contestation, and unless otherwise prohibited from doing so under this Section 12.10, CUC shall continue to transport and Shipper shall continue to take gas pursuant to the terms of this Agreement. In the event any law, order, directive, rule, or regulation shall prevent either party from performing hereunder, then neither party shall have any obligation to the other during the period that performance is precluded.
- 12.11 Law Governing Agreement; Venue. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of Florida. The venue for any action, at law or in equity, commenced by either party against the other and arising out of or in connection with this Agreement shall be in a court of the State of Florida having jurisdiction.
- 12.12 Counterparts. This Agreement may be executed in counterparts, all of which taken together shall constitute one and the same instrument and each of which shall be deemed an original instrument as against any party who has signed it.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the dates stated below.

PEACE RIVER CITRUS, INC.:

ATTEST: Barbara Taylor

BY: Bart Plymale

NAME: Bart Plymale

DATE: March 8, 2000

TITLE: Vice-President of Operations

CENTRAL FLORIDA GAS COMPANY:

ATTEST: Peggy M. Sewell

BY: Thomas A. Geoffrey

NAME: Thomas A. Geoffrey

DATE: March 9, 2000

TITLE: Assistant Vice President

EXHIBIT A
TO
CTS TRANSPORTATION AGREEMENT
BETWEEN
CHESAPEAKE UTILITIES CORPORATION
AND
PEACE RIVER CITRUS PRODUCTS, INC.

Interconnection between FGT pipeline
and Chesapeake Utilities pipeline in the
vicinity of Arcadia, Florida.

D.R.N. No. _____

Maximum Daily Transportation Quantity:

2,600 *MMBtu/day*
2,200 *MMBtu/day*

CUC DELIVERY POINT: Gas transported pursuant to this Agreement shall be delivered by CUC to the following point:

NAME

Meter set location to be on property of:
Peace River Citrus Products, Inc.
State Highway 72
Arcadia, Florida

Rate:

"CTS" *MMBtu/day*
50
18 psig

Delivery Pressure:

Natural Gas System: CUC will provide and arrange for the installation of a pipeline tap, pressure reducing equipment, service line extension, and electronic metering equipment compatible with the Shipper's data gathering system to enable natural gas usage at Peace River Citrus Products, Inc.'s processing plant. Shipper is relying on CUC's skill, judgment and expertise in selecting and installing materials and equipment.

IN WITNESS WHEREOF, the parties hereto have executed this Exhibit with their duly authorized officers as of the date first above written.

Chesapeake Utilities Corporation

By: Thomas A. Geoffroy

Name: Thomas A. Geoffroy

Title: Assistant Vice President

Date: March 9, 2000

Peace River Citrus Products, Inc.

By: Bart Plymale

Name: Bart Plymale

Title: Vice-President of Operations

Date: March 8, 2000

EXHIBIT 2

COST OF SERVICE STUDY

**COST OF SERVICE STUDY
PEACE RIVER CITRUS**

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION

ESTIMATED RATE BASE AND RETURN

	<u>Description</u>	<u>Amount</u>
1	Cost of Plant: Gross investment in plant	\$814,936
2	Less CIAC or Accumulated Depreciation	\$27,647
		<hr/>
3	Net Plant	\$787,289
4	Working Capital	\$0
5	Accumulated Deferred	
6	Income Taxes	\$0
7	Deferred Investment Tax Credit	\$0
		<hr/>
8	Rate Base	<u>\$787,289</u>
9	Long Term Debt @ 0.00%	0
10	Common Equity @ 0.00%	0
		<hr/>
11	Total Return @ 8.33%	<u>\$65,581</u>

**COST OF SERVICE STUDY
PEACE RIVER CITRUS****CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION****ESTIMATED INCOME TAXES**

<u>Description</u>	<u>Total</u>
1 Rate Base	<u>\$787,289</u>
2 Return On Rate Base (Line 1 x Rate of Return)	\$65,581
3 Less: Interest on Debt	<u>(\$22,202)</u>
4 Net Income after Taxes	\$43,380
5 Divide by 1- Tax Rate	<u>0.6258</u>
6 Taxable Income	<u>\$69,319</u>
7 Income Taxes @ 37.63%	<u>\$26,085</u>

**COST OF SERVICE STUDY
PEACE RIVER CITRUS**

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION

COST OF SERVICE

<u>Cost of Service</u>	<u>Amount</u>
1 Operation & Maintenance	\$ 13,344
2 Depreciation	27,647
3 Insurance	5,000
4 Taxes - Other Than Income 1/	9,948
5 Lease Expense	0
6 Income Taxes	26,085
7 Return @ 8.33% /2	<u>65,581</u>
8 Total Operating Costs	<u>\$ 147,605</u>

9 **NOTES:**

10 1/ Taxes Other Than Income - Property and Revenue Related

11 1999 Property Tax Expense	<u>\$306,338</u>	Revenue Related Taxes	0.500%
12 13 month average gross plant	\$26,992,839	Projected Revenues	\$147,840
13		Revenue Related Taxes	<u>\$739</u>
14 Average Tax Rate	\$0.0113		
15		Total revenue related taxes	<u>\$9,948</u>
16 x Gross Plant	\$814,936		
17			
18 Property Tax Expense	<u>\$9,209</u>		

19 2/ 8.33% Return is the Company's required rate of return from the 1st Quarter 2000 surveillance report as filed with the FPSC.

**COST OF SERVICE STUDY
PEACE RIVER CITRUS**

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION

ESTIMATED O&M EXPENSES

	<u>Description</u>	<u>Amount</u>
1	1. Cathodic Protection Testing - 8 hours/year @ \$22.42/hr	\$179
2	2. Leak Testing - 4 hours/year @ \$16.71/hr plus \$25 Materials	\$92
3	3. Pipeline Marker Replacements - 5 markers/yr @ \$12 each + 5 hours/year	\$172
4	@ \$22.42/hr	
5	4. Repaint Station every 3 years - 8 hours/yr @ \$21.62/hr plus \$70 materials	\$243
6	5. Maintenance and calibration of EFM equipment - 50 hours/yr @ \$28.74/hr plus	\$1,937
7	\$500 materials	
8	6. Billing & Customer Accounting - 1 hour @ \$25.93/hr	\$26
9	7. Percentage of time allocated from Management and	\$3,416
10	Marketing personnel - 5 hrs/month @ \$56.94/hr	
11	8. Meter Test every 5 years and Repair - 6 hours/yr @ \$28.74/hr plus \$500	\$672
12	materials	
13	9. Meter Parts	\$100
14	10. Annual Regulator Testing and Repair - 12 hours/yr @ \$28.74/yr plus \$200	\$545
15	materials	
16	11. Telemetry Monitoring and T&E Functions - 4 hours @ \$25.93/hr	\$104
17	12. Annual Odorant Expenses	\$2,500
18	13. Railroad Crossings	\$1,000
19	14. Cathodic Protection Expense - rectifier expenses	\$750
20	15. Emergency Valve Maintenance - 2 hours/yr @ \$20.36/hr	\$41
21	16. Line Locating Expense - 3 hours/yr @ \$22.19/hr	\$67
22	17. Misc. Expense	\$1,500
23	TOTAL ESTIMATED O & M EXPENSES	<u>\$13,344</u>

**COST OF SERVICE STUDY
PEACE RIVER CITRUS**

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION

CAPITALIZATION AS
FILED IN 1999 SURVEILLANCE REPORT

	<u>Amount</u>	
1	39.09%	Debt
2	<u>60.91%</u>	Common Equity, DIT, ITC, Customer Deps.
3	<u>100.00%</u>	
4	2.8200%	Weighted Average Cost of Service Related To Debt
5	\$787,289	Rate Base
6	<u>\$22,202</u>	Interest Expense