

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

RECEIVED-FPSC
OCT-5 AM 9:42
RECORDS AND REPORTING

DATE: OCTOBER 5, 2000

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

FROM: DIVISION OF COMPETITIVE SERVICES (MCKEE, MAKIN, BULECZA-BANKS) *CRBB*
 DIVISION OF SAFETY AND ELECTRIC RELIABILITY (MILLS) *M*
 DIVISION OF LEGAL SERVICES (STERN) *MKS RVE*

RE: DOCKET NO. 000817-GU - PETITION FOR APPROVAL OF CTS GAS TRANSPORTATION SERVICE AGREEMENT WITH PEACE RIVER CITRUS PRODUCTS, INC., BY FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION.

AGENDA: 10/17/2000 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\000817.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the Contract Transportation Service (CTS) Gas Transportation Service Agreement between the Florida Division of Chesapeake Utilities Corporation (Chesapeake) and Peace River Citrus Products, Inc., (Peace River).

RECOMMENDATION: Yes. The Commission should approve the CTS Gas Transportation Service Agreement between Chesapeake and Peace River, effective the date of the Commission vote. (MCKEE, MAKIN, BULECZA-BANKS, MILLS)

STAFF ANALYSIS: On July 6, 2000, Chesapeake and Peace River filed a joint petition for approval of a 10-year CTS Gas Transportation Service Agreement as a special contract under Rule 25-9.034(1),

DOCUMENT NUMBER-DATE
12645 OCT-58
FPSC-RECORDS/REPORTING

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

This Agreement requires Chesapeake to construct, own, and operate the Arcadia Gate Station and approximately eight miles of a four inch steel pipeline, designed to serve the citrus processing plant. 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 Agreement. Based on the terms of the Agreement, Chesapeake's investment should result in a fixed annual return of 8.33 percent.

On May 15, 2000, Chesapeake filed a petition with the Commission, Docket No. 000108-GU, requesting authority to increase rates and charges for natural gas transportation. All revenues and costs associated with the CTS Gas Transportation Service Agreement with Peace River are contained in the rate projections and should 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.

This Agreement states that Peace River shall provide Chesapeake an irrevocable letter of credit to secure Chesapeake's recovery in 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.

DOCKET NO. 000817-GJ
DATE: October 5, 2000

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action. (STERN)

STAFF ANALYSIS: If no timely protest to the proposed agency action is filed within 21 days of the date of issuance of the Consummating Order, this docket should be closed upon the issuance of the Consummating Order.