

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida  
Division of Chesapeake Utilities  
Corporation for approval of  
special contract with Suwannee  
American Limited Partnership.

DOCKET NO. 011620-GU  
ORDER NO. PSC-02-0162-PAA-GU  
ISSUED: February 4, 2002

The following Commissioners participated in the disposition of  
this matter:

LILA A. JABER, Chairman  
J. TERRY DEASON  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI  
RUDOLPH "RUDY" BRADLEY

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING FLORIDA DIVISION OF CHESAPEAKE UTILITIES  
CORPORATION'S PETITION FOR APPROVAL OF SPECIAL CONTRACT WITH  
SUWANNEE AMERICAN LIMITED PARTNERSHIP

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On December 4, 2001, Florida Division of Chesapeake Utilities Corporation (Chesapeake) filed a petition for approval of a 10-year special contract with Suwannee American Limited Partnership (Suwannee American), pursuant to Rule 25-9.034, Florida Administrative Code. We are vested with jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

Suwannee American is currently constructing a cement plant near the City of Branford in Suwannee County, Florida, which it

DOCUMENT NUMBER-DATE  
01291 FEB-4 8  
FPSC-COMMISSION CLERK

will own and operate. Natural gas will be used in the production process of cement products. Chesapeake is constructing an interconnect with Florida Gas Transmission (FGT) and connecting it into Suwannee American's facilities located on the cement plant site. Chesapeake's facilities are expected to be in service in the third quarter of 2002.

Suwannee County is located in north-central Florida and is rural in nature. There currently is no natural gas service in the immediate area. Natural gas service is currently provided to the City of Live Oak, twenty miles away, by that municipality.

Chesapeake's tariff provides for special contracts with any non-residential customer who, at the sole option of the Company, and with the approval of the Commission, may receive general sales or transportation service from the Company under written contractual terms and conditions other than those set forth in the Company's approved tariff.

Because Suwannee American's proposed usage, location, and operating characteristics are somewhat different from what is currently provided for in Chesapeake's tariff, Chesapeake and Suwannee American have entered in a special contract, subject to our approval. Under the special contract, Chesapeake will receive certain quantities of natural gas at its Suwannee Gate Station for Suwannee American's account, and Chesapeake will then redeliver the natural gas to Suwannee American's cement plant in accordance with the terms and conditions of the special contract.

Chesapeake and Suwannee American's special contract has an initial term of ten years. During that time, Suwannee American will pay a monthly reservation/delivery fee of \$20,075 to Chesapeake. After the expiration of the initial 10-year term, both parties will negotiate in good faith all contract terms. Consistent with Chesapeake's tariff, the special contract recognizes that the monthly reservation/delivery fee established in the contract may change from time to time due to changes in Chesapeake's operations, and that the service options may be revised, amended, or superceded from time to time subject to our approval. Neither this agreement nor any of the terms of the agreement may be terminated, amended, supplemented, waived, or modified except by an instrument in writing by the party against

whom enforcement of the termination, waiver, or modification shall be sought. Chesapeake and Suwannee American expressly acknowledge that the limitation on amendments to this agreement shall not apply to or otherwise limit the effectiveness of amendments that are necessary to comply with the requirements of, or are otherwise approved by, this Commission or our successor agency or authority.

This agreement states that Suwannee American shall provide Chesapeake with an irrevocable letter of credit or a surety bond in an initial amount of \$1,200,000 to cover the term of this agreement. The principal amount of the letter of credit or surety bond may be reduced annually to reflect 50 percent of the remaining reservation/delivery charges during the term of this agreement.

We find that the annual transportation revenues derived from the contract will more than recover the fully allocated cost of serving Suwannee American. As indicated in the cost study, the estimated \$60,485 in total annual operating costs will be fully recovered through an annual reservation/delivery fee of \$240,900 (\$20,075 x 12 months) for the 10-year service agreement. Chesapeake's rate of return, according to the September 2001 surveillance report filed with us, is 6.20% with a midpoint of 7.92%. We find that this project will provide a return of 43.3% on Chesapeake's net investment for this project alone. This special contract clearly generates revenues in excess of the cost to serve, thereby providing benefits to the general body of ratepayers. Accordingly, we approve the Chesapeake's special contract with Suwannee American.

Chesapeake also submits for our approval a new tariff sheet depicting the portion of Suwannee County in which Suwannee American facilities are located as part of Chesapeake's service territory. We find that the new tariff sheet depicting the portion of Suwannee County in which Suwannee American facilities are located poses no potential conflict between Chesapeake and the City of Live Oak to provide service to this area of Suwannee County. Accordingly, we approve Chesapeake's revised tariff depicting its new service area in Suwannee County.

Based on the foregoing, it is

ORDER NO. PSC-02-0162-PAA-GU  
DOCKET NO. 011620-GU  
PAGE 4

ORDERED by the Florida Public Service Commission that the Petition of Florida Division of Chesapeake Utilities Corporation for approval of a 10-year special contract with Suwannee American Limited Partnership is hereby approved. It is further

ORDERED that this area of Suwannee County shall be part of the service territory of Florida Division of Chesapeake Utilities Corporation.

ORDERED that if no substantially affected person files a protest within 21 days of issuance of this Order, this docket shall be closed upon the issuance of a Consummating Order. It is further

ORDERED that if a protest is filed within 21 days from issuance of this Order approving this tariff, by a person whose substantial interest is affected, the tariff shall remain in effect pending resolution of the protest, with any charges held subject to refund pending resolution of the protest.

By ORDER of the Florida Public Service Commission this 4th day of February, 2002.

BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records and Hearing  
Services

( S E A L )

LHD

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 Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on February 25, 2002.

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.