

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of special contract with Minute Maid Company, a Division of the Coca-Cola Company, and Florida Division of Chesapeake Utilities Corporation.

DOCKET NO. 021174-GU
ORDER NO. PSC-03-0190-TRF-GU
ISSUED: February 7, 2003

The following Commissioners participated in the disposition of this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

ORDER APPROVING SPECIAL CONTRACT

BY THE COMMISSION:

On November 19, 2002, the Florida Division of Chesapeake Utilities Corporation ("Chesapeake" or "the Company") filed a petition for approval of a 15-year special contract with Minute Maid Company, a Division of the Coca-Cola Company ("Minute Maid") under Rule 25-9.034(1), Florida Administrative Code. Jurisdiction over this matter is vested in this Commission by several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

Minute Maid is currently constructing a bottling plant near the City of Auburndale in Polk County, Florida. Natural gas will be used in the bottling process. Chesapeake's facilities to serve the bottling plant are expected to be in service in the first quarter of 2003. Because Minute Maid's proposed usage, location, and operating characteristics are different than what is currently provided for in Chesapeake's approved tariff, Chesapeake and Minute Maid have entered into a special contract. Under the proposed contract, Chesapeake will receive certain quantities of natural gas at its Auburndale Gate Station, for Minute Maid's account, and

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redeliver the natural gas to Minute Maid's bottling plant in accordance with the terms and conditions of the contract.

The annual transportation revenues that Chesapeake would derive from the contract are estimated to more than recover Chesapeake's fully allocated cost of serving Minute Maid. As indicated in the cost study provided by Chesapeake, the Company estimates that the total annual operating cost to serve Minute Maid will be \$14,681. The Company estimates that this cost will be fully recovered through its negotiated rate of \$0.02 per therm, given usage of 4,500 therms over 365 days, generating revenues of \$32,850 annually during the first several years of operation. Minute Maid has indicated to the Company that its usage will increase to approximately 7,500 therms per day in the future when the bottling plant becomes fully operational, thus increasing the revenues generated under the special contract.

Based on its September, 2002, surveillance report filed with this Commission, the Company's achieved overall rate of return is 6.72%. Using the 11.5% midpoint of Chesapeake's authorized return on equity range, its required overall rate of return is 7.37%. The revenues associated with the proposed special contract are projected to provide an overall return of 30.3% on the Company's net investment in serving Minute Maid. This will increase the Company's overall rate of return from 6.72% to 6.76% and will increase the Company's return on equity from 9.85% to 9.94%, still below the 10.5% minimum of its authorized return on equity range.

Based on the foregoing, we find that the proposed special contract will generate revenues in excess of the Company's cost to serve Minute Maid, thereby providing benefits to the general body of ratepayers. Accordingly, we grant Chesapeake's petition for approval of the special contract.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition of the Florida Division of Chesapeake Utilities Corporation for approval of a special contract with Minute Maid Company, a Division of the Coca-Cola Company is granted. It is further

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ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 7th day of February, 2003.

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)

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review will be granted or result in the relief sought.

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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 Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files 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 28, 2003.

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 docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.