

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition by Florida Division of Chesapeake Utilities Corporation for approval of special contract with Department of Management Services, Agency of the State of Florida.	DOCKET NO. 050327-GU ORDER NO. PSC-05-0784-PAA-GU ISSUED: July 27, 2005
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The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
LISA POLAK EDGAR

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING SPECIAL CONTRACT

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 May 16, 2005, the Florida Division of Chesapeake Utilities Corporation (Chesapeake) filed a petition for approval of a 15-year special contract for natural gas transportation with the State's Department of Management Services (DMS), under Rule 25-9.034(1), Florida Administrative Code. Because the Department of Management Services' proposed usage, location, and operating characteristics are different than what is currently provided for in Chesapeake's approved tariff, Chesapeake and DMS have entered into this special contract. As explained more fully below, we approve the special contract effective July 19, 2005. We have jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

Chesapeake Utilities currently provides gas transportation to various agencies of the State of Florida by means of a "Master Contract." Under the special contract (Exhibit B of the Master Contract), Chesapeake will receive certain quantities of natural gas at Chesapeake's Washington Gate Station for DMS's account and render the natural gas to the Washington County Correctional Institution. The Florida Department of Corrections is currently operating a correctional institution in Washington County, Florida, and is expanding the facility. Natural gas will be used to provide heat, hot water, cooking and laundry services to the facility.

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FPSC-COMMISSION CLERK

The annual transportation revenues derived from the contract would enable Chesapeake to more than recover the fully allocated cost of serving the facility. As indicated in the amended cost of service study prepared by Chesapeake, the estimated \$78,190 in total annual operating costs will be fully recovered and will provide a return on Chesapeake's net investment through the annual revenues of \$89,040 for the fifteen-year service agreement. Chesapeake will deliver 1,000 MMBTU/day during each month of the contract at a rate of \$7,420 per month for 15 years. Chesapeake expects to earn a 8.38 percent overall rate of return, which is the Company's authorized mid-point rate of return from its December 2004 surveillance report as filed with the Commission, and an authorized return on equity of 11.50 percent. The contract generates revenues in excess of the cost to serve, thereby providing benefits to Chesapeake's general body of ratepayers. We therefore approve the special contract between Chesapeake and DMS, effective July 19, 2005.

Based on the foregoing, it is

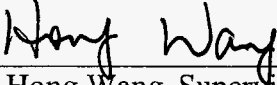
ORDERED by the Florida Public Service Commission that the Petition by Florida Division of Chesapeake Utilities Corporation for approval of a special contract with Department of Management Services, Agency of the State of Florida is approved, effective July 19, 2005. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is 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 the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 27th day of July, 2005.

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

By: 

Hong Wang, Supervisor
Case Management Review Section

(S E A L)

MCB

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 August 17, 2005.

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.