

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL

In re: Petition by the Florida Division)
of Chesapeake Utilities Corporation)
for approval of Addendum to)
FTS Gas Transportation Service)
Agreement with the State of Florida,)
Department of Management Services)

991265-60

RECORDS AND REPORTING

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PETITION FOR APPROVAL OF ADDENDUM TO
FTS GAS TRANSPORTATION SERVICE AGREEMENT
WITH THE STATE OF FLORIDA,
DEPARTMENT OF MANAGEMENT SERVICES

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 an Addendum to FTS Gas Transportation Service Agreement with the State of Florida, Department of Management Services ("State"), 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:

Wayne L. Schiefelbein
P. O. Box 13688
Tallahassee, FL 32317
(850) 385-8598 (voice)
(850) 531-0011 (fax)

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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 the State.

4. On July 15, 1999, the Florida Division and Peoples Gas System filed a Joint Petition, seeking Commission approval of an amended Territorial Boundary Agreement. Said agreement redefines the territorial service areas of the parties in portions of Hillsborough, Polk and Osceola Counties. In addition, said agreement provides for the transfer, from Peoples Gas System to the Florida Division, of certain properties and appurtenances extending from the FGT pipeline necessary to serve Lancaster Correctional Institution in Gilchrist County, and North Florida Reception Center in Union County, at depreciated book value.

5. On or about June 30, 1999, the State paid \$293,583.74 to Peoples Gas System as a contribution-in-aid-of-construction for the distribution facilities necessary to provide natural gas service to Lancaster Correctional Institution. This amount represented the estimated construction cost of such facilities in excess of a Maximum Allowable Construction Cost of \$106,568.00, in accordance with the Commission-approved tariff of West Florida Natural Gas Company. The charge was based on an estimated usage of 770,000 therms over an initial five-year period, at a rate of \$.13840 per therm, that is, West Florida Natural Gas Company's non-fuel charge for Firm Transportation customers, in effect when Peoples Gas System acquired the West Florida system. Payment of said contribution-in-aid was made subject to a true-up at the conclusion of the initial five

years of service. The in-service date of the distribution facilities serving Lancaster Correctional Institution was May 1, 1999.

6. The State has paid \$408,000.00 to Peoples Gas System as a contribution-in-aid-of-construction and will pay through an Area Expansion Program Charge an additional \$226,589.37 plus interest, to the Florida Division, for the distribution facilities necessary to provide natural gas service to North Florida Reception Center. This combined amount of \$634,589.37 represents the estimated construction cost of such facilities in excess of a Maximum Allowable Construction Cost of \$130,703.60, in accordance with the Commission-approved tariff of West Florida Natural Gas Company. The charge is based on an estimated usage of 2,680,000 therms over an initial five-year period, at a rate of \$.04877, that is, West Florida Natural Gas Company's non-fuel charge for Commercial Large Volume Transportation customers in effect when Peoples Gas System acquired the West Florida system. Payment of said contribution-in-aid and Area Expansion Program Charge is subject to a true-up at the conclusion of the initial five years of service. The anticipated in-service date of the distribution facilities that will serve North Florida Reception Center is October 1, 1999.

7. The Florida Division and the State are parties to an FTS Gas Transportation Service Agreement dated March 19, 1999, under which the Florida Division currently is under contract to construct distribution facilities in order to provide service to Apalachee Correctional Institution and Holmes Correctional Institution, in accordance with the Florida Division's Commission-approved Firm Transportation Service Rate Schedule. The Florida Division and the State have now entered into an Addendum thereto, to govern the Florida Division's service to Lancaster Correctional Institution and North Florida Reception Center. A copy of the Addendum is appended hereto as Exhibit 1. Except as specifically set forth in the Addendum, the Florida Division's service to

Lancaster Correctional Institution and North Florida Reception Center would be governed by said FTS Gas Transportation Service Agreement

8. Under said Addendum, the Florida Division would provide service to Lancaster Correctional Institution and North Florida Reception Center for the initial five-year period at the same non-fuel charges effective under the agreements between the State and Peoples Gas System. The North Florida Reception Center non-fuel charge is lower than, and the Lancaster Correctional Institution non-fuel charge is higher than, the current standard non-fuel charge (\$.07889 per therm) in effect for the Florida Division's FTS customers. However, under the Florida Division's Commission-approved tariff, similar to West Florida Natural Gas Company's and Peoples Gas System's tariffs, the Florida Division is required to extend facilities to serve a prospective customer if the projected annual revenue times five equals or exceeds the capital investment. Under the proposed Territorial Boundary Agreement, the facilities necessary to serve Lancaster Correctional Institution and North Florida Reception Center are to be transferred to the Florida Division at their depreciated book value. As detailed in the Florida Division's Commission-approved tariff (Section 7.6 of the General Rules and Regulations), all Area Expansion Program revenues shall be used specifically to amortize the cost of the project facilities that is in excess of the Maximum Allowable Construction Cost. Thus, the revenues to be generated to the Florida Division from the facilities necessary to serve Lancaster Correctional Institution and North Florida Reception Center over the initial five years will exactly equal the capital investment by the Florida Division in such facilities, that is, the purchase price at their depreciated book value.

9. The true-up mechanism of the contributions-in-aid paid to Peoples Gas System by the State for Lancaster Correctional Institution and North Florida Reception Center is also preserved

under the Addendum. If actual gas usage over the initial five-year period is less than estimated, the State would pay a surcharge to the Florida Division. If actual gas usage over the initial five years is higher, the State would receive a refund.

10. Under the Addendum, at the expiration of the initial five years of service to the respective facilities, the then-effective Commission-approved rate schedules for the Florida Division would apply.

11. The proposed Addendum provides fair and reasonable terms and conditions for FTS gas transportation service to the two subject service locations.

12. The Commission should approve the proposed Addendum to implement the transfer provided for by Section 2.5(A) of the aforesaid Territorial Boundary Agreement, which transfer is an essential consideration for the Florida Division's execution of such Territorial Boundary Agreement.

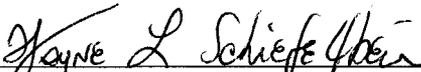
13. The Florida Division is entitled to reasonable compensation for the service rendered, and the Commission has the authority to approve rates to provide such compensation, pursuant to Chapter 366, Florida Statutes.

14. 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 Addendum to FTS Gas Transportation Service Agreement with the State of Florida, Department of Management Services, as soon as is practical.

DATED this 31st day of August, 1999.

Respectfully submitted,



Wayne L. Schiefelbein
P. O. Box 13688
Tallahassee, Florida 32317
(850) 385-8598

Attorney for the Florida Division
Chesapeake Utilities Corporation

EXHIBIT 1

ADDENDUM TO FTS GAS TRANSPORTATION
SERVICE AGREEMENT

**ADDENDUM TO FTS GAS TRANSPORTATION SERVICE
AGREEMENT BETWEEN CHESAPEAKE UTILITIES
CORPORATION AND THE STATE OF FLORIDA, DEPARTMENT
OF MANAGEMENT SERVICES**

Chesapeake Utilities Corporation ("Chesapeake") and the State of Florida, Department of Management Services ("DMS") hereby enter into this Addendum to the FTS Gas Transportation Service Agreement between the parties dated March 19, 1999.

WITNESSETH

Whereas, Chesapeake and DMS are parties to that certain FTS Gas Transportation Service Agreement dated March 19, 1999 ("the Master Agreement") under which Chesapeake provides service to Apalachee Correctional Institution and Holmes Correctional Institution;

Whereas, DMS and TECO Peoples Gas are parties to a Master Agreement for Services dated March 11, 1996 and related agreements under which TECO Peoples Gas has agreed to provide service to, among other facilities, Lancaster Correctional Institution and North Florida Reception Center;

Whereas, Chesapeake and TECO Peoples Gas have entered into a Territorial Boundary Agreement dated July 9, 1999 and have submitted a joint petition to the Florida Public Service Commission ("PSC") seeking approval of the territorial agreement;

Whereas, under said territorial agreement, TECO Peoples Gas has agreed to transfer to Chesapeake the properties and appurtenances extending from the FGT pipeline necessary to serve Lancaster Correctional Institution and North Florida Reception Center, at their depreciated book value, and to assist in the transfer of contracts for gas transportation services for said two facilities to Chesapeake; and

Whereas, DMS desires to receive natural gas service at Lancaster Correctional Institution and North Florida Reception Center from Chesapeake on terms and conditions that preserve for DMS certain provisions of DMS' agreements with TECO Peoples Gas, and Chesapeake is willing to provide service under such terms and conditions;

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

1. This Addendum is subject to the approval of the PSC and shall become effective upon the later to occur of:
 - a) the effective date of PSC approval of the Territorial Boundary Agreement dated July 9, 1999 between Chesapeake and TECO Peoples Gas; and
 - b) the effective date of PSC approval of the instant Addendum.

Exhibit 1

2. All capitalized terms used and not otherwise defined in this Addendum shall have the meanings given to such terms in the FTS Gas Transportation Service Agreement.

Chesapeake agrees to provide and DMS agrees to receive and pay for gas transportation service at the Lancaster Correctional Institution and North Florida Reception Center. Except as specifically set forth hereinbelow, such service shall be governed in all respects by the terms of the FTS Gas Transportation Service Agreement.

3. Gas transportation service to Lancaster Correctional Institution shall be subject to the following.

- a) Chesapeake Receipt Points: Chesapeake will accept gas from the Shipper, or for its account, for transportation pursuant to this Addendum, at the following point:

Chesapeake Receipt Point – Trenton, Florida

- b) Rate: For the initial five (5) years of service under this Addendum, DMS shall pay Chesapeake a monthly customer charge of \$50.00 and an FTS non-fuel charge of \$0.13840 per therm. These charges are the current charges effective under the agreements between DMS and TECO Peoples Gas. In the event the actual gas usage increases to a level above the 300,000 therms per year, the current applicable rate of \$0.04877 per therm shall apply for the period of such usage during the remainder of the initial five-year period. Following the expiration of said initial five years, DMS shall pay Chesapeake at the then-applicable rate schedules filed with and approved by the PSC for Chesapeake.
- c) Delivery pressure: 10 p.s.i.g.
- d) True-up under Facilities Charge Agreement:

DMS had prepaid to TECO Peoples Gas \$293,583.74 as the estimated extension costs in excess of the Maximum Allowable Construction Cost under a Facilities Charge Agreement. That Facilities Charge was developed based in part on an estimate of the initial five (5) years of anticipated gas usage at the facility. In the event that the actual gas usage at the facility over said five (5)-year period exceeds the anticipated gas usage used to calculate said Facilities Charge, Chesapeake agrees to reimburse DMS for such exceedance through credits to DMS' monthly bills during a period not to exceed six (6) months. This reimbursement shall be calculated on a volumetric basis equal to the quantity that actual gas usage over said five (5) years exceeds 770,000 therms times \$0.13840, the current nonfuel charge under TECO Peoples Gas' agreement with

DMS for the facility. Conversely, in the event that the actual gas usage at the facility over said five (5)-year period is less than the anticipated gas usage used to calculate said Facilities Charge, Chesapeake shall invoice DMS and DMS shall pay to Chesapeake a one-time surcharge. This surcharge shall be calculated on a volumetric basis equal to the quantity that actual gas usage over said five (5) years is less than 770,000 therms times \$0.13840.

4. Gas transportation service to North Florida Reception Center shall be subject to the following.

a) Chesapeake Receipt Points: Chesapeake will accept gas from the Shipper, or for its account, for transportation pursuant to this Addendum, at the following point:

Chesapeake Receipt Point – Lake Butler, Florida

b) Rate: For the initial five (5) years of service under this Addendum, DMS shall pay Chesapeake a monthly customer charge of \$100.00 and an FTS non-fuel charge of \$0.04877 per therm. These charges are the current charges effective under the agreements between DMS and TECO Peoples Gas. Following the expiration of said initial five years, DMS shall pay Chesapeake at the then-applicable rate schedules filed with and approved by the PSC for Chesapeake.

c) Delivery pressure: 10 p.s.i.g.

d) True-up under Facilities Charge Agreement:

DMS had prepaid to TECO Peoples Gas \$408,000.00 toward the \$634,589.37 in estimated extension costs in excess of the Maximum Allowable Construction Cost and agrees to pay Chesapeake the remaining \$226,589.37, as shown on the attached Facilities Charge Agreement. The \$226,589.37 will be true-up to reflect actual extension costs, net of the \$408,000.00 already paid to TECO Peoples Gas, in excess of the Maximum Allowable Construction Cost as soon as this information is known. That Facilities Charge was developed based in part on an estimate of the initial five (5) years of anticipated gas usage at the facility. In the event that the actual gas usage at the facility over said five (5)-year period exceeds the anticipated gas usage used to calculate said Facilities Charge, Chesapeake agrees to reimburse DMS for such exceedance through credits to DMS' monthly bills during a period not to exceed six (6) months. This reimbursement shall be calculated on a volumetric basis equal to the quantity that actual gas usage over said five (5) years exceeds 2,680,000 therms times \$0.04877, the current non-fuel charge under TECO Peoples Gas' agreement with DMS for the facility. Conversely, in the event that

the actual gas usage at the facility over said five (5)-year period is less than the anticipated gas usage used to calculate said Facilities Charge, Chesapeake shall invoice DMS and DMS shall pay to Chesapeake a one-time surcharge. This surcharge shall be calculated on a volumetric basis equal to the quantity that actual gas usage over said five (5) years is less than 2,680,000 therms times \$.04877.

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

DMS:
Department of Management Services,
Agency of the State of Florida

ATTEST: Ann Bayfield

DATE: 8/30/99

By: Kaye Robertson

NAME: KAYE ROBERTSON

TITLE: PROGRAM MANAGER, FNGPP

CHESAPEAKE:
Chesapeake Utilities Corporation

ATTEST: John McCall

DATE: 8-27-99

By: Thomas A. Geoffrey

NAME: Thomas A. Geoffrey

TITLE: Florida Regional Manager

EXHIBIT A

FACILITIES CHARGE AGREEMENT

**BETWEEN CHESAPEAKE UTILITIES CORPORATION
AND
THE STATE OF FLORIDA**

**SCHEDULE FOR REPAYMENT OF FACILITIES
NORTH FLORIDA RECEPTION CENTER**

Amount Financed		\$226,589
Interest Rate		9.75%
Number of Periods	5 years or	60 months
Monthly Payment		\$4,786.52

	BEGINNING BALANCE	PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE
1	\$ 226,589.00	\$4,786.52	\$2,945.49	\$1,841.04	\$223,643.51
2	\$223,643.51	\$4,786.52	\$2,969.42	\$1,817.10	\$220,674.10
3	\$220,674.10	\$4,786.52	\$2,993.54	\$1,792.98	\$217,680.55
4	\$217,680.55	\$4,786.52	\$3,017.87	\$1,768.65	\$214,662.69
5	\$214,662.69	\$4,786.52	\$3,042.39	\$1,744.13	\$211,620.30
6	\$211,620.30	\$4,786.52	\$3,067.11	\$1,719.41	\$208,553.19
7	\$208,553.19	\$4,786.52	\$3,092.03	\$1,694.49	\$205,461.17
8	\$205,461.17	\$4,786.52	\$3,117.15	\$1,669.37	\$202,344.02
9	\$202,344.02	\$4,786.52	\$3,142.48	\$1,644.05	\$199,201.54
10	\$199,201.54	\$4,786.52	\$3,168.01	\$1,618.51	\$196,033.53
11	\$196,033.53	\$4,786.52	\$3,193.75	\$1,592.77	\$192,839.78
12	\$192,839.78	\$4,786.52	\$3,219.70	\$1,566.82	\$189,620.08
13	\$189,620.08	\$4,786.52	\$3,245.86	\$1,540.66	\$186,374.23
14	\$186,374.23	\$4,786.52	\$3,272.23	\$1,514.29	\$183,102.00
15	\$183,102.00	\$4,786.52	\$3,298.82	\$1,487.70	\$179,803.18
16	\$179,803.18	\$4,786.52	\$3,325.62	\$1,460.90	\$176,477.56
17	\$176,477.56	\$4,786.52	\$3,352.64	\$1,433.88	\$173,124.92
18	\$173,124.92	\$4,786.52	\$3,379.88	\$1,406.64	\$169,745.04
19	\$169,745.04	\$4,786.52	\$3,407.34	\$1,379.18	\$166,337.69
20	\$166,337.69	\$4,786.52	\$3,435.03	\$1,351.49	\$162,902.67
21	\$162,902.67	\$4,786.52	\$3,462.94	\$1,323.58	\$159,439.73
22	\$159,439.73	\$4,786.52	\$3,491.07	\$1,295.45	\$155,948.66
23	\$155,948.66	\$4,786.52	\$3,519.44	\$1,267.08	\$152,429.22
24	\$152,429.22	\$4,786.52	\$3,548.03	\$1,238.49	\$148,881.18
25	\$148,881.18	\$4,786.52	\$3,576.86	\$1,209.66	\$145,304.32
26	\$145,304.32	\$4,786.52	\$3,605.92	\$1,180.60	\$141,698.40
27	\$141,698.40	\$4,786.52	\$3,635.22	\$1,151.30	\$138,063.18
28	\$138,063.18	\$4,786.52	\$3,664.76	\$1,121.76	\$134,398.42
29	\$134,398.42	\$4,786.52	\$3,694.53	\$1,091.99	\$130,703.88
30	\$130,703.88	\$4,786.52	\$3,724.55	\$1,061.97	\$126,979.33
31	\$126,979.33	\$4,786.52	\$3,754.81	\$1,031.71	\$123,224.52
32	\$123,224.52	\$4,786.52	\$3,785.32	\$1,001.20	\$119,439.20

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North Florida Reception Center.xls

33	\$119,439.20	\$4,786.52	\$3,816.08	\$970.44	\$115,623.12
34	\$115,623.12	\$4,786.52	\$3,847.08	\$939.44	\$111,776.03
35	\$111,776.03	\$4,786.52	\$3,878.34	\$908.18	\$107,897.69
36	\$107,897.69	\$4,786.52	\$3,909.85	\$876.67	\$103,987.84
37	\$103,987.84	\$4,786.52	\$3,941.62	\$844.90	\$100,046.22
38	\$100,046.22	\$4,786.52	\$3,973.65	\$812.88	\$96,072.57
39	\$96,072.57	\$4,786.52	\$4,005.93	\$780.59	\$92,066.64
40	\$92,066.64	\$4,786.52	\$4,038.48	\$748.04	\$88,028.16
41	\$88,028.16	\$4,786.52	\$4,071.29	\$715.23	\$83,956.87
42	\$83,956.87	\$4,786.52	\$4,104.37	\$682.15	\$79,852.50
43	\$79,852.50	\$4,786.52	\$4,137.72	\$648.80	\$75,714.78
44	\$75,714.78	\$4,786.52	\$4,171.34	\$615.18	\$71,543.44
45	\$71,543.44	\$4,786.52	\$4,205.23	\$581.29	\$67,338.21
46	\$67,338.21	\$4,786.52	\$4,239.40	\$547.12	\$63,098.81
47	\$63,098.81	\$4,786.52	\$4,273.84	\$512.68	\$58,824.97
48	\$58,824.97	\$4,786.52	\$4,308.57	\$477.95	\$54,516.40
49	\$54,516.40	\$4,786.52	\$4,343.58	\$442.95	\$50,172.82
50	\$50,172.82	\$4,786.52	\$4,378.87	\$407.65	\$45,793.96
51	\$45,793.96	\$4,786.52	\$4,414.45	\$372.08	\$41,379.51
52	\$41,379.51	\$4,786.52	\$4,450.31	\$336.21	\$36,929.20
53	\$36,929.20	\$4,786.52	\$4,486.47	\$300.05	\$32,442.73
54	\$32,442.73	\$4,786.52	\$4,522.92	\$263.60	\$27,919.80
55	\$27,919.80	\$4,786.52	\$4,559.67	\$226.85	\$23,360.13
56	\$23,360.13	\$4,786.52	\$4,596.72	\$189.80	\$18,763.41
57	\$18,763.41	\$4,786.52	\$4,634.07	\$152.45	\$14,129.34
58	\$14,129.34	\$4,786.52	\$4,671.72	\$114.80	\$9,457.62
59	\$9,457.62	\$4,786.52	\$4,709.68	\$76.84	\$4,747.94
60	\$4,747.94	\$4,786.52	\$4,747.94	\$38.58	(\$0.00)
		<u>\$287,191.27</u>	<u>\$226,589.00</u>	<u>\$60,602.27</u>	

8/26/99

North Florida Reception Center.xls