



# Public Service Commission

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

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RECORDS AND REPORTING

**DATE:** SEPTEMBER 23, 1999

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

**FROM:** DIVISION OF LEGAL SERVICES (JAYEN) *RUE*  
DIVISION OF ELECTRIC AND GAS (MAKIN, BULECZA-BANKS) *CRB*  
*JDJ*

**RE:** DOCKET NO. 991168-GU - PETITION BY THE FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION FOR APPROVAL OF CTS GAS TRANSPORTATION SERVICE AGREEMENT WITH CITROSUCO NORTH AMERICA, INC.

**AGENDA:** 10/5/99 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\LEG\WP\991168.RCM

### CASE BACKGROUND

By Order No. PSC-99-1592-DS-GU, issued on August 16, 1999, the Commission granted the joint petition of Chesapeake Utilities Corporation, Florida Division (Florida Division) and Citrosuco North American, Inc. (Citrosuco) for a declaratory statement. The declaratory statement issued by the Commission acknowledged that Citrosuco (a citrus processor in Lake Wales, Florida) would not be subject to Commission jurisdiction as a public utility if it constructs and leases a natural gas pipeline.

Citrosuco is constructing an eleven-mile, eight-inch natural gas pipeline extending from the Florida Division's Lake Wales Gate station to the front entrance of its citrus processing plant. Construction of the pipeline will allow Citrosuco to receive gas purchased from various suppliers.

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Citrosuco and the Florida Division have entered into a Pipeline Lease Agreement. Under the agreement, the Florida Division, as the lessee of the pipeline, will provide natural gas service to Citrosuco, the lessor. The Florida Division has the right to connect mains or service lines to the pipeline for the purpose of providing gas service to existing and potential customers of the Florida Division. However, the Florida division may not limit Citrosuco's ability to use the pipeline for receipt of its citrus processing facility's full requirements of natural gas.

### **DISCUSSION**

**ISSUE 1:** Should the Commission approve Florida Division's petition for approval of Gas Transportation Service Agreement (GTSA) with Citrosuco North America, Inc.?

**RECOMMENDATION:** Yes. The Commission should approve Florida Division's petition for a Gas Transportation Service Agreement (GTSA) with Citrosuco North America, Inc. (MAKIN, BULECZA-BANKS)

**STAFF ANALYSIS:** On August 19, 1999, the Florida Division filed its petition for approval of a GTSA with Citrosuco North America, Inc. Citrosuco and the Florida Division have entered into a Pipeline Lease Agreement where Citrosuco will own the pipeline and lease it to the Florida Division for \$100,000 annually. The Florida Division will provide natural gas service to Citrosuco.

Under the agreement, the Florida Division will receive certain quantities of natural gas at its Lake Wales Gate Station for Citrosuco's account, transport such quantities on the pipeline, and redeliver it to Citrosuco's process facility. The GTSA has an initial term of ten years, with Citrosuco having the unilateral right to extend the term for one or more periods of five years, or such other period agreed to by the Florida Division.

During the initial ten-year term of the GTSA, Citrosuco will pay to the Florida Division an annual transportation charge of \$147,000. Consistent with the Contract Transportation Service (CTS) Rate Schedule, the GTSA recognizes that the annual transportation charge established may change from time to time due to changes in the Florida Division's operations, and that the

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applicable rate schedules may be revised, amended or superseded from time to time, subject to Commission approval.

The GTSA clearly generates revenues in excess of the cost to serve, thereby providing benefits to the general body of ratepayers. The Florida Division believes that additional benefits to the general body of ratepayers would allow the addition of new customers in the vicinity of the route of the pipeline at low incremental costs.

Accordingly, Staff recommends Florida Division's CTS Gas Transportation Service Agreement with Citrosuco North America, Inc. be approved, effective the date of the Commission vote.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes. If no person whose substantial interests are affected files a request for a Section 120.57(1), Florida Statutes, hearing with 21 days of the order, the order will become final and effective upon the issuance of a consummating order. Because no further action will be required, this docket should be closed. (JAYE)

**STAFF ANALYSIS:** If no person whose substantial interests are affected files a request for a Section 120.57(1), Florida Statutes, hearing with 21 days of the order, the order will become final and effective upon the issuance of a consummating order. Because no further action will be required, this docket should be closed.