

REDACTED

July 31, 2015

BY HAND DELIVERY

Ms. Carlotta Stauffer, Clerk
Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RECEIVED FPSC
15 JUL 31 PM 3:52
COMMISSION
CLERK

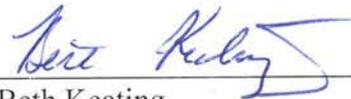
Re: Petition of the Florida Division of Chesapeake Utilities Corporation for Approval of Amendments to Gas Transportation Service Special Contract with Orange Cogeneration Limited Partnership.

Dear Ms. Stauffer:

Enclosed for filing, please find the original and 7 copies of the redacted Florida Division of Chesapeake Utilities Corporation's Petition for Approval of Amendments to Gas Transportation Service Special Contract with Orange Cogeneration Limited Partnership. Under separate cover filed today, the Company is also requesting confidential classification of certain information contained in the Petition and in the exhibits attached to the Petition.

As always, thank you for your assistance with this filing. If you have any questions whatsoever, please do not hesitate to contact me.

Kind regards,



Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

- COM _____
- AFD _____
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- TEL _____
- CLK _____

Cc: Office of Public Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of the Florida Division of Chesapeake Utilities Corporation for Approval of Amendments to Gas Transportation Service Special Contract with Orange Cogeneration Limited Partnership.

Docket No.

Filed: July 31, 2015

PETITION OF THE FLORIDA DIVISION OF
CHESAPEAKE UTILITIES CORPORATION FOR APPROVAL
OF AMENDMENT TO SPECIAL CONTRACT

Pursuant to Section 366.06, Florida Statutes, and in accordance with Rules 25-9.034, Florida Administrative Code, and 28-106.201, Florida Administrative Code, the Florida Division of Chesapeake Utilities Corporation (“CHPK” or “Company”), hereby files this Petition seeking Commission approval of an Amendment to its Gas Transportation Service Special Contract with Orange Cogeneration Limited Partnership (“Orange”)(jointly, both are referred to herein as “Parties”). Specifically, CHPK seeks approval of an Amendment No. 2 to the Gas Transportation Service Special Contract (“GTA”). In support of this request, the Company states:

1. CHPK is a natural gas utility with its principal offices located at:

1750 S 14th Street, Suite 200
Fernandina Beach FL 32034

2. Please send copies of all notices, pleadings and other communications and documents in this docket to the following:

Beth Keating, Esq.
Gunster, Yoakley & Stewart, P.A.
215 South Monroe Street, Suite 601
Tallahassee, Florida 32301-1839
(850) 521-1706

Mike Cassel
Director, Regulatory and Governmental Affairs
Florida Public Utilities Company
1750 S 14th Street, Suite 200
Fernandina Beach, FL 32034
mcassel@fpuc.com

3. CHPK is a natural gas utility subject to regulation by the Commission in accordance with Chapter 366, Florida Statutes. As a party to the contract hereby offered for approval, CHPK's substantial interests will be determined in this proceeding, because the Commission's actions herein will determine whether or not CHPK will be allowed to provide transportation service to Orange pursuant to the negotiated contract.

4. For over twenty (20) years, CHPK has served Orange's cogeneration facility in Polk County. The Commission approved the original GTA by Order No. PSC-94-1169-FOF-GU, and thereafter approved an amendment by Order No. PSC-00-2496-PAA-GU to adjust rates for elimination of the Gross Receipts Tax embedded in the agreement rates, as well as to reflect the increase in regulatory assessment fees, which went into effect in January, 1999.

5. In view of the fact that the current GTA, as amended, is approaching its natural expiration at the end of this year, and because Orange has indicated that it continues to have other options available for its facility, the Parties have engaged in lengthy negotiations over the past several months with the goal of amending the existing agreement such that Orange would remain on CHPK's system. More specifically, it is financially feasible for Orange to entirely bypass CHPK in favor of obtaining all of its gas requirements through a direct connect with Florida Gas Transmission's ("FGT") interstate pipeline, which was an option that Orange appeared inclined to utilize over the course of the negotiations. The Orange facility is within 1000 feet of FGT's intrastate line, and Orange could construct an extension to interconnect with FGT at a cost of approximately \$450,000, which it could recover in as little as three years. Thus, in spite of the lengthy business relationship between the Parties, the economic incentive for Orange to remain with CHPK was marginal.

6. In contrast, the impact to CHPK if Orange were to leave CHPK's system would be significant. As the Commission has recognized:

Having industrial customers on the system greatly benefits all users, particularly the residential customers. Customers benefit because large load users are able to absorb a greater portion of the fixed cost necessary to provide the service; as a result, rates are lower, especially for small load users. Conversely, losing industrial customers who have alternative fuel sources or viable bypass options would pose a greater burden on all ratepayers, and could result in higher rates.

Order No. PSC-10-0029-PAA-GU, issued January 14, 2010, in Docket No. 090125-GU. As such, CHPK's goal has been to retain one of its largest customers while ensuring that the rates charged are competitive with the customer's other gas delivery options.

7. The changes for which CHPK seeks approval are straight-forward. Specifically, the GTA is modified to extend the effective date of the agreement between the Parties, and also includes a modest reduction in charges, which properly recognizes the value of Orange as a customer on CHPK's system, as well as the risk of harm to CHPK and its remaining customer base if Orange were to bypass CHPK. The new rate, which is set forth in Exhibit A to the GTA, will now be set at [REDACTED] per year, subject to a 3% annual increase, which better reflects the current use of capacity for Orange, yet still enables CHPK to cover its cost to serve the customer, as reflected in Attachment 1 (Cost of Service Study) to this Petition.

8. CHPK's tariff allows for Special Contracts of this nature consistent with Original Sheet No. 19, which provides, in pertinent part:

c. Special Contract Service (SCS)

Transportation Service provided to a Consumer, at the sole option of the Company pursuant to Commission Rule 25-9.034, F.A.C., where the rates, terms and/or conditions of service may be different than those set forth in the Company's approved tariff. All SCS Consumers shall enter into a Special Contract Agreement with the Company, subject to the approval of the Commission.

Petition for Approval of Contract Amendment-Redacted

9. Approval of the amendment to the GTA will allow CHPK to continue to be the transportation service provider for Orange, which benefits not just the parties to the Special Contract, but also CHPK's general body of ratepayers. Moreover, the rate set forth in the amended GTA will continue to allow CHPK to appropriately recover its ongoing costs to serve Orange.

10. The Parties further respectfully request that the amendment to the GTA be approved prior to January 1, 2016. In view of the fact that the underlying agreement expires on December 31, 2015, the Parties have entered into this Amendment No. 2 to the GTA on a provisional basis, recognizing that it is not fully effective unless and until the Commission approves it. In the event that the Commission rejects the amendment, the relationship between the Parties will continue under the prior version of the GTA until the Parties can renegotiate another amendment that would meet with Commission approval, or the GTA is otherwise terminated.

11. CHPK is aware of no disputed issues of fact pertaining to these amendments and suggests that approval of Amendment No. 2 to the GTA is appropriate and consistent with Chapter 366, Florida Statutes.

WHEREFORE, the Florida Division of Chesapeake Utilities Corporation hereby respectfully requests that the Commission approve Amendment No. 2 to the Gas Transportation Special Contract with Orange Cogeneration Limited Partnership. In the event that the Commission's vote is protested, CHPK further requests that the parties be allowed to operate

Petition for Approval of Contract Amendment-Redacted

under the terms of the amended agreements, subject to refund, pending resolution of the protest.

Respectfully submitted this 31st day of July, 2015.



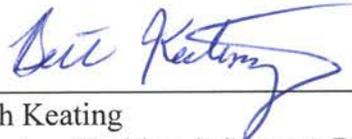
Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 S. Monroe Street, Suite 601
Tallahassee, FL 32301-1804
(850) 521-1706
bkeating@gunster.com

*Attorneys for Florida Division of Chesapeake
Utilities Corporation*

CERTIFICATE OF SERVICE

I HEREBY ATTEST that a true and correct copy of the foregoing Petition has been served upon the following by U.S. Mail this 31st Day of July, 2015, along with redacted copies of the referenced documents:

Office of the Public Counsel c/o The Florida Legislature 111 West Madison St., Rm. 812 Tallahassee, FL 32399-1400	
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Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

ATTACHMENT 1

AMENDMENTS TO GAS TRANSPORTATION SERVICE SPECIAL
CONTRACT BETWEEN THE FLORIDA DIVISION OF
CHESAPEAKE UTILITIES CORPORATION
AND
ORANGE COGENERATION LIMITED PARTNERSHIP

(AMENDMENT No. 2 to Gas Transportation Service Special Contract with CFTS Affidavit)

AMENDMENT NO. 2
TO
GAS TRANSPORTATION SERVICE
SPECIAL CONTRACT

THIS AMENDMENT NO. 2 TO GAS TRANSPORTATION AGREEMENT ("Amendment No. 2") is made and entered into this 8th day of July, 2015, by and between Chesapeake Utilities Corporation, a Delaware corporation, doing business in Florida as Central Florida Gas Company, and hereinafter referred to as "Transporter" and Orange Cogeneration Limited Partnership, a Delaware limited partnership, hereinafter referred to as "Shipper" (together, jointly referred to herein as "Parties").

WITNESSETH:

WHEREAS, the Transporter operates facilities for the distribution of natural gas in the State of Florida and currently provides natural gas transportation service to Shipper pursuant to the following agreements: (1) the Gas Transportation Agreement ("Gas Transportation Agreement") entered into on July 12, 1994, as amended, including by Amendment to Gas Transportation Agreement, effective as of November 1, 1998 ("1998 Amendment"), as approved by the Florida Public Service Commission in Docket No. 940830-GU; and (2) Capacity Relinquishment Agreement dated October 1, 1994, as amended by Amendments to Capacity Relinquishment Agreement, dated September 30, 2003, March 31, 2004, October 1, 2005, and May 1, 2010 ("2010 Attachment A"); and

WHEREAS, as set forth in Paragraph 3 of 2010 Attachment A to the Capacity Relinquishment Agreement, the Capacity Relinquishment Agreement expires December 31, 2025 ("Termination Date"); and

WHEREAS, by prior correspondence dated July 15, 2010, the Parties agreed that the current Gas Transportation Agreement, as amended, would expire in accordance with Article 7.1 thereof, and that Transporter would thereafter provide service to Shipper under Transporter's then existing FTS-13 tariffed service at a discounted rate until December 31, 2025; and

WHEREAS, Shipper has executed a CFTS affidavit reflecting Shipper's bypass options, which is attached and incorporated herein as Exhibit B; and

WHEREAS, the Parties wish to enter into this Amendment No. 2 to reflect such terms of service in light of Transporter's termination of its FTS-13 tariffed service schedule; and

WHEREAS, subject to and consistent with the terms and conditions of this Amendment No. 2, the Parties desire to amend, replace, and extend certain provisions of the Gas Transportation Agreement, as provided herein, which shall amend and supersede certain

provisions of the Gas Transportation Agreement and supersede in its entirety the 1998 Amendment, as expressly set forth herein; and

WHEREAS, Shipper wishes Transporter to continue to receive from FGT certain quantities of Gas for Shipper's account, to transport such quantities on Transporter's distribution system, and deliver same to Shipper's facility located on Highway 17, near the City of Bartow, in Polk County, Florida, in accordance with the amended terms and conditions set forth herein, and Transporter agrees to provide such service in accordance with the updated and amended terms and conditions herein; and

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

1. Section 6.1 of the Gas Transportation Agreement, as amended by the 1998 Amendment, is deleted in its entirety, and the following shall be inserted in lieu thereof:

The rate to be charged each month for transportation service provided by Transporter shall be as set forth in Exhibit A attached to this Amendment No. 2, which is incorporated herein by reference and made a part hereof. The rate, as set forth in Exhibit A, has been negotiated between the Parties and includes only Transporter's delivery charge per month for Gas transported and redelivered under this Agreement and does not include any charges for transportation service by or any other interstate pipeline transporting of Shipper's Gas prior to delivery to Transporter at FGT's Delivery Point. The rate provided in Exhibit A is subject to the continuing jurisdiction of the FPSC and may be adjusted during the term of this Agreement, as provided herein.

2. The Parties agree that, as amended herein, the negotiated rates included in this Amendment No. 2 are subject to the continuing jurisdiction of the Florida Public Service Commission (FPSC) and must be submitted for approval. Transporter agrees to petition the FPSC for approval of the amended rates within thirty (30) days of the date of execution of this Amendment No. 2.

3. Section 7.1 of the Gas Transportation Agreement is amended to replace and change the date of December 31, 2015 to December 31, 2025. The Parties hereby agree that the term of the Gas Transportation Agreement shall now end on December 31, 2025, which may be extended or terminated consistent with Section 7.1.

4. The Parties agree that the rates, terms and conditions of this Amendment No. 2 will be provisionally placed into effect (as between the Parties) on January 1, 2016, however, such rates, terms and conditions shall not be given full effect unless and until the date upon which the FPSC votes to approve the rates, terms and conditions set forth in this Amendment No. 2. Transporter agrees to seek approval of this Amendment No. 2 in a timely manner and to request that the FPSC approve this Amendment No. 2 prior to January 1, 2016. The Parties further agree that, in the event that: (a) the FPSC declines to approve this Amendment No. 2 prior to January 1, 2016; or (b) the FPSC fails to address this Amendment No. 2 prior to January 1, 2016; or (c) any person whose substantial interests are affected files a timely protest of the FPSC's order

approving this Amendment No. 2, and further provided that as a consequence of any such timely protest the FPSC approval is not obtained within twelve (12) months of execution, then in any such instance the rates, terms and conditions shall revert to the original Gas Transportation Agreement as amended by the 1998 Amendment; including (without limitation by reason of such inclusion) the base term expiration date of December 31, 2015, provided that such base term shall be (and as of the execution date will have been) automatically extended, on a year to year basis, subject to the subsequent termination rights of the Parties, upon written notice, as provided in Section 7.1 of the Gas Transportation Agreement. In the event of a provisional effectiveness of the rates, terms and conditions of this Amendment that is later made ineffective by a reversion as herein provided, Transporter shall then calculate the cumulative revenue difference between the actual billed charges and the rates as amended by the 1998 Amendment for gas quantities delivered during the period, if any, that the rates set forth herein were provisionally in effect, and shall collect or refund such amount from or to Shipper. The Parties agree that should such FPSC approval not be obtained and a reversion to the original Gas Transportation Agreement as amended by the 1998 Amendment result, the Parties shall negotiate in good faith either (i) the mutual termination of all agreements entered into by the Parties and related to this Amendment No. 2, as of the termination date of the Gas Transportation Agreement in accordance with Section 7.1 thereof, or (ii) the terms of a new Amendment No. 2 which the Parties believe will be approved by the FPSC, and which otherwise substantially incorporates the commercial terms of this Amendment No. 2.

5. This Amendment No. 2 may be executed in counterparts, all of which taken together shall constitute one and the same instrument and each of which shall be deemed an original instrument as against any Party who has signed it.

6. In all other respects, the Gas Transportation Agreement shall remain unchanged and in full force and effect, except as expressly amended by this Amendment No. 2.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 2 to the Gas Transportation Agreement on the dates stated below.

ORANGE COGENERATION LIMITED
PARTNERSHIP

By: Orange Cogeneration G.P., Inc.,
its General Partner

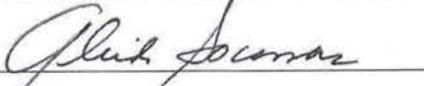
BY: 

NAME: David M. Sims

TITLE: Vice President, Asset Management

DATE: July 9, 2015

CHESAPEAKE UTILITIES CORPORATION

BY: 

NAME: Aleida Socarras

TITLE: AVP, Marketing + Energy Logistics

DATE: July 10, 2015

EXHIBIT A

TO

AMENDMENT NO. 2

TO

GAS TRANSPORTATION AGREEMENT

BETWEEN

CHESAPEAKE UTILITIES CORPORATION

AND

ORANGE COGENERATION LIMITED PARTNERSHIP

FGT's Delivery Points: Interconnection between FGT's pipeline and Transporter at the Bartow B delivery point on CFG's system.

MDQ: 29,664 dekatherms/day

Transporter's Delivery Point: The outlet side of the measuring equipment of the distribution facilities at Shipper's cogeneration facility located on Highway 17, Polk County, Florida.

Transportation Rate: Annual rate shall be as follows:

January 1, 2016 – December 31, 2016	\$ [REDACTED]
January 1, 2017 – December 31, 2017	\$ [REDACTED]
January 1, 2018 – December 31, 2018	[REDACTED]
January 1, 2019 – December 31, 2019	[REDACTED]
January 1, 2020 – December 31, 2020	[REDACTED]
January 1, 2021 – December 31, 2021	[REDACTED]
January 1, 2022 – December 31, 2022	[REDACTED]
January 1, 2023 – December 31, 2023	[REDACTED]
January 1, 2024 – December 31, 2024	[REDACTED]
January 1, 2025 – December 31, 2025	[REDACTED]

Term: Through and including December 31, 2025

Delivery Pressure: ≥ 550 p.s.i.g./Maximum Allowable Operating Pressure*

* Consistent with Article 8.1 of the Gas Transportation Agreement.

CFTS AFFIDAVIT

To: Chesapeake Utilities Corporation Florida Division
780 Amelia Island Parkway
Fernandina Beach, FL 32034 Attention: Director of Regulatory Affairs

From: Company Name: Orange Cogeneration Limited Partnership
Address: 1901 Clear Spring Road
Bartow, Florida 33830
Contact: Eric Edstrom
Telephone/Fax: (713)580-6334/(713)580-6320
Location of Facility
Receiving Offer: Cogeneration Facility near Bartow

Alternate Fuel Offer

- Fuel Supplier N/A
- Fuel Type _____
- Quantity _____
- Term _____
- Price per Unit _____
- Taxes _____
- Fuel Delivery Cost _____
- Offer Expires _____

Third Party Natural Gas Costs

- Gas Supplier N/A
- Gas Supply Cost (Total) _____

Bypass Alternative

- Distance from Interstate Pipeline (Feet) Approx 1,000 feet
- Construction Cost Approx \$450,000
- Payback (Years) 3 years
- Quantity (Annual Therms) Approx 29,000,000 therms/year
- Bypass Avoidance Rate (per Therm) \$115,000 per year, beginning January 1, 2016, increased by 3% per year through December 31, 2025.

CFTS AFFIDAVIT (Continued)

As an Authorized Representative of Orange Cogeneration Limited Partnership, I hereby certify that the foregoing information is true, complete and correct, and that the Company has the capability to either utilize the designated alternate fuel in the quantities specified or bypass the Florida Division at the above referenced facility. A copy of the Alternate Fuel Offer and the Third Party Natural Gas Costs or the detailed Construction Costs is attached as evidence of the bona fide offer from the Alternate Fuel provider and the natural gas costs from the third party provider or a copy of the detailed Construction Costs is attached as evidence of the bona fide opportunity to bypass.

I further certify that Orange Cogeneration Limited Partnership will terminate Firm Transportation Service from the Florida Division on January 1, 2016 unless the total price for natural gas service is adjusted, as provided in the Florida Division's Rate Schedule Rider CFTS, to compete with the alternate fuel price or bypass price indicated above.

Executed on the date of the acknowledgement set forth below, to be effective, however, for all purposes, as of July 8, 2015.

Customer Name: ORANGE COGENERATION LIMITED PARTNERSHIP
By: Orange Cogeneration G.P., Inc., its General Partner

By: 

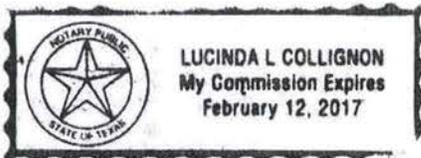
Name: David M. Sims

Title: Vice President, Asset Management

STATE OF TEXAS §
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 9th day of July, 2015, by David M. Sims, Vice President, Asset Management of Orange Cogeneration GP, Inc. a Delaware corporation and General Partner of Orange Cogeneration Limited Partnership, a Delaware limited partnership, who is personally know to me, on behalf of said corporation and limited partnership.

(NOTARY SEAL)





Notary Public Signature

Lucinda L. Collignon

Typed/Printed Notary Name

Commission No.: 18444853-4
My Commission Expires: February 12, 2017

INCREMENTAL COST OF SERVICE STUDY

Incremental Cost of Service Study
Orange CoGen
Cost of Service

Operation & Maintenance	\$	44,393
Depreciation	\$	20,815
Taxes - other than income	\$	11,878
Income Taxes	\$	8,894
Return @	10.85%	<u>\$ 20,326</u>
 Total Operating Cost	 \$	 <u><u>106,306</u></u>

**Incremental Cost of Service Study
Orange CoGen
Estimated Rate Base and Return**

Cost of Plant	\$	624,455
Accumulated Depreciation	\$	<u>(437,119)</u>
Net Plant	\$	187,337
Working Capital	\$	-
Accum. Def. Inc. Tax	\$	-
Deferred Invest. Credit	\$	<u>-</u>
Rate Base	\$	<u><u>187,337</u></u>
Long Term Debt	\$	-
Common Equity	\$	-
Total Return	10.85%	<u><u>\$ 20,326</u></u>

Incremental Cost of Service Study
Orange CoGen
Estimated Income Taxes

Rate Base	\$	<u>187,337</u>
Return on Rate Base	\$	20,326
Interest on Debt	\$	<u>(5,770)</u>
Net Income after Tax	\$	14,556
Divide by Tax Rate		62.37%
Taxable Income	\$	<u>23,635</u>
Income Taxes	38%	<u>\$ 8,894</u>

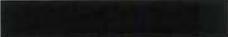
Incremental Cost of Service Study
Orange CoGen
Capitalization as Filed in 2014 Surveillance Report

Debt	42.37%		
Equity	<u>57.63%</u>		
	100.00%		
Weighted Avg Cost of Service	3.08%		
Rate Base		\$	187,337
Interest Expense		\$	5,770

**Incremental Cost of Service Study
Orange CoGen
Estimated O&M Expenses**

Cathodic Protection Testing	\$ 288
Leak Testing	\$ 185
Pipeline Marker Replacement	\$ 279
Repaint Station every 3 yrs	\$ 905
Maintenance & Calibration of EFM equip	\$ 2,868
Maintenance & Calibration of Flow Control Valve	\$ 5,932
Meter Test every 5 years	\$ 1,065
Meter parts	\$ 492
Annual Regulator Testing	\$ 819
Telemetry Monitoring and T/E functions	\$ 2,438
Annual Odorant expense	\$ 1,881
Paint and Maintain City Gate	\$ 246
Cathodic Protection Expense - replace anodes	\$ 1,229
Railroad Crossing Expense	\$ 1,639
Emergency Valve Maint	\$ 72
Line Locating Expense	\$ 108
Overheads & Services (corp/bu)	\$ 13,297
Misc	\$ 10,651
	<hr/>
Total Estimated O&M Expense	<u>\$ 44,393</u>

**Incremental Cost of Service Study-Redacted
Orange CoGen
Calculation of Other Taxes**

2004 Property Tax	\$	-
2003 Plant	\$	-
Average Tax Rate		1.81%
x Gross Plant	\$	624,455
Property Taxes	\$	<u>11,303</u>
Estimated Sales Revenue		
Revenue Related Taxes	\$	<u>575</u>
Total Other Taxes	\$	<u>11,878</u>