

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of revised tariff sheets and transportation services agreements with Quincy Farms and Fernlea Nurseries, Inc. by Florida Division of Chesapeake Utilities Corporation.

DOCKET NO. 980630-GU
ORDER NO. PSC-98-0982-FOF-GU
ISSUED: July 17, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER GRANTING CHESAPEAKE'S PETITION
FOR APPROVAL OF TRANSPORTATION SERVICES
AGREEMENTS AND REVISED TARIFF SHEETS

BY THE COMMISSION:

In April 1997, Florida Division of Chesapeake Utilities Corporation (Chesapeake) met with representatives from the City of Chattahoochee, City of Quincy, and the Town of Havana regarding its intention to provide natural gas service in Gadsden County. Each municipality indicated they had no objection to Chesapeake's plan to offer natural gas service in Gadsden County.

Subsequent to meeting with the municipalities, Chesapeake met with Quincy Farms and Fernlea Nurseries, to determine whether they could agree on the terms for natural gas service. These negotiations led to a signed transportation agreement. The agreement calls for a two-year fixed non-gas energy charge of 7.348 cents per therm, and a monthly customer charge of \$40. These rates reflect the Commission approved rates that were in place prior to Chesapeake's Commission-approved rate restructuring. All economic analyses and discussions between the parties were conducted before Chesapeake's rate restructuring case was finalized.

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REGISTRATION DIVISION

The addition of these customers on the negotiated rate will not cause Chesapeake to earn above its authorized return on equity (ROE), nor will it adversely affect service to existing customers. As reflected in its 1997 Earnings Surveillance Report for the 12 months ended December 31, 1997, Chesapeake's achieved operating income is \$1,201,806 on a rate base of \$16,109,310. This represents an achieved ROE of 7.46%. Chesapeake's authorized midpoint on its ROE is 11%. The impact of adding these customers is expected to increase earnings by approximately \$1,678 after considering costs, including O&M, depreciation, taxes other, income taxes, and a return on investment. The revenue impact of a 1% change in ROE is approximately \$121,100.

These customers will be charged a rate lower than Chesapeake's current tariff for the first two years. The rates will be more than enough to cover the cost to serve. The projected cost to serve these customers, including Chesapeake's authorized return equates to 7.306 cents per therm. Since Chesapeake will be charging these customers a rate of 7.348 cents per therm, the rate will be more than enough to cover the cost to serve. In addition, the company filed revised tariff sheets to reflect Gadsden County as part of their service area.

Accordingly, we find that the Transportation Services Agreements and Revised Tariff Sheets should be approved for the following reasons:

- The original negotiations were done prior to the timing of the Florida Division's filing of a Rate Restructure proceeding.
- The rates are sufficient enough to cover the cost to serve. Therefore, ratepayers will not be adversely affected by the addition of Quincy Farms and Fernlea Nurseries.

Based on the foregoing, it is

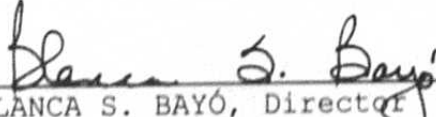
ORDERED by the Florida Public Service Commission that the Chesapeake's petition for approval of Transportation Services Agreements and Revised Tariff Sheets is granted, effective June 30, 1998, the date of our vote. It is further

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ORDERED that if no person, whose substantial interests are affected by the Commission's order in this docket timely files a protest within 21 days of the issuance of the order, this docket shall be closed. It is further

ORDERED that if a protest is timely filed, the tariff should remain in effect with any revenue increase held subject to refund, pending resolution of the protest.

By ORDER of the Florida Public Service Commission this 17th day of July, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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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 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.

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 action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida

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Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 7, 1998.

In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

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.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.