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April 29, 2011

BY HAND DELIVERY

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

**Re: Report and Post Acquisition Data Required by Order No. PSC-10-0029-PAA-GU,
Petition for Approval of a Positive Acquisition Adjustment and Recovery of
Regulatory Assets, and Request for Consolidation of Regulatory Filings and Records**

Dear Ms. Cole:

Enclosed for filing, please find the original and twenty (20) copies of the Report and Post Acquisition Data, Petition for Approval of a Positive Acquisition Adjustment and Recovery of Regulatory Assets, and Request for Consolidation of Regulatory Filings and Records filed today on behalf of Florida Public Utilities Company and Chesapeake Utilities Corporation. Included with this filing are the original and 20 copies of the following testimonies and exhibits:

- Direct Testimony and Exhibit TAG-1 through TAG-12 of Mr. Thomas A. Geoffroy 02968-11
- Direct Testimony and Exhibits JSS-1 and JSS-2 of Mr. Jeffrey S. Sylvester 02969-11
- Direct Testimony and Exhibits MK-1 through MK-5 of Mr. Matthew Kim 02970-11
- Direct Testimony and Exhibit MF-1 of Mr. Mitchell C. Fane 02971-11

Copies of each of the referenced spreadsheet exhibits are included on the enclosed CD in native format.

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Ms. Ann Cole
April 29, 2011
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Thank you for your assistance with this filing. If you would, please confirm receipt by stamping and returning the additional copy of this cover letter to me. As always, should you have any questions or concerns whatsoever, please do not hesitate to call me.

Sincerely,



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

MEK

cc:// J.R. Kelly, Public Counsel (Office of Public Counsel)
Marshall Willis, Director (Division of Economic Regulation)
Cheryl Bulecza-Banks, Asst. Director (Division of Economic Regulation)
Jennifer Crawford, Attorney Supervisor (Office of the General Counsel)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Report and Post Merger Data)
Required by Order No. PSC-10-0029-PAA-GU,) Docket No.
Petition for Approval of a Positive Acquisition)
Adjustment and Recovery of Regulatory Assets,)
and Request for Consolidation of) Filed: April 29, 2011
Regulatory Filings and Records by Florida)
Public Utilities Company and the Florida)
Division of Chesapeake Utilities Corporation)
_____)

REPORT AND POST ACQUISITION DATA REQUIRED BY ORDER
NO. PSC-10-0029-PAA-GU, PETITION FOR APPROVAL
OF A POSITIVE ACQUISITION ADJUSTMENT AND
RECOVERY OF REGULATORY ASSETS, AND
REQUEST FOR CONSOLIDATION OF REGULATORY FILINGS AND RECORDS

Florida Public Utilities Company (“FPUC”) and the Florida Division of Chesapeake Utilities Corporation (the “Florida Division”) (hereinafter referred to jointly as “Company”), by and through their undersigned counsel, hereby submit data reflecting the benefits, synergies, cost savings, as well as cost increases, associated with the acquisition by Chesapeake Utilities Corporation (“Chesapeake” or “CUC”) of FPUC. By this Report and Petition, the Company also seeks approval, pursuant to Section 366.076, Florida Statutes, of the appropriate accounting recognition of a positive acquisition adjustment and associated regulatory assets on the books of FPUC Consolidated Natural Gas to reflect the purchase by Chesapeake of FPUC. In addition, the Company hereby seeks consolidation of certain regulatory filings for the Florida Division and FPUC, as well as approval of a benchmark mechanism for assessing, in future proceedings, incremental cost increases. At this time, the Company is not requesting approval of any rate adjustment.

In support of this Petition, the Company hereby states:

1. Notices and communications with respect to this petition and docket should be addressed to:

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 S. Monroe Street, Suite 618
Tallahassee, FL 32301-1804

Thomas A. Geoffroy
Vice President – Regulatory Affairs &
Business Planning
Florida Public Utilities Company
401 South Dixie Highway
West Palm Beach, FL 33401/
and
Florida Division of Chesapeake Utilities
Corporation
1015 Sixth Street, NW
Winter Haven, FL 33881

2. Chesapeake began as the Dover Gas Light Company, which was formed in 1859. CUC was later incorporated in the State of Delaware as “Chesapeake Utilities Corporation” in 1947. The very next year, CUC acquired two smaller gas companies, one in Seaford, Delaware, and the other in nearby Salisbury, Maryland. In 1985, CUC acquired Central Florida Gas Company. Prior to the acquisition of FPUC, CUC’s regulated natural gas distribution operations served approximately 51,900 and 14,500 residential, commercial and industrial customers in Delaware/Maryland and Florida, respectively. CUC’s Natural Gas Transmission subsidiaries are Eastern Shore Natural Gas Company, regulated by the FERC, and Peninsula Pipeline Company, Inc., regulated by the Commission. CUC’s unregulated energy businesses include its natural gas distribution marketing subsidiary, its propane distribution operations and its propane wholesale marketing subsidiary. With the acquisition of FPUC in 2009, CUC expanded its energy presence throughout the state of Florida. CUC is traded on the New York Stock Exchange (CPK) and has an investment grade bond rating of Category 1, as rated by the NAIC. CUC had an equity market capitalization of \$395.4 million as of December 31, 2010. Its corporate headquarters are located at 909 Silver Lake Boulevard, Dover, Delaware 19904.

3. The Florida Division is a natural gas utility providing gas transportation service to customers in Florida.¹ Pursuant to the provisions of Chapter 366 of the Florida Statutes, it is subject to economic regulation by the Commission. The Florida Division is duly authorized to transact business in Florida as a foreign corporation. The Florida Division's principal offices in Florida are located at 1015 Sixth Street, NW, Winter Haven, FL 33881.

4. FPUC, a corporate subsidiary of CUC, is an investor-owned natural gas utility providing retail natural gas service to customers in Florida and, pursuant to the provisions of Chapter 366 of the Florida Statutes, it is subject to economic regulation by the Commission. At the time of the acquisition by Chesapeake in October 2009, FPUC served approximately 51,000 natural gas distribution customers and 31,000 electric distribution customers in various parts of Florida. Both natural gas and electric distribution operations were, and continue to be, subject to regulations by the Commission. FPUC unregulated propane distribution business operates in various parts of Florida through its wholly-owned subsidiary, Flo-Gas. FPUC's principal offices are located at 401 South Dixie Highway, West Palm Beach, Florida 33401. On August 6, 2010, FPUC acquired Indiantown Gas Company and with it, approximately 700 additional customers. The FPUC-Indiantown Division offices are likewise located at 401 South Dixie Highway, West Palm Beach, FL 33401.²

History of Reporting Requirement

5. On December 17, 2008, FPUC filed a petition for a permanent rate increase requesting an increase in its retail rates and charges to generate \$9,917,690 in additional gross annual revenues. This increase would have allowed FPUC to earn an overall rate of return of 8.74 percent with an

¹ Having exited the gas merchant function in 2002, pursuant to its tariff on file with the Commission, the Company defines "customers" as both Consumers and Shippers

² With this filing, the Company is not seeking specific regulatory relief or accounting treatment with regard to the acquisition by FPUC of Indiantown, with the noted exception that to the extent that Indiantown is now a division of FPUC, the Company is asking that accounting records and ESR filings be consolidated.

11.75 percent return on equity (range 10.75 percent to 12.75 percent). FPUC based its request on a projected test year ending December 31, 2009, and requested that its petition for rate relief be processed under the Proposed Agency Action (PAA) procedure authorized by Section 366.06(4), Florida Statutes (F.S.)

6. Shortly thereafter, in the second quarter of 2009, Chesapeake, of which the Florida Division is an operating division, and FPUC announced plans to merge in the fourth quarter of 2009. This announcement was made shortly before the Commission's scheduled consideration of the PSC Staff's PAA recommendation regarding FPUC's requested rate increase. After careful consideration, the Commission issued PAA Order No. PSC-09-0375-PAA-GU (PAA Order), in Docket No. 080366-GU, on May 27, 2009, granting FPUC a revenue increase of \$8,496,230, and authorizing a return on equity of 10.85 percent, with a range of plus or minus 100 basis points. The PAA Order did not require a refund of any revenues collected during the interim period. In addition, as a result of discussions about the acquisition at the Agenda Conference, the Commission decided, as reflected in Order No. PSC-09-0375-PAA-GU, to include a requirement for additional filings in the event the planned acquisition by CUC was consummated. By that order, the Commission required the following of FPUC, and by extension, the Florida Division:

1. a new docket will be opened;
2. the Company shall file MFRs and testimony (reflecting at a minimum, the effect of the merger, the synergies of the merger, and the change in capital structure), within 180 days from the date the merger is consummated, based on a 2011 test year; and
3. the increased revenues granted by [Order No. PSC-09-0375-PAA-GU] shall be held subject to refund from the date that the merger is consummated.

Before that PAA Order could become final, however, the Office of Public Counsel (OPC), filed a timely protest of the Order, rendering the decision a nullity, and FPUC's petition was set for formal hearing in accordance with Rule 25-22.029, F.A.C.

7. On July 14, 2009, at about the same time that the FPUC rate case was being scheduled for hearing, the Florida Division filed a petition for a permanent rate increase. The Florida Division requested an increase in its retail rates and charges to generate an increase in annual revenues of \$2,965,398. This increase would allow the Florida Division to earn an overall rate of return of 7.15 percent or an 11.50 percent return on equity (range 10.50 to 12.50 percent). The Florida Division based its request on a projected test year ending December 31, 2010. Like FPUC, the Florida Division elected to have its petition for rate relief processed under the PAA procedures authorized by Section 366.06(4), F.S.

8. Meanwhile, in the FPUC rate proceeding, negotiations between FPUC and the OPC proved successful, and the hearing schedule was placed on hold. Thereafter, on October 27, 2009, FPUC filed a motion to approve a stipulation and settlement (Stipulation) between FPUC and OPC resolving the OPC's concerns regarding FPUC's requested rate increase. This Stipulation was approved by Order No. PSC-09-0848-S-GU, issued on December 28, 2009. Therein, FPUC was authorized an annual rate increase of \$7,969,000 which was less than the previously authorized annual rate increase of \$8,496,230. The Stipulation provided for a refund of the actual difference. The refund was accomplished through a one-time credit on customer bills in February 2010, and FPUC provided a refund report dated April 7, 2010. In addition, in paragraph 5 of the Stipulation, "the parties agree[d] that any issues associated with the recently approved merger of Chesapeake Utilities and FPUC will be resolved in the pending Chesapeake rate case (Docket No. 090125-GU) and applied to [Docket No. 080366-GU]."

9. On October 28, 2009, the corporate transaction between CUC and FPUC was consummated, with FPUC becoming a wholly-owned subsidiary of CUC. To be clear, although often referred to as the “merger” of these companies, CUC actually acquired FPUC through a stock transaction, as opposed to the sale of assets. As such, unless specifically referencing language in a Commission Order, the CUC/FPUC corporate transaction is referred to as an “acquisition” for the remainder of this pleading.

10. On November 19, 2009, PSC staff, Chesapeake, and OPC met to discuss the Florida Division’s rate case. Among the items discussed were the effects of the acquisition on the gas operations of both the Florida Division and FPUC and the time frame for filing additional acquisition-related data, or in the alternative, a rate petition. Subsequently, by Order No. PSC-10-0029-PAA-GU, issued January 14, 2010, the Commission approved a base rate increase of \$2,536,307 for the Florida Division and also allowed the Florida Division to implement a four-year annual surcharge of \$239,064 to recover environmental clean-up costs. In light of the discussions between PSC Staff, the OPC, and Chesapeake, the Commission’s Order also provided that the Company would make a so-called “come-back” filing to address the impacts of the acquisition within 18 months. Specifically, the Order required the Company to file post-acquisition data that details all known benefits, synergies, and cost savings, as well as all cost increases, that have resulted from the acquisition. In addition, among other things, the Commission allowed the Company to defer amortization of a potential acquisition adjustment and allowed it to record transaction and transition costs associated with the acquisition as Regulatory Assets with deferred amortization pending the subsequent “come-back” filing.

11. The Company’s filing made today is provided, in part, to supply the Report of the consolidated companies, in accordance with the Commission’s direction in Order No. PSC-10-

0029-PAA-GU. This filing includes the specific data requested in Order No. PSC-10-0029-PAA-GU, as well as support and justifications for that data, as more fully set forth in the Direct Testimonies of Mr. Matthew Kim, Mr. Thomas A. Geoffroy, Mr. Jeffrey S. Sylvester, and Mr. Mitchell C. Fane, which are submitted on behalf of the Company with this filing. The Company respectfully requests that the Commission find that the Company has complied with reporting requirement in Order No. PSC-10-0029-PAA-GU.

Petition

12. Having successfully acquired FPUC in 2009, which greatly expanded the Company's service area in Florida, the Company now respectfully asks that the Commission allow the Company to record the \$34,192,493 purchase price premium on the books of FPUC Consolidated Natural Gas as a positive acquisition adjustment in Account 114 – Gas Plant Acquisition Adjustment. The Company further seeks approval to amortize the recorded amount over a 30-year period beginning November 1, 2009, under a modified straight line amortization schedule, from the approximate date the corporate transaction between FPUC and CUC was consummated, or November 1, 2009.³ In addition, the Company seeks permission to record the amortization expense in Account 406 – Amortization of Gas Plant Acquisition Adjustments.

13. In the short time since the transaction was completed, the Company can demonstrate that it has already recognized significant synergies and direct benefits for customers in the short time frame. Thus, consistent with the standard of review applied by the Commission to such requests, the Company will demonstrate that the requested accounting recognition is appropriate because these transactions have resulted in: (1) substantial benefits for existing customers of the acquired companies in the area of improved quality of service; (2) lower operating costs; (3) increased

³ As explained more fully in the Testimony of Mr. Kim, the corporate transaction was completed on October 28, 2009, but the Company is seeking amortization beginning November 1, 2009, for purposes of administrative ease.

ability to attract capital for improvements; (4) a lower overall cost of capital; and (5) more professional and experienced managerial, financial, technical and operational resources.⁴ The testimonies and exhibits of Mr. Thomas A. Geoffroy and Mr. Jeffrey S. Sylvester, which are attached hereto, reflect that the Company and its customers have received significant benefits as a result of the acquisition and that these benefits are consistent with those upon which the Commission has based its approvals of prior cases addressing requests for accounting recognition of acquisition adjustments.

14. In addition, consistent with the Commission's express direction in Order No. PSC-10-0029-PAA-GU, the Company asks that it be allowed to record the transaction and transition costs as Regulatory Assets in Rate Base in Account 182.3 – Other Regulatory Assets to be amortized over a 5-year period from November 1, 2009, using the same modified straight line amortization schedule requested for the acquisition adjustment. The Company further requests that it be allowed to record this amortization expense in Account 407.3 – Regulatory Debits. The Direct Testimony of Mr. Matthew Kim provides additional explanation and justification for the requested amortization accounting treatment.

15. In order to further reduce administrative costs and enhance efficiencies, the Company proposes to combine the earnings surveillance reports (ESR) for FPUC⁵ and the Florida Division, and to file the combined report on a quarterly basis. Likewise, the Company seeks permission to

⁴ See Order No. 23858, issued in Docket No. 891353-GU – Application of Peoples Gas Systems, Inc. for a Rate Increase; Order No. PSC-04-1110-PAA-GU, issued in Docket No. 040216-GU – Application for a Rate Increase by Florida Public Utilities Company; and Order No. 07-0913-PAA-GU, issued in Docket No. 060657-GU - Petition for approval of acquisition adjustment and recognition of regulatory asset to reflect purchase of Florida City Gas by AGL Resources, Inc. See also, Order No. 18716, issued in Docket No. 870118 – GU - In re: Petition of Central Florida Gas Company to increase its rates and charges and related Order No. 23166, issued in Docket No. 891179-GU - In re: Petition of Central Florida Gas Co. and Plant City Natural Gas Co., divisions of Chesapeake Utilities Corp., for rate increase, approving and then disallowing upon subsequent review, respectively, an acquisition adjustment.

⁵ Includes the Indiantown Division of FPUC.

combine the accounting records of FPUC and the Florida Division. To be clear, at this time, the Company is not seeking approval to combine the tariffs of the FPUC and the Florida Division.

16. As more fully explained in the Testimonies attached, the Company has already experienced significant savings across the Florida Division and FPUC. In total, the Testimony of Mr. Geoffroy will reflect that the Company has achieved total overall operating savings of \$6,255,187 which inure to the benefit of customers.

17. In further support of this request, the Company emphasizes that it has already successfully reduced fuel-related costs to ratepayers by \$941,266, and that these savings are already being enjoyed by customers through lower PGA rates than would otherwise exist. The Company also projects additional fuel savings are achievable in the near term.

18. The Commission has jurisdiction to address the Company's request under Sections 366.06 and 366.076, Florida Statutes. Moreover, the post-acquisition data is submitted as directed by Order No. PSC-10-0029-PAA-GU. Consistent with the requirement set forth in that Order that this filing detail all known benefits, synergies, cost savings, as well as all cost increases, that have resulted from the acquisition, the testimony and exhibits appended hereto are submitted in general conformance with the requirements of Rule 25-7.039, Florida Administrative Code, even though the Company is not seeking a rate increase.

21. Similarly, the Company respectfully requests that this matter be addressed consistent with the Proposed Agency Action process, as contemplated by Section 366.06(4), Florida Statutes. Should, however, this matter be set for hearing at any point, the Company reserves the right to provide additional testimony and exhibits, as may be necessary. Consistent with Rule 28-106.301(h), Florida Administrative Code, the Company states that it is unaware of any material facts that are in dispute at this time.

Based on the foregoing, the Company respectfully requests that the Commission:

- A. find that the Company has complied with the reporting requirement in Order No. PSC-10-0029-PAA-GU;
- B. authorize the Company to reflect an acquisition adjustment of \$34,192,493 on the books of FPUC Consolidated Natural Gas to be amortized over a 30-year period using the proposed modified straight line amortization schedule;
- C. authorize the Company to amortize, above the line, the Regulatory Assets established for transaction and transition costs in the amount of \$2,207,158 over a 5-year period using the proposed modified straight line amortization schedule;
- D. find that no overearnings exist for 2010 for either FPUC or the Florida Division;
- E. establish a benchmark methodology for the Company's combined natural gas operations (excluding the FPUC Indiantown Division), inclusive of the post merger savings detailed approved in this filing, for use in future Commission proceedings to assess incremental cost increases.;
- F. approve the Company's proposal to consolidate the earnings surveillance reports and the accounting records of Florida Public Utilities Company (including FPUC – Indiantown Division) and the Florida Division of Chesapeake Utilities Corporation; and
- G. conduct this proceeding in accordance with the Commission's Proposed Agency

Action procedures.

RESPECTFULLY SUBMITTED this 29th day of April, 2011.

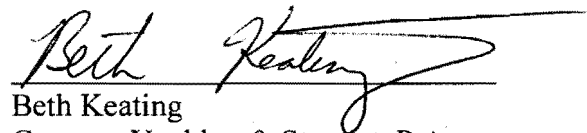
A handwritten signature in cursive script that reads "Beth Keating". The signature is written in black ink and is positioned above a horizontal line.

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 618
Tallahassee, FL 32301
(850) 521-1706
*Attorneys for Florida Public Utilities
Company and the Florida Division of
Chesapeake Utilities Corporation*

CERTIFICATE OF SERVICE

I HEREBY ATTEST that a true and correct copy of the foregoing has been served upon the following by U.S. Mail this 29th Day of April, 2011:

Office of the Public Counsel c/o The Florida Legislature 111 West Madison St., Rm. 812 Tallahassee, FL 32399-1400	Mr. Marshall Willis Director, Division of Economic Regulation Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850
Jennifer Crawford, Esquire Attorney Supervisor Office of the General Counsel Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850	Ms. Cheryl Bulecza-Banks Assistant Director, Division of Economic Regulation Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850



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