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Sent: Friday, November 16, 2012 10:12 AM
To: Filings@psc.state.fl.us
Cc: 'Martin, Cheryl'; Martha Brown
Subject: Docket No. 120229-GU
Attachments: 20121115170033819.pdf.pdf

Attached for electronic filing, please find the Florida Division of Chesapeake Utilities Corporation's Responses to Commission Staff's Second Data Requests in the referenced docket.

a. Person responsible for this electronic filing:

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b. Docket No. 120229 – GU - **Petition of the Florida Division of Chesapeake Utilities Corporation for approval of special contract with Suwannee American Cement LLC.**

c. On behalf of: Florida Division of Chesapeake Utilities Corporation

d. There are a total pages: 5

e. Description: Responses to Commission Staff's Second Data Requests



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November 16, 2012

ELECTRONIC FILING - FILINGS@PSC.STATE.FL.US

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

Re: Docket No. 120229-GU - Petition of the Florida Division of Chesapeake Utilities
Corporation for Approval of Special Contract with Suwannee American Cement, LLC

Dear Ms. Cole:

Attached for electronic filing, please the Florida Division of Chesapeake Utilities Corporation's Responses to Commission Staff's Second Data Requests to the Company in the referenced docket.

As always, please don't hesitate to let me know if you have any questions or concerns.

Sincerely,

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BK

DOCUMENT NUMBER-DATE

07706 NOV 16 2012

**FLORIDA DIVISION OF CHESAPEAKE
UTILITIES CORPORATION'S RESPONSES TO
STAFF'S SECOND DATA REQUEST**

Re: Docket No. 120229-GU – Petition of the Florida Division of Chesapeake Utilities Corporation for approval of special contract with Suwannee American Cement LLC.

10. Referring to response No. 1 to staff's first data request, please explain under what provision in the current special contract Chesapeake and Suwannee negotiated the \$5,475 rate for the period Jan 1, 2011, through October 31, 2012 (when the special contract specifies monthly payments of \$20,075 and expires October 31, 2012).

Company Response: Pursuant to Section 7.1 of the original agreement with Suwannee, the Contract could be amended or adjusted to the extent contemplated by the terms of the Contract. One basis for altering the terms was a change in taxes, as reflect in Section 7.3 or as contemplated by Section 9.1, through the incorporation of the "CUC applicable Rate Schedule provisions" of its tariff. The original contract clearly contemplated (Section 9.1) that the written terms of the Contract were not all encompassing, and that the Contract incorporated the terms of the Company's tariff, to the extent that the tariff did not directly conflict with the terms of the contract. In this instance, the applicable rate schedule is the Competitive Firm Transportation Service Rider (Original Sheets Nos. 91 and 92), which contemplates that "Customers may at any time request a reduction" in their rate if the customer has a valid competitive condition. Suwannee has demonstrated to the Company that it has a valid competitive condition, namely the option to physically bypass the Company.

11. Referring to response No. 1 to staff's first data request, please explain under what provision in Chesapeake's tariff Chesapeake and Suwannee negotiated the \$5,475 rate for the period Jan 1, 2011, through October 31, 2012.

Company Response: As noted previously, upon the final years of the original contract, a dispute arose regarding the rate charged to the customer under the contract. In the wake of that dispute, there developed a significant risk that Suwannee would take action to exit the Contract prematurely through any means available and thereafter pursue viable options to bypass Chesapeake's system. The Company perceived this to be a real and impending risk. The parties were, nonetheless, unable to reach agreement to resolve the growing dispute under the rates as specified in Exhibit A to the original contract.

As such, consistent with Section 9.1 of the Contract, as well as Section I. B.1.b., Sheet No. 19 of the Company's tariff, the Company explored avenues to address the customer's concerns under existing tariff provisions. The Company determined that, pursuant to the Competitive Firm Transportation Service Rider (Tariff Sheet Nos. 91 and 92), it could adjust Suwannee's rate to compete with the impending bypass risk of Suwannee.

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Having reviewed the customer's ability to physically bypass the Company, the Company determined that the Competitive Firm Transportation Service Rider was the most viable option for retaining the customer through the remaining term of the Agreement to allow the parties to negotiate a more mutually beneficial arrangement. The Company interpreted this provision as being consistent with the original contract's incorporation of tariff provisions, and not in direct conflict with any provision of the Contract. Moreover, in view of the customer's apparent intent to exit the Contract if other options were not made available, the application of the Competitive Firm Transportation Service Rider appeared most prudent. Because the Tariff provisions were already in existence and approved, and the original contract contemplated the applicability of the tariff provisions, the Company concluded that no further amendment or regulatory action was required as it pertained to the original contract. The Company further contemplates that the total revenue reduction for Suwannee from the Competitive Firm Transportation Service Rider will thereafter be allocated and collected pursuant to the Company's Competitive Firm Transportation Service Adjustment (also known as the CRA mechanism) tariff provisions (Tariff Sheet Nos. 101 and 102).

12. Referring to response No. 2 to staff's first data request, please explain what provision in Chesapeake's tariff will allow Chesapeake to recover the difference between the special contract rate of \$20,075 and the \$5,475 negotiated with Suwannee for the period Jan 1, 2011, through October 31, 2012, through the CRA mechanism in 2013?

Company Response: As stated previously, the Company believes that the difference between the special contract rate of \$20,075 and the \$5,475 negotiated with Suwannee for the period Jan 1, 2011, through October 31, 2012 would be allocated and collected pursuant to the Company's Competitive Firm Transportation Service Adjustment (also known as the CRA mechanism) tariff provisions (Tariff Sheet Nos. 101 and 102).

13. Referring to response No. 5 to staff's first data request, please explain how Chesapeake proposes to address the revenue shortfall resulting from the new Special Contract in the next rate case.

Company Response: The Company does not believe that the new Special Contract results in any revenue shortfall. As demonstrated in Attachment B (Cost of Service Study for Special Contract) in the instant filing, the negotiated rate recovers the cost of providing service to Suwannee. In the next rate proceeding, the cost of service study will appropriately allocate costs to all rate classifications; including those served by a Special Contract, and rates will be set accordingly. To the extent that the previous Special Contract rate recovered more than the cost to serve Suwannee, all other rate payers have, over the term of the previous Special Contract, enjoyed the benefits of such over-recovery.

14. What is the resulting monthly residential CRA cents/therm factor for the difference between the special contract rate of \$20,075 and the \$5,475 negotiated with Suwannee for the

period Jan 1, 2011, through October 31, 2012, that Chesapeake proposes to recover through the CRA mechanism in 2013?

Company Response: See Attachment A. For the period January 2011 through October 2012, the total revenue reduction for Suwannee under the Competitive Firm Transportation Service Rider is \$321,200 (the difference between \$20,075 per month and \$5,475 per month, over the adjustment period). This amount (\$321,200) will be collected from all other rate payers in 2013 (FTS-A through FTS-12) through the Competitive Firm Transportation Service Adjustment (also known as the CRA mechanism). For a typical residential customer in rate classification FTS-A, the monthly impact is \$0.46 per month. For a typical residential customer in rate classification FTS-B, the monthly impact is \$0.60 per month. For a typical residential customer in rate classification FTS-1, the monthly impact is \$0.77 per month.

CHESAPEAKE UTILITIES - FLORIDA DIVISION
 COMPETITIVE RATE ADJUSTMENT (CRA)
 PROJECTED CUSTOMER DATA AND THERM USAGE
 JANUARY 2013 THROUGH DECEMBER 2013

Attachment A
 Staff's Second Data Requests
 Docket No. 120229-GU

RATE CLASS	BILLS	THERMS	FIRM TRANS CHARGE REVENUES	USAGE CHARGE	TOTAL	RECOVERY OF CRA BALANCE	% SURCHARGE	CENTS PER THERM	RAF TAX FACTOR	CRA ADJ. FACTOR	EXPER. CRA RATE
FTS-A	20,269	132,386	\$263,367	\$61,376	\$324,743	\$9,304	2.86%	\$0.07027	1.00503	\$0.07063	\$0.46
FTS-B	26,254	283,488	\$406,937	\$139,720	\$546,657	\$15,662	2.86%	\$0.05525	1.00503	\$0.05552	\$0.60
FTS-1	107,066	1,753,589	\$2,034,064	\$912,087	\$2,946,151	\$81,542	2.86%	\$0.04650	1.00503	\$0.04673	\$0.77
FTS-2	11,762	636,916	\$399,908	\$203,558	\$603,466	\$17,289	2.86%	\$0.02715	1.00503	\$0.02728	\$1.48
FTS-2.1	6,991	720,902	\$279,640	\$222,232	\$501,872	\$14,379	2.86%	\$0.01995	1.00503	\$0.02005	\$2.07
FTS-3	3,336	873,267	\$360,288	\$210,472	\$570,760	\$16,352	2.86%	\$0.01873	1.00503	\$0.01882	\$4.93
FTS-3.1	3,283	1,702,164	\$439,922	\$346,952	\$786,874	\$22,544	2.86%	\$0.01324	1.00503	\$0.01331	\$8.90
FTS-4	1,666	1,776,268	\$347,760	\$335,526	\$683,286	\$19,576	2.86%	\$0.01103	1.00503	\$0.01108	
FTS-5	384	1,091,525	\$145,920	\$180,975	\$326,895	\$9,366	2.86%	\$0.00858	1.00503	\$0.00862	
FTS-6	240	1,359,121	\$144,000	\$205,730	\$349,730	\$10,020	2.86%	\$0.00737	1.00503	\$0.00741	
FTS-7	216	2,505,444	\$151,200	\$308,170	\$459,370	\$13,161	2.86%	\$0.00525	1.00503	\$0.00528	
FTS-8	276	6,344,435	\$331,200	\$699,411	\$1,030,611	\$29,527	2.86%	\$0.00465	1.00503	\$0.00468	
FTS-9	72	3,092,620	\$144,000	\$282,449	\$426,449	\$12,218	2.86%	\$0.00395	1.00503	\$0.00397	
FTS-10	36	3,059,812	\$106,000	\$254,499	\$362,499	\$10,386	2.86%	\$0.00339	1.00503	\$0.00341	
FTS-11	60	9,069,638	\$330,000	\$634,184	\$964,184	\$27,624	2.86%	\$0.00304	1.00503	\$0.00305	
FTS-12	12	6,220,309	\$108,000	\$319,640	\$427,640	\$12,252	2.86%	\$0.00235	1.00503	\$0.00236	
TOTAL	181,893	39,640,683	\$5,994,206	\$5,216,980	\$11,211,186	\$321,200	2.86%				