GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

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REDACTED

February 16, 2015



**HAND DELIVERY**

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

Re: **Docket 150031-GU -- Petition for approval of transportation service agreement with the Florida Division of Chesapeake Utilities Corporation by Peninsula Pipeline Company, Inc.**

Dear Ms. Stauffer:

Enclosed for filing, please find the original and seven copies of the Florida Division of Chesapeake Utilities Corporation's Responses to Staff's First Data Requests.

Please do not hesitate to contact me if you have any questions whatsoever regarding this filing.

Sincerely,

Beth Keating
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11. Did CFG issue a Request for Proposals (RFP) to obtain construction cost estimates for the pipeline from other entities? If the answer is affirmative, please identify all respondents to the RFP and provide an explanation regarding why their proposals were rejected. If the answer is negative, please state why CFG did not solicit competitive bids.

**Response:**

**CFG requested construction cost estimates for this project from [redacted] responded with the following detail on the cost to construct their respective laterals.**

1. **[redacted] estimated the cost to complete the construction of a lateral in this vicinity to be approximately [redacted]**
2. **[redacted] estimated the cost to complete the construction of a lateral in this vicinity to be approximately [redacted]**

**Given the magnitude of the construction estimates received from [redacted] and [redacted] CFG also requested a proposal from Peninsula Pipeline. Following is the detail of the project bid from Peninsula:**

3. **Peninsula estimated the cost to complete at approximately [redacted] requiring CFG to pay approximately [redacted] annually through a reservation charge for this project. This alternative is less expensive than all other alternatives and mitigates risks associated with CFG completing the work by avoiding the upfront cost, as well as the additional expense associated with a potential rate proceeding as discussed in the response to question number 12. Please refer to Attachment 1 for a summary of alternatives.**

[redacted].

12. Please refer to paragraph 17 on page 7 of the petition. Please identify the reasons why CFG believes it would need to file a rate case or limited proceeding if it were to undertake the project itself.

**Response:**

**CFG believes taking on this project on its own would result in the need for a rate case or limited proceeding. We believe the costs associated with building this pipeline as well as**

**other investments would put CFG below its allowable rate of return; thus, requiring us to file a costly case to reset rates.**

13. The petition makes several references to other available options that were considered by CFG (page 5, paragraph 10; page 6, paragraph 12, page 7, paragraph 15; page 7, paragraph 17). Please identify the other alternatives considered and elaborate on why "Peninsula provided the least cost option of the alternatives available to CFG" (page 8, paragraph 17).

**Response:**

**Refer to response for question number 11 above.**

14. Please elaborate on what is encompassed by the "anticipated additional safety compliance requirements" referred to on page 8 of the petition, paragraph 17.

**Response:**

**Because of the pressures required on this line, the pipe will be rated as a transmission line for purposes of safety inspections and maintenance. As such, a transmission integrity plan will be required, quarterly leak surveys, reassessments every seven years, which include electrical surveys and direct dig assessments. These are not activities with which CFG typically is required to engage in for its distribution lines. To undertake these additional requirements, CFG would incur additional costs because the activities are beyond those normally undertaken by CFG.**

15. How does CFG plan to recover its payments to Peninsula pursuant to the agreement?

**Response:**

**As with all interstate, intrastate and LDC to LDC cost incurred by CFG, and as prescribed for in the CFG tariff, all costs are directly assigned and allocated to the shippers. Shippers may subsequently recover these costs through commercial agreements with their customers.**

16. Will CFG seek to recover the payments to Peninsula through the PGA? If the answer is affirmative, what is the projected $/therm impact to the PGA factor in 2016?

**Response:**

**CFG does not currently have a PGA provision associated with its system. These costs will be directly assigned and allocated to the shippers who may subsequently recover them through existing commercial agreements with their customers. The estimated impact of allocating these costs to the Transitional Transportation Service ("TTS") pools, or a typical residential customer, would be approximately $2.79 per month. Chesapeake is currently working toward standardizing and consolidating the transportation programs and fuel cost recovery mechanisms**

**on the tariffs of both CFG and FPU, which, if approved, would further reduce this impact to an individual customer.**