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May 8, 2015

**HAND DELIVERY**

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

**REDACTED**

RECEIVED - FPSC  
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COMMISSION  
CLERK

Re: **Docket 150117-GU -- Joint petition for approval of modified cost allocation methodology and revised purchased gas adjustment calculation, by Florida Public Utilities Company, Florida Public Utilities Company - Indiantown Division, Florida Public Utilities Company - Fort Meade, and Florida Division of Chesapeake Utilities Corporation.**

Dear Ms. Stauffer:

Enclosed for filing, please find the original and five (5) copies of the joint responses of Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and Florida Public Utilities Company-Indiantown Division ("Companies") to Commission Staff's First Data Requests to the Companies (redacted). A highlighted, confidential version is being filed under separate cover along with a Request for Confidential Classification.

As always, please do not hesitate to contact me if you have any questions whatsoever regarding this filing.

Sincerely,



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(850) 521-1706

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Cc:// Kyesha Mapp (Staff Counsel)  
J.R. Kelly (OPC)

Florida Public Utilities Company (Gas Divisions) and Florida Division of Chesapeake Utilities  
Responses to Staff's First Data Requests  
FPSC Docket No. 150117-GU  
(REDACTED VERSION)

1. **Have the Companies communicated with shippers regarding the details and possible impacts of the modified cost allocation methodology and revised Purchased Gas Adjustment (PGA) calculation? If yes, please explain how.**

Response:

Yes, the Companies have begun communicating with shippers regarding the details and possible impacts of the modified cost allocation methodology and revised Purchased Gas Adjustment calculation. In March 2015, in preparation of filing this Petition, the Companies initiated individual phone calls with each shipper. The purpose of these calls was to inform the shippers that the Companies intended to address the historical allocation methodology on its systems associated with the unreleased capacity and Local Distribution Companies (LDC) to LDC interconnections. Additionally, the Companies have organized a shipper's meeting in mid May 2015. The purpose of this meeting with shippers and interested parties is to explain and discuss the issues surrounding capacity, expansion of the system, and the methodologies and approaches to Phase 2 of the modified cost allocation and revised PGA calculation as well as other related transportation tariff changes being considered. It is the Companies' desire to include effected shippers and interested parties in identifying the most effective, equitable long-term solution for dealing with the issues surrounding the allocation of capacity related costs and other PGA and transportation tariffs.

2. **Please provide for 2014 the total actual unreleased intrastate capacity and local distribution company (LDC) interconnection related costs recovered by CFG and Indiantown through the Operational Balancing Account (OBA), and the same costs recovered by FPUC and FPUC Ft. Meade through the PGA mechanism.**

Response:

The following two charts show a summary of the unreleased intrastate capacity and LDC interconnection related costs as of December 2014 (Chart 1) and an estimated pro-forma summary, including the recently approved Haines City Docket No. 150031, (Chart 2).

Florida Public Utilities Company (Gas Divisions) and Florida Division of Chesapeake Utilities  
 Responses to Staff's First Data Requests  
 FPSC Docket No. 150117-GU  
 (REDACTED VERSION)

**Chart 1**

Company	2014 Costs recovered through the PGA	2014 Costs recovered through the OBA
FPUC	\$3,262,159	N/A
FPUC – Ft. Meade	*	N/A
FPUC – Indiantown	N/A	N/A
CFG – TTS Pools	N/A	\$1,137
<b>Totals</b>	<b>\$3,262,159</b>	<b>\$1,137</b>

**Chart 2**

Company	Estimated Pro-Forma Costs recovered through the PGA	Estimated Pro-Forma Costs recovered through the OBA
FPUC	\$3,700,000	N/A
FPUC – Ft. Meade	*	N/A
FPUC – Indiantown	N/A	N/A
CFG – TTS Pools	N/A	\$3,600
CFG – Haines City	N/A	\$1,600,000
<b>Totals</b>	<b>\$3,700,000</b>	<b>\$1,603,600</b>

\* FPUC – Ft. Meade is recovered as a part of the FPUC PGA recovery.

Florida Public Utilities Company (Gas Divisions) and Florida Division of Chesapeake Utilities  
 Responses to Staff's First Data Requests  
 FPSC Docket No. 150117-GU  
 (REDACTED VERSION)

3. **Assuming hypothetically that the Commission approved the proposal to aggregate the unreleased capacity and LDC interconnection-related costs across the entire Chesapeake Florida system, please provide the same table showing the costs allocated to each division.**

Response:

The following is a summary of the unreleased intrastate capacity and LDC interconnection related costs as of December 2014 assuming the hypothetical Commission approval allowing the Companies to aggregate these costs across the system.

Company	2014 Costs recovered through the PGA	2014 Costs recovered through the OBA
FPUC	\$2,952,966	N/A
FPUC – Ft. Meade	*	N/A
FPUC – Indiantown	N/A	N/A
CFG – TTS Pools	N/A	\$310,330
<b>Totals</b>	<b>\$2,952,966</b>	<b>\$310,330</b>

\* FPUC – Ft. Meade is recovered as a part of the FPUC PGA recovery.

4. **Please provide the number of PGA, OBA and CI (commercial/industrial entities that contract directly with shippers) customers for each of the Companies' divisions as shown below.**

Response:

The following chart provides the number of PGA, OBA and CI customers for each of the Companies' divisions as of December 2014.

Company	PGA Customers	OBA Customers	CI Customers
FPUC	49,985	N/A	5,712

Florida Public Utilities Company (Gas Divisions) and Florida Division of Chesapeake Utilities  
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 FPSC Docket No. 150117-GU  
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FPUC – Ft. Meade	666	N/A	6
FPUC – Indiantown	N/A	713	N/A
CFG – TTS Pool 1	N/A	8,381	N/A
CFG – TTS Pool 2	N/A	6,870	N/A
<b>Totals</b>	<b>50,651</b>	<b>15,964</b>	<b>5,718</b>

5. **Paragraph 16 (page 7) of the petition refers to a two-phased process. How long do the Companies anticipate that Phase 1, if approved, would be in effect before submitting Phase 2 to the Commission for approval? Please confirm that the submission of Phase 2 would be in a separate docket outside the scope of the current docket 150117-GU.**

Response:

Upon issuance of a Commission Order approving the Companies' request in this Docket, the Companies would anticipate Phase 1 being in effect no longer than three months before the filing of a Phase 2 Petition. While the Companies anticipate filing a Phase 2 Petition by August 2015, depending on the final solution and methodology, there may be no impact to the Companies' shippers for a period of at least 18 months from the date of Commission approval of a Phase 2 Petition. Depending on the final solution for Phase 2, and the potential impact to its shippers, it may be prudent to request a delay in implementation to allow for shippers to address contractual obligations that may exist with their customers, and to allow either the Company or shippers time to implement billing solutions.

It should be noted that while this Petition (Docket No. 150117-GU) proposes a two phased approach, Phase 1 is simply a consolidation and allocation between the Companies of the current methodology being used to recover these costs. Phase 1 is consistent with an accounting change, similar to what was approved by the Commission in Order No. PSC-14-0655-FOF-GU, which allowed the Companies to centralize and distribute the costs associated with the accounting and administrative functions of the conservation programs across all of the Chesapeake Florida LDCs. The costs associated with the unreleased capacity and LDC interconnections that exist on the Companies

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FPSC Docket No. 150117-GU  
(REDACTED VERSION)

systems are homogeneous across all the Companies. The difference exists only in the mechanism with which these costs are recovered. For example, on CFG these types of costs recovered through the Operational Balancing Account (OBA) mechanism from its Transitional Transportation Services (TTS) Pool Shippers. On FPUC (including Indiantown Division and Ft. Meade Division) they are recovered through the PGA mechanism from its retail sales customers.

The Companies do anticipate Phase 2 being filed as a separate docket outside the scope of the current Docket No. 150117-GU. The time between the filing of Docket No. 150117-GU and the filing of a subsequent docket for Phase 2 is being used to define an equitable means of allocating the costs associated with unreleased intrastate and LDC interconnections capacity, and to work with all interested parties including shippers.

6. **Paragraph 21 (page 9) of the petition states that the impact to aggregate the unreleased capacity and LDC interconnection-related costs (declassified) across the entire Chesapeake Florida system would be \$0.108 per therm, or an approximate increase of \$0.025 per therm to the PGA. Please illustrate and explain how these amounts were derived.**

Response:

The \$0.108 per therm discussed in paragraph 21 (page 9) of the Petition describes the aggregate of the unreleased capacity and LDC interconnection related costs across the entire Chesapeake Florida system based on an estimate of the annualized cost and volumes after the inclusion of the Haines City intrastate capacity related costs, Petition (Docket No. 150031-GU).

The \$0.108 per therm is derived as follows:

1. Add the total estimated annual volumes associated with the unreleased capacity from the PGA and TTS Pools together.
2. Add the total estimated annual costs associated with the unreleased capacity from the PGA and TTS Pools together.
3. Divide the total estimated annual cost from step 2 above by the estimated annual volumes from step 1 to derive the estimated cost per therm of the unreleased capacity of \$0.108 per therm – see Chart 3.

The approximate increase of \$0.025 per therm is derived as follows:

4. Divide the estimated annual PGA cost associated with the unreleased capacity by the estimated annual PGA volumes to arrive at a cost per therm of approximately \$0.083.

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 (CONFIDENTIAL VERSION)

Subtract the current estimated annual PGA cost per therm from the estimated annual cost per therm after the consolidation to arrive at the estimated increase to cost per therm of approximately \$0.025 – see Chart 4 and 5.

**Chart 3**

Consolidated Estimate Annual Cost Un-released Capacity	Consolidated Estimate Annual Therms Un-released Capacity	Consolidated Estimate Cost per Therm Un-released Capacity
██████	██████	\$0.108

**Chart 4**

Estimated Annual PGA Cost Un-released Capacity	Estimated Annual PGA Therms Un-released Capacity	Estimated PGA Cost per Therm Un-released Capacity
██████	██████	\$0.083

**Chart 5**

Consolidated Estimate Cost Per Therm Un-released Capacity	Estimated PGA Cost Per Therm Un-released Capacity	Estimated Increase PGA Cost Per Therm
\$0.108	\$0.083	\$0.025

7. **Do the Companies anticipate that consolidating the cost allocation methodology across the entire Chesapeake Florida system will result in any administrative cost savings in comparison with the current practice of performing separate cost allocations for each of the four divisions? If the answer is affirmative and it is possible to estimate potential cost savings, please provide an estimate of the annual cost savings that would be realized by each division.**

Response:

No, at this time the Companies do not anticipate any administrative cost savings in comparison with the current practice of performing separate cost allocations for each of the four divisions. It is anticipated that it will simply be a change in methodology of allocation, without any material change to the administration time necessary to allocate the costs.