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April 28, 2017

E-PORTAL FILING

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

Re: Docket No. 170067-GU – Petition for approval to modify phase two of experimental transitional transportation pilot program to suspend open enrollment process, by Florida Division of Chesapeake Utilities Corporation.

Dear Ms. Stauffer:

Attached for filing on behalf of the Florida Division of Chesapeake Utilities Corporation, please find the Company's Responses to Staff's First Data Requests in the referenced docket.

As always, please don't hesitate to let me know if you have any questions. Thank you for your assistance with this filing.

Kind regards,



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Docket No. 170067-GU – Petition for approval to modify phase two of experimental transitional transportation pilot program to suspend open enrollment process, by Florida Division of Chesapeake Utilities Corporation.

Florida Division of Chesapeake Utilities Corporations’ Responses to Staff’s First Data Requests

1. Paragraph 13 of the petition discusses the various pricing options the Transitional Transportation Service Program (TTS) shippers currently offer. Please explain why, under the Company’s proposal, the alternate pricing options offered by the TTS shippers would no longer be available to customers in the TTS pool.

Company Response:

Each year, only 10% of our customer base actually makes a selection for alternate pricing and 90% of the customers remain on or are switched to (if no response) the standard pricing option, essentially reverting back to Phase I. However, customers who currently qualify for senior, veterans and active military discounts, will maintain those discounts which was not an option during Phase I. Consequently, the Company believes it is not beneficial to maintain alternate pricing options. Also, in order to continue offering alternate pricing options, the Company would still have to facilitate some type of enrollment process or period to allow customers to make pricing changes, which is in direct opposition of our goal to eliminate the open enrollment process.

2. Please discuss the bill impact on customers that currently qualify for a discount for seniors, veterans, or active military discount (as shown on the 2016 Enrollment Forms in Attachment A to the petition). Would the discounts for those customers terminate on the effective date of the proposed tariff sheets (assuming Commission approval)? Please explain your answer.

Company Response:

Those customers who currently qualify for these discounts will not see any impact to their bill. These discounts will not terminate on the effective date of the proposed tariff sheets, if approved.

3. Will shippers be able to directly solicit customers and offer various pricing options or will shippers only be able to offer a standard pricing option? Please explain your answer.

Company Response:

The Company does not allow shippers to have access to our customer database, which eliminates shippers being able to solicit all customers in the TTS pools directly. Also, the Company provides a billing service for the shippers so the Company must oversee the information being disseminated to our customers to avoid any confusion as well as ensure the process is fair and equitable for our customers. Therefore, shippers will not be able to solicit customers directly.

4. Have customers been notified of Chesapeake's petition to permanently suspend Open Enrollment? If yes, has Chesapeake received any comments? If yes, what are those comments? If no, when does Chesapeake plan to notify customers?

Company Response:

At this time, the customers have not been notified of the petition to permanently suspend Open Enrollment. As noted in paragraph 17 of the petition, the Company plans to communicate the suspension of Open Enrollment, if approved, by either bill message, bill stuffer, Company website or a combination of these methods.

5. Has Chesapeake contacted the TTS shippers to tell them about the Company's proposed permanent suspension of the Open Enrollment program? If yes, what are the shippers' opinions of the proposed suspension? If no, when will Chesapeake notify the shippers?

Company Response:

The Company notified the shippers of the proposal at the shipper meeting on January 19, 2017. The shippers are of the same opinion as the Company that the program provides little or no reward on a year to year basis.

6. The 2016 Open Enrollment solicitation (provided in Attachment A to the petition) was dated June 2016 and requested responses by June 30, 2016. The petition requesting approval to permanently suspend the Open Enrollment program was filed on March 28, 2017, with the Agenda Conference currently scheduled for June 6, 2017. Please respond to the following questions.
- a. If the Commission approves Chesapeake's petition on June 6, please describe Chesapeake's efforts to inform the affected customers of the Commission's decision.

Company Response:

Please see response to #4 above.

- b. If the Commission denies Chesapeake's petition on June 6, when will the 2017 Open Enrollment notices be sent to customers and by what date will the customers have to respond?

Company Response:

If the Commission denies the petition, the Company plans to administer the Open Enrollment Period as usual except the notices will be sent out August 1st instead of June 1st. The Company would still give customers thirty days to respond, which would end the Open Enrollment Period on August 31, 2017.

- c. Given the short time period between the filing of the petition and the June timing of Open Enrollment in the past, has Chesapeake given any thought to, or be willing to, continue Open Enrollment for 2017 and amend the petition to request the permanent suspension of Open Enrollment beginning in 2018?

Company Response:

The Company had not contemplated that approach at the time of the filing of the instant Petition. Certainly, if the Commission directs the Company to continue Open Enrollment through 2017, the Company would comply. The Company emphasizes, however, that this suspension is part of our ongoing efforts to consolidate the natural gas business units for Florida Public Utilities (FPUC) and Chesapeake (CPK). As such, the Company would like to move forward with the petition for this year and believes that there is no

benefit in delaying the process, particularly given the negligible participation rate in the process. But, again, if the Commission prefers that we delay and that Open Enrollment not be suspended until 2018, the Company would, of course, oblige.

- d. When did Chesapeake plan on mailing Open Enrollment forms for 2017, absent a suspension of Open Enrollment?

Company Response:

Had the Company not pursued suspension of Open Enrollment, the Open Enrollment forms would have been mailed, as usual, on June 1, 2017. However, as noted in 6(b) above, in light of the Petition, if the Commission were to deny the Company's request, the forms would not be mailed until August 1. Given Commission staff's contemplated schedule, should it be deemed necessary, the Company would submit a supplemental request in this docket seeking permission of the Commission to allow the Company to delay issuance of the Open Enrollment forms as contemplated by Order No. PSC-07-0427-TRF-GU, to allow the Company to issue the forms on August 1, 2017, in the event that the Commission denies the Company's request to suspend the program.

7. How many residential and small commercial customers currently participate in the TTS program?

Company Response:

There are 15,573 residential and 519 commercial customers currently participating in the TTS program.

8. Are Infinite Energy and Florida Natural Gas still the shippers for the TTS program? Would that continue without Open Enrollment?

Company Response:

Infinite Energy and Florida Natural Gas are still the shippers for the TTS program and they would continue to be the shippers without Open Enrollment.

9. According to Paragraph 12 of the petition and current Tariff Sheet No. 28(C), residential and non-residential TTS customers who do not respond during Open Enrollment remain with their current shipper and are assigned to the standard price option.
 - a. Under the current Open Enrollment, must a customer change shippers in order to sign up for a senior or veterans discount or can a customer stay with the same shipper and receive a discount each year (assuming the customer qualifies for a discount)?

Company Response:

Under the current Open Enrollment program, a customer does not have to change shippers in order to sign up for a discount (if they qualify) but they must complete the enrollment form for their current shipper and select the applicable discount(s) every year. As noted in the Petition, if the customer fails to respond during Open Enrollment, they remain with their current shipper and are assigned to the standard price option without the discount.

10. According to proposed Tariff Sheet No. 28(C), residential and non-residential TTS customers “shall receive the standard pricing option.” To the extent not already answered, please respond to the following questions.
 - a. Can the shippers offer their own discounts? Please explain.
 - b. Can the shippers offer their own version of open enrollment? Please explain.

Company Response:

(a) As previously mentioned, those customers who currently qualify for senior, veterans or active military discounts, will maintain those discounts on the standard pricing option. However, the ‘New Customer’ discount for those selecting Infinite as their shipper during Open Enrollment period, will be eliminated..

(b) Please see response to #3 above.

11. Paragraph 13 of the petition lists the discounts available to customers of the two shippers. What is the cost of each discount for each shipper for the most recent available 12 month period (e.g., for Infinite Energy, a 4 cent discount multiplied by the number of therms receiving the discount equals the cost of the discount)?

Company Response:

| <u>Shipper</u> | <u>Discount</u> | <u>Therms</u> | <u>Cost</u> |
|------------------------------|------------------------|-------------------------|--------------------------|
| Florida Natural Gas | \$0.03 | 161,842.19 | \$4,855.27 |
| Infinite-New Customer | \$0.01 | 10,010.50 | \$ 100.11 |
| -Senior/Vet Discount | \$0.04 | 40,702.69 | \$1,628.10 |
| -Both Discounts | \$0.05 | <u>34,374.09</u> | <u>\$1,718.70</u> |
| | | 85,098.28 | \$3,446.91 |

12. Paragraph 15 of the petition states that the “benefits of the process no longer outweigh the procedural and administrative burden associated with conducting the Open Enrollment.”
- a. Please explain why the Open Enrollment costs incurred by Chesapeake are not covered by the monthly SABS charges TTS shippers pay pursuant to the SABS rate schedule (Tariff Sheet No. 94).

Company Response:

When the Company’s experimental transportation program was developed and implemented, the SABS rate schedule was developed solely based upon the costs associated with handling billing for the shippers on the Company’s system. Shippers who take service under the SABS rate schedule utilize Chesapeake for billing the costs of gas to customers and all customer account functions such as billing, payment tracking, collection services, and related administrative services (customer calls, billing adjustments, reports, etc.). The SABS rate schedule did not incorporate costs associated with Open Enrollment, which was part of the Phase II changes.

- b. Please explain the method that Chesapeake used to determine that the benefits no longer outweighed the costs.

Company Response:

The response to the Open Enrollment process has remained flat. Other than, perhaps, a perceived enhancement of the customer experience, the Open Enrollment process does not provide any tangible benefit to the Company, nor have customers, as demonstrated by the minimal response, indicated that this process is of significant benefit to them. As such, given the lack of responses, the Company simply made the determination that the costs to the Company of administering the program, as detailed in Response 12(c), outweigh any benefit that exists.

- c. Please describe and quantify each of the procedural and administrative burdens in detail.

Company Response:

The Open Enrollment process involves several departments within the Company and the utilization of outside contractors for mailing (\$14k) and administrative assistance (\$2k). Given the time constraints on filing these responses, the Company has quantified the amount for the outside contractors above. However, the amount for procedural and administrative functions would be in excess of \$16k when you factor in the payroll of the various departments, training, update of materials, increased customer call volume and updating changes in the billing system.

Below is a brief outline of the process involved in the Open Enrollment process on a normal basis:

Customer & Project Coordinator normally coordinate with (April –May):

- Discussion with mailing house of when items are need and what format
- TSA department to set time line for what/when items are expected from the shippers
 - They would reach out to shippers for materials
- Inform Marketing when their piece is needed for the mailing
- Work with BIS department to receive CFG mailing list for mail house
- Create and update training material and job aide for Customer Service-Front Office

- **Work with Solutions department verifying pricing and rate codes for shippers**

Customers are mailed an enrollment package for CFG. (by June 1st) It contains:

- **A letter from CFG**
- **Offer from FNG**
- **Offer from Infinite**
- **Marketing conservation flyer**
- **CFG return envelope**

Customers are responsible for making a selection and send reply back to CFG.

Customer & Project Coordinator responsible for (June to August):

- **Coordinating with BIS department to populate database**
- **Hire/Supervise temp to enter the information into database**
 - **Organize reply cards**
- **Review selections from database, analyze and update for the new rate**
- **Work with Solutions department to upload changes into billing system before cycle 1 in August**
- **Create and Deliver job aides and presentation for Customer Service**
The liaison for Customer Service – answering any questions regarding the program and/or changes

d. What would Chesapeake consider an acceptable administrative cost and why?

Company Response:

Measured against the negligible response rate, it would be difficult to identify any administrative cost that would really be an appropriate balance given that customer response does not reflect that this program is of value to them. The Company emphasizes that, as noted in the Petition, of the minimal 10% of customers that actually respond to the Open Enrollment notice, an even lesser percentage of those responding actually select the fixed rate option, such that, as this point, only 3% of total customer base is on the fixed rate option. Ultimately, the anticipated benefits of this aspect of the experimental program have not borne out as evidence by the participation data, which strongly suggests that a majority of customers do not view participation in this aspect of the program as providing them with sufficient benefit to warrant the effort to respond.

13. Does Chesapeake know by what percentage call volumes increased during the 2016 Open Enrollment (Paragraph 15 of the petition)? If yes, what was the percentage increase?

Company Response:

The Company does experience increased call volumes during the month of June ranging from 9%-17%. In June 2016, customer calls increased 17% over May 2016. However, the Company cautions that this increase may or may not be totally attributable to Open Enrollment. The Company is unable to pinpoint the exact increase associated with Open Enrollment.

14. Assuming the Commission approves Chesapeake's proposal, would the Company be open to bringing back the Open Enrollment program in the future? If yes, please list and describe the factors that would lead to such a proposal.

Company Response:

While the Open Enrollment process has not been successful as currently structured, the Company is always receptive to means to add value for our customers and improve the customer experience. As the Company continues its transition towards full consolidation of its business units, there may be opportunities to revisit a program similar to the Open Enrollment program, but perhaps involving a different structure that makes it more beneficial and attractive to our customers with a more appropriate balance of cost and administrative effort on the part of the Company. While the Company does not currently know what structure any such program might take, nor whether the opportunity to implement such a program might truly arise, the Company remains open to pursue any similar such program should it be deemed prudent in the future.

15. Please clarify the discrepancies between clean versions of Tariff Sheets No. 11 and 28, Section (C)(2)(b). On Tariff Sheet No. 11, this section is titled "Selection of TTS Shipper," but the language on Tariff Sheet No. 28 refers to the selection of a CI shipper by non-residential customers in a TTS consumer pool.

Company Response:

The Tariff Sheet No. 11 is in error. Section (C),(2),(b) should be labeled, 'Selection of CI Shipper'. Please see attached revised Tariff Sheet No. 11, legislative and clean versions.

16. Tariff Sheet 28, Section (C) (1), clean version states that when residential customers wish to change shippers, they must do so “in writing.” What is meant by “writing,” e.g., letter, email, Chesapeake form, etc.?

Company Response:

In order to facilitate a change of shipper by our customers, the Company plans to create a form, on which the customer must make their selection of a shipper. At the customer’s request, the Company will mail the form to the customer and when the Company receives the completed form (including signature), the change will be made in the billing system. The returned form will serve as the Company’s approval to make the change and provide an audit trail for the requested change of shipper by the customer.