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September 19, 2017

E-PORTAL FILING

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

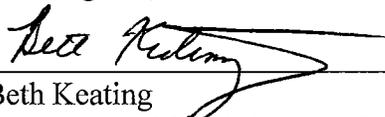
Re: Docket No. 20170180-GU - Petition by the Florida Division of Chesapeake Utilities Corporation for approval of special contract with Mosaic Fertilizer LLC.

Dear Ms. Stauffer:

Attached for filing in the referenced docket, please find the Responses of the Florida Division of Chesapeake Utilities Corporation 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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cc:/ (PSC Staff – Mapp, Doherty, Draper)

Docket No. 20170180-GU - Petition of the Florida Division of Chesapeake Utilities Corporation for Approval of Special Contract with Mosaic Fertilizer, LLC.

Florida Division of Chesapeake Utilities Corporation's Response to Staff's First Data Request

1. Please discuss the relation between the negotiated annual fixed rate (confidential) and the total operating cost (\$102,316). Is the annual fixed rate designed to recover Chesapeake's annual cost of service, plus an additional amount?

Company Response:

The annual fixed rate (confidential) represents the revenue required to cover the cost of capital, operating expenses and a return on the investment while the cost of service of \$102,316 represents the annual amount required for Chesapeake to operate this particular pipeline.

2. Referring to the Incremental Cost of Service Study, Estimated O&M expenses, please explain:
 - a. What costs are included under Miscellaneous, \$5,000?
 - b. Please explain why the Overheads & Services (\$5,969) are over doubled when compared to a similar contract, Docket No. 20170176 Chesapeake special contract with Sebring (\$2,500), while all other estimated charges are the exact same.

Company Response:

- a. **Miscellaneous is an allowance for unanticipated expenses such as line break or damages.**
 - b. **The Overheads & Services are calculated based on the percentage of each individual customer's volumes vs. total transport volumes on the Florida Division of Chesapeake Utilities Corporation. The volumes associated with Mosaic are higher than those associated with that of the similar contract, Docket No. 2017180, therefore the resulting Overheads & Service value is also higher.**
3. Referring to the petition, section 5, please show how the monthly estimated charge (\$72,372) under the FTS-12 rate was calculated.

Company Response:

Please see Attachment A. The calculation was based on the Company's current Tariff provisions and Mosaic's most recent annual (2016) consumption amount.

4. Referring to the petition, section 5 and the following statement: Due to current business needs, Mosaic is using approximately 11,000,000 therms annually. Please discuss what the specific reasons for the drop in therms used annually.

Company Response:

Mosaic's volumes have dropped with a change in their business requirements and processes. The Company does not have insight into the operational variables of Mosaic's business.

5. Please discuss why Mosaic is eligible for a Special contract and discuss Mosaic's ability to bypass.

Company Response:

The Company's tariff provides for Special Contract Service (SCS) for Transportation Service provided to a Consumer, at the sole option of the Company pursuant to Commission Rule 25-9.034, F.A.C., where the rates, terms and/or conditions of service may be different than those set forth in the Company's approved tariff. All SCS Consumers shall enter into a Special Contract Agreement with the Company, subject to the approval of the Commission. Additionally, volumes associated with large customers, such as Mosaic, add value to the Company's total system.

Mosaic's ability to bypass the Company is based on the fact that Florida Gas Transmission ("FGT") also has a pipeline running through Mosaic's property and is approximately the same distance from Mosaic's facility as the Company's pipe is.

6. Please discuss why Chesapeake did not propose to lower the therm threshold for the FTS-13 rate to 11,000,000 therms annually (so Mosaic can stay at the FTS-13 rate).

Company Response:

Currently Mosaic is the only customer on the FTS-13 rate schedule and this particular schedule is closed to new service. The Company believes the most prudent step is to allow Mosaic to become a Special Contract Service customer, which is currently an active provision of its natural gas tariff, as opposed to redesigning a rate schedule around one customers changing business need.

7. Does Chesapeake have customers on the FTS-12 rate that use approximately 11,000,000-12,500,000 therms annually?

Company Response:

The Company currently has five other customers in the FTS-12 rate but none that use between 11,000,000 and 12,500,000 therms annually.

8. Referring to Exhibit A, Incremental Cost of Service Study, please explain why there are no Rate Base and Income Taxes associated with serving Mosaic.

Company Response:

The facilities on Mosaic are fully depreciated so there is no associated Rate Base. The Income Taxes, as shown on the Company's Exhibit A, are calculated as a function of the return on the rate base. Because there is no rate base there is no associated Income Tax either.

Staffs DR #1

Question #3 Response

Mosaic Annual Payment (FTS-13) \$		200,307.00
Mosaic Monthly Payment (FTS-13) \$		16,692.25
If FTS-12 was being used		
		Charge Year 1
Annual Therm Usage (2016)		11,127,986.86
Usage Charge		681,455.66
Fixed Charge		108,000.00
Swing Charge		79,008.71
Total (Annual)	\$	868,464.37
Total (Monthly)	\$	72,372.03
Annual Difference Between FTS-13 rate	\$	668,157.37