

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** December 5, 2013  
**TO:** Carlotta Stauffer, Commission Clerk, Office of Commission Clerk  
**FROM:** Caroline Klancke, Senior Attorney, Office of the General Counsel  
**RE:** Docket No. 120311-GU- Petition for approval of positive acquisition adjustment to reflect the acquisition of Indiantown Gas Company by Florida Public Utilities Company.

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Attached please find the questions and responses to staff's Fifth Data Request. Please note that Staff's Fifth Data Request references a staff-prepared schedule. For clarity and transparency, staff has also attached the staff-prepared schedule referenced therein. Please file these documents in the pleading side of Docket No. 120311-GU. Thank you.

CMK



Writer's Direct Dial Number: (850) 521-1706  
Writer's E-Mail Address: bkeating@gunster.com

November 13, 2013

**HAND DELIVERY**

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

RECEIVED-FPSC  
13 NOV 13 PM 4:22  
COMMISSION  
CLERK

**Re: Docket No. 120311-GU - Petition for approval of positive acquisition adjustment to reflect the acquisition of Indiantown Gas Company by Florida Public Utilities Company**

Dear Ms. Cole:

Attached for filing, please find the original and seven copies of Florida Public Utilities Company's Responses to Staff's Fifth Data Request in the referenced docket.

As always, please do not hesitate to contact me if you have any questions or concerns. Thank you for your assistance with this filing.

Sincerely,

Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

cc:// Staff Counsel (Klancke)  
Office of Public Counsel

COM	_____
APD	3
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ECO	1
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Responses to Staff's Fifth Data Request  
Florida Public Utilities Company  
Docket No. 120311-GU  
November 13, 2013

1. For purposes of this first question, please refer to the attached schedule. This staff-prepared schedule is a compilation of the Revised Exhibit \_\_\_ (CM-4) filed by the Company in response to Staff's 4<sup>th</sup> Data Request, No. 1, and Attachment OPC-3 filed by the Company in response to the OPC's Areas of Concern, question no. 3. Does the Company agree with the analysis presented on this attached schedule? If not, please explain the Company's areas of disagreement.

**Company Response:** The Company agrees with the analysis presented on the staff-prepared schedule.

2. In response to Staff's 4<sup>th</sup> Data Request, No. 1, Attachment 3, the Company identified Operating Cost Increases-Corporate & Benefits of \$1,043 for 2012. Please identify the services provided to FPUC-Indiantown Division and explain how the amount of this cost is determined.

**Company Response:** This amount represents the allocated costs for the executive officers and directors of Chesapeake Utilities Corporation to FPUC-Indiantown Division. The executive officers and directors are responsible for all decisions and policymaking functions for the FPUC-Indiantown Division.

3. At the time of the merger in 2010, the Company entered into 2 separate contracts with Indiantown Gas LP, LLC related to an Operation & Maintenance Agreement and a Consulting Agreement. Has one or both of these contracts been renewed? If so, when and for how long? If not, will these contracts be renewed and for how long?

**Company Response:** On July 31, 2013, the Company renewed the Operation and Maintenance Agreement for one year. The Consulting Agreement expired July 31, 2013 and the Company did not renew the Consulting Agreement.

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION  
CALCULATION OF OPERATING SAVINGS

Revised Exhibit\_\_\_\_(CM-3)

Page 1 of 1

June 30, 2010 IGC ESR - O&M Expense	\$468,822
Dec 31, 2011 FPUC - IND. DIV. O&M Expense	<u>\$334,516</u>
Annual Operating Savings	<u><u>\$134,306</u></u>

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION  
 CALCULATION OF ACQUISITION PREMIUM  
 REVENUE REQUIREMENTS AND COMPARISON  
 TO OPERATING SAVINGS

Revised Exhibit\_\_(CM-4)

Revised Exhibit\_\_(CM-4)

Page 1 of 2

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		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022	2023	2024		
	\$ 745,800	Average Premium	\$ 735,442	\$ 700,223	\$ 650,503	\$ 600,783	\$ 551,063	\$ 501,343	\$ 451,623	\$ 401,903	\$ 352,183	\$ 302,463	\$ 252,743	\$ 203,023	\$ 153,303	\$ 103,583	\$ 53,863	\$ 14,502	
	\$ -	Non-Deductible	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	\$ 745,800	Deductible	\$ 725,083	\$ 675,363	\$ 625,643	\$ 575,923	\$ 526,203	\$ 476,483	\$ 426,763	\$ 377,043	\$ 327,323	\$ 277,603	\$ 227,883	\$ 178,163	\$ 128,443	\$ 78,723	\$ 29,003	\$ 0	
	<b>Cost Rate</b>	<b>Ratio</b>	<b>Weighted Cost</b>																
Equity	11.50%	55.65%	6.40%	\$ 19,611	\$ 44,813	\$ 41,631	\$ 38,449	\$ 35,267	\$ 32,085	\$ 28,903	\$ 25,721	\$ 22,539	\$ 19,357	\$ 16,175	\$ 12,993	\$ 9,811	\$ 6,629	\$ 3,447	\$ 541
LT Debt	6.91%	25.87%	1.79%	\$ 5,478	\$ 12,517	\$ 11,629	\$ 10,740	\$ 9,851	\$ 8,962	\$ 8,073	\$ 7,184	\$ 6,296	\$ 5,407	\$ 4,518	\$ 3,629	\$ 2,740	\$ 1,852	\$ 963	\$ 151
LT Debt - Refinance	6.33%	3.15%	0.20%	\$ 611	\$ 1,396	\$ 1,297	\$ 1,198	\$ 1,099	\$ 1,000	\$ 901	\$ 801	\$ 702	\$ 603	\$ 504	\$ 405	\$ 306	\$ 207	\$ 107	\$ 17
ST Debt	1.24%	5.72%	0.07%	\$ 217	\$ 497	\$ 461	\$ 426	\$ 391	\$ 356	\$ 320	\$ 285	\$ 250	\$ 215	\$ 179	\$ 144	\$ 109	\$ 73	\$ 38	\$ 6
Cust Deposits	6.57%	3.36%	0.22%	\$ 676	\$ 1,546	\$ 1,436	\$ 1,326	\$ 1,216	\$ 1,107	\$ 997	\$ 887	\$ 777	\$ 668	\$ 558	\$ 448	\$ 338	\$ 229	\$ 119	\$ 19
Deferred Inc Tax	0.00%	6.25%	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal	100.00%		8.68%	\$ 26,594	\$ 60,768	\$ 56,454	\$ 52,139	\$ 47,824	\$ 43,509	\$ 39,194	\$ 34,879	\$ 30,564	\$ 26,249	\$ 21,934	\$ 17,619	\$ 13,304	\$ 8,989	\$ 4,674	\$ 734
Income Taxes	38.575%		4.02%	\$ 12,316	\$ 28,142	\$ 26,144	\$ 24,146	\$ 22,148	\$ 20,149	\$ 18,151	\$ 16,153	\$ 14,154	\$ 12,156	\$ 10,158	\$ 8,160	\$ 6,161	\$ 4,163	\$ 2,165	\$ 340
Pre-tax Return on Capital			12.70%	\$ 38,909	\$ 88,911	\$ 82,598	\$ 76,284	\$ 69,971	\$ 63,658	\$ 57,345	\$ 51,032	\$ 44,718	\$ 38,405	\$ 32,092	\$ 25,779	\$ 19,466	\$ 13,152	\$ 6,839	\$ 1,074
Amortization Expense (tax deductible)				\$ 20,717	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 29,003
Amortization Expense (not tax deductible)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Gross-up				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Requirement (Premium)				\$ 59,626	\$ 138,631	\$ 132,318	\$ 126,004	\$ 119,691	\$ 113,378	\$ 107,065	\$ 100,752	\$ 94,438	\$ 88,125	\$ 81,812	\$ 75,499	\$ 69,186	\$ 62,872	\$ 56,559	\$ 30,077
Staff Calculations																			
O&M Savings	0.00%			\$ 55,961	\$ 134,306	\$ 134,306	\$ 134,306	\$ 134,306	\$ 134,306	\$ 134,306	\$ 134,306	\$ 134,306	\$ 134,306	\$ 134,306	\$ 134,306	\$ 134,306	\$ 134,306	\$ 134,306	\$ 78,345
less: Increase Income Tax Rate (18.90)				\$ (10,576)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)	\$ (25,384)
Cost of Capital Savings	0.00%			\$ 923	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 1,292
Total O & M Savings				\$ 46,308	\$ 111,137	\$ 111,137	\$ 111,137	\$ 111,137	\$ 111,137	\$ 111,137	\$ 111,137	\$ 111,137	\$ 111,137	\$ 111,137	\$ 111,137	\$ 111,137	\$ 111,137	\$ 111,137	\$ 54,253
Net Annual Savings				\$ (13,318)	\$ (27,494)	\$ (21,180)	\$ (14,867)	\$ (8,554)	\$ (2,241)	\$ 4,072	\$ 10,386	\$ 16,699	\$ 23,012	\$ 29,325	\$ 35,638	\$ 41,952	\$ 48,265	\$ 54,578	\$ 24,176
Cumulative Savings				\$ (13,318)	\$ (40,812)	\$ (61,992)	\$ (76,859)	\$ (85,413)	\$ (87,654)	\$ (83,582)	\$ (73,196)	\$ (56,497)	\$ (33,485)	\$ (4,160)	\$ 31,478	\$ 73,430	\$ 121,695	\$ 176,273	\$ 200,449