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MEMORANDUM

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VIA HAND DELIVERY

COMMISSION CLERK

TO: Commission Clerk

FROM: Wayne L. Schiefelbein 
Of Counsel

RE: Chesapeake Utilities Corporation
Docket No. 050835-GU

DATE: January 19, 2006

Enclosed herewith for filing in the above docket are an original and 15 copies of Chesapeake Utilities Corporation's Response to Staff Data Requests. This was emailed to Staff on January 17, 2006.

An additional copy has been provided to be date-stamped and returned to me. If you have any questions, please feel free to call.

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Enclosures
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FPSC-BUREAU OF RECORDS

Rose, Sundstrom & Bentley, LLP
2548 Blainstone Pines Drive, Tallahassee, Florida 32301

DOCUMENT NUMBER-DATE

00505 JAN 19 06

FPSC-COMMISSION CLERK



January 17, 2006

Rosanne Gervasi, Senior Attorney
Florida Public Service Commission
Office of the General Counsel
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0863

RE: Docket No. 050835-GU -- Petition for approval of Amendment No. 2 to Gas Transportation Agreement (Special Contract), Master Gas Transportation Service Termination Agreement, Delivery Point Lease Agreement and Letter Agreement: CFG Transportation Aggregation Service between Florida Division of Chesapeake Utilities Corporation and Polk Power Partners, L.P.

Dear Ms. Gervasi:

Chesapeake Utilities Corporation's (Chesapeake) responses to the Staff Data Requests issued on January 10, 2006 are provided below.

1. Provide the date that the rates proposed in the petition were considered effective between Chesapeake Utilities Corporation (Chesapeake) and Polk Power Partners, L.P.

Chesapeake Response: The effective date of the rates proposed in the petition was January 1, 2005.

2. Did Chesapeake issue a credit or refund to Polk Power Partners, L.P. during 2005 for the difference between the rates approved by the Commission and the rates proposed in the instant docket? If so, what was the amount of the refund/credit, and what was the date the credit/refund was issued to Polk Power Partners, L.P.?

Chesapeake Response: Yes, Chesapeake issued a credit to Polk Power Partners, L.P. (PPP) in the amount of \$8,463.53 that was the differential between actual billing under the previous contract and the proposed rates for transportation service in the petition for the period of January through September 2005. The credit was issued on the October 31, 2005 billing statement.

In addition, Chesapeake charged PPP \$22,500.00 under the Delivery Point Lease Agreement for the period of January through September 2005. This charge also was issued on the October 31, 2005 billing statement.

DOCUMENT NUMBER DATE

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Central Florida Gas Company
A Division of Chesapeake Utilities Corporation

3. Paragraph 10 of the petition states that Polk Power Partners, L.P. is one of Chesapeake's largest customers. Please provide a list of those customers served by Chesapeake that are considered larger than Polk Power Partners, L.P.

Chesapeake Response: From the perspective of the amount of revenues generated, PPP is by far the largest customer on Chesapeake's system. Under the proposed rates, PPP will generate approximately \$688,000 annually. The next largest customer generates approximately \$250,000 annually.

From the perspective of throughput, PPP is the third largest customer, using about 15 million therms per year. Our largest customer, Orange Cogen, uses about 33 million therms per year and Mosiac – New Wales uses about 20 million therms per year.

4. When the Commission approved a LVTS gas transportation agreement between Chesapeake and Mulberry Cogeneration, did Chesapeake relinquish any capacity it held on FGT to Mulberry Cogeneration or its successor, Polk Power Partners, L.P.? If so, how much capacity was released?

Chesapeake Response: Yes, Chesapeake relinquishes 5,640 Dt/day of FTS-1 capacity to PPP for each day of the year. The proposed agreement does not change the existing capacity release arrangement.

5. Section 366.06(1), Florida Statutes, provides that:

A public utility shall not, directly or indirectly, charge or receive any rate not on file with the commission for the particular class of service involved, and no changes shall be made in any schedule. All applications for changes in rates shall be made to the commission in writing under rules and regulations prescribed.

Rule 25-9.034(1), Florida Administrative Code, provides that:

Wherever a special contract is entered into by a utility for the sale of its product or services in a manner or subject to the provisions not specifically covered by its filed regulations and standard approved rate schedules, such contract must be approved by the Commission prior to its execution. Accompanying each contract shall be complete and detailed justification for the deviation from the utility's filed regulations and standard approved rate schedules. If such special contracts are approved by the Commission, a conformed copy of the contract shall be placed on file with the Commission before its effective date.

(a) Under what authority did Chesapeake implement its proposed rates on an interim basis prior to receiving Commission approval?

Chesapeake Response: The Company understands that it did not have Commission approval prior to implementing the proposed rates; however, as stated in Paragraph 9 of the Amendment No. 2 to Gas Transportation Agreement: "The Parties agree that the rates, terms and conditions established in this Amendment shall be placed into effect on the Effective Date *on an interim basis* until such time as the FPSC has issued a final order approving the amended rates, terms and conditions. The Parties agree that, in the event the FPSC (a) expressly declines to issue such a final order. . . . the rates, terms and conditions shall revert to the original Agreement." PPP expressly requested a January 1, 2005 effective date. Chesapeake was concerned that the loss of PPP's revenues would ultimately have a detrimental effect on the rates of Chesapeake's other customers.

The rationale for agreeing to this provision was based solely on the fact that PPP has a direct connect with Florida Gas Transmission (FGT) and was threatening immediate bypass unless the rates became effective January 1, 2005. The combination of the FTS-1 maximum rates plus Chesapeake's transportation rates began to surpass the FTS-2 maximum rates in 2005, absent the change to the transportation rates proposed in the petition. PPP could easily obtain FTS-2 capacity at maximum rates, if it so desired to bypass Chesapeake's distribution system. If Chesapeake had not entered into amended agreements with PPP ending the rate escalation, and bypass occurred, Chesapeake would have had its transportation revenues reduced by approximately \$700,000 per year. A revenue loss of this magnitude would require Chesapeake to seriously consider filing for a general rate increase from the remaining customers.

(b) Why did Chesapeake not seek Commission approval of its proposed contracts with Polk Power Partners, L.P. prior to implementing the rates, charges, and contract provisions detailed in its petition?

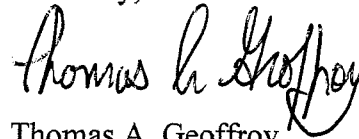
Chesapeake Response: Chesapeake and PPP began negotiations about 20 months ago regarding the issues contained in the petition. During the interim period, the two main partners of PPP sold their interests in the project. The new partners suspended negotiations until early 2005. Negotiations were concluded in August 2005, and (the August 24, 2005 date of the agreements notwithstanding) the agreements were actually executed by all parties in mid-October 2005. Chesapeake promptly filed its petition on October 24, 2005.

6. Please provide a schedule that details the impact on Chesapeake's 2005 revenues and earnings of implementing the rates, charges, and contract provisions detailed in its petition. The impact would represent the difference between the revenues at the existing rates and the proposed rates for the entire 2005 calendar year. If any refund or credits were issued to Polk Power Partners, L.P. as a result of the provisions addressed in Chesapeake's petition, please include the impact the refund or credit had on Chesapeake's 2005 revenues and earnings.

Chesapeake Response: Please see attached spreadsheet detailing the information requested.

Please contact me at 863.293.2125 x2922 should have any questions on Chesapeake's responses to the Staff Data Request.

Sincerely,

A handwritten signature in black ink that reads "Thomas A. Geoffroy". The signature is written in a cursive style with a large, prominent initial 'T'.

Thomas A. Geoffroy
Assistant Vice President

Cc: Wayne Schiefelbein, Esq.

Chesapeake Utilities Corporation
 Response to Staff's Data Requests
 January 10, 2006

Question 6

<u>Month</u>	<u>Revenues Existing Rates</u>	<u>Revenues New Trans. Rate</u>	<u>Refunds</u>	<u>Net Rev. New Trans. Rate</u>	<u>Difference</u>	<u>Lease Agreement Revenues</u>	<u>Total Revenues (Trans + Lease)</u>	<u>Total Difference</u>
January-05	\$59,564	\$54,896		\$54,896	(\$4,668)	\$2,500	\$57,396	(\$2,168)
February	\$38,370	\$54,896		\$54,896	\$16,526	\$2,500	\$57,396	\$19,026
March	\$54,553	\$54,896		\$54,896	\$343	\$2,500	\$57,396	\$2,843
April	\$57,503	\$54,896		\$54,896	(\$2,607)	\$2,500	\$57,396	(\$107)
May	\$59,382	\$54,896		\$54,896	(\$4,486)	\$2,500	\$57,396	(\$1,986)
June	\$57,734	\$54,896		\$54,896	(\$2,838)	\$2,500	\$57,396	(\$338)
July	\$59,623	\$54,896		\$54,896	(\$4,727)	\$2,500	\$57,396	(\$2,227)
August	\$59,658	\$54,896		\$54,896	(\$4,762)	\$2,500	\$57,396	(\$2,262)
September	\$56,140	\$54,896		\$54,896	(\$1,244)	\$2,500	\$57,396	\$1,256
October	\$58,724	\$54,896	(\$8,463)	\$46,433	(\$12,291)	\$22,500 *	\$68,933	\$10,209
November	\$61,377	\$54,896		\$54,896	(\$6,481)	\$2,500	\$57,396	(\$3,981)
December	\$64,656	\$54,896		\$54,896	(\$9,760)	\$2,500	\$57,396	(\$7,260)
Total	\$687,284	\$658,752	(\$8,463)	\$650,289	(\$36,995)	\$50,000	\$700,289	\$13,005

* Includes one-time payment of \$20,000.