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Public Service Commission

September 23, 2009

Beth Keating
Akerman Senterfitt
Highpoint Center, 12th Floor
106 East College Avenue
Tallahassee, FL 32301

STAFF'S SEVENTH DATA REQUEST NOS. 211-215

Re: Docket No. 090125-GU-Petition for increase in rates by Florida Division of Chesapeake Utilities Corporation.

Dear Ms. Keating:

By this letter, the Commission staff requests that Florida Division of Chesapeake Utilities Corporation (Chesapeake) provide responses to the following data and document requests:

Data Requests

211. Please refer to Commission decisions in Order No. PSC-04-1110-PAA-GU, issued November 8, 2008, in Docket No. 040216-GU, In re: Application for rate increase by Florida Public Utilities Company, and Order No. PSC-07-0913-PAA-GU, issued November 13, 2007, in Docket No. 060657-GU, In re: Petition for approval of acquisition adjustment and recognition of regulatory asset to reflect purchase of Florida City Gas by AGL Resources, Inc. Please explain in detail why Chesapeake is not amortizing the acquisition adjustment and expense the transaction and transitions costs starting the day after the closing of the merger transaction consistent with these Commission decisions.
212. Please refer to witness Geoffroy's testimony, page 49, lines 12-21. Witness Geoffroy states that the Code of Federal Regulation (Code) does not prescribe when the amortization period should begin. He also states, "the Company believes that the acquisition adjustment should begin when 'the benefit will be realized.'" Please explain why the amortization should be tied to "the benefit will be realized" versus "to the life of the asset"?
213. Please refer to witness Geoffroy's testimony, page 50, lines 15 through 17. Witness Geoffroy states "In the Company's view, the definition of 'amortization' in the Code and the 'matching principle' of Generally Accepted Accounting Principles [GAAP], would defer the amortization of the acquisition adjustment until the lower operating costs (benefits) are realized." Please explain or describe how "amortization" in the Code and "matching

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principle" in GAAP "would defer the amortization of the acquisition adjustment until the lower operating costs (benefits) are realized"?

214. Please refer to witness Geoffroy's testimony on page 51, lines 10-14. Witness Geoffroy states "If approved by the Commission, the amortization of the acquisition adjustment would be suspended until the final disposition of the 'come back' filing, unless the operating savings subsequent to closing place the combined company in an overearnings situation." (emphasis added)
- a. Does this statement mean that if there are operating saving subsequent to the closing of the merger and before the final disposition of the "come back case," Chesapeake is proposing to amortize the acquisition adjustment until the excess revenues (overearnings) are reduced to allow a return on equity that will be at the top of the Company's authorized range of return?
 - b. Does the Company anticipate this situation to cause an "overearnings situation"? Please explain.
 - c. What authorized range of return would be used if there was an overearnings situation?
215. Please refer to witness Geoffroy's testimony, page 53, lines 18-22, where he states "the Florida Division is not seeking 'approval' of the positive acquisition adjustment or transaction and transition costs at this time, only that these items be established as Utility Plant and Regulatory Assets, respectively, and that the amortization of these items be suspended until the 'come back' filing, anticipated to be filed in 2011." Please respond to the following:
- a. Please explain how the establishment of requested Utility Plant (positive acquisition adjustment) and Regulatory Assets (transaction and transition costs) will not be seen by the ratepayers as a foregone conclusion of the recovery of these costs and expenses by Chesapeake?
 - b. Based upon an anticipated "come back" filing in 2011, please explain how the utility will address the potential positive acquisition and regulatory assets if they are not approved in the "comeback case"?
 - c. Based upon an anticipated "come back" filing in 2011, please explain how the utility will address potential positive acquisition and regulatory assets if the merger is not consummated?

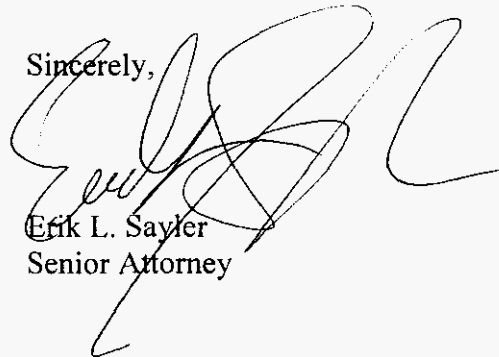
Docket No. 090125-GU, Staff's Seventh Data Request

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Please file the original and five copies of the requested information by Monday, October 5, 2009, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6084 if you have any questions.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Erik L. Saylor', is written over the typed name and title.

Erik L. Saylor
Senior Attorney

ELS/amv

cc: Office of Commission Clerk
Florida Division of Chesapeake Utilities Corporation
Office of Public Counsel – Patricia A. Christensen
Division of Economic Regulation