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October 20, 2011

**BY HAND DELIVERY**

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

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COMMISSION  
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Re: Docket No. 110133-GU: **Petition for approval of acquisition adjustment and recovery of regulatory assets, and request for consolidation of regulatory filings and records of Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation.**

Dear Ms. Cole:

Enclosed for filing in the above-referenced Docket, please find the original and seven (7) copies of Florida Public Utilities Company's Responses to Staff's Third Data Request, along with attached Exhibits 3.1., 3.2, and redacted 3.3. FPUC is submitting the confidential, highlighted version of Exhibit 3.3 under a Request for Confidentiality filed contemporaneously in this Docket.

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

Sincerely,

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

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FLORIDA PUBLIC UTILITIES COMPANY AND FLORIDA DIVISION OF  
CHESAPEAKE UTILITIES CORPORATION

RESPONSES TO  
STAFF'S THIRD DATA REQUEST  
DOCKET NO. 110133-GU

*Docket No. 110133-GU -Petition for approval of acquisition adjustment and recovery of regulatory assets, and request for consolidation of regulatory filings and records of Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation.*

1. **As shown on Exhibit TAG-7, FPUC anticipates that the total net operating cost savings will be \$6,255,187. Please provide the net operating cost savings/increases by category and year using the format provided on the attached schedule. Do not annualize the amount of any savings/increases that are not in effect for the entire year. Please indicate any one-time savings/increases that will not affect future years. If necessary, expand the schedule beyond 2014 until the total net operating cost savings of \$6,255,187 is realized.**

Company Response: Attached is Exhibit 3.1 which reflects the net operating cost savings/increases by category and year in the format requested. All savings/increases are permanent in nature and will continue in future years. The \$6,255,187 of net savings have already been achieved through reductions in personnel related expenses and corporate expenses, even taking into account increases in both categories that partially offset some savings. All of these synergies were implemented by July 31, 2011, as reflected on Exhibit TAG-8, Schedule 4. As shown in Exhibit 3.1, the full net operating cost savings amount is realized in 2012.

The Company has expanded the requested chart to demonstrate the following points. If the Company proposed modified straight line amortization is used, the net operating cost savings are greater than the revenue requirements beginning in 2011. However, using the traditional straight line amortization method, the net operating cost savings do not exceed the revenue requirements of the Acquisition Premium and Regulatory Assets until 2012. The Company's proposed modified straight line amortization method more closely matches the benefits of the savings with the cost of the amortization. The revenue requirement calculations for both methods are reflected in Composite Exhibit MK-5 and attached Exhibit 3.1.

The acquisition has already generated other significant benefits that should not go unrecognized. Specifically, the Company is attaching Exhibit 3.2 which reflects that the quality of service continues to show dramatic improvement over pre-acquisition results. The importance of this Exhibit is to demonstrate that the Company did not simply acquire FPUC to slash costs sufficient to achieve savings levels that support approval of the acquisition premium, without regard to the service it provides to its customers. On the contrary, the Company has clearly improved the level of service provided to customers, as more fully

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FPSC-COMMISSION CLERK

**FLORIDA PUBLIC UTILITIES COMPANY AND FLORIDA DIVISION OF  
CHESAPEAKE UTILITIES CORPORATION**

**RESPONSES TO  
STAFF'S THIRD DATA REQUEST  
DOCKET NO. 110133-GU**

described in the testimony of Mr. Jeff Sylvester, and as demonstrated on Exhibit 3.2.

The Company has also provided a 2012 Proforma Earnings Surveillance Report (ESR), attached as Exhibit 3.3, that reflects the full savings that have resulted from the acquisition, and reflects the impact of including the Acquisition Premium and Regulatory Assets in rate base and net operating income. As shown on Exhibit 3.3, neither the traditional nor Company proposed modified straight line amortization method results in overearnings in the projected 2012 ESR.

The acquisition has produced significant savings and benefits for both the Company and its customers. Moreover, the requested modified straight line amortization method will further enhance savings for the Company's customers, as reflected by the attached Exhibit 3.1.

*In sum, it is the Company's understanding that the Commission has long encouraged strong utilities to acquire weak utilities, recognizing that strong companies can, among other things, attract capital at lower rates, which results in an overall lower cost of capital and, therefore, lower revenue requirements and rates to customers. This acquisition is entirely consistent with that regulatory philosophy. Prior to the acquisition, Chesapeake's cost of capital was significantly lower than that of Florida Public Utilities Company (FPUC). Subsequent to the acquisition, Chesapeake was able to refinance about \$29 million of FPUC's long term debt at lower rates and will continue to be able to refinance high cost FPUC debt in the future when the debt instruments allow. Consequently, FPUC is a stronger company better able to provide superior service to its customers and to do so at reasonable rates.*

Florida Public Utilities Company  
Docket No. 110133-GU  
Total Net Operating Cost Savings by Year

Exhibit 3.1

	2009	2010	2011	2012	2013	2014	Total Anticipated Net Savings
Operating Cost Savings - Fuel (FGT Turn Back)	\$0	\$392,194	\$941,266	\$941,266	\$941,266	\$941,266	\$4,157,258
Operating Cost Savings - Cost of Capital	\$0	\$330,124	\$330,124	\$330,124	\$330,124	\$330,124	\$1,650,620
Operating Cost Savings - Personnel Related	\$0	\$2,113,468	\$4,818,100	\$5,425,590	\$5,588,358	\$5,756,009	\$23,701,525
Operating Cost Savings - Corporate	\$0	\$1,052,757	\$1,084,340	\$1,116,870	\$1,150,376	\$1,184,887	\$5,589,230
Operating Cost Increases - Personnel Related	\$0	(\$197,271)	(\$893,671)	(\$982,707)	(\$1,012,188)	(\$1,042,554)	(\$4,128,391)
Operating Cost Increases - Corporate & Benefits	\$0	(\$101,815)	(\$559,181)	(\$575,956)	(\$593,235)	(\$611,032)	(\$2,441,218)
<b>Total Net Operating Cost Savings</b>	<b>\$0</b>	<b>\$3,589,457</b>	<b>\$5,720,977</b>	<b>\$6,255,187</b>	<b>\$6,404,701</b>	<b>\$6,558,701</b>	<b>\$28,529,024</b>
<b>Acquisition Premium &amp; Regulatory Assets</b>							
<b>Revenue Requirements - Straight Line Method</b>							
	2009	2010	2011	2012	2013	2014	Total Revenue Requirements
Revenue Requirement (Acquisition Premium)	\$919,371	\$5,448,661	\$5,323,923	\$5,199,185	\$5,074,448	\$4,949,710	\$26,915,299
Revenue Requirement (Regulatory Assets)	\$133,327	\$773,794	\$725,483	\$677,171	\$628,860	\$484,564	\$3,423,199
<b>Total Revenue Requirements - Straight Line Method</b>	<b>\$1,052,698</b>	<b>\$6,222,456</b>	<b>\$6,049,406</b>	<b>\$5,876,357</b>	<b>\$5,703,307</b>	<b>\$5,434,275</b>	<b>\$30,338,498</b>
<b>Net Savings (Costs) - Straight Line Method</b>	<b>(\$1,052,698)</b>	<b>(\$2,632,999)</b>	<b>(\$328,428)</b>	<b>\$378,831</b>	<b>\$701,394</b>	<b>\$1,124,426</b>	<b>(\$1,809,474)</b>
<b>Acquisition Premium &amp; Regulatory Assets</b>							
<b>Revenue Requirements - Modified Straight Line Method</b>							
	2009	2010	2011	2012	2013	2014	Total Revenue Requirements
Revenue Requirement (Acquisition Premium)	\$130,092	\$3,892,267	\$3,954,943	\$4,419,004	\$4,929,127	\$4,949,147	\$22,274,580
Revenue Requirement (Regulatory Assets)	\$86,452	\$570,864	\$872,428	\$815,918	\$628,792	\$484,549	\$3,459,004
<b>Total Revenue Requirements - Straight Line Method</b>	<b>\$216,544</b>	<b>\$4,463,132</b>	<b>\$4,827,371</b>	<b>\$5,234,922</b>	<b>\$5,557,919</b>	<b>\$5,433,697</b>	<b>\$25,733,584</b>
<b>Net Savings (Costs) - Modified Straight Line Method</b>	<b>(\$216,544)</b>	<b>(\$873,674)</b>	<b>\$893,606</b>	<b>\$1,020,266</b>	<b>\$846,782</b>	<b>\$1,125,004</b>	<b>\$2,795,440</b>

Exhibit 3.2

Summary of Customer Complaints with the Commission

Florida Public Utilities Company - Natural Gas

Beginning Period	Ending Period	Number of Complaints
<b><u>Pre-Acquisition</u></b>		
January 1, 2006	December 31, 2006	55
January 1, 2007	December 31, 2007	31
January 1, 2008	December 31, 2008	35
January 1, 2009	October 31, 2009	42
<b><u>Post-Acquisition</u></b>		
November 1, 2009	December 31, 2009	3
January 1, 2010	December 31, 2010	19
January 1, 2011	September 30, 2011	16
<b><u>Pre-Acquisition</u></b>		
Average Number of Complaints per Month		<b>3.54</b>
<b><u>Post-Acquisition</u></b>		
Average Number of Complaints per Month		<b>1.65</b>

Chesapeake Utilities - Florida Division

Beginning Period	Ending Period	Number of Complaints
<b><u>Pre-Acquisition</u></b>		
January 1, 2006	December 31, 2006	11
January 1, 2007	December 31, 2007	10
January 1, 2008	December 31, 2008	4
January 1, 2009	October 31, 2009	10
<b><u>Post-Acquisition</u></b>		
November 1, 2009	December 31, 2009	0
January 1, 2010	December 31, 2010	9
January 1, 2011	September 30, 2011	3
<b><u>Pre-Acquisition</u></b>		
Average Number of Complaints per Month		<b>0.76</b>
<b><u>Post-Acquisition</u></b>		
Average Number of Complaints per Month		<b>0.52</b>

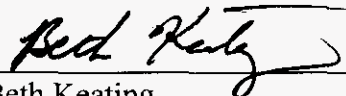
	(1) PROJECTED PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	██████████	██████████	██████████	██████████	██████████
AVERAGE RATE BASE	██████████	██████████	██████████	██████████	██████████
AVERAGE RATE OF RETURN	██████████		██████████		██████████
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	██████████	██████████	██████████	██████████	██████████
YEAR-END RATE BASE	██████████	██████████	██████████	██████████	██████████
YEAR-END RATE OF RETURN	██████████		██████████		██████████
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<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>			<b>IV. EARNED RETURN ON EQUITY (PROFORMA ADJUSTED BASIS)</b>		
LOW	6.99%		A.	INCL COMP RATE ADJ REVENUES	10.43%
MIDPOINT	7.46%		B.	EXCL COMP RATE ADJ REVENUES	10.43%
HIGH	7.94%				

	(1) PROJECTED PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	██████████	██████████	██████████	██████████	██████████
AVERAGE RATE BASE	██████████	██████████	██████████	██████████	██████████
AVERAGE RATE OF RETURN	██████████		██████████		██████████
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	██████████	██████████	██████████	██████████	██████████
YEAR-END RATE BASE	██████████	██████████	██████████	██████████	██████████
YEAR-END RATE OF RETURN	██████████		██████████		██████████
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>			<b>IV. EARNED RETURN ON EQUITY (PROFORMA ADJUSTED BASIS)</b>		
LOW	6.99%		A.	INCL COMP RATE ADJ REVENUES	9.68%
MIDPOINT	7.46%		B.	EXCL COMP RATE ADJ REVENUES	9.68%
HIGH	7.94%				

**CERTIFICATE OF SERVICE**

I HEREBY ATTEST that a true and correct copy of the foregoing has been served upon the following by U.S. Mail this 20th Day of October, 2011:

Patricia Christensen Office of the Public Counsel c/o The Florida Legislature 111 West Madison St., Rm. 812 Tallahassee, FL 32399-1400	Keino Young, Esquire Office of the General Counsel Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850
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