

Eric Fryson

From: Keating, Beth [BKeating@gunster.com]
Sent: Thursday, October 18, 2012 12:51 PM
To: Filings@psc.state.fl.us
Cc: Martha Brown; 'Martin, Cheryl'
Subject: Docket No. 120229-GU
Attachments: 20121018124309630.pdf.pdf

Attached for electronic filing, please find the Florida Division of Chesapeake Utilities Corporation's Responses to Commission Staff's First Data Requests in the referenced docket.

a. Person responsible for this electronic filing:

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b. Docket No. 120229 – GU - **Petition of the Florida Division of Chesapeake Utilities Corporation for approval of special contract with Suwannee American Cement LLC.**

c. On behalf of: Florida Division of Chesapeake Utilities Corporation

d. There are a total pages: 4

e. Description: Responses to Commission Staff's First Data Requests



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10/18/2012



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October 18, 2012

VIA ELECTRONIC FILING - FILINGS@PSC.STATE.FL.US

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

Re: Docket No. 120229-GU - Petition of the Florida Division of Chesapeake Utilities Corporation for approval of special contract with Suwannee American Cement LLC.

Dear Ms. Cole:

Attached for electronic filing, please find the Florida Division of Chesapeake Utilities Corporation's Responses to Commission Staff's First Data Requests in the above-referenced matter.

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

Sincerely,

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DOCUMENT NUMBER-DATE

07108 OCT 18 02

**FLORIDA DIVISION OF CHESAPEAKE
UTILITIES CORPORATION'S RESPONSES TO
STAFF'S FIRST DATA REQUEST**

Re: Docket No. 120229-GU - Petition of the Florida Division of Chesapeake Utilities Corporation for approval of special contract with Suwannee American Cement LLC.

1. What monthly payments has Suwannee made over the past five years?

Company Response: Suwannee has made monthly payments of \$20,075 from the inception of the Special Contract (November 2002) through December 2010. Beginning in January 2011, Suwannee has been receiving service under the Competitive Rate Adjustment (CRA) option and has paid \$5,475 per month. It is expected that Suwannee will pay this amount through the end of the current Special Contract, which expires October 31, 2012.

Suwannee is now operated by a new senior management team. Suwannee first approached the Company with concerns about the level of the monthly rate in the Special Contract as compared to the overall cost of service, as demonstrated in the original filing of the Special Contract with the Commission in Docket No. 011620. The CRA rate is the result of approximately two (2) years of extensive discussions between Suwannee and the Company. The Company was able to avoid a bypass, and retain a beneficial revenue stream from this customer.

After extensive negotiations, the Company and Suwannee agreed on two principal points: 1) Suwannee would receive a discount, through the CRA, for the period beginning at the approximate date these discussions commenced, January 1, 2011, through October 31, 2012, the end of the initial term of the original Special Contract. The negotiated rate was set at a level that would avoid bypass but was also designed to recover the then-current cost of service; and 2) the Company and Suwannee would enter into a new Special Contract that would be brought forward to the Florida Public Service Commission (FPSC) for approval. The rate agreed upon in the new Special Contract also achieves the desirable results of avoiding bypass and recovering the current cost of service, as demonstrated in the instant filing.

To be clear, the CRA rate of \$5,475 per month will end as of the expiration of the initial Special Contract (October 31, 2012) and is not filed herein as a part of the new Special Contract. The CRA document contained in the filing was included simply to notify the FPSC on the use of this mechanism as described above, to facilitate continued good customer relations with Suwannee, continuation of the significant benefits provided by the original Special Contract to the general body of ratepayers and continuation of service to the Suwannee facility.

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2. How often, if ever, has Chesapeake sought a Competitive Rate Adjustment for service provided to Suwannee, and for what amounts?

Company Response: As stated in response to Question 1, Suwannee has requested and the Company has agreed to provide service to Suwannee under the CRA mechanism only since January 1, 2011 through the termination date of the existing Special Contract of October 31, 2012. The CRA provides for a rate of \$5,475 per month which avoids the cost for Suwannee to bypass the Company. In addition, the \$5,475 per month recovers the cost of service to Suwannee for the existing Company facilities. The difference between the Special Contract rate of \$20,075 per month and the CRA rate of \$5,475 is expected to be collected from the general body of rate payers through the approved CRA mechanism in 2013.

3. In the absence of the proposed Special Contract, what Chesapeake tariff would apply, and what would be the monthly payment by Suwannee?

Company Response: The Company performs an annual rate review of all customers on tariff rates. Since the Company's tariff rates are all based on annual volumes consumed, the previous calendar year usage is reviewed for every customer, except for Special Contract customers. If Suwannee were not on a Special Contract rate, based upon their 2011 usage of 53,280 therms, they would have qualified for FTS-6 (50,000 to 100,000 therms annually) beginning January 2012. For all months of 2012, Suwannee would have paid a Firm Transportation Charge of \$600.00 per month and a Usage Charge of \$0.15137 per therm, plus the Temporary Environmental Surcharge of \$28.85 per bill; an Energy Conservation Cost Recovery Charge of \$0.01970 per therm and the CRA Surcharge of \$0.00124 per therm. Suwannee would continue to purchase the natural gas commodity from an approved Marketer.

4. Does Chesapeake anticipate seeking Competitive Rate Adjustments for the difference between the standard tariff rate and the rate specified in the Special Contract?

Company Response: No. Under the new Special Contract, Suwannee would pay the Monthly Rate of \$4,563.28. No Competitive Rate Adjustment would apply.

5. What impact will the Special Contract have on Chesapeake's general body of ratepayers due to the difference between the standard tariff rate and the rate specified in the Special Contract?

Company Response: The new Special Contract will not have any impact on Chesapeake's general body of ratepayers until the next rate case. As shown on the Cost of Service filed with the petition, the Monthly Rate of \$4,563.28 continues to provide benefits to the general body of ratepayers. The previous rate of \$20,075 per month created

a significant subsidy to the general body of ratepayers that they enjoyed for over eight (8) years. Suwannee is expected to continue to provide benefits to the general body of ratepayers throughout the life of the assets used to provide service to Suwannee.

6. What would be the impact to other Chesapeake ratepayers if Suwannee opted for service from another supplier?

Company Response: If Suwannee were to bypass the Company, all of the facilities used to provide service to Suwannee would be retired from the Company's books. As such, the impact would be negligible.

7. How much pipeline capacity is associated with the previous monthly fee of \$20,075 and the proposed monthly fee of \$4,563.28?

Company Response: None. All of the pipeline capacity costs are charged to Suwannee from their Marketer.

8. For the past 5 years, what were the monthly number of days that Chesapeake recalled from Suwannee any relinquished FGT pipeline capacity?

Company Response: The Company did not recall any FGT pipeline capacity during the past 5 years.

9. In the absence of requiring Suwannee to provide an irrevocable letter of credit or surety bond under the new contract, how are Chesapeake and its general body of ratepayers protected from default by Suwannee?

Company Response: Suwannee has paid, over the life of the existing Special Contract over \$2,000,000 on an investment of \$343,241; therefore, the Company does not believe that the general body of ratepayers is at any risk in the unlikely event of default from Suwannee.