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July 17, 2013

BY HAND DELIVERY

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

RECEIVED - FPSC
13 JUL 17 PM 3:43
COMMISSION
CLERK

Re: Docket 130136 -- Petition for approval of assumption of special contract with JDC Development, LLC by the Florida Division of Chesapeake Utilities Corporation.

Dear Ms. Cole:

Enclosed for filing, please find the original and five (5) copies of the Florida Division of Chesapeake Utilities Corporation's Responses to Commission Staff's Second Data Requests to the Company in the above-referenced docket.

As always, thank you for your assistance with this filing. If you have any questions whatsoever, please do not hesitate to contact me.

Kind regards,

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

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Docket No. 130136-GU -- Petition for approval of assumption of special contract with JDC Development, LLC by the Florida Division of Chesapeake Utilities Corporation.

CHESAPEAKE UTILITIES' RESPONSES TO STAFF'S SECOND DATA REQUEST

1. Please refer to the Company Response to Question 1 of Staff's First Data Request.

(a) Are any former Ft. Meade facilities intended to be used to serve JDC?

Company Response:

No. At this time there are no facilities in Ft Meade that will be used to serve JDC. It is, however, anticipated that personnel located in the Company's Winter Haven office, as well as an employee of the City who will likely be retained by the Company, will be utilized to serve this customer, as well the customers served by our nearby facilities located in Winter Haven, Florida.

(b) Does the acquisition of the Ft. Meade infrastructure have to be completed before the Company would be able to serve JDC?

Company Response:

No. The Company is positioned to serve JDC from our Winter Haven office which is located near this area of Florida. With regard to the Company's response to Staff's First Data Requests, the Company clarifies that the reference to Fort Meade therein was merely offered as an example of the Company's active and ongoing expansion plans in the area and to highlight that the Company is able to serve the customer with CFG facilities and without creating territorial issues.

(c) Please provide an estimated date for the completion of the purchase of Ft. Meade; also, if a corporate entity other than the Florida Division of Chesapeake Utilities Corporation/Central Florida Gas ('CFG' or the 'Company') is making the purchase, please indicate which entity.

Company Response:

At this time, Chesapeake Utilities Corporation is planning to purchase the Ft Meade facilities. We have not completed final negotiations or due diligence. If the purchase is completed as management currently expects, it will be completed before year end 2013. The Company, however, emphasizes that the Ft. Meade purchase is not integral to the Company providing service to JDC.

2. Please refer to the Company Response to Question 3 of Staff's First Data Request. For each year of the contract between the Company and JDC, please provide the projected total dollars the Company will spend on JDC conservation programs, the names of the programs included in the expense projections, and state the projected annual impact on the 20-term residential customer bill.

Company Response:

We are not aware of which programs that JDC will plan to take advantage of during the contract period. The Company would be eligible to participate in a variety of programs discussed in our response to the First Data Request, but we are not aware of the Company's specific plans for future utilization of Conservation Programs outside of their ability to participate as they deem appropriate. As such, the Company has not developed any expense projections associated with JDC's participation in any conservation programs.

The Company notes that JDC would only be able to participate in programs for which it is eligible in accordance with Commission-approved program criteria and that any costs associated with JDC's participation would be subject to audit in the context of the Commission's conservation cost recovery proceeding. In any event, however, the Company believes it unlikely that JDC's participation would have a significant impact to a residential customer bill similar to any other customer's participation has on overall conservation costs recovered through the clause.

3. Please refer to the Company Response to Question 8 of Staff's First Data Request.

(a) Please provide estimated dates for the placement of permanent electrical service by FPL and the completion of the installation of the Company gas service facilities to JDC.

Company Response:

The site work will be done by July 19, 2013 and the permanent electric is on track for July or August 2013. The Company was mistaken in the original response; the electrical service work is being completed by Duke Energy not FPL.

(b) Please describe what additional work needs to be performed to "finish up with the complete installation" to supply gas to JDC.

Company Response:

The remaining work to "finish up" includes installing rock and ground cover as well as installing the permanent electric service.

4. Please refer to Company Responses to Questions 9 and 10 of Staff's First Data Request.

(a) Please clarify the apparent differences between the nature of the assets and their indicated values as shown in the Company Response to Question 9 and the nature of the assets and their estimated values as shown on page 1 of the cost of service study submitted with the petition.

Company Response:

The original estimate plans utilized the existing station and piping; however, FGT required us to replace the piping up to the station and a dual run coriolis measurement instead of the single run rotary installation that was used in the original estimate. These items increased the overall project by approximately \$180,000. The account numbers for mains and the gate station on the original project were different when the project was an intrastate project rather than a distribution project, however, the actual items did not change outside of the items disclosed above and the account number used.

(b) Do the assets listed in the Company Response to Question 9 represent investments installed to serve JDC that were not included in the cost of service study submitted with the petition? If yes, please explain why these investments were not included in the cost of service study.

Company Response:

No. The asset costs used in the cost of service were estimates; but the items were included in the cost of service study. Actual costs were higher primarily due to the extra work related to the Tap as described in response to 4a.

(c) Is any Company investment necessary to purchase the Ft. Meade infrastructure included in the cost of service study?

Company Response:

No, there are no costs related to the Ft Meade infrastructure included in the cost of service study.

(d) With the understanding that “the cost of service study was completed based on estimated values,” would any revisions to those estimates be appropriate based on the Company’s responses to Questions 4(a) through 4(c) above? If yes, please provide an updated cost of service study.

Company Response:

We have updated the cost of service study to reflect the most recent actual/remaining estimate values. See Attachment 4d. (portions confidential)

Florida Division of Chesapeake Utilities Corporation

**Cost of Service Study
JDC Development, LLC**

Attachment 4d.

Page 1 of 3

<u>Rate Base Assumptions:</u>	<u>Revised Proj. Rate Base</u>	<u>Actual as of 5/2013 Rate Base</u>
City Gate Station/Tap (Acct 379)	\$369,069	
Mains - Plastic (Acct 376.2)	\$24,458	
Meters (Acct 381)	\$0	
City Gate Station/ TAP Acct 371		\$291,417
Mains Acct 367		\$9,866
	<u>\$393,527</u>	<u>\$301,283</u>
Rate Base and Return Requirements		
Projected Investment in Plant - 13 Month Average	\$393,527	
Accumulated Depreciation - 13 Month Average	(\$8,001)	
13 Month Average Rate Base	<u>\$385,526</u>	
Return on Rate Base (Dec 31, 2012 ESR)	6.81%	
Return Requirements	<u>\$26,254</u>	
Less: Interest Expense	\$5,783	
Net Income after Taxes and Interest	<u>\$20,471</u>	
Divide by (1 - Tax Rate)	<u>61.43%</u>	
Taxable Income	<u>\$33,327</u>	
Income Taxes (due to Net Operating Loss Carryforwards used)	\$12,856	

Florida Division of Chesapeake Utilities Corporation

**Cost of Service Study
JDC Development, LLC**

Attachment 4d.

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Project Financing

Debt	29.69%
Equity, Zero Cap	70.31%
	<hr/>
	100.00%

Weighted Average Cost of Debt	1.50%
13 Month Average Rate Base	\$385,526
Interest Expense	<hr/>
	\$5,783

Taxes Other Than Income (TOTI)

Property Taxes	\$6,747
Reg Assess Fee	\$428
Total TOTI	<hr/>
	\$7,174

Cost of Service

Projected Operation & Maintenance	\$3,000
Depreciation	\$13,716
TOTI	\$7,174
Income Taxes	\$12,856
Return Requirements	\$26,254
Total Cost of Service	<hr/>
	\$63,000

Monthly Rate per Special Contract
Annual Revenues



Annual Revenue Excess (Deficiency)

Florida Division of Chesapeake Utilities Corporation
Cost of Service Study
JDC Development, LLC

ate Station/Tap (Acc Depreciation Expense / Accumulated Depreciation

Depr Rate	1	2	3	4	5	6	7	8	9	10	11	12
3.50%	\$1,076	\$1,076	\$1,076	\$1,076	\$1,076	\$1,076	\$1,076	\$1,076	\$1,076	\$1,076	\$1,076	\$1,076
A/D	\$1,076	\$2,152	\$3,228	\$4,304	\$5,380	\$6,456	\$7,532	\$8,608	\$9,684	\$10,760	\$11,836	\$12,912

ins - Plastic (Acct 37 Depreciation Expense / Accumulated Depreciation

Depr Rate	1	2	3	4	5	6	7	8	9	10	11	12
3.30%	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67
A/D	\$67	\$134	\$201	\$268	\$335	\$402	\$469	\$536	\$603	\$670	\$737	\$804

Meters (Acct 381) Depreciation Expense / Accumulated Depreciation

Depr Rate	1	2	3	4	5	6	7	8	9	10	11	12
4.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A/D	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Total Depreciation Expense / Accumulated Depreciation

	1	2	3	4	5	6	7	8	9	10	11	12
Depr Exp	\$1,143	\$1,143	\$1,143	\$1,143	\$1,143	\$1,143	\$1,143	\$1,143	\$1,143	\$1,143	\$1,143	\$1,143
A/D	\$1,143	\$2,286	\$3,429	\$4,572	\$5,715	\$6,858	\$8,001	\$9,144	\$10,287	\$11,430	\$12,573	\$13,716

Attachment 4

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13
\$1,076
\$13,988

13
\$67
\$871

13
\$0
\$0

13
\$1,143
\$14,859