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CONFIDENTIAL

DOCUMENT DESCRIPTION:

Chesapeake; FPUC (Keating) - (CONFIDENTIAL) Information contained in the joint petition for approval of modified cost allocation methodology and revised purchased gas adjustment calculation, specifically paragraph 21, lines 4 and 5, page 9.

***This document number has been assigned to a confidential document.**
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allocation would simply be an accounting change reflected in the allocations across the Companies' respective books.

20) The benefits of this revised approach are many for both Companies and will be further enhanced if Phase II is ultimately approved. For instance, the intrastate capacity costs associated with the recent proposed Haines City project on CFG's system (Docket No. 150031-GU) will be allocated across a larger body of customers, thereby reducing the impact on CFG's TTS Pool Shippers and customers. Likewise, capacity costs associated with recent large projects on FPUC's system, such as the Nassau County expansion (Docket No. 140189-GU) and the project in Palm Beach County (Docket No. 140190-GU) will also be allocated across a broader base of customers.

21) The end result will be a more equitable allocation of costs and the ability to better balance the costs of individual projects across the entire CHPK Florida system, instead of on a system-by-system basis. For example, the impact to aggregate the unreleased capacity and LDC interconnection related costs across the entire CHPK Florida system would be $.108 per therm, or an approximate increase of $.025 per therm to the PGA.

22) In Phase II, the Companies contemplate that the allocation of these costs would be expanded to include transportation service customers on FPUC's system, as well as Shippers on CFG's system that are not part of the TTS Pool. While the Companies believe that equity demands that these customers ultimately bear their fair portion of these intrastate capacity costs, the Companies also recognize that Shippers for these larger classes of customers provide service under contracts which will likely need to be amended to adjust for revised cost allocations. Subsequent implementation of Phase II will, therefore, allow the Companies time to conduct