GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

Writer's E-Mail Address: bkeating@gunster.com

September 8, 2015

BY E-PORTAL

Ms. Carlotta Stauffer, Clerk
Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: **Docket No. 150175 -GU-- Petition for approval of amendment to special contract with Orange Cogeneration Limited Partnership, by Florida Division of Chesapeake Utilities.**

Dear Ms. Stauffer:

Attached for filing, please find Florida Division of Chesapeake Utilities Corporation's Responses to Staff's First Data Requests to the Company in the 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

1. **Referring to the Petition at paragraph 7, please elaborate on the last sentence and the phrase ("... which better reflects the current use of capacity for Orange...").**

   Response:

   For over 20 years, the Florida Division of Chesapeake Utilities Corporation ("CHPK") has served the Orange ("Orange") cogeneration facility. Over the life of this relationship, Orange has had the opportunity to establish a direct connection with Florida Gas Transmission ("FGT"). As noted in the Company's Petition in this docket, the Orange facility is within 1000 feet of FGT's intrastate line, and Orange could construct an extension to interconnect with FGT at a cost of approximately $450,000, which it could recover in as little as three years. Thus, in spite of the lengthy business relationship between the Parties, the economic incentive for Orange to remain with CHPK was marginal. In recent years, not only has Orange had an incentive to establish a direct connection with FGT, minor changes in its usage have resulted in the existing contract with CHPK providing a reduced incentive to remain on CHPK's system. Specifically, Orange's usage has decreased, while at the same time there has been a recognition that the initial installation costs associated with facilities installed by CHPK to serve Orange have been largely recovered.

2. **Please explain the basis for the Bypass Avoidance Rate of $115,000 per year displayed on the CFTS Affidavit and explain why it increases by 3% per year.**

   Response:

   The Bypass Avoidance Rate of $115,000 per year represents the intrinsic value that Orange has assigned to securing an alternative to their existing CHPK capacity path based upon the anticipated construction costs for an interconnection with FGT. This represents Orange's business assessment as to the value of remaining with CHPK as opposed to establishing an interconnection with FGT. In negotiation of this contract, the parties agreed that this amount would be increased by 3% per year for the duration of the new contract period in partial recognition of anticipated construction cost increases over time. This was included in the CFTS Affidavit in order to be consistent with the parties' initial discussions back in 2010, when the Companies had agreed that Orange would transition to FTS-13 at the termination date of its then current agreement, recognizing that the MDQ and contemplated pressure delivery are higher than contemplated by the former FTS-13 tariff.

3. **Are any monies recovered in the Competitive Rate Adjustment (CRA) from this contract? If yes:**

   Response:

   No monies are being recovered through the Competitive Rate Adjustment for this contract.

a. **Is this the first time for this contract or has this occurred in the past?**
b. **What is the 2016 CRA factor (the cents per therm impact of this contract)?**
c. **Pursuant to which tariff provision would any CRA amounts associated with this contract be recoverable from the general body of ratepayers?**

Please refer to the Incremental Cost of Service Study, and its components, for the following questions.

4. **Are the incremental costs shown annual or monthly amounts?**

Response:

The incremental costs shown represent annual amounts.

5. **Referring to estimated O&M expenses, please explain the basis for the Overheads & Services (corp/bu) amount of $13,297.**

Response:

The O&M expense reflected in this petition are incorrectly stated at $13,297. The correct amount of O&M expense on Orange should be $27,864 per year. This amount represents estimated portion of the business overhead and services attributable to the Orange contract. The basis is Orange's estimated potential volume relative to the total CHPK system. While this correction represents an increase to the level of estimate O&M expense, the bypass avoidance rate still meets its cost to serve within two within the first two years of the new contract period.