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September 16, 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 electronic filing, please find a copy of the Florida Division of Chesapeake Utilities Corporation's Responses to Staff's Second Set of 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  
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Florida Division of Chesapeake Utilities Corporation's  
Response to Staff's Second Data Request  
FPSC Docket No. 150175-GU

- 1. Does the cost of service increase or decrease during the term of the contract? For each year of the contract after year one, please provide an estimated annual cost of service.**

Response:

While certain costs associated with the cost to serve cannot be definitively projected, generally speaking, one could expect the cost to serve to remain relatively constant or decline slightly.

Specifically, a cost of service study is typically done at a point in time based upon the best available information. There are several types of costs reflected in a study of this nature. Some are recurring costs and will continue as long as the facility is in use. These costs may vary in type and timing. For example, some expenses are only incurred once every several years, such as meter testing, while others may be applied as a consistent allocation, such labor. In both instances an estimate is made by applying a rate, intended to emulate the Consumer Price Index ("CPI"), to the data from the last study until present. The other types of cost associated with the study are related to the life of the assets themselves. For example, depreciation is applied as an equal amount over the life of the particular asset. As a result, it can be assumed that the costs would remain fairly consistent, or decrease as the depreciation goes away, over the contract term. Once depreciation goes away, if the asset remains in service, then you could expect the cost to serve to remain constant or increase with inflation. Changes in certain costs, however, may cause spikes in the cost to serve. For instance, labor costs can be impacted by labor contract changes, and prices for maintenance and repair may be impacted by changes in the market for certain components or materials. Thus, the Company cannot definitively state whether the cost of service will increase or decrease over the contract term.

With that said, based upon available data, attached as Attachment A are FPUC's estimates with regard to the cost to serve:

Florida Division of Chesapeake Utilities Corporation's  
 Response to Staff's Second Data Request  
 FPSC Docket No. 150175-GU

ATTACHMENT A

Response to Question #1

	New Contract Year 1	New Contract Year 2	New Contract Year 3	New Contract Year 4	New Contract Year 5	New Contract Year 6	New Contract Year 7	New Contract Year 8	New Contract Year 9	New Contract Year 10	New Contract Year 11	New Contract Year 12	New Contract Year 13	New Contract Year 14	New Contract Year 15	New Contract Year 16	New Contract Year 17	New Contract Year 18	New Contract Year 19	New Contract Year 20
Estimated Cost of Service	\$ 116,385	\$ 113,884	\$ 112,307	\$ 108,940	\$ 107,562	\$ 104,979	\$ 101,672	\$ 99,291	\$ 97,836	\$ 78,091	\$ 77,958	\$ 79,818	\$ 79,893	\$ 80,897	\$ 83,895	\$ 82,980	\$ 84,061	\$ 86,074	\$ 86,305	\$ 88,534