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STATE OF FLORIDA



DIVISION OF ECONOMICS
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Public Service Commission

August 22, 2017

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STAFF'S FIRST DATA REQUEST

Re: Docket No. 20170176-GU: Petition of the Florida Division of Chesapeake Utilities Corporation for Approval of Special Contract with Sebring Gas System, Inc.

Dear Ms. Keating:

By this letter and pursuant to subsection 366.04(2), Florida Statutes, Commission staff respectfully request the following information from the Florida Division of Chesapeake Utilities Corporation (Chesapeake) and Sebring Gas System, Inc. (Sebring).

- 1) How is Sebring currently receiving its gas supplies to serve customers in Desoto County? Does Sebring have an interconnection(s) with Florida Gas Transmission (FGT) and where is that interconnection in relation to the proposed Sebring Line?
- 2) Referring to Chesapeake's tariff provision on Special Contract Service discussed on page 4 of the petition, please discuss how Sebring, which is defined as a natural gas utility, falls within the definition of "Consumer." Consumer is defined on Sheet No. 6 of Chesapeake's tariff as "Any individual, firm or organization receiving Transportation Service at one premise" and different consumers are listed on tariff page Nos. 17 and 18 (residential, commercial, industrial, special purpose).
- 3) Please state how many and what mix (residential, commercial) new gas customers Sebring projects to serve in the City of Arcadia?
- 4) Please provide a map showing the location of the Sebring Lateral (interconnection with FGT, custody transfer station, etc.) in relation to existing infrastructure.
- 5) Did Sebring issue a Request for Proposals (RFP) to obtain construction cost estimates for the Sebring Lateral from other entities? If the answer is affirmative, please identify all respondents to the RFP and provide an explanation regarding why their proposals were rejected. If the answer is negative, please state why Sebring did not solicit competitive bids.

- 6) Did Sebring consider building the facilities itself in lieu of contracting with Chesapeake? If the answer is affirmative, please provide an estimate of what the costs to Sebring would be if it were to undertake the entire project itself.
- 7) Will Chesapeake need to obtain approval from any other state or local agencies to construct the Sebring Lateral? If the answer is affirmative, please provide a brief description of the approvals that will be required and an estimate of when they will be received.
- 8) When does Chesapeake anticipate that construction of the Sebring Lateral will commence and what is the estimated completion date? Also, please confirm that the proposed pipeline will not be “bare steel” construction.
- 9) Paragraph 9 of the petition refers to Exhibit B. Please confirm if the reference is to the pages titled *Incremental Cost of Service Study, Sebring Gas Company*, following Exhibit A to the special contract.
- 10) Referring to Exhibit A of the special contract, please respond to the following questions:
 - a) Please discuss the relation between the negotiated annual fixed rate (\$136,812) and the total operating cost (\$111,374). Is the annual fixed rate designed to recover Chesapeake’s annual cost of service of the Sebring Lateral, plus an additional amount?
 - b) Please explain why the monthly reservation charge is an annual fixed rate (divided into monthly increments) as opposed to a variable per therm usage charge?
 - c) If Sebring transports well below the Maximum Daily Transportation Quantity stated in the special contract during the month of December, for example, will the monthly reservation charge still be \$12,401?
 - d) Please discuss the reasoning in the variation in the monthly increments (e.g., \$12,401 for December through March vs. \$10,401 for August through November).
 - e) Section 3.1 of the special contract refers to the Minimum Daily Transportation Quantity as set forth in Exhibit A. Please state where in Exhibit A the Minimum Daily Transportation Quantity is shown.
 - f) Please explain what “MHTP: 6%” on page 2 of Exhibit A stands for.
- 11) Referring to the Incremental Cost of Service Study, please list the components and associated amounts (interconnection, pipe, meter, etc.) included in Cost of Plant/Rate Base (\$821,384).
- 12) To calculate the Return on Net Plant/Rate Base to be included in the cost of service, please explain why the calculation was not done as follows: \$714,604 x 5.67% (Dec 31,

Beth Keating, Esq.

Page 3

August 22, 2017

2016 ESR) = \$40,518 (return included in cost of service is \$42,744; please also refer to the Cost of Service Study provided in Docket No. 130136-GU for comparison)

13) Referring to the Incremental Cost of Service Study, Estimated O&M expenses, please explain:

- a) What costs are included under Miscellaneous, \$5,000?
- b) Please describe the work done by Chesapeake for Line Locating Expense (\$6,514)
- c) What is the significance of the calculation shown below the Estimated O&M Expenses table?

14) Referring to the Incremental Cost of Service Study, Estimated Income Taxes, please explain the derivation of the Tax Rate (65.03%). Should the number be $1 - \text{tax rate}$: $1 - 38.55\% = 61.45\%$?

Please file all responses electronically no later than Friday, September 1, 2017, via the Commission's website at www.floridapsc.com by selecting the Clerk's Office tab and Electronic Filing Web Form. Please contact me at sguffey@psc.state.fl.us or at 850.413.6204 if you have any questions.

Thank you,

/s/Sevini Guffey

Sevini Guffey
Public Utility Analyst 1

Cc: Office of the Commission Clerk