FILED JUL 31, 2013
DOCUMENT NO. 04409-13
FPSC - COMMISSION CLERK

GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

RECEIVED FPSC
13 JUL 31 PM 4: 11
COMMISSION
CLERK

July 31, 2013

BY HAND DELIVERY

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

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 Third 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

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

Florida Division of Chesapeake Utilities Corporation's Responses to Staff's Third Data Request

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

1. Based on the revised cost of service study submitted, please explain how the contract agreement will allow the Company to appropriately recover its costs of service ($63,000) after the initial term.

Company Response:

It is the Company's belief that this will be a long term relationship and that the contract will be extended beyond the initial stated term. The Company also anticipates that service to this customer may very well be expanded in scope over time, which will not only enhance the Company's recovery of the investment and cost of service, but provide additional benefits to the Company's general body of ratepayers. The flexibility of the contract terms also allows the Company the ability to change the pricing structure if the cost of service to this customer changes, and is determined to be necessary to provide service to this customer. As it currently stands, the cost of service study reflects that the projected annual revenues will more than cover the cost to serve.

Again, the Company does not believe that the new Special Contract results in any revenue shortfall. As demonstrated in the revised cost of service study submitted, the negotiated rate recovers the cost of providing service to JDC.[1] To the extent that this Special Contract rate recovers more than the cost to serve JDC, all other rate payers will enjoy the benefits of such over-recovery at least for the stated life of the contract – and likely longer. Similar to the situation addressed in Docket No. 120229-GU, the Company anticipates not only that it will continue to fully recover its costs to serve JDC, but that service to JDC will provide benefits to the Company's general body of ratepayers.

2. Please indicate why no estimate is included for investment (and associated depreciation) in meters.

Company Response:

Meters are included in the investment and associated depreciation as an item and part of the investment in the Measuring and Regulating Station Equipment, City gate station, 379 FERC account. <u>See</u> 18 Code of Federal Regulations, Parts 1- 199, Pt. 201, Account 379. The rules require that meters be included in this account as an item.

---

[1] Moreover, in the Company's next rate proceeding, the required cost of service study will allocate costs as appropriate among the rate classes, which will then be subject to Commission review. As an aside, the Company further notes that the initial capital investment to serve the customer was made by Peninsula, not the Company, thus there is somewhat of a reduced risk to the Company in assuming this contract.

GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

July 31, 2013

BY HAND DELIVERY

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

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 Third 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

Florida Division of Chesapeake Utilities Corporation's Responses to Staff's Third Data Request

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

1. Based on the revised cost of service study submitted, please explain how the contract agreement will allow the Company to appropriately recover its costs of service ($63,000) after the initial term.

Company Response:

It is the Company's belief that this will be a long term relationship and that the contract will be extended beyond the initial stated term. The Company also anticipates that service to this customer may very well be expanded in scope over time, which will not only enhance the Company's recovery of the investment and cost of service, but provide additional benefits to the Company's general body of ratepayers. The flexibility of the contract terms also allows the Company the ability to change the pricing structure if the cost of service to this customer changes, and is determined to be necessary to provide service to this customer. As it currently stands, the cost of service study reflects that the projected annual revenues will more than cover the cost to serve.

Again, the Company does not believe that the new Special Contract results in any revenue shortfall. As demonstrated in the revised cost of service study submitted, the negotiated rate recovers the cost of providing service to JDC.[1] To the extent that this Special Contract rate recovers more than the cost to serve JDC, all other rate payers will enjoy the benefits of such over-recovery at least for the stated life of the contract – and likely longer. Similar to the situation addressed in Docket No. 120229-GU, the Company anticipates not only that it will continue to fully recover its costs to serve JDC, but that service to JDC will provide benefits to the Company's general body of ratepayers.

2. Please indicate why no estimate is included for investment (and associated depreciation) in meters.

Company Response:

Meters are included in the investment and associated depreciation as an item and part of the investment in the Measuring and Regulating Station Equipment, City gate station, 379 FERC account. <u>See</u> 18 Code of Federal Regulations, Parts 1- 199, Pt. 201, Account 379. The rules require that meters be included in this account as an item.

---

[1] Moreover, in the Company's next rate proceeding, the required cost of service study will allocate costs as appropriate among the rate classes, which will then be subject to Commission review. As an aside, the Company further notes that the initial capital investment to serve the customer was made by Peninsula, not the Company, thus there is somewhat of a reduced risk to the Company in assuming this contract.

3. Please describe the Company's plan regarding how the investment in the infrastructure to serve JDC would be handled in the event that JDC were to terminate the contract after the initial term.

Company Response:

The Company has made this investment in the infrastructure as a long term investment. The terms of the contract provides for an annual renewal. It is the Company's belief that the scope of this project may increase, and expand, and the current contract provides for the ability to expand as needed. In the unlikely event that JDC were to terminate the contract after the initial term, the Company would first determine whether some or all of the facilities could be used to serve other customers, including any new customer at the JDC location in the event JDC were to terminate the contract due to cessation of its business functions. Thereafter, any facilities not appropriately deemed "used and useful" would be retired from the Company's books with minimal impacts to the general body of ratepayers.