



March 13, 2009

The Honorable Matthew M. Carter II, Chairman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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RE: Test Year Notification Pursuant to Rule 25-7.140, F.A.C.

Dear Chairman Carter:

The Florida Division of Chesapeake Utilities Corporation (the "Florida Division") intends to file a petition for a general rate increase proceeding with the Commission on or about May 15, 2009 and submits this letter in compliance with the notice requirements set forth in Rule 25-7.140, Florida Administrative Code.

As part of its notification, the Florida Division submits the following information:

A. Test Year

The Florida Division intends to use the projected twelve-month period ending December 21, 2010 as the appropriate test year in the general rate increase proceeding. This period represents both a calendar year period and the Florida Division's fiscal accounting period. The Florida Division also prepares internal budgets on a calendar year basis and has utilized its budget process as a basis to project revenues, expenses and capital expenditures for the projected test year. The Florida Division also believes that the projected test year is more representative of financial conditions that will be present when new rates are approved for implementation than any historical period.

B. Major Factors Necessitating an Increase in Rates

The following factors have significantly contributed to the need for a general rate increase proceeding with the Commission:

1. It has been approximately nine (9) years since the Florida Division has sought an increase in the overall revenue requirements of its operation. Its last general rate increase proceeding with the Commission was filed on May 15, 2000 in Docket

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Central Florida Gas Company
A Division of Chesapeake Utilities Corporation

No. 008108-GU. In that proceeding, the Commission authorized a midpoint return on equity (ROE) of 11.50%. The Florida Division's achieved ROE as of December 31, 2008 was 9.17%, with further erosion of earnings expected. The inability of the Florida Division to earn a fair and reasonable return on its investment adversely impacts its ability to maintain the financial strength to attract capital at reasonable costs and sustain the ability to expand its system to reliably meet the needs of the general public.

2. The Florida Division has experienced an overall decline in the natural gas usage of its industrial customers due primarily to plant closures and the downturn of the new construction market. The plant closures appear to be long-term or permanent.
3. Although the Florida Division has experienced significant residential and commercial customer growth since its last general rate increase proceeding, this growth has recently declined significantly.

The major cost items and their estimated impacts on revenue requirements are as follows:

1. O&M expense, including Depreciation and Taxes Other Than Income, increases since the last general rate proceeding: \$2.1 million
2. Increase in Rate Base (Growth, System Improvements, etc): \$1.1 million

C. Steps Taken to Avoid an Increase

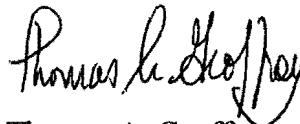
1. The Florida Division has lowered its cost of capital by utilizing low interest short term debt and lower interest long term debt at rates below embedded debt costs.
2. Beginning in 2008, the Florida Division implemented Automatic Meter Reading (AMR) equipment at all customer locations. The Florida Division expects that the installation of this equipment will reduce O & M expenses by approximately \$145,000 per year.
3. The Florida Division has utilized the "bonus" depreciation allowed on its Federal tax returns which has increased the level of Deferred Income Taxes, thus lowering the overall Cost of Capital.

D. Procedure

The Florida Division is requesting that the Commission process its petition for rate increase using the proposed agency action (PAA) process authorized in Section 366.06, Florida Statutes. The Florida Division will also be seeking interim rate relief pursuant to Section 366.071, Florida Statutes.

Sincerely,

**THE FLORIDA DIVISION OF CHESAPEAKE
UTILITIES CORPORATION**



Thomas A. Geoffroy
Vice President

cc: Honorable Lisa Polak Edgar, Commissioner
Honorable Katrina J. McMurrian, Commissioner
Honorable Nathan A. Skop, Commissioner
Honorable Nancy Argenziano, Commissioner
Dr. Mary A. Bane, Executive Director
Mr. Patrick L. "Booter" Imhof, General Counsel
Mr. Timothy J. Devlin, Director of Economic Regulation
Mr. Marshall Willis, Assistant Director/Division of Economic Regulation
Ms. Ann Cole, Commission Clerk
Mr. J.R. Kelly, Office of Public Counsel