

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: June 25, 2002
TO: Division of Competitive Markets and Enforcement (Makin)
FROM: Division of Auditing and Safety (Vandiver) W
RE: **Docket No.** 020003-GU; Chesapeake Utilities Corp., Florida Division; **Audit Purpose:** Purchased Gas Cost Recovery True-Up; **Audit Control No.** 02-032-3-2

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Jim Williams, Finance Manager
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Winter Haven, FL 33882-0960

Thomas A. Geoffroy
Chesapeake Utilities Corp., Florida Division
P. O. Box 960
Winter Haven, FL 33882-0960

DOCUMENT NUMBER - DATE

06665 JUN 27 8

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

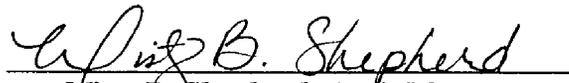
Orlando District Office

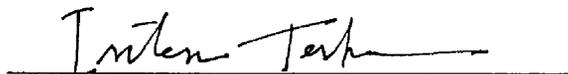
**CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION**

PURCHASED GAS ADJUSTMENT AUDIT

12-MONTH PERIOD ENDED DECEMBER 31, 2001

**DOCKET NO. 020003-GU
AUDIT CONTROL NO. 02-032-3-2**


Misty B. Shepherd, Audit Manager


Intesar Terkawi, Audit Staff


Charleston J. Winston, Audit Supervisor

**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

JUNE 13 , 2002

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Purchased Gas Adjustment schedules for the 12-month period ended December 31, 2001, for Chesapeake Utilities Corporation, Florida Division. These schedules were prepared by the company as part of its petition for purchased gas adjustment true-up in Docket No. 020003-GU.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all the financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Scanned - The documents or accounts were read quickly looking for obvious errors.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Verified - The item was tested for accuracy and compared to the substantiating documentation.

Schedules A-1 through A-6 - Compiled and recomputed sample months from the company's Schedules A-1 through A-6 for the period January 2001 through December 2001.

PGA Revenues - Traced and recomputed therm sales for the above-mentioned period to the company's monthly billing registers and general ledger. Recomputed a sample of customer bills to confirm that the company is using Commission-approved tariffs.

Cost of Gas - Verified therms and cost of gas purchased to the company-provided invoices.

True-Up - Verified true-ups to Commission Order No. PSC-00-2383-FOF-GU, issued December 12, 2000. Verified that the correct interest rates were applied to under or overrecovered amounts for the 12 months ended December 31, 2001.

ORIGINAL

COMPANY: FL DIV CUC
TOTAL COMPANY

COMPARISON OF ACTUAL VERSUS ORIGINAL ESTIMATE
OF THE PURCHASED GAS ADJUSTMENT COST RECOVERY FACTOR

SCHEDULE A-1
EXHIBIT NO _____
DOCKET NO. 010003-GU
CHESAPEAKE UTILITIES CORP.
JAW-1
PAGE ____ OF ____

ESTIMATED FOR THE PERIOD OF: JAN 01 Through DEC 01

	CURRENT MONTH:				PERIOD TO DATE				
	ACTUAL	REVISED ESTIMATE	DIFFERENCE		ACTUAL	REVISED ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
COST OF GAS PURCHASED									
1 COMMODITY (Pipeline)	2,050	3,261	(1,211)	-37.14	31,089	35,668	(4,579)	-12.84	
2 NO NOTICE SERVICE	3,043	3,043	0	0.00	26,175	26,175	0	0.00	
3 SWING SERVICE		0	0	0.00	281,873	0	281,873	0.00	
4 COMMODITY (Other)	167,260	259,212	(91,952)	-35.47	6,072,054	8,254,594	(2,182,540)	-26.44	
5 DEMAND	43,565	53,276	(9,711)	-18.23	1,411,657	1,738,133	(326,476)	-18.78	
6 OTHER	0	0	0	0.00	(1,400)	0	(1,400)	0.00	
LESS END-USE CONTRACT									
7 COMMODITY (Pipeline)	0	0	0	0.00	0	0	0	0.00	
8 DEMAND	0	0	0	0.00	0	0	0	0.00	
9	0	0	0	0.00	0	0	0	0.00	
10 Second Prior Month Purchase Adj. (OPTIONAL)	0	0	0	0.00	0	0	0	0.00	
11 TOTAL COST (1+2+3+4+5+6+10)-(7+8+9)	215,918	318,792	(102,874)	-32.27	7,821,448	10,054,570	(2,233,122)	-22.21	
12 NET UNBILLED	0	0	0	0.00	0	0	0	0.00	
13 COMPANY USE	0	0	0	0.00	0	0	0	0.00	
14 TOTAL THERM SALES	258,756	489,700	(230,944)	-47.16	7,681,621	11,976,006	(4,294,385)	-35.86	
THERMS PURCHASED									
15 COMMODITY (Pipeline) BILLING DETERMINANTS ONLY	554,470	829,870	(275,400)	-33.19	12,066,510	12,674,602	(608,092)	-4.80	
16 NO NOTICE SERVICE BILLING DETERMINANTS ONLY	515,840	515,840	0	0.00	4,436,460	4,436,460	0	0.00	
17 SWING SERVICE COMMODITY	0	0	0	0.00	238,960	0	238,960	0.00	
18 COMMODITY (Other) COMMODITY	539,090	829,870	(290,780)	-35.04	10,407,391	11,930,302	(1,522,911)	-12.77	
19 DEMAND BILLING DETERMINANTS ONLY	1,008,740	1,253,330	(244,590)	-19.52	23,503,030	26,697,306	(3,194,276)	-11.96	
20 OTHER COMMODITY	0	0	0	0.00	0	0	0	0.00	
LESS END-USE CONTRACT									
21 COMMODITY (Pipeline)	0	0	0	0.00	0	0	0	0.00	
22 DEMAND	0	0	0	0.00	0	0	0	0.00	
23	0	0	0	0.00	0	0	0	0.00	
24 TOTAL PURCHASES (+17+18+20)-(21+23)	539,090	829,870	(290,780)	-35.04	10,646,351	11,930,302	(1,283,951)	-10.76	
25 NET UNBILLED	0	0	0	0.00	0	0	0	0.00	
26 COMPANY USE	0	0	0	0.00	0	0	0	0.00	
27 TOTAL THERM SALES	440,773	830,000	(389,227)	-46.89	8,306,721	11,915,532	(3,608,811)	-30.29	
CENTS PER THERM									
28 COMMODITY (Pipeline) (1/15)	0.370	0.393	-0.023	-5.91	0.258	0.281	-0.024	-8.45	
29 NO NOTICE SERVICE (2/16)	0.590	0.590	0.000	0.00	0.590	0.590	0.000	0.00	
30 SWING SERVICE (3/17)	0.000	0.000	0.000	0.00	117.958	0.000	117.958	0.00	
31 COMMODITY (Other) (4/18)	31.026	31.235	-0.209	-0.67	58.344	69.190	-10.846	-15.68	
32 DEMAND (5/19)	4.319	4.251	0.068	1.60	6.006	6.511	-0.504	-7.75	
33 OTHER (6/20)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
LESS END-USE CONTRACT									
34 COMMODITY Pipeline (7/21)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
35 DEMAND (8/22)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
36 (9/23)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
37 TOTAL COST OF PURCHASES (11/24)	40.052	38.415	1.638	4.26	73.466	84.278	-10.812	-12.83	
38 NET UNBILLED (12/25)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
39 COMPANY USE (13/26)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
40 TOTAL COST OF THERMS SOLD (11/27)	48.986	38.409	10.578	27.54	94.158	84.382	9.776	11.59	
41 TRUE-UP (E-2)	4.803	4.803	0.000	0	4.803	4.803	0.000	0	
42 TOTAL COST OF GAS (40+41)	53.789	43.212	10.578	24.48	98.961	89.185	9.776	10.96	
43 REVENUE TAX FACTOR	1.00503	1.00503	0.00000	0	1.00503	1.00503	0.00000	0	
44 PGA FACTOR ADJUSTED FOR TAXES (42x43)	54.060	43.429	10.631	24.48	99.459	89.634	9.825	10.96	
45 PGA FACTOR ROUNDED TO NEAREST .001	54.060	43.429	10.631	24.48	99.459	89.634	9.825	10.96	

EXHIBIT I

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

FL DIV CUC

CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A-2
 EXHIBIT NO _____
 DOCKET NO. 010003-GU
 CHESAPEAKE UTILITIES CORP.
 JAW-1
 PAGE ____ OF ____

FOR THE PERIOD OF: JAN 01 Through DEC 01

	CURRENT MONTH: DECEMBER				PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST (A-1 lines 3,4)	167,260	259,212	91,952	35.474%	6,496,191	8,390,516	1,894,325	22.577%
2 TRANSPORTATION COST (A-1 lines 1,2,5 plus A-1(2) line 33,35,36)	48,658	59,580	10,922	18.332%	1,581,052	1,956,397	375,345	19.186%
3 TOTAL	215,918	318,792	102,874	32.270%	8,077,243	10,346,913	2,269,670	21.936%
4 FUEL REVENUES (NET OF REVENUE TAX)	258,756	489,700	230,944	47.160%	7,920,628	12,333,599	4,412,971	35.780%
5 TRUE-UP (COLLECTED) OR REFUNDED	(76,473)	(76,473)	0	0.000%	(917,676)	(917,676)	0	0.000%
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	182,283	413,227	230,944	55.888%	7,002,952	11,415,923	4,412,971	38.656%
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(33,635)	94,435	128,070	135.62%	(1,074,291)	1,069,010	2,143,301	200.494%
8 INTEREST PROVISION-THIS PERIOD (21)	(2,247)	3,003	5,250	174.846%	(95,439)	35,489	130,929	368.925%
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(1,448,396)	1,821,093	3,269,489	179.534%	(2,235,218)	(27,173)	2,208,045	-8125.879%
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	76,473	76,473	0	0.000%	917,676	917,676	0	0.000%
10a Adjustment	110,686	0	(110,686)	0.000%	1,190,153	0	(1,190,153)	0.000%
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	(1,297,119)	1,995,004	3,292,123	165.018%	(1,297,119)	1,995,002	3,292,122	165.018%
INTEREST PROVISION								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(1,448,396)	1,821,093	3,269,489	179.534%	add to line 4			
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	(1,405,558)	1,992,001	3,397,559	170.560%	If line 5 is a collection () subtract from line 4			
14 TOTAL (12+13)	(2,853,954)	3,813,094	6,667,048	174.846%				
15 AVERAGE (50% OF 14)	(1,426,977)	1,906,547	3,333,524	174.846%				
16 INTEREST RATE - FIRST DAY OF MONTH	2.020%	2.020%	0	0.000%				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.760%	1.760%	0.000	0.000%				
18 TOTAL (16+17)	3.780%	3.780%	0	0.000%				
19 AVERAGE (50% OF 18)	1.890%	1.890%	0	0.000%				
20 MONTHLY AVERAGE (19/12 Months)	0.158%	0.158%	0.00000	0.000%				
21 INTEREST PROVISION (15x20)	(2,247)	3,003	5,250	174.846%				

EXHIBIT II