

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Conservation Cost Recovery)
Clause.)

DOCKET NO. 950002-EG

FILED: October 31, 1995

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Prefiled Direct Testimony of William M. Nettles and Exhibit WMN-1 has been furnished by hand-delivery on this 31st day of October, 1995 to SHEILA L. ERSTLING, ESQ., Division of Legal Services, Florida Public Service Commission, Gunter Building, Room 370, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and by regular U.S. Mail to the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
In Re: Conservation Cost Recovery Clause
DIRECT TESTIMONY OF WILLIAM M. NETTLES
On Behalf of
Chesapeake Utilities Corporation
The Florida Division
Docket No. 950002-EG

- Q. Please state your name, business address, by whom you are employed, and in what capacity.
- A. My name is William M. Nettles, and my business address is 1015 6th Street N. W., Winter Haven, Florida 33881. I am employed by Chesapeake Utilities Corporation as Assistant Transportation & Exchange Coordinator/Conservation Services Analyst for the Florida Division.
- Q. Are you familiar with the energy conservation programs of Chesapeake and the costs which have been incurred in their implementation?
- A. Yes.
- Q. What is the purpose of your testimony in this docket?
- A. The purpose of my testimony is to present data and summaries concerning the planned and actual accomplishments of Chesapeake's energy conservation programs during the period October 1, 1994 through

1 September 30, 1995. Data related to calculation of
2 the true-up for this period is also included.

3 Q. Have you prepared summaries of Chesapeake's
4 conservation programs and the costs associated with
5 these programs?

6 A. Yes. Summaries of the five programs in connection
7 with which Chesapeake incurred recoverable costs
8 during the period October 1, 1994 through September
9 30, 1995 are contained in Schedule CT-6 of Exhibit
10 WMN-1. Included are our Single and Multi-Family
11 Home Builder Program, our Water Heater Replacement
12 Program, our Replacement of Electric Strip and Oil
13 Heating Program, our Natural Gas Space Conditioning
14 Program, and our Conservation Education Program.

15 Q. Have you prepared a schedule which shows the actual
16 expenditures associated with its energy
17 conservation program for this period?

18 A. Yes. Schedule CT-2, page 2, of Exhibit WMN-1 shows
19 actual expenses for the period. Schedule CT-2,
20 page 1, shows a comparison of the actual program
21 costs and true-up with the estimated costs and
22 true-up submitted at the March 1995 hearing in this
23 docket.

24 Q. What was the total cost incurred by Chesapeake in
25 connection with the five programs during the twelve

- 1 months ended September 30, 1995?
- 2 A. As shown in Exhibit WMN-1, Schedule CT-2, page 2,
3 total program costs were \$233,363. This total is
4 \$8,215 less than our projection of the program
5 costs for the twelve-month period.
- 6 Q. Have you prepared, for the twelve-month period
7 involved, a schedule which shows the variance of
8 actual from projected program costs by categories
9 of expenses?
- 10 A. Yes. Schedule CT-2, page 3, of Exhibit WMN-1 shows
11 these variances. Reasons for the variances are
12 included in Schedule CT-6 of Exhibit WMN-1.
- 13 Q. What is Chesapeake's adjusted net true-up for the
14 twelve months ended September 30, 1995?
- 15 A. We originally estimated an underrecovery, including
16 interest, of \$192,188. This projected true-up
17 amount was based on conservation revenues of
18 \$54,563 for the period October 1994 through
19 September 1995. However, sales during this period
20 actually yielded conservation revenues of \$181,039,
21 over projections by \$126,476. Adding expenses of
22 \$8,215 less than projected results in a total
23 difference, including interest, of \$137,120, as
24 shown on Schedule CT-1 of Exhibit WMN-1.
- 25 Q. Is this adjusted net true-up of \$137,120 an

1 overrecovery or underrecovery?

2 A. An overrecovery, as shown on Schedule CT-1 of
3 Exhibit WMN-1.

4 Q. Does this conclude your testimony?

5 A. Yes.

Exhibit _____ (WMN-1)

CHESAPEAKE UTILITIES CORPORATION

FLORIDA DIVISION

CONSERVATION COST RECOVERY TRUE-UP

October 1, 1994 through September 30, 1995

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SCHEDULE CT-1

COMPANY: Chesapeake Utilities Corporation
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ADJUSTED NET TRUE-UP
FOR MONTHS: OCTOBER 1994 THROUGH SEPTEMBER 1995

END OF PERIOD NET TRUE-UP

PRINCIPLE	52,324	
INTEREST	<u>2,744</u>	55,068

LESS PROJECTED TRUE-UP

PRINCIPLE	187,015	
INTEREST	<u>5,173</u>	<u>192,188</u>

ADJUSTED NET TRUE-UP

(137,120)

() REFLECTS OVER-RECOVERY

ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
ACTUAL VERSUS ESTIMATED

OCTOBER 1994 THROUGH SEPTEMBER 1995

	<u>ACTUAL</u>	<u>PROJECTED*</u>	<u>DIFFERENCE</u>
CAPITAL INVESTMENT	0	0	0
PAYROLL & BENEFITS	51,720	56,433	(4,713)
MATERIALS & SUPPLIES	9	0	9
ADVERTISING	36,377	47,749	(11,372)
INCENTIVES	134,664	125,366	9,298
OUTSIDE SERVICES	4,664	3,765	899
VEHICLES	5,792	8,265	(2,473)
OTHER	137	0	137
SUB-TOTAL	233,363	241,578	(8,215)
PROGRAM REVENUES	0	0	0
TOTAL PROGRAM COSTS	233,363	241,578	(8,215)
LESS:			
PAYROLL ADJUSTMENTS	0	0	0
AMOUNTS INCLUDED IN RATE BASE	0	0	0
CONSERVATION REVENUES APPLICABLE TO THE PERIOD	(181,039)	(54,563)	(126,476)
ROUNDING ADJUSTMENT	0	0	0
TRUE-UP BEFORE INTEREST	52,324	187,015	(134,691)
INTEREST PROVISION	2,744	5,173	(2,429)
END OF PERIOD TRUE-UP	55,068	192,188	(137,120)

(1) REFLECTS OVER-RECOVERY

* 2 MONTHS ACTUAL AND 10 MONTHS PROJECTED

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM
FOR MONTHS: OCTOBER 1994 THROUGH SEPTEMBER 1995

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: Single & Multi-Family Home Builder	0	26,740	9	4,588	116,867	0	3,426	0	151,630
PROGRAM 2: Water Heater Replacement	0	13,706	0	15,975	9,217	0	1,388	137	40,423
PROGRAM 3: Oil & Electric Strip Heat Replaceme	0	11,274	0	15,814	8,580	0	976	0	36,646
PROGRAM 4: Conservation Education	0	0	0	0	0	0	0	0	0
PROGRAM 5: Natural Gas Space Conditioning	0	0	0	0	0	0	0	0	0
PROGRAM 6: Common Costs	0	0	0	0	0	4,664	0	0	4,664
PROGRAM 7: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 8: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 9: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 10: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 11: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 12: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 13: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 14: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 15: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 16: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 17: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 18: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 19: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 20: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
TOTAL	0	51,720	9	36,377	134,664	4,664	5,792	137	233,363

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ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS OCTOBER 1994 THROUGH SEPTEMBER 1995

EXPENSES	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	TOTAL
PROGRAM 1	6,650	14,244	21,586	2,855	13,858	11,228	9,322	18,188	15,818	3,761	15,169	20,951	151,630
PROGRAM 2	3,114	5,384	3,104	1,617	4,945	3,636	3,077	3,606	3,909	1,183	2,785	3,859	40,423
PROGRAM 3	2,882	4,593	2,617	1,698	3,642	3,429	2,704	3,618	4,418	940	2,840	3,285	36,646
PROGRAM 4	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 5	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 6	225	668	641	0	0	1,502	0	0	0	0	0	0	0
PROGRAM 7	0	0	0	0	1,291	0	105	75	0	97	0	0	4,664
PROGRAM 8	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 9	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 10	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 11	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 12	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 13	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 14	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 15	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 16	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 17	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 18	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 19	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 20	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	12,871	24,889	27,948	6,170	23,736	19,795	15,210	23,689	24,145	5,081	20,794	23,135	233,363
LESS AMOUNT INCLUDED IN RATE BASE	0	0	0	0	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSERVATION EXPENSES	12,871	24,889	27,948	6,170	23,736	19,795	15,210	23,689	24,145	5,081	20,794	23,135	233,363

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS OCTOBER 1994 THROUGH SEPTEMBER 1995

CONSERVATION REVENUES	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY.	JUN.	JUL.	AUG.	SEPT.	TOTAL
1 RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2 OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
3 CONSERV. ADJ. REVS	(8,863)	(11,657)	(12,844)	(18,259)	(18,903)	(14,140)	(26,644)	(21,904)	(18,513)	(17,626)	(18,429)	(18,209)	(205,987)
4 TOTAL REVENUES	(8,863)	(11,657)	(12,844)	(18,259)	(18,903)	(14,140)	(26,644)	(21,904)	(18,513)	(17,626)	(18,429)	(18,209)	(205,987)
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	2,079	2,079	2,079	2,079	2,079	2,079	2,079	2,079	2,079	2,079	2,079	2,079	24,948
6 CONSERVATION REVS APPLICABLE TO THE PERIOD	(6,784)	(9,578)	(10,765)	(16,180)	(16,824)	(12,061)	(24,565)	(19,825)	(16,434)	(15,547)	(16,350)	(16,130)	(181,039)
7 CONSERVATION EXPS (FROM CT-3, PAGE 1)	12,871	24,899	27,948	6,170	23,736	19,795	15,210	23,689	24,145	8,981	20,794	28,135	233,363
8 TRUE-UP THIS PERIOD	6,067	15,311	17,183	(10,010)	6,912	7,734	(9,355)	3,864	7,711	(9,566)	4,444	12,009	52,324
9 INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	113	158	244	262	245	273	200	236	257	239	212	245	2,744
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	24,948	26,069	42,459	57,807	45,979	51,057	56,968	45,812	47,833	53,722	42,316	44,893	
11 PRIOR TRUE-UP COLLECTED (REFUNDED)	(2,079)	(2,079)	(2,079)	(2,079)	(2,079)	(2,079)	(2,079)	(2,079)	(2,079)	(2,079)	(2,079)	(2,079)	(2,079)
12 TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	28,069	42,459	57,807	45,979	51,057	56,968	45,812	47,833	53,722	42,316	44,893	55,068	55,068

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS OCTOBER 1994 THROUGH SEPTEMBER 1995

	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
INTEREST PROVISION													
1 BEGINNING TRUE-UP	24,848	29,269	42,459	57,807	45,879	51,057	58,866	45,812	47,833	53,722	42,318	44,893	
2 ENDING TRUE-UP BEFORE INTEREST	28,956	42,301	57,563	45,718	50,812	56,712	45,552	47,567	53,465	42,077	44,681	54,823	
3 TOTAL BEGINNING & ENDING TRUE-UP	53,804	71,369	100,022	103,525	96,792	107,770	102,537	93,400	101,299	95,799	86,997	99,716	
4 AVERAGE TRUE-UP (LINE 3 TIMES 50%)	26,902	35,685	50,011	51,762	48,396	53,885	51,269	46,705	50,649	47,890	43,498	49,858	
5 INTER RATE - 1ST DAY OF REPORTING MONTH	5.00%	5.00%	5.65%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	5.80%	5.80%
6 INTER RATE - 1ST DAY OF SUBSEQUENT MONTH	5.00%	5.65%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	5.80%	5.80%
7 TOTAL (SUM LINES 5 & 6)	10.00%	10.65%	11.65%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	11.60%	11.60%
8 AVG INTEREST RATE (LINE 7 TIMES 50%)	5.00%	5.33%	5.83%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	5.80%	5.80%
9 MONTHLY AVG INTEREST RATE	0.418%	0.444%	0.487%	0.500%	0.500%	0.507%	0.500%	0.500%	0.507%	0.498%	0.488%	0.481%	
10 INTEREST PROVISION (LINE 4 TIMES LINE 9)	113	158	244	262	245	273	260	236	257	238	212	245	2,144

SCHEDULE OF CAPITAL INVESTMENTS, DEPRECIATION, AND RETURN
 FOR MONTHS: OCTOBER 1994 THROUGH SEPTEMBER 1995

NOT APPLICABLE
 0
 0
 0

BEGINNING OF PERIOD CUMULATIVE INVESTMENT
 LESS ACCUMULATED DEPRECIATION
 NET INVESTMENT

DESCRIPTION	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
INVESTMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
DEPRECIATION BASE	0	0	0	0	0	0	0	0	0	0	0	0	0
DEPRECIATION EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE INVEST.	0	0	0	0	0	0	0	0	0	0	0	0	0
LESS ACCUM DEPR	0	0	0	0	0	0	0	0	0	0	0	0	0
NET INVESTMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
AVERAGE INVESTMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
RETURN ON AVG INVEST	0	0	0	0	0	0	0	0	0	0	0	0	0
RETURN REQUIREMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DEPR & RETURN	0	0	0	0	0	0	0	0	0	0	0	0	0

Exhibit No. _____
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CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION
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Schedule CT-5

CHESAPEAKE UTILITIES CORPORATION

FLORIDA DIVISION

Reconciliation and Explanation of Differences Between Filing
and PSC Audit Report for October 1994 through September 1995

NO DIFFERENCES AS OF THE DATE OF THIS FILING

Schedule CT-6
Page 1 of 5

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION
Program Description and Progress

Program Title:

Single and Multi-Family Home Builder Program

Program Description:

This program is designed to increase the number of high priority natural gas customers in the new home construction market. Incentives are offered in the form of gas appliance piping and venting allowances to assist builders with gas appliance installation.

Allowances:

Conservation allowances are currently:

\$220.00	energy-efficient natural gas water heater installation
\$220.00	natural gas home heating
\$ 38.00	energy-efficient natural gas range or dryer outlet

Program Accomplishments:

For the twelve-month period October, 1994 through September, 1995, we estimated that 200 new homes would be connected to the system. During this period, allowances were actually paid for building 241 new homes equipped with natural gas appliances.

Program Fiscal Expenditures:

During the twelve-month period, expenditures for this program totalled \$151,630.

Program Progress Summary:

Since the program's inception, 3,029 new homes have been equipped with efficient natural gas appliances. Company representatives continue to work closely with area builders to promote the installation of natural gas appliances in new homes.

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CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION
Program Description and Progress

Program Title:

Water Heater Replacement Program

Program Description:

This program is designed to encourage the replacement of electric resistance water heaters with energy-efficient natural gas water heaters. For the period October, 1994 through September, 1995, the program offered incentives of \$220.00 to homeowners and \$33.00 to installing dealers to assist in defraying the increased cost of piping and venting associated with gas water heater installations.

Program Accomplishments:

During the twelve-month period, October 1994 through September 1995, we estimated that 32 homeowners would replace their electric water heaters with energy-efficient natural gas models. In actuality, 40 water heaters were installed during this period.

Program Fiscal Expenditures:

Program costs totalled \$40,423 during the twelve-month period.

Program Progress Summary:

Since the program's inception, 901 natural gas water heaters have replaced electric models as a result of conservation allowances.

Schedule CT-6
Page 4 of 5

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION
Program Description and Progress

Program Title:
Conservation Education Program

Program Description:
The objective of this program is to teach adults and young people conservation measures designed to reduce energy consumption and consequently reduce their family's utility bills.

Program Accomplishments:
We continue to offer no-cost walk-through energy audits on the proper use of natural gas appliances and conservation tips to new gas customers, together with literature outlining the expected savings from using natural gas appliances when compared to electricity.

Program Fiscal Expenditures:
None

Program Progress Summary:
We continue to meet requests from schools and the community for speakers, and from the schools for conservation education materials.

Schedule CT-6
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CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION
Program Description and Progress

Program Title:

Natural Gas Space Conditioning Program

Program Description:

This program is designed to convert customers from electric space conditioning equipment to energy efficient natural gas space conditioning equipment. The program provides an allowance to qualifying participants to compensate for the higher initial costs of natural gas space conditioning equipment and its installation. The program will also help reduce summer kW demand and will assist in the conservation of kWh production.

Program Accomplishments:

No natural gas space conditioning units were installed which utilized the allowances available through this program.

Program Fiscal Expenditures:

None

Program Progress Summary:

No natural gas space conditioning units have been installed since this program began.