

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

TWELVE MONTHS ENDED SEPTEMBER 30, 1997

FIELD WORK COMPLETED

NOVEMBER 21, 1997

CHESAPEAKE UTILITIES CORPORATION, FLORIDA DIVISION

WINTER HAVEN, FLORIDA

POLK COUNTY

ENERGY CONSERVATION COST RECOVERY AUDIT

DOCKET NUMBER 970002-EG

AUDIT CONTROL NUMBER 97-161-3-1



IAN J. FORBES
AUDIT MANAGER/DISTRICT AUDIT SUPERVISOR
ORLANDO

12632-97

TABLE OF CONTENTS

	<u>Page</u>
I. EXECUTIVE SUMMARY	
AUDIT PURPOSE	1
SCOPE LIMITATION	1
DISCLAIM PUBLIC USE	1
OPINION	1
II. AUDIT SCOPE	1
III. EXHIBITS	
1. TRUE-UP CALCULATION	3
2. INTEREST PROVISION	4

I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures in Section II of this report to the appended Energy Conservation Program Costs, Schedules CT-3 (Exhibits I and II) filed by Chesapeake Utilities Corporation, Florida Division, in support of the Conservation Cost Recovery for the twelve-month period ended September 30, 1997. The last day of field work was November 21, 1997.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must 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 audit standards and produce audited financial statements for public use.

OPINION: Subject to the procedures described in Section II, Schedules CT-3 (Exhibits I and II) for the twelve-month period ended September 30, 1997, represent utility books and records that have been maintained in substantial compliance with Commission directives. The expressed opinions extend only to the scope of work described in Section II of this report.

II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below. When used in this section of the report, **COMPILED** defines completed audit work as:

COMPILED: means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity or inconsistency; and, except as otherwise noted, performed no other audit work.

ENERGY CONSERVATION COST RECOVERY REVENUES: Compiled Energy Conservation Revenues for the twelve-month period ended September 30, 1997. Recalculated conservation revenues for several months and agreed billing factors for all months to company billing register. Verified factors agreed to Commission orders.

ENERGY CONSERVATION COST RECOVERY EXPENSES: Compiled conservation expenses for each program. Tested and recalculated all payroll and benefit costs. Judgmentally tested a small sample of advertising expenses and incentive payments for proper program, classification, timing, and amount. Analyzed vehicle expenses to ensure consistency with prior periods. Tested 100 percent of common costs to ensure they were eligible for conservation cost recovery.

ENERGY CONSERVATION COST RECOVERY TRUE-UP: Recalculated company's exhibits for net true-up and interest provision. Verified use of the 30-day commercial paper rates as published in the Wall Street Journal.

OTHER: Reviewed company's Board of Directors' minutes for items impacting Energy Conservation Cost Recovery.

EXHIBIT I

		COMPANY: Chesapeake Utilities Corporation												
		Docket No. 87000-00												
		Exhibit 840-1												
		Page 8 of 14												
		ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION												
		FOR MONTHS OCTOBER 1988 THROUGH SEPTEMBER 1987												
		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	TOTAL
CONSERVATION REVENUES														
1.	RCB ADJUST 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	(14,827.52)	(17,818.44)	(22,288.82)	(28,204.52)	(22,843.28)	(17,878.41)	(13,188.82)	(17,261.88)	(13,268.27)	(13,888.49)	(12,827.22)	(13,521.82)	(170,402.50)
4.	TOTAL REVENUES	(14,827.52)	(17,818.44)	(22,288.82)	(28,204.52)	(22,843.28)	(17,878.41)	(14,188.82)	(17,261.88)	(13,268.27)	(13,888.49)	(12,827.22)	(13,521.82)	(210,402.50)
5.	PROR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(2,681.70)
6.	CONSERVATION REVS APPLICABLE TO THE PERIOD	(15,095.69)	(17,886.61)	(22,556.99)	(28,472.69)	(23,111.45)	(18,146.58)	(14,456.99)	(17,530.05)	(13,536.44)	(14,156.66)	(13,089.39)	(13,789.99)	(213,084.20)
7.	CONSERVATION EDPS (FROM CT-3, PAGE 1)	25,104.78	13,323.41	34,320.62	23,713.17	20,493.20	18,095.62	22,791.78	18,114.34	27,023.88	21,622.40	21,133.78	16,417.22	264,699.22
8.	TRUE-UP THIS PERIOD	8,822.91	(4,622.20)	12,084.87	(3,167.52)	(2,713.12)	61.02	4,228.94	1,104.46	13,771.11	7,871.74	8,342.32	2,828.58	42,322.82
9.	INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 2)	3.91	18.78	27.84	65.11	48.00	44.81	62.08	73.49	110.81	182.87	201.89	227.88	1,042.88
10.	TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(4,388.42)	8,822.91	1,822.80	14,020.88	11,313.78	8,018.78	10,320.81	14,513.48	16,023.82	30,817.41	38,917.41	42,327.48	
11.	PROR PERIOD TRUE-UP COLLECTIONS (ADVANCED)	268.17	268.17	268.17	268.17	268.17	268.17	268.17	268.17	268.17	268.17	268.17	268.17	2,681.70
12.	TOTAL NET TRUE-UP (SUM LINES 8-9+10-11)	5,822.91	1,822.91	14,020.88	11,313.78	8,018.78	9,286.81	14,842.48	18,286.82	20,817.41	30,817.41	47,827.48	52,027.48	52,045.50

EXHIBIT II

SCHEDULE C-3
PAGE 3 OF 3

COMPANY:

Chesapeake Utility Corporation
Account No. 870002-03
Sheet 848-1
Page 7 of 14

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS OCTOBER 1988 THROUGH SEPTEMBER 1987

	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	(4,388.43)	8,862.07	1,862.80	14,000.76	11,218.75	8,018.78	10,280.51	14,843.48	16,988.82	20,817.41	26,817.89	47,827.48	
2. ENDING TRUE-UP BEFORE INTEREST	8,868.78	1,876.04	14,013.84	11,208.83	8,872.79	10,228.02	14,883.82	18,488.13	20,708.83	28,888.22	47,828.28	88,728.89	
3. TOTAL BEGINNING & ENDING TRUE-UP	1,480.34	7,438.11	15,886.74	25,318.82	20,282.83	18,294.79	28,194.73	34,028.80	47,708.81	68,872.72	88,644.38	88,648.88	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	734.87	3,714.08	7,938.37	12,658.31	10,141.37	9,147.39	14,097.37	17,014.40	23,854.40	34,436.36	44,322.19	44,322.19	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	8.460%	8.380%	8.450%	8.500%	8.600%	8.430%	8.740%	8.820%	8.800%	8.820%	8.880%	8.900%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	8.200%	8.400%	8.500%	8.400%	8.400%	8.740%	8.820%	8.820%	8.820%	8.820%	8.820%	8.820%	
7. TOTAL (SUM LINES 5 & 6)	10.820%	10.820%	11.600%	11.600%	10.800%	11.170%	11.380%	11.220%	11.220%	11.200%	11.140%	11.000%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	5.410%	5.410%	5.700%	5.700%	5.400%	5.580%	5.690%	5.610%	5.610%	5.600%	5.570%	5.500%	
9. MONTHLY AVG INTEREST RATE	0.451%	0.451%	0.475%	0.475%	0.450%	0.458%	0.475%	0.458%	0.458%	0.458%	0.458%	0.450%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	33.21	918.78	827.04	888.11	848.08	844.81	898.06	873.69	878.81	878.87	837.09	827.88	11,042.83

M E M O R A N D U M

December 9, 1997

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) ^U

RE: DOCKET NO. 970002-EG -- CHESAPEAKE UTILITIES CORPORATION
CONSERVATION AUDIT REPORT - PERIOD ENDED SEPTEMBER 30, 1997
AUDIT CONTROL NO. 97-161-3-1

.....

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

Florida Division of Chesapeake Utilities Corporation
Thomas A. Geoffroy
Post Office Box 960
Winter Haven, Florida 33882-0960

DNV/sp
Attachment

cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Kiesling
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Dillmore)
Orlando District Office (Forbes)

Research and Regulatory Review (Harvey)
Office of Public Counsel

FLORIDA PUBLIC SERVICE COMMISSION
AUDIT REPORT
TWELVE MONTHS ENDED SEPTEMBER 30, 1997

FIELD WORK COMPLETED
NOVEMBER 21, 1997

CHESAPEAKE UTILITIES CORPORATION, FLORIDA DIVISION
WINTER HAVEN, FLORIDA
FOLK COUNTY

ENERGY CONSERVATION COST RECOVERY AUDIT
DOCKET NUMBER 970002-EG
AUDIT CONTROL NUMBER 97-161-3-1



IAN J. FORBES
AUDIT MANAGER/DISTRICT AUDIT SUPERVISOR
ORLANDO

TABLE OF CONTENTS

	<u>Page</u>
I. EXECUTIVE SUMMARY	
AUDIT PURPOSE	1
SCOPE LIMITATION	1
DISCLAIM PUBLIC USE	1
OPINION	1
II. AUDIT SCOPE	1
III. EXHIBITS	
1. TRUE-UP CALCULATION	3
2. INTEREST PROVISION	4

I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures in Section II of this report to the appended Energy Conservation Program Costs, Schedules CT-3 (Exhibits I and II) filed by Chesapeake Utilities Corporation, Florida Division, in support of the Conservation Cost Recovery for the twelve-month period ended September 30, 1997. The last day of field work was November 21, 1997.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must 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 audit standards and produce audited financial statements for public use.

OPINION: Subject to the procedures described in Section II, Schedules CT-3 (Exhibits I and II) for the twelve-month period ended September 30, 1997, represent utility books and records that have been maintained in substantial compliance with Commission directives. The expressed opinions extend only to the scope of work described in Section II of this report.

II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below. When used in this section of the report, **COMPILED** defines completed audit work as:

COMPILED: means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and, except as otherwise noted, performed no other audit work.

ENERGY CONSERVATION COST RECOVERY REVENUES: Compiled Energy Conservation Revenues for the twelve-month period ended September 30, 1997. Recalculated conservation revenues for several months and agreed billing factors for all months to company billing register. Verified factors agreed to Commission orders.

ENERGY CONSERVATION COST RECOVERY EXPENSES: Compiled conservation expenses for each program. Tested and recalculated all payroll and benefit costs. Judgmentally tested a small sample of advertising expenses and incentive payments for proper program, classification, timing, and amount. Analyzed vehicle expenses to ensure consistency with prior periods. Tested 100 percent of common costs to ensure they were eligible for conservation cost recovery.

ENERGY CONSERVATION COST RECOVERY TRUE-UP: Recalculated company's exhibits for net true-up and interest provision. Verified use of the 30-day commercial paper rates as published in the Wall Street Journal.

OTHER: Reviewed company's Board of Directors' minutes for items impacting Energy Conservation Cost Recovery.

EXHIBIT I

COMPANY: **Chesapeake Utilities Corporation**
 Docket No. 970000-00
 Exhibit 94B-1
 Page 5 of 14

**ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
 FOR MONTHS OCTOBER 1988 THROUGH SEPTEMBER 1987**

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	TOTAL
CONSERVATION REVENUES													
1. PCB 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	(14,857.59)	(17,818.44)	(22,289.89)	(28,254.52)	(23,842.25)	(17,878.41)	(18,188.89)	(17,281.89)	(13,368.37)	(13,958.49)	(12,827.28)	(13,571.99)	(718,422.58)
4. TOTAL REVENUES	(14,857.59)	(17,818.44)	(22,289.89)	(28,254.52)	(23,842.25)	(17,878.41)	(18,188.89)	(17,281.89)	(13,368.37)	(13,958.49)	(12,827.28)	(13,571.99)	(718,422.58)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(268.17)	(4,394.98)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(15,223.76)	(17,818.44)	(22,828.06)	(28,879.89)	(23,208.42)	(18,146.58)	(18,864.82)	(17,827.89)	(13,722.84)	(13,821.89)	(12,889.43)	(13,888.16)	(714,798.20)
7. CONSERVATION EPS (FROM CT-1, PAGE 1)	28,162.78	13,322.41	34,768.83	23,713.17	26,485.26	18,768.43	22,791.79	13,814.34	27,893.89	21,893.40	21,128.78	18,417.82	394,899.22
8. TRUE-UP THIS PERIOD	8,882.01	(4,882.20)	13,884.87	(3,187.82)	(2,713.13)	891.08	4,238.94	1,188.48	13,771.11	7,871.74	8,242.32	2,838.86	48,882.83
9. BETER. PRIOR. THIS PERIOD (FROM CT-1, PAGE 2)	3.21	18.78	27.94	80.11	48.00	44.81	68.88	73.49	110.81	182.57	281.08	227.89	1,942.83
10. TRUE-UP & BETER. PRIOR BECOMING OF MONTH	(4,388.42)	5,882.07	1,882.80	14,089.88	11,318.79	8,211.79	10,280.81	14,843.48	18,888.82	20,817.41	28,817.89	47,827.48	1,942.83
11. PRIOR TRUE-UP COLLECTED (REPERCUSS)	268.17	268.17	268.17	268.17	268.17	268.17	268.17	268.17	268.17	268.17	268.17	268.17	3,942.83
12. TOTAL NET TRUE-UP (SUM LINES 8-11)	8,877.87	1,882.80	14,082.88	11,318.79	8,018.78	10,280.81	14,843.48	18,888.82	20,817.41	28,817.89	47,827.48	80,888.18	80,842.83

EXHIBIT D

SCHEDULE CT-3
PAGE 3 OF 3

COMPANY

Chesapeake Utilities Corporation
Docket No. 87002-EG
Exhibit B4B-1
Page 7 of 14

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS OCTOBER 1988 THROUGH SEPTEMBER 1989

INTEREST PROVISION	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
1. BEGINNING TRUE-UP	(4,288.42)	5,852.07	1,582.80	14,000.00	11,318.75	8,018.78	10,200.81	14,843.48	18,988.82	30,817.41	38,017.88	47,827.48	
2. ENDING TRUE-UP BEFORE INTEREST	5,859.79	1,999.04	14,013.84	11,299.83	8,872.79	10,226.00	14,863.82	18,488.13	20,708.90	36,855.32	47,828.38	58,722.48	
3. TOTAL BEGINNING & ENDING TRUE-UP	1,489.34	7,428.11	15,596.74	25,310.82	26,202.53	18,254.78	25,064.73	31,038.60	47,276.81	68,672.72	85,846.26	106,548.95	
4. AVERAGE TRUE-UP (LINE 3 TIMES 60%)	794.67	3,714.06	7,795.37	12,695.31	15,148.27	9,672.89	12,652.37	15,719.20	22,639.28	34,639.38	43,322.13	49,274.88	
5. ENTER RATE - 1ST DAY OF REPORTING MONTH	8.440%	8.380%	8.450%	8.500%	8.450%	8.420%	8.740%	8.620%	8.600%	8.620%	8.500%	8.560%	
6. ENTER RATE - 1ST DAY OF SUBSEQUENT MONTH	8.380%	8.450%	8.500%	8.450%	8.420%	8.740%	8.620%	8.600%	8.620%	8.500%	8.560%	8.530%	
7. TOTAL (SUM LINES 5 & 6)	16.820%	16.830%	16.950%	16.950%	16.870%	17.180%	17.360%	17.220%	17.220%	17.120%	17.060%	17.090%	
8. AVG INTEREST RATE (LINE 7 TIMES 60%)	8.410%	8.410%	8.470%	8.470%	8.420%	8.500%	8.590%	8.530%	8.510%	8.460%	8.430%	8.440%	
9. MONTHLY AVG INTEREST RATE	0.481%	0.481%	0.479%	0.479%	0.485%	0.480%	0.475%	0.468%	0.468%	0.467%	0.456%	0.452%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	\$3.31	\$18.79	\$57.04	\$90.11	\$48.00	\$44.81	\$59.88	\$73.48	\$110.51	\$182.57	\$201.09	\$227.69	\$1,042.82

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYÓ
DIRECTOR
(850) 413-6770

Public Service Commission

December 11, 1997

Mr. Stephen Thompson
Florida Division of Chesapeake Utilities Corporation
Post Office Box 690
Winter Haven, Florida 33882-0960

Re: Docket No. 970003 - GU - Florida Division of Chesapeake Utilities Corporation
PGA Audit Report - Period Ended September 30, 1997
Audit Control # 97-161-3-1

Dear Mr. Thompson:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayó

BSB/clc
Enclosure
cc: Public Counsel
Gatlin Law Firm