

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Natural Gas Conservation Cost Recovery

Docket No. 030004-GU

**PETITION OF THE FLORIDA DIVISION OF CHESAPEAKE UTILITIES
CORPORATION FOR APPROVAL OF
CONSERVATION COST RECOVERY FACTORS**

THE FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION (the Company), pursuant to Rule 25-17.015, Florida Administrative Code, hereby submits this petition to the Commission for approval of its conservation cost recovery factors listed herein below to be applied to bills rendered for meter readings taken between January 1, 2004 and December 31, 2004. In support hereof, the Company states:

1. The exact name of the Company and the address of its principal business office is:

Chesapeake Utilities Corporation
Florida Division
1015 Sixth Street NW
P.O. Box 960
Winter Haven, Florida 33882-0960

2. The name and address of the person authorized to receive notices and communications in respect to this docket is:

Wayne L. Schiefelbein, Esquire
Of Counsel
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Dr.
Tallahassee, Florida 32301
(Ph) 850-877-6555
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Attorneys for Chesapeake Utilities Corporation, Florida Division

3. The conservation cost recovery factors were calculated in accordance with the methodology that has been previously approved by the Commission. The factors are

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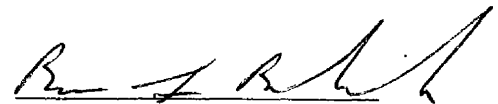
designed to recover the projected conservation program expenses of the Company for the period January 1, 2004 through December 31, 2004, adjusted for the net true-up (which includes the estimated conservation true-up for the period January 1, 2003 through December 31, 2003), as well as interest calculated in accordance with the methodology established by the Commission. The calculation of the factors and the supporting documentation is contained in the prepared testimony of the Company witness, Brian S. Bilinski.

4. The Company projects total conservation program expenses, net of all program revenues, of \$936,772 for the period January 2004 through December 2004. The projected net true-up is an overrecovery of \$92,442. After adding the projected conservation expenses to the amount of this underrecovery, a total of \$844,330 remains to be recovered during the period January 1, 2004 through December 31, 2004. Dividing this total among the Company's rate classes, excluding customers who are on market-based rates, and then dividing this result by the projected gas throughput for the period by rate class, and expanding for taxes, results in the following conservation adjustment factors for which the Company seeks approval in this petition.

Rate Class	Adjustment Factor (cents per therm)
TS-1	12.762
TS-2	6.704
TS-3	4.020
TS-4	3.155
TS-5	2.807
TS-6	2.134
TS-7	1.333
TS-8	1.103
TS-9	.967

WHEREFORE, THE FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION prays the Commission will grant this petition, and approve the above conservation adjustment factors to be applied to bills rendered for meter readings taken between January 1, 2004 and December 31, 2004, inclusive.

RESPECTFULLY submitted this 26th day of September 2003.



Brian S. Bilinski
Accounting and Rates Manager
Chesapeake Utilities Corporation
Florida Division
1015 Sixth Street NW
Winter Haven, Florida 33882
(863) 293-2125 x2913

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 In Re: Natural Gas Conservation Cost Recovery

3 DIRECT TESTIMONY OF BRIAN S. BILINSKI

4 On behalf of

5 The Florida Division of Chesapeake Utilities Corporation

6 DOCKET NO. 030004-GU

7 Q. Please state your name, occupation, and business address.

8 A. My name is Brian S. Bilinski. I am the Accounting and Rates Manager of the Florida Division
9 of Chesapeake Utilities Corporation. My business address is 1015 6th Street, N. W., Winter
10 Haven, Florida 33881.

11 Q. Describe briefly your educational background and relevant professional background.

12 A. I have a Bachelor's of Science degree in Accounting from St. Peter's College in Jersey City,
13 New Jersey and a Master's in Business Administration from Stetson University in Deland,
14 Florida. I have been employed in the water and wastewater industry in Florida for over twenty
15 years. I was first employed by the Florida Division of Chesapeake Utilities Corporation in June
16 2002 as the Accounting and Rates Manager.

17 Q. Are you familiar with the energy conservation programs of the Company and costs which have
18 been, and are projected to be, incurred in their implementation?

19 A. Yes.

20 Q. What is the purpose of your testimony in this docket?

21 A. To describe generally the expenditures made and projected to be made in implementing,
22 promoting, and operating the Company's energy conservation programs. This will include
23 recoverable costs incurred in January through August 2003 and projections of program costs to
24 be incurred from September through December 2003. It will also include projected
25 conservation costs for the period January 2004 through December 2004, with a calculation of

1 the conservation adjustment factors to be applied to the customers' bills during the collection
2 period of January 1, 2004 through December 31, 2004.

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

5 A. Yes. Summaries of the seven programs are contained in Schedule C-4 of Exhibit BSB-2.
6 Included are the Residential Home Builder Program, the Residential Appliance Replacement
7 Program, the Residential Propane Distribution Program, the Conservation Education Program,
8 the Natural Gas Space Conditioning for Residential Homes Program, the Gas Space
9 Conditioning Program, and the Residential Water Heater Retention Program.

10 Q. Have you prepared schedules that show the expenditures associated with the Company's energy
11 conservation programs for the periods you have mentioned?

12 A. Yes, Schedule C-3, Exhibit BSB-2 shows actual expenses for the months January through
13 August 2003. Projections for September through December 2003 are also shown on Schedule
14 C-3. Projected expenses for the January 2004 through December 2004 period are shown on
15 Schedule C-2 of Exhibit BSB-2.

16 Q. Have you prepared schedules that show revenues for the period January 2003 through
17 December 2003?

18 A. Yes. Schedule C-3 (Page 4 of 5) shows actual revenues for the months January through August
19 2003. Projections for September through December 2003 are also shown on Schedule C-3
20 (Page 4 of 5).

21 Q. Have you prepared a schedule that shows the calculation of the Company's proposed
22 conservation adjustment factors to be applied during billing periods from January 1, 2004
23 through December 31, 2004?

24 A. Yes. Schedule C-1 of Exhibit BSB-2 shows this calculation. Net program cost estimates for the
25 period January 1, 2004 through December 31, 2004 are used. The estimated true-up amount

1 from Schedule C-3 (Page 4 of 5, Line 12) of Exhibit BSB-2, being an overrecovery, was
2 subtracted from the total of the projected costs for the twelve-month period. The total amount
3 was then divided among the Company's rate classes, excluding customers who are on market-
4 based rates, based on total projected contribution. The results were then divided by the
5 projected gas throughput for each rate class for the twelve-month period ending December 31,
6 2004. The resulting factors are shown on Schedule C-1 of Exhibit BSB-2.

7 Q. Does this conclude your testimony?

8 A. Yes, it does.

Docket No. 030004-GU

Exhibit _____ **(BSB-2)**

**THE FLORIDA DIVISION OF
CHESAPEAKE UTILITIES CORPORATION
CONSERVATION COST RECOVERY PROJECTION
JANUARY 1, 2004 THROUGH DECEMBER 31, 2004**

SCHEDULE C-1

Exhibit No. _____
 Docket No. 030004-GU
 Chesapeake Utilities Corp.
 (BSB-2)

ENERGY CONSERVATION ADJUSTMENT
 SUMMARY OF COST RECOVERY CLAUSE CALCULATION
 JANUARY 2004 THROUGH DECEMBER 2004

1. INCREMENTAL COSTS (SCHEDULE C-2)	936,772
2. TRUE-UP (SCHEDULE C-3)	<u>(92,442)</u>
3 TOTAL	<u>844,330</u>

RATE CLASS	BILLS	THERMS	CUSTOMER CHARGE REVENUES	ENERGY CHARGE	TOTAL	ESTIMATED ECCR	% SURCHARGE	CENTS PER THERM	PEREXPANSION FACTOR	ECCR ADJUSTMENT FACTORS
TS-1	127,972	2,392,690	1,603,960	1,054,528	2,658,488	303,826	11.4285%	0.1270	1.00503	0.12762
TS-2	11,748	1,113,782	323,070	326,961	650,031	74,289	11.4285%	0.0667	1.00503	0.06704
TS-3	4,000	1,750,250	170,000	442,551	612,551	70,006	11.4285%	0.0400	1.00503	0.04020
TS-4	1,597	1,645,000	87,835	364,068	451,903	51,646	11.4285%	0.0314	1.00503	0.03155
TS-5	456	1,012,000	57,000	190,273	247,273	28,260	11.4285%	0.0279	1.00503	0.02807
TS-6	240	1,241,000	48,000	182,539	230,539	26,347	11.4285%	0.0212	1.00503	0.02134
TS-7	528	8,640,000	158,400	844,465	1,002,865	114,613	11.4285%	0.0133	1.00503	0.01333
TS-8	108	6,140,000	54,000	535,586	589,586	67,381	11.4285%	0.0110	1.00503	0.01103
TS-9	84	11,225,000	58,800	885,876	944,676	107,963	11.4285%	0.0096	1.00503	0.00967
TOTAL	146,733	35,159,722	2,561,065	4,826,846	7,387,911	844,330	11.4285%	0.0240	1.00503	0.02413

PROJECTED CONSERVATION PROGRAM COSTS BY COST CATEGORY
 FOR PERIOD JANUARY 2004 THROUGH DECEMBER 2004

PROGRAM NAME

	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
1 RESIDENTIAL HOME BUILDER	0	202,760	0	0	252,000	3,000	0	0	457,760
2 RESIDENTIAL APPLIANCE REPLACEMENT (908C)	0	97,399	0	0	12,000	3,000	0	0	112,399
3 RESIDENTIAL PROPANE DISTRIBUTION	0	43,880	0	0	9,000	3,000	0	0	55,880
4. RESIDENTIAL WATER HEATER RETENTION (908G)	0	45,143	0	0	9,000	3,000	0	0	57,143
5 NG SPACE CONDITIONING	0	0	0	0	0	0	0	0	0
6. GAS SPACE CONDITIONING	0	0	0	0	2,700	0	0	0	2,700
7. EDUCATION	0	181,410	0	66,480	0	3,000	0	0	250,890
8 COMMON COSTS	0	0	0	0	0	0	0	0	0
9 (INSERT NAME)	0	0	0	0	0	0	0	0	0
10 (INSERT NAME)	0	0	0	0	0	0	0	0	0
11 (INSERT NAME)	0	0	0	0	0	0	0	0	0
12 (INSERT NAME)	0	0	0	0	0	0	0	0	0
13 (INSERT NAME)	0	0	0	0	0	0	0	0	0
14 (INSERT NAME)	0	0	0	0	0	0	0	0	0
15 (INSERT NAME)	0	0	0	0	0	0	0	0	0
16 (INSERT NAME)	0	0	0	0	0	0	0	0	0
17 (INSERT NAME)	0	0	0	0	0	0	0	0	0
18 (INSERT NAME)	0	0	0	0	0	0	0	0	0
19 (INSERT NAME)	0	0	0	0	0	0	0	0	0
20 (INSERT NAME)	0	0	0	0	0	0	0	0	0
TOTAL ALL PROGRAMS	0	570,592	0	66,480	284,700	15,000	0	0	936,772
LESS: AMOUNT IN RATE BASE	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSER.	0	570,592	0	* 66,480	284,700	15,000	0	0	936,772

CONSERVATION PROGRAM COSTS BY COST CATEGORY
FOR PERIOD JANUARY 2003 THROUGH DECEMBER 2003
EIGHT MONTHS ACTUAL AND FOUR MONTHS ESTIMATED

	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
1 RESIDENTIAL HOME BUILDER									
A ACTUAL	0	120,720	8,887	31,046	71,275	21,603	0	0	253,531
B ESTIMATED	0	68,925	0	0	70,275	0	0	0	139,200
C TOTAL	0	189,645	8,887	31,046	141,550	21,603	0	0	392,731
2. RESIDENTIAL APPLIANCE REPLACEMENT (908C)									
A ACTUAL	0	44,371	500	17,715	3,980	8,958	0	0	75,525
B. ESTIMATED	0	31,269	2,738	0	4,731	0	0	0	38,738
C TOTAL	0	75,640	3,238	17,715	8,711	8,958	0	0	114,263
3 RESIDENTIAL PROPANE DISTRIBUTION (908F)									
A ACTUAL	0	10,507	476	396	0	469	0	0	11,849
B. ESTIMATED	0	0	0	0	0	0	0	0	0
C TOTAL	0	10,507	476	396	0	469	0	0	11,849
4 RESIDENTIAL WATER HEATER RETENTION (908G)									
A ACTUAL	0	9,227	0	1,782	4,600	1,118	0	0	16,728
B. ESTIMATED	0	16,603	1,000	0	3,371	0	0	0	20,974
C TOTAL	0	25,830	1,000	1,782	7,971	1,118	0	0	37,702
5. NG SPACE CONDITIONING FOR RESIDENTIAL HOMES (908D)									
A. ACTUAL	0	817	0	0	0	0	0	0	817
B. ESTIMATED	0	0	0	0	0	0	0	0	0
C. TOTAL	0	817	0	0	0	0	0	0	817
6. GAS SPACE CONDITIONING (908B)									
A ACTUAL	0	152	0	0	0	0	0	0	152
B. ESTIMATED	0	0	0	0	4,500	0	0	0	4,500
C TOTAL	0	152	0	0	4,500	0	0	0	4,652
7. EDUCATION (908A)									
A. ACTUAL	0	75,465	6,022	18,587	0	30,556	0	0	130,631
B. ESTIMATED	0	53,162	8,519	9,320	0	0	0	0	71,001
C TOTAL	0	128,627	14,541	27,907	0	30,556	0	0	201,632
8 COMMON COST									
A. ACTUAL	0	0	0	0	0	0	0	0	0
B ESTIMATED	0	0	0	0	0	0	0	0	0
C. TOTAL	0	0	0	0	0	0	0	0	0
TOTAL COSTS	0	431,219	28,142	78,847	162,732	62,706	0	0	763,646

CONSERVATION PROGRAM COSTS - EXPENSES BY MONTH
FOR PERIOD JANUARY 2003 THROUGH DECEMBER 2003
EIGHT MONTHS ACTUAL AND FOUR MONTHS PROJECTED

DESCRIPTION	MONTH JAN	MONTH FEB	MONTH MAR	MONTH APR	MONTH MAY	MONTH JUN	MONTH JUL	MONTH AUG	MONTH SEP	MONTH OCT	MONTH NOV	MONTH DEC	TOTAL
1 HOME BUILDER PROGRAM	31,293	21,007	25,999	43,416	27,543	35,078	17,471	51,723	34,800	34,800	34,800	34,799	392,731
2 RES APPLIANCE REPLACEMENT	8,265	9,942	9,913	10,965	6,303	8,640	5,954	15,543	9,685	9,685	9,683	9,685	114,263
3 RES PROPANE DISTRIBUTION	0	2,830	5,109	919	1,230	514	779	467	0	0	0	0	11,849
4 RES WATER HEATER RETENTION	1,712	2,133	1,236	1,794	1,803	1,249	3,350	3,450	5,243	5,243	5,244	5,243	37,702
5 NG SPACE CONDITIONING	249	396	0	0	55	0	118	0	0	0	0	0	817
6 GAS SPACE CONDITIONING	0	0	0	70	82	0	0	0	0	4,500	0	0	4,652
7 EDUCATION	19,323	21,389	22,043	20,568	11,959	7,685	11,817	15,847	17,751	17,750	17,750	17,751	201,632
8 COMMON COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
9 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
10 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
11 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
12 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
13 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
14 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
15 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
16 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
17 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
18 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
19 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
20 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ALL PROGRAMS	60,842	57,697	64,300	77,733	48,975	53,166	39,490	87,030	67,479	71,978	67,477	67,478	763,646
LESS													
BASE RATE RECOVERY	0	0	0	0	0	0	0	0	0	0	0	0	0
NET RECOVERABLE	60,842	57,697	64,300	77,733	48,975	53,166	39,490	87,030	67,479	71,978	67,477	67,478	763,646

ENERGY CONSERVATION COST RECOVERY ADJUSTMENT
FOR PERIOD JANUARY 2003 THROUGH DECEMBER 2003
EIGHT MONTHS ACTUAL AND FOUR MONTHS ESTIMATED

CONSERVATION REVS	MONTH JAN	MONTH FEB	MONTH MAR	MONTH APR	MONTH MAY	MONTH JUN	MONTH JUL	MONTH AUG	MONTH SEP	MONTH OCT	MONTH NOV	MONTH DEC	TOTAL
1 RCS AUDIT FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
2 OTHER PROG REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
3 CONSERV ADJ REVS	(138,240)	(134,145)	(83,145)	(86,624)	(75,122)	(55,524)	(51,275)	(49,736)	(65,941)	(64,069)	(90,572)	(110,681)	(1,005,074)
4 TOTAL REVENUES	(138,240)	(134,145)	(83,145)	(86,624)	(75,122)	(55,524)	(51,275)	(49,736)	(65,941)	(64,069)	(90,572)	(110,681)	(1,005,074)
5 PRIOR PERIOD TRUE- UP NOT APPLICABLE TO THIS PERIOD	12,435	12,436	12,435	12,435	12,435	12,435	12,435	12,435	12,435	12,435	12,435	12,435	149,225
6 CONSERV REVS APPLICABLE TO THE PERIOD	(125,804)	(121,709)	(70,709)	(74,189)	(62,687)	(43,089)	(38,840)	(37,300)	(53,506)	(51,634)	(78,137)	(98,246)	(855,848)
7 CONSERV EXPS	60,842	57,697	64,300	77,733	48,975	53,166	39,490	87,030	67,479	71,978	67,477	67,478	763,544
8 TRUE-UP THIS PERIOD	(64,962)	(64,012)	(6,409)	3,544	(13,712)	10,077	650	49,730	13,974	20,344	(10,660)	(30,768)	(92,203)
9 INTER PROVISION THIS PERIOD	118	35	(14)	(28)	(45)	(55)	(57)	(47)	(30)	(25)	(31)	(59)	(238)
10 TRUE-UP AND INTEREST PROV BEG OF MONTH	149,225	71,946	(4,466)	(23,325)	(32,244)	(58,437)	(60,850)	(72,693)	(35,446)	(33,937)	(26,053)	(49,180)	149,225
11 PRIOR TRUE-UP COLLECTED OR (REFUNDED)	(12,435)	(12,435)	(12,435)	(12,435)	(12,435)	(12,435)	(12,435)	(12,435)	(12,435)	(12,435)	(12,435)	(12,435)	(149,225)
12 TOTAL NET TRUE-UP	71,946	(4,466)	(23,325)	(32,244)	(58,437)	(60,850)	(72,693)	(35,446)	(33,937)	(26,053)	(49,180)	(92,442)	(92,442)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR PERIOD JANUARY 2003 THROUGH DECEMBER 2003
EIGHT MONTHS ACTUAL AND FOUR MONTHS PROJECTED

INTEREST PROVISION	MONTH JAN	MONTH FEB	MONTH MAR	MONTH APR	MONTH MAY	MONTH JUN	MONTH JUL	MONTH AUG	MONTH SEP	MONTH OCT	MONTH NOV	MONTH DEC	TOTAL
1 BEGINNING TRUE-UP	149,225	71,946	(4,466)	(23,325)	(32,244)	(58,437)	(60,850)	(72,693)	(35,446)	(33,937)	(26,053)	(49,180)	
2 ENDING TRUE-UP BEFORE INTEREST	71,828	(4,501)	(23,310)	(32,216)	(58,391)	(60,795)	(72,636)	(35,398)	(33,908)	(26,028)	(49,148)	(92,383)	
3 TOTAL BEGINNING & ENDING TRUE-UP	221,053	67,445	(27,776)	(55,541)	(90,636)	(119,232)	(133,486)	(108,091)	(69,353)	(59,965)	(75,201)	(141,562)	
4 AVERAGE TRUE-UP (LINE 3 TIMES 50%)	110,526	33,722	(13,888)	(27,771)	(45,318)	(59,616)	(66,743)	(54,046)	(34,677)	(29,983)	(37,601)	(70,781)	
5 INTEREST RATE FIRST DAY OF REPORTING MONTH	1 31%	1 26%	1 25%	1 22%	1 19%	1 21%	1 00%	1 05%	1 06%	1 00%	1 00%	1 00%	
6 INTER RATE - FIRST DAY SUBSEQUENT MONTH	1 26%	1 25%	1 22%	1 19%	1 21%	1 00%	1 05%	1 06%	1 00%	1 00%	1 00%	1 00%	
7 TOTAL (SUM LINES 5 & 6)	2 57%	2 51%	2 47%	2 41%	2 40%	2 21%	2 05%	2 11%	2 06%	2 00%	2 00%	2 00%	
8 AVG INTEREST RATE (LINE 7 TIMES 50%)	1 29%	1 26%	1 23%	1 20%	1 20%	1 11%	1 03%	1 05%	1 03%	1 00%	1 00%	1 00%	
9 MONTHLY AVG INTEREST RATE	0 11%	0 10%	0 10%	0 10%	0 10%	0 09%	0 09%	0 09%	0 09%	0 08%	0 08%	0 08%	
10 INTEREST PROVISION	118	35	(14)	(28)	(45)	(55)	(57)	(47)	(30)	(25)	(31)	(59)	(238)

Schedule C-4
Page 1 of 7

CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Residential Home Builder Program

Program Description:

This program is designed to increase the overall energy efficiency in the residential new construction market by promoting energy efficient natural gas appliances in residences that would qualify for the Company's residential rates. Incentives are offered in the form of gas piping and venting allowances to assist builders with gas appliance installation.

Allowances:

Conservation allowances are currently:

- \$275 Energy efficient natural gas water heater installation.
- \$275 Natural Gas home heating.
- \$75 Energy efficient natural gas range or dryer stub outlet.

Program Activity and Projections:

During the eight-month period January 2003 through August 2003, 347 residences qualified under the Residential Home Builder Program. We estimate 283 new homes will qualify during the period September 2003 through December 2003.

Program Fiscal Expenditures:

For the eight-month period January 2003 through August 2003, CUC incurred costs of \$253,531 for the Residential Home Builder Program. For September 2003 through December 2003, costs are estimated to be \$139,200.

Schedule C-4
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CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:
Residential Appliance Replacement Program

Program Description:
This program is designed to encourage the replacement of inefficient non-natural gas residential appliances with energy efficient natural gas appliances. Incentives are offered in the form of allowances to assist in defraying the additional costs associated with the piping and venting of natural gas equipment.

Allowance:
Conservation allowance is currently:
 \$330.00 Energy Efficient Water Heater Installation
 \$330.00 Natural Gas Home Heating System
 \$ 50.00 Energy-efficient gas range
 \$ 50.00 Natural Gas Clothes Dryer

Program Activity and Projections:
During the eight-month period January 2003 through August 2003, 67 residences qualified under the Residential Appliance Replacement Program. We estimate an additional 53 residences will qualify for incentives during the period September 2003 through December 2003.

Program Fiscal Expenditures:
For the eight-month period January 2003 through August 2003, CUC incurred costs of \$75,525 for the Residential Appliance Replacement Program. During September 2003 through December 2003 costs are estimated to be \$38,738.

Schedule C-4
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CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Residential Propane Distribution Program

Program Description:

The program is designed to promote the use of "gas" within developments that are built beyond the economic extension of the Company's existing natural gas infrastructure. The concept of installing an underground propane system, which includes distribution mains, service laterals and meter sets that are capable of supplying either propane or natural gas, is a viable method of encouraging installation of "gas" appliances in the residential subdivision at the time of construction. This program is designed to provide Builders and Developers a cash incentive to encourage the installation of "gas" appliances in the newly constructed house.

Allowances:

Conservation allowances are currently:

- \$275 Energy efficient natural gas water heater installation.
- \$275 Natural Gas home heating.
- \$75 Energy efficient natural gas range or dryer stub outlet.

Program Activity and Projections:

During this year we intend to produce promotional materials aimed at the builder market in order to educate and inform as to the values of a propane distribution system.

Program Fiscal Expenditures:

For the eight-month period January 2003 through August 2003, CUC incurred costs of \$11,849 for the Residential Propane Distribution Program.

Schedule C-4
Page 4 of 7

CHESAPEAKE UTILITIES CORPORATION
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 overall energy cost.

Program Activity and Projections:
We have created community outreach programs designed to inform and educate the general public as well as business interest in the communities we serve as to the value of natural gas and the availability of our conservation allowance programs. Examples of these types of programs: energy plus home builders program, energy plus partners program, appliance retention programs, and energy smart kids.

Program Fiscal Expenditures:
During the eight-month period January 2003 through August 2003, CUC incurred program costs of \$130,631 for this program. For September 2003 through December 2003, expenditures are estimated to be \$71,001 for this program.

Schedule C-4
Page 5 of 7

CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Natural Gas Space Conditioning for Residential Homes Program

Program Description:

The program is intended to encourage the use of energy efficient natural gas air conditioning products in residential homes. The program is designed to offer a \$1,200 per unit allowance to qualifying participants to compensate for the higher initial costs of natural gas space conditioning equipment and its installation.

Program Activity and Projections:

For the eight-month period January 2003 through August 2003, CUC didn't pay any allowances on this program. Minimal activity is projected in this program for the remainder of 2003.

Program Fiscal Expenditures:

For the eight-month period January 2003 through August 2003, CUC incurred costs of \$817 for the Natural Gas Space Conditioning for Residential Homes Program.

Schedule C-4
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CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Gas Space Conditioning Program

Program Description:

The program is intended to encourage the use of energy efficient natural gas air conditioning products to non-residential customers. The program provides an allowance of \$50 per ton of natural gas space conditioning up to a maximum of 500 tons per system, to qualifying participants to compensate for the higher initial costs of natural gas space conditioning equipment and installation.

Program Activity and Projections:

For the eight-month period January 2003 through August 2003, CUC didn't pay any allowances on this program.

Program Fiscal Expenditures:

For the eight-month period January 2003 through August 2003, CUC incurred \$152 for the Gas Space Conditioning Program. For September 2003 through December 2003, expenditures are estimated to be \$4,500 for this program.

Schedule C-4
Page 7 of 7

CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Residential Water Heater Retention Program

Program Description:

The Company offers this program to existing customers and dealers to encourage the continued use of natural gas in the home and avoid costly abandonment activities. The water heater is not only the primary natural gas cost savings appliance within the homes, but it is also the anchor natural gas load within the home. As an incentive to continue to provide substantial benefits to the customer and utilize our resources effectively, this program offers cash payment to the customer and dealer.

Allowances:

Conservation allowances are currently:

- \$100 Energy efficient natural gas water heater installation.
- \$ 50 Dealer

Program Activity and Projections:

For the eight-month period January 2003 through August 2003, CUC paid allowances on 111 water heaters. We estimate we will pay allowances on 45 additional water heaters during the period of September 2003 through December 2003.

Program Fiscal Expenditures:

For the eight-month period January 2003 through August 2003, CUC incurred program costs of \$16,728 for this program. For September 2003 through December 2003, expenditures totaling \$20,974 are anticipated.

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Natural Gas Conservation
Cost Recovery.

Docket No. 030004-GU

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the Petition of the Florida Division of Chesapeake Utilities Corporation for Approval of Conservation Cost Recovery Factors, the prefiled direct testimony of Brian S. Bilinski and Exhibit BSB-2 were furnished by hand-delivery to Lorena Holley, Esq., Office of General Counsel, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, and by U.S. Mail to the following, on this 26th day of September, 2003:

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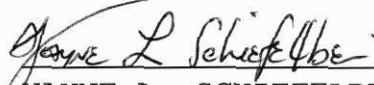
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