

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 120004-GU
DETERMINATION OF CONSERVATION COSTS RECOVERY FACTOR

Revised Direct
Testimony (Final
True Up) of
MICHELLE D. NAPIER

On Behalf of
CHESAPEAKE UTILITIES CORPORATION -
FLORIDA DIVISION

1 Q. Please state your name and business address.

2 A. Michelle Napier: my business address is 1641 Worthington Road,
3 Suite 220, West Palm Beach, Florida 33409.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Florida Public Utilities Company as Senior
6 Regulatory Analyst.

7 Q. What is the purpose of your testimony at this time?

8 A. To advise the Commission of the revised actual over/under
9 recovery of the Conservation costs for the period January 1, 2011
10 through December 31, 2011 as compared to the amount previously
11 reported for that period which was based on seven months actual
12 and five months estimated data.

13 Q. Please state the revised actual amount of over/under recovery of
14 Conservation Program costs for the Florida division of Chesapeake
15 Utilities Corporation for January 1, 2011 through December 31,
16 2011.

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1 A. The Company over-recovered **\$29,729** during that period. This
2 amount is substantiated on Schedule CT-3, page 2 of 3,
3 Calculation of True-up and Interest Provision.

4 Q. How does this amount compare with the estimated true-up amount
5 which was allowed by the Commission?

6 A. We had estimated that we would over-recover \$82,150 as of
7 December 31, 2011.

8 Q. Have you prepared any exhibits at this time?

9 A. We have prepared and pre-filled Schedules CT-1, CT-2, CT-3, CT-4,
10 CT-5 and CT-6 (**Revised** Composite Exhibit MDN-3).

11 Q. Does this conclude your testimony?

12 A. Yes.

COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION SCHEDULE CT-1
 CONSERVATION ADJUSTMENT TRUE-UP PAGE 1 OF 1

FOR MONTHS January-11 THROUGH December-11

1.	ADJUSTED END OF PERIOD TOTAL NET TRUE-UP		
2.	FOR MONTHS January-11 THROUGH December-11		
3.	END OF PERIOD NET TRUE-UP		
4.	PRINCIPAL	<u>(29,465)</u>	
5.	INTEREST	<u>(264)</u>	<u>(29,729)</u>
6.	LESS PROJECTED TRUE-UP		
7.	November-11 HEARINGS		
8.	PRINCIPAL	<u>(81,869)</u>	
9.	INTEREST	<u>(281)</u>	<u>(82,150)</u>
10.	ADJUSTED END OF PERIOD TOTAL TRUE-UP		<u>52,421</u>

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ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
ACTUAL VS PROJECTED

	FOR MONTHS	January-11	THROUGH	December-11	
		<u>ACTUAL</u>		<u>PROJECTED</u>	<u>DIFFERENCE</u>
1.	Labor/Payroll	98,034		112,830	(14,796)
2.	Advertisement	328,836		388,054	(59,218)
3.	Legal	859			859
4.	Outside Services	62,154		49,825	12,329
5.	Vehicle	8,330		8,378	(48)
6.	Materials & Supplies	6,717		9,678	(2,961)
7.	Travel	15,816			15,816
8.	General & Administrative	7			7
9.	Incentives	194,609		120,459	74,150
10.	Other	4,960		15,331	(10,371)
11.	SUB-TOTAL	720,322		704,555	15,767
12.	PROGRAM REVENUES				
13.	TOTAL PROGRAM COSTS	720,322		704,555	15,767
14.	LESS: PRIOR PERIOD TRUE-UP	(144,163)		(144,163)	
15.	AMOUNTS INCLUDED IN RATE BASE				
16.	CONSERVATION ADJ REVENUE	(605,624)		(642,261)	36,637
17.	ROUNDING ADJUSTMENT				
18.	TRUE-UP BEFORE INTEREST	(29,465)		(81,869)	52,404
19.	ADD INTEREST PROVISION	(264)		(281)	17
20.	END OF PERIOD TRUE-UP	(29,729)		(82,150)	52,421

() REFLECTS OVERRECOVERY

COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

SCHEDULE CT-2
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ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM

FOR MONTHS January-11 THROUGH December-11

PROGRAM NAME	50 LABOR/PAY	51 ADVERTISE.	52 LEGAL	53 OUT.SERV.	54 VEHICLE	55 MAT.&SUPP.	56 TRAVEL	57 G & A	58 INCENTIVES	59 OTHER	SUB TOTAL	PROGRAM REVENUES	TOTAL
1. Residential Home Builder	33,535	217,941	99	6,100	2,203	1,238	5,075	1	53,036	2,732	321,960		321,960
2. Residential Appliance Replacement	21,010	41,286		45,000	1,959	1,280	3,302	2	44,159	127	158,125		158,125
3. Residential Propane Distribution													
4. Residential Water Heater Retention	21,614	52,536			1,757	1,192	2,946	3	96,357	194	176,599		176,599
5. NG Space Conditioning For Res Homes													
6. Gas Space Conditioning													
7. Conservation Education	26,256	12,500	891	11,054	2,411	3,007	4,493	1		192	60,805		60,805
8. CFG Common	(4,381)	4,573	(131)						1,057	1,715	2,833		2,833
5. TOTAL ALL PROGRAMS	98,034	328,836	859	62,154	8,330	6,717	15,816	7	194,609	4,960	720,322		720,322

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SCHEDULE CT-2
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CONSERVATION COSTS PER PROGRAM--VARIANCE ACTUAL VS PROJECTED
VARIANCE ACTUAL VS PROJECTED

FOR MONTHS January-11 THROUGH December-11

PROGRAM NAME	LABOR/PAY	ADVERTISE.	LEGAL	OUT.SERV.	VEHICLE	MAT.&SUPP.	TRAVEL	G & A	INCENTIVES	OTHER	SUB TOTAL	PROGRAM REVENUES	TOTAL
1. Residential Home Builder	(2,193)	(126,316)	99	2,122	357	(202)	5,075	1	(67,423)	(3,599)	(192,079)		(192,079)
2. Residential Appliance Replacement	(5,772)	32,119		(2)	(173)	(547)	3,302	2	44,159	(3,083)	70,005		70,005
3. Residential Propane Distribution													
4. Residential Water Heater Retention	(3,205)	42,192		(2)	(337)	(583)	2,946	3	96,357	(2,609)	134,762		134,762
5. NG Space Conditioning For Res Homes													
6. Gas Space Conditioning													
7. Conservation Education	755	(11,786)	891	10,211	105	(1,629)	4,493	1		(2,795)	246		246
8. CFG Common	(4,381)	4,573	(131)						1,057	1,715	2,833		2,833
5. TOTAL ALL PROGRAMS	(14,796)	(59,218)	859	12,329	(48)	(2,961)	15,816	7	74,150	(10,371)	15,767		15,767

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SCHEDULE CT-3
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ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY PROGRAM BY MONTH

FOR MONTHS		January-11	THROUGH	December-11										
A. CONSERVATION EXPENSE BY PROGRAM		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1.	Residential Home Builder	6,774	7,665	11,791	40,178	84,975	83,388	50,784	16,869	14,807	25,180	20,760	(41,211)	321,960
2.	Residential Appliance Replacement	11,411	8,087	8,016	5,725	452	12,424	5,288	17,882	14,264	19,380	17,115	38,081	158,125
3.	Residential Propane Distribution													
4.	Residential Water Heater Retention	4,457	3,337	4,159	4,402	3,196	2,025	2,830	8,055	14,498	30,583	15,947	83,110	176,599
5.	NG Space Conditioning For Res Homes													
6.	Gas Space Conditioning													
7.	Conservation Education	3,931	6,755	11,427	4,732	3,446	1,160	3,875	2,809	11,969	3,014	4,994	2,693	60,805
8.	CFG Common	(1,113)	98	1,529	645	(3,715)	1,194	481	4,333	(4,655)	1,827	6,786	(4,577)	2,833
5. TOTAL ALL PROGRAMS		25,460	25,942	36,922	55,682	88,354	100,191	63,258	49,948	50,883	79,984	65,602	78,096	720,322
6. LESS AMOUNT INCLUDED IN RATE BASE														
7. RECOVERABLE CONSERVATION EXPENSES		25,460	25,942	36,922	55,682	88,354	100,191	63,258	49,948	50,883	79,984	65,602	78,096	720,322

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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-11 THROUGH December-11

B. CONSERVATION REVENUES	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(77,176)	(60,660)	(59,328)	(53,626)	(43,998)	(42,601)	(38,937)	(35,088)	(40,898)	(47,088)	(49,560)	(56,664)	(605,624)
3. TOTAL REVENUES	(77,176)	(60,660)	(59,328)	(53,626)	(43,998)	(42,601)	(38,937)	(35,088)	(40,898)	(47,088)	(49,560)	(56,664)	(605,624)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(12,009)	(12,014)	(12,014)	(12,014)	(12,014)	(12,014)	(12,014)	(12,014)	(12,014)	(12,014)	(12,014)	(12,014)	(144,163)
5. CONSERVATION REVENUE APPLICABLE	(89,185)	(72,674)	(71,342)	(65,640)	(56,012)	(54,615)	(50,951)	(47,102)	(52,912)	(59,102)	(61,574)	(68,678)	(749,787)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	25,460	25,942	36,922	55,682	88,354	100,191	63,258	49,948	50,883	79,984	65,602	78,096	720,322
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	(63,725)	(46,732)	(34,420)	(9,958)	32,342	45,576	12,307	2,646	(2,029)	20,882	4,028	9,418	(29,465)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(35)	(44)	(45)	(41)	(33)	(24)	(16)	(9)	(5)	(5)	(4)	(3)	(264)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(144,163)	(195,914)	(230,676)	(253,127)	(251,112)	(206,789)	(149,223)	(124,918)	(110,067)	(100,087)	(67,196)	(51,158)	(144,163)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	12,009	12,014	12,014	12,014	12,014	12,014	12,014	12,014	12,014	12,014	12,014	12,014	144,163
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(195,914)	(230,676)	(253,127)	(251,112)	(206,789)	(149,223)	(124,918)	(110,067)	(100,087)	(67,196)	(51,158)	(29,729)	(29,729)

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SCHEDULE CT-3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

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FOR MONTHS January-11 THROUGH December-11

C. INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE B-9)	(144,163)	(195,914)	(230,676)	(253,127)	(251,112)	(206,789)	(149,223)	(124,918)	(110,067)	(100,087)	(67,196)	(51,158)	(144,163)
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	(195,879)	(230,632)	(253,082)	(251,071)	(206,756)	(149,199)	(124,902)	(110,058)	(100,082)	(67,191)	(51,154)	(29,726)	(29,465)
3. TOTAL BEG. AND ENDING TRUE-UP	(340,042)	(426,546)	(483,758)	(504,198)	(457,868)	(355,988)	(274,125)	(234,976)	(210,149)	(167,278)	(118,350)	(80,884)	(173,628)
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	(170,021)	(213,273)	(241,879)	(252,099)	(228,934)	(177,994)	(137,063)	(117,488)	(105,075)	(83,639)	(59,175)	(40,442)	(86,814)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.25%	0.25%	0.25%	0.20%	0.19%	0.16%	0.16%	0.12%	0.07%	0.04%	0.09%	0.09%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.25%	0.25%	0.20%	0.19%	0.16%	0.16%	0.12%	0.07%	0.04%	0.09%	0.09%	0.07%	
7. TOTAL (LINE C-5 + C-6)	0.50%	0.50%	0.45%	0.39%	0.35%	0.32%	0.28%	0.19%	0.11%	0.13%	0.18%	0.16%	
8. AVG. INTEREST RATE (C-7 X 50%)	0.25%	0.25%	0.23%	0.20%	0.18%	0.16%	0.14%	0.10%	0.06%	0.07%	0.09%	0.08%	
9. MONTHLY AVERAGE INTEREST RATE	0.021%	0.021%	0.019%	0.016%	0.015%	0.013%	0.012%	0.008%	0.005%	0.005%	0.008%	0.007%	
10. INTEREST PROVISION (LINE C-4 X C-9)	(35)	(44)	(45)	(41)	(33)	(24)	(16)	(9)	(5)	(5)	(4)	(3)	(264)

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SCHEDULE CT-4
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SCHEDULE OF CAPITAL INVESTMENT, DEPRECIATION & RETURN

FOR MONTHS January-11 THROUGH December-11

PROGRAM NAME:	BEGINNING OF PERIOD	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. INVESTMENT														
2. DEPRECIATION BASE														
3. DEPRECIATION EXPENSE														
4. CUMULATIVE INVESTMENT														
5. LESS ACCUMULATED DEPRECIATION														
6. NET INVESTMENT														
7. AVERAGE INVESTMENT														
8. RETURN ON AVERAGE INVESTMENT														
9. RETURN REQUIREMENTS														
10. TOTAL DEPRECIATION AND RETURN														NONE

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COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

SCHEDULE CT-5
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RECONCILIATION AND EXPLANATION OF
DIFFERENCES BETWEEN FILING AND PSC AUDIT

FOR MONTHS January-11 THROUGH December-11

AUDIT EXCEPTION: TO OUR KNOWLEDGE, NONE EXIST

COMPANY RESPONSE:

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1. Residential New Construction Program
2. Residential Appliance Replacement Program
3. Residential Appliance Retention Program
4. Natural Gas Space Conditioning for Residential Homes Program
5. Gas Space Conditioning Program
6. Conservation Education Program

PROGRAM TITLE: Residential New Construction Program

PROGRAM DESCRIPTION: The Residential New Construction Program (formerly, Full House Residential New Construction Program) promotes the use of natural gas in single and multi-family residential new construction projects to developers, builders, and homebuyers. The program is designed to increase the overall energy efficiency in the new construction home market through the installation of efficient gas appliances. The programs incentives are used to overcome market barriers created by the split incentive between the builders who are purchasing the appliances and the homeowners who are benefiting from reduced utility costs.

CURRENT APPROVED ALLOWANCES:

\$350 Tank Water Heater
\$400 High Efficiency Tank Water Heater
\$550 Tankless Water Heater
\$500 Furnace
\$150 Range
\$100 Dryer

PROGRAM ACCOMPLISHMENTS: For the reporting period January 1, 2011 through December 31, 2011, 245 incentives were paid. There were 37 Tank Water Heaters, 0 High Efficiency Tank Water Heaters, 57 Tankless Water Heaters, 36 Furnaces, 50 Ranges and 65 Dryers.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2011 through December 31, 2011 were **\$321,960**.

PROGRAM TITLE: Residential Appliance Replacement Program

PROGRAM DESCRIPTION: This program is designed to encourage the replacement of inefficient non-natural gas appliances with energy efficient natural gas appliances. The program offers financial incentives to residential customers to defray the additional costs associated with installing natural gas appliances

CURRENT APPROVED ALLOWANCES:

\$500 Tank Water Heater
\$550 High Efficiency Tank Water Heater
\$675 Tankless Water Heater
\$725 Furnace
\$200 Range
\$150 Dryer

PROGRAM ACCOMPLISHMENTS: For the reporting period January 1, 2011 through December 31, 2011, 98 incentives were paid. There were 5 Tank Water Heaters, 0 High Efficiency Tank Water Heaters, 31 Tankless Water Heaters, 4 Furnaces, 39 Ranges and 19 Dryers.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2011 through December 31, 2011 were **\$158,125**.

PROGRAM PROGRESS SUMMARY: Since inception, 624 appliances have qualified for this program.

PROGRAM TITLE: Residential Appliance Retention Program

PROGRAM DESCRIPTION: The purpose of the Residential Appliance Retention Program is to encourage homeowners with existing natural gas appliances to retain natural gas appliances at time of replacement. The program was expanded during the reporting period to include additional appliances to include furnaces, tankless hot water heaters, ranges, and dryers. The programs incentives defray the cost of purchase the more expensive energy-efficient natural gas appliances.

CURRENT APPROVED ALLOWANCES:

\$350 Tank Water Heater
\$400 High Efficiency Tank Water Heater
\$550 Tankless Water Heater
\$500 Furnace
\$100 Range
\$100 Dryer

PROGRAM ACCOMPLISHMENTS: For the reporting period January 1, 2011 through December 31, 2011, 257 incentives were paid. There were 93 Tank Water Heaters, 4 High Efficiency Tank Water Heaters, 43 Tankless Water Heaters, 36 Furnaces, 46 Ranges and 35 Dryers.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2011 through December 31, 2011 were **\$176,599**.

PROGRAM PROGRESS SUMMARY: Since inception, 1839 natural gas appliances have been retained through this program. The Company will continue to work closely with homeowners to promote the continued use of energy efficient natural gas.

PROGRAM TITLE: Natural Gas Space Conditioning for Residential Homes
Program

PROGRAM DESCRIPTION: This 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 ACCOMPLISHMENTS: For the reporting period January 1, 2011 through December 31, 2011, 0 incentives were paid.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2011 through December 31, 2011 were \$0.

PROGRAM PROGRESS SUMMARY: Five residential gas space conditioning units have been installed since the inception of this program.

PROGRAM TITLE: Gas Space Conditioning Program

PROGRAM DESCRIPTION: This 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 ACCOMPLISHMENTS: For the reporting period January 1, 2011 through December 31, 2011, 0 incentives were paid.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2011 through December 31, 2011 were \$0.

PROGRAM PROGRESS SUMMARY: Eight natural gas space conditioning units have been installed since the inception of this program.

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 ACCOMPLISHMENTS: We continue to develop branded programs and expand community outreach programs designed to inform and educate the general public as well as businesses in the community about the availability of our conservation programs and the benefits and value of natural gas. Examples of these types of programs are:

Energy Plus Home Program: This program is designed to encourage the replacement of inefficient non-natural gas residential appliances with energy efficient natural gas appliances. Often residential consumers only consider the higher installation costs, and not the operating savings associated with natural gas appliances and therefore do not convert to energy efficient natural gas appliances. The brand supports several conservation programs: Residential Appliance Replacement Program, Residential Appliance Retention Program and the Natural Gas Space Conditioning for Residential Homes Program.

Energy Plus Home Builder Program: This program promotes the Residential New Construction Program whose purpose is to promote energy efficient natural gas encouraging the selection of appliances most suitable in reducing the ultimate consumer's overall energy costs. Incentives are offered in the form of cash allowances on the installation of those chosen appliances. The program offers builders and developers incentives to assist in defraying the additional costs associated with the installation of natural gas appliances.

Energy Plus Partners Program: This program is the new name of the Preferred Partners Program that was launched in late 2001. The program works to remove market barriers, expand consumer choice and create synergy between the trades and businesses linked to natural gas. The program supports awareness of our conservation allowance programs. Examples of business entities that support the gas system and are potential partners for the gas company are: builders, developers, retailers, HVAC providers, plumbers and architects. The brand supports several conservation programs: Residential Appliance Replacement

PROGRAM TITLE: Conservation Education Program (Continued)

Program, Residential Appliance Retention Program, Natural Gas Space Conditioning for Residential Homes Program and the Residential New Construction Program.

Energy Smart Kids Program: This program educates and engages young minds in an in-school setting. The classroom-based program provides poster, classroom activities, gas education booklets, pencils and teaching plans. A “school board” approved curriculum offers teachers a balanced five day lesson plan ending with an in-classroom demonstration. Energy conservation is the main theme of this program.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2011 through December 31, 2011 were **\$60,805**.