

Florida Public Service Commission

Audit Report

Twelve Months Ended September 30, 1996

Field Work Completed

November 25, 1996

Chesapeake Utilities Corporation, Florida Division


Winter Haven, Florida

Polk County

Energy Conservation Cost Recovery Audit

Docket Number 960002-EG

Audit Control Number 96-149-3-1



Orrett L. Douse  
Audit Manager



Ian J. Forbes  
District Audit Supervisor  
Orlando

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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## 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 (Exhibit A and Exhibit B), filed by Chesapeake Utilities, Corporation, Florida Division, in support of the Conservation Cost Recovery for the twelve-month period ended September 30, 1996. The last day of field work was November 25, 1996.

**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 purposes 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 (Exhibit A and Exhibit B) for the twelve-month period ended September 30, 1996, 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, 1996. Scheduled therms sold and recalculated conservation revenues; traced Commission-approved factors to the utility's billing register.

ENERGY CONSERVATION COST RECOVERY EXPENSES: Compiled conservation expenses for each program. Traced conservation expenses to the general ledger. Tested 100 percent of incentive payments and advertising expenses for proper program classification, timing and amount. Tested 100 percent of other expenses to ensure they were properly classified and eligible for conservation cost recovery.

ENERGY CONSERVATION COST RECOVERY TRUE-UP: Recalculated company exhibits for net true-up and interest provision. Verified the utility used the 30-day commercial paper rates, as published in The Wall Street Journal, in its calculation.

OTHER: Reviewed the Company's Board of Directors' minutes and internal and external auditors' working papers for items pertinent to this audit.

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
FOR MONTHS: OCTOBER 1995 THROUGH SEPTEMBER 1996

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	(20,765)	(29,237)	(29,173)	(49,216)	(38,987)	(37,812)	(20,964)	(18,876)	(12,899)	(13,015)	(13,152)	(12,963)	(294,778)
4. TOTAL REVENUES	(20,765)	(29,237)	(29,173)	(49,216)	(38,987)	(37,812)	(20,964)	(18,876)	(12,899)	(13,015)	(13,152)	(12,963)	(294,778)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	4,589	4,589	4,589	4,589	4,589	4,589	4,589	4,589	4,589	4,589	4,589	4,589	55,068
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(18,176)	(24,648)	(24,584)	(44,627)	(34,298)	(33,223)	(18,295)	(12,287)	(8,110)	(8,428)	(8,563)	(8,374)	(229,710)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	9,441	26,599	19,489	11,999	18,108	24,384	22,820	18,140	23,896	22,078	18,295	20,282	235,528
8. TRUE-UP THIS PERIOD	(8,735)	1,951	(3,095)	(32,828)	(16,190)	(8,839)	6,425	5,853	15,788	13,650	9,732	11,908	(4,182)
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	242	206	178	63	(69)	(147)	(175)	(168)	(147)	(97)	(84)	(36)	(210)
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	55,068	43,988	41,554	32,048	(5,107)	(25,955)	(29,530)	(37,870)	(36,774)	(25,719)	(16,755)	(11,875)	
11. PRIOR TRUE-UP COLLECTED(REFUNDED)	(4,589)	(4,589)	(4,589)	(4,589)	(4,589)	(4,589)	(4,589)	(4,589)	(4,589)	(4,589)	(4,589)	(4,589)	
12. TOTAL NET TRUE-UP (SUM LINES 8-9+10-11)	43,988	41,554	32,048	(5,107)	(25,955)	(29,530)	(37,870)	(36,774)	(25,719)	(16,755)	(11,875)	(4,393)	(4,393)

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
FOR MONTHS: OCTOBER 1995 THROUGH SEPTEMBER 1996

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	55,068	43,868	41,554	32,048	(5,107)	(25,955)	(28,530)	(37,870)	(26,774)	(25,719)	(18,755)	(11,875)	
2. ENDING TRUE-UP BEFORE INTEREST	43,744	41,347	31,870	(5,189)	(25,885)	(28,383)	(37,695)	(28,608)	(25,577)	(18,558)	(11,811)	(4,356)	
3. TOTAL BEGINNING & ENDING TRUE-UP	98,812	85,333	73,424	26,878	(30,992)	(65,338)	(77,225)	(74,478)	(62,351)	(42,376)	(28,366)	(16,032)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	49,406	42,667	36,712	13,439	(15,496)	(32,669)	(38,613)	(37,238)	(31,175)	(21,188)	(14,183)	(8,016)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	5.940%	5.810%	5.800%	5.810%	5.400%	5.330%	5.500%	5.400%	5.400%	5.520%	5.450%	5.400%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	5.810%	5.800%	5.810%	5.400%	5.330%	5.500%	5.400%	5.400%	5.520%	5.450%	5.400%	5.440%	
7. TOTAL (SUM LINES 5 & 6)	11.750%	11.610%	11.610%	11.210%	10.730%	10.830%	10.900%	10.800%	10.920%	10.970%	10.850%	10.840%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	5.875%	5.805%	5.805%	5.605%	5.365%	5.415%	5.450%	5.400%	5.460%	5.485%	5.425%	5.420%	
9. MONTHLY AVG INTEREST RATE	0.490%	0.484%	0.484%	0.467%	0.447%	0.451%	0.454%	0.450%	0.455%	0.457%	0.452%	0.452%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	242	206	178	83	(69)	(147)	(175)	(168)	(142)	(97)	(64)	(36)	(215)

State of Florida

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



DIVISION OF RECORDS &  
REPORTING  
BLANCA S. BAYO  
DIRECTOR  
(904) 413-6770

**Public Service Commission**

December 12, 1996

Mr. Stephen C. Thompson  
Chesapeake Utilities Corporation  
Post Office Box 960  
Winter Haven, Florida 33883-0960

RE: Docket No. 960002-EG -- Chesapeake Utilities Corporation  
Conservation Audit Report - Period Ended September 30, 1996  
Audit Control # 96-149-3-1

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. Bayo

BSB/cls  
Enclosure  
cc: Public Counsel  
Gatlin Law Firm