

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

JANUARY 9, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF AUDITING & FINANCIAL ANALYSIS (HACKNEY, MAUREY, WRIGHT) *deh R 195 DM CWA*
DIVISION OF ELECTRIC & GAS (MILLS)
DIVISION OF LEGAL SERVICES (V. JOHNSON) *VJ RJE JDJ* *ALM*

RE: DOCKET NO. 970023-GU - FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION - INVESTIGATION OF 1995 EARNINGS OF FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

AGENDA: 01/21/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\APA\WP\970023.RCM
ATTACHMENTS 3 AND 4 NOT AVAILABLE

CASE BACKGROUND

In Order No. PSC-95-0160-FOF-GU, issued on February 6, 1995, the Commission approved the Florida Division of Chesapeake Utilities Corporation's (Chesapeake) proposal regarding the capping of its earnings for calendar years 1994 and 1995. The amount of overearnings for 1994, in Order No. PSC-95-1205-FOF-GU, issued on September 28, 1995, was determined to be \$62,360. These revenues were deferred until 1995, as stated in the first mentioned order.

The December 1995 Earnings Surveillance Report, filed on February 27, 1996, indicated that Chesapeake had overearned for 1995. Therefore, in accordance with the provisions of Order No. PSC-95-0160-FOF-GU, Staff audited the Surveillance Report to review the overearnings. On November 15, 1996, the Company filed a revised Earnings Surveillance Report which still indicated there were overearnings in 1995.

DOCUMENT NUMBER-DATE
00261 JAN-96
FPSC-RECORDS/REPORTING

DOCKET NO. 970023-GU
DATE: JANUARY 9, 1997

DISCUSSION OF ISSUES

ISSUE 1: What is the appropriate return on equity (ROE) for determining overearnings in 1995?

RECOMMENDATION: The appropriate ROE for determining overearnings in 1995 is 11.5%. (MAUREY)

STAFF ANALYSIS: In Order No. PSC-95-0160-FOF-GU issued on February 6, 1995, in Docket No. 950016-GU, the Commission accepted the Company's offer to cap 1994 earnings at an ROE of 12.0% and to cap 1995 earnings at an ROE of 12.0% plus or minus an adjustment based on the relative change in long-term interest rates. The order specified the adjustment was to be calculated by subtracting the average yield on 30-year Treasury bonds for the period October, November, and December, 1994, from the average yield on 30-year Treasury bonds for October, November, and December, 1995. The average yield for each three-month period was to be determined by averaging the applicable monthly averages as reported in the Moody's Bond Survey. In addition, the upward or downward adjustment resulting from this calculation, for purposes of determining the 1995 earnings cap, shall not exceed 50 basis points.

The average monthly yields on 30-year Treasury bonds as reported by Moody's were 7.93%, 8.07%, and 7.87% for the months of October, November, and December, 1994, respectively. The average monthly yields on 30-year Treasury bonds as reported in Moody's were 6.37%, 6.25%, and 6.06% for the months of October, November, and December, 1995, respectively. Subtracting the average for the three-month period in 1994 of 7.96% from the average for the three-month period in 1995 of 6.23% produces a spread of 173 basis points. Because the order limits the adjustment resulting from this calculation to a maximum of 50 basis points, the earnings cap for 1995 is 11.5%.

ISSUE 2: What is the amount of overearnings for 1995?

RECOMMENDATION: The amount of overearnings for 1995 is \$229,678.
(HACKNEY)

STAFF ANALYSIS: According to the original Earnings Surveillance Report (ESR), filed on February 27, 1996, Chesapeake had an achieved Return on Equity (ROE) of 12.33%, compared to its 1995 earnings cap of 11.5%. However, after several discussions with Staff, the Company filed a revised 1995 Surveillance Report which reflects an achieved ROE of 12.49%. In addition to the adjustments the Company made on the original ESR, the Company made the following adjustments on the revised ESR:

Adjustment 1: Self Insurance Reserve - As part of the Company's last rate case, Order No. 23166, Working Capital was adjusted to include the reserve set up by Chesapeake, to provide for the deductibles and other uncovered costs of its insurance, especially property and liability insurance. In the original ESR for calendar year 1995, this reserve account had not been adjusted for actual claims. The revised ESR has this adjustment, in the amount of \$37,472, and Staff considers this to be reasonable.

Adjustment 2: Interest Payable - Since the Company is only a division of Chesapeake Utilities Corporation, it does not have any debt on its books; the debt is all on the consolidated books. Because of this, the original ESR did not include an amount for the accrued interest payable which the Company would have incurred on a stand-alone basis. The Company, in the revised ESR, reflected this accrual with an adjustment of \$102,304 which would be a reduction in Working Capital. Staff has reviewed the calculation of this adjustment and considers it reasonable.

Adjustment 3: Flex Rate Liability - On the original ESR, the Company treated this as a deduction from Working Capital. Because this account accrues interest at the thirty day commercial paper rate and consists of an amount owed to customers, the liability should be considered as similar to Short Term Debt, and thus should be included in the Capital Structure. On the revised ESR, the Company did include this liability account in the Capital Structure. The amount of the adjustment is \$256,568. Staff considers this to be reasonable.

Adjustment 4: Reserve for Refunds - This account includes the accrued amount of overearnings for 1994 and 1995. In the original ESR, the Company removed this from Working Capital, when it should have included it as a reduction to same. In the revised ESR, the Company included this in the Working Capital calculation, resulting in a reduction in Rate Base of \$131,180. Staff considers that the

amount of the accrual reasonably reflects the estimated amount of excess earnings for 1995 and the actual amount determined for 1994.

Adjustment 5: Income Tax Accrual - In the original ESR, the Company did not reduce the tax accrual accounts for its portion of Chesapeake Utilities Corporation's total stand-alone quarterly tax payments thus overstating the accrual accounts. In the revised ESR the Company adjusted these accounts by the amount of \$700,055, which upon review Staff agrees is the proper amount.

Based on the above adjustments, the Company increased its NOI by \$2,973 due to the change in the interest synchronization adjustment. This is an appropriate adjustment.

Adjustment 6: Overrecovery of Purchased Gas Cost - In addition to the Company's adjustments, Staff recommends another adjustment which involves the Company's Unrecovered Purchased Gas Cost account. According to the 1995 ESR, the Company had an overrecovery of \$693,286 which it removed from Working Capital. The Company's current position is that it has shown diligent efforts to reduce PGA overrecoveries and that the factors which caused the overrecoveries were beyond the Company's control. Therefore, the Company believes that it should not be penalized for its overrecovered PGA balance and the appropriate treatment of the PGA balance should be as a component of Capital Structure with interest calculated at the average thirty(30) day commercial paper rate for the period and not as a reduction to Rate Base. Per the Company's request we have attached two letters regarding this issue.

The Commission's position on this issue, as decided in Docket No. 830012-EU (Tampa Electric Company), and more recently, in the latest City Gas rate case, Docket No. 960502-GU, has been that these overrecoveries should be treated as cost-free liabilities and should be used to reduce its working capital allowance. If overrecoveries are not recognized in Working Capital, Rate Base is increased and the utility earns a return on the overrecovery. In other words, the ratepayer provides the interest on the overrecovery. By including overrecoveries as a reduction to Working Capital, a company will have an incentive to make its projections for the fuel cost recovery clause as accurate as possible and avoid such large overrecoveries. Also, the Company had opportunities to reduce overcollections during 1995. Staff recommends that the amount of the overrecovery, \$693,286, should be a reduction to Working Capital. This reduction in Working Capital results in a pro rata change in the Capital Structure. In addition, there would be a \$9,458 adjustment to decrease Net Operating Income for interest synchronization.

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After all of the above adjustments were made, the 1995 thirteen month average Rate Base of the Company was \$15,016,701, with a Net Operating Income of \$1,529,607. The resulting Rate of Return is thus 10.14%, and using the adjusted Capital Structure, the Return on Equity is 13.27%, or 1.77% above the cap. The excess Net Operating Income for the calendar year 1995 is \$140,562, resulting in overearnings of \$229,678.

ISSUE 3: What should be the disposition of the 1994 and 1995 overearnings?

RECOMMENDATION: The overearnings for 1994 and 1995 should be credited to the Company's accumulated reserve for environmental clean-up costs. (HACKNEY, MILLS)

STAFF ANALYSIS: The Company is still in the process of evaluating the extent and cost of the environmental clean-up of a former gas manufacturing site. Because of this, it faces a potentially significant expense for this item. In a recent proposal to the Florida Department of Environmental Protection (FDEP), these costs were estimated to be between approximately \$475,000 and \$1.5 million.

In order to provide for this major expense, in Order No. PSC-95-0160-POF-GU, the Commission allowed Chesapeake to retroactively resume in 1994 its \$71,114 annual accrual to its environmental clean-up reserve. The Commission further allowed the Company to offset the 1994 excess earnings against any of these costs incurred in 1995.

Even though Chesapeake did not incur a significant amount of these expenses in 1995, the probability of these expenses occurring in the near future still exists. Therefore, Staff recommends that the excess earnings for 1994 and 1995 be applied to the accumulated reserve for environmental costs, which is the treatment the Company proposed by letter dated March 27, 1996. The balance of this reserve account as of December 31, 1995, was \$64,181. If the reserve is credited with the amount of the overearnings for 1994 and 1995, the balance as of December 31, 1995 would be \$356,219. This amount is still significantly below that estimated for the total cost of this environmental clean-up.

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ISSUE 4: Should this docket be closed?

RECOMMENDATION: Yes. This docket should be closed if no substantially affected person timely files a protest to the Commission's proposed agency action. (V. JOHNSON)

STAFF ANALYSIS: Pursuant to Rule 25-22.029 (4), F.A.C., any person whose interests are substantially affected by the Commission's proposed agency action may file a protest within 21 days of the issuance of the order. If no timely protest is filed, the docket should be closed.

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DATE: JANUARY 9, 1997

FLORIDA DIVISION OF
CHESAPEAKE UTILITIES CORPORATION
DOCKET NO. 970023-GU

ATTACHMENT 1
09-Jan-97

CALCULATION OF 1995 EXCESS REVENUE

NET OPERATING INCOME PER REVISED ESR \$1,539,065

Staff Adjustment #6:

Interest Synchronization	(9,458)	
Total Adjustments		(9,458)
Adjusted NOI		<u>\$1,529,607</u>

RATE BASE PER ESR \$15,709,986

Staff Adjustment #6:

Work. Cap. - Overrecovery of Purch. Gas Cost	(693,286)	
Total Adjustments		(693,286)
Adjusted Rate Base		<u>\$15,016,700</u>

ROR @ 11.50% ROE	x	9.25%	
Maximum allowed NOI			<u>1,389,045</u>
Achieved NOI			1,529,607
Excess NOI			<u>140,562</u>
NOI Multiplier	x	1.634	
TOTAL 1995 EXCESS REVENUE			<u>\$229,679</u>

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 DATE: JANUARY 9, 1997

FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION, INC.
 DOCKET NO. 970023-GU

ATTACHMENT 2
 09-Jan-97

1995 CAPITAL STRUCTURE

	PER ESR	STAFF SPECIFIC ADJUSTMENTS	STAFF ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT - IRB	668,269		668,269	4.45%	8.65%	0.30%
LONG TERM DEBT - OTHER	4,362,890	(247,780)	4,115,110	27.40%	8.63%	2.36%
SHORT TERM DEBT	1,000,882	(49,292)	951,590	6.34%	6.06%	0.38%
FLEX RATE LIABILITY	256,568		256,568	1.71%	6.02%	0.10%
CUSTOMER DEPOSITS	428,306		428,306	2.85%	8.48%	0.24%
COMMON EQUITY	8,045,068	(396,213)	7,648,855	50.94%	11.50%	5.86%
INVESTMENT TAX CREDIT	418,860		418,860	2.79%	0.00%	0.00%
DEFERRED INCOME TAXES	529,143		529,143	3.52%	0.00%	0.00%
DEFERRED INCOME TAXES 109	(25,569)		(25,569)	-0.17%	0.00%	0.00%
REGULATORY ASSET/LIAB. 109	25,569		25,569	0.17%	0.00%	0.00%
TOTAL	15,709,986	(693,285)	15,016,701		100.00%	9.25%

DOCKET NO. 97002-GU
DATE: JANUARY 9, 1997

ATTACHMENT 3
PAGE 1 OF 2



Division of Chesapeake Utilities Corporation
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RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION

97 JAN -8 PM 12:55

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January 7, 1997

Mr. Dale Mailhot
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0868

Dear Mr. Mailhot:

In response to a conversation with Laura Hackney, I am forwarding to you Chesapeake's official position with respect to the treatment of the PGA overrecovery in our 1995 surveillance report. We strongly believe that the PGA balance should be included as a component of capital structure with interest calculated at the average 30 day commercial paper rate for the period and not treated as a reduction to rate base for purposes of settling our 1995 overearnings. Support for our position was outlined in my letter dated November 25, 1996 (attached).

I understand that staff is concerned that Chesapeake has not attempted to refund its PGA overcollection out-of-cycle. As I have mentioned before, Chesapeake has not attempted to refund any PGA overrecovery out-of-cycle, primarily due to the uncertainty of the natural gas market. As you know, natural gas is the most volatile of the commodities traded on the market.

Chesapeake is flexing its PGA rate down monthly to our best estimate of the actual gas costs when they are lower than the approved cap. However, we do experience months when we are not able to charge the actual cost of gas and therefore undercollect. The underrecoveries would have a significant impact on the cost of gas in a future period if Chesapeake refunded overrecoveries out-of-cycle, possibly to the extent that Chesapeake's cost of gas would no longer be competitive with alternative fuels.

An example of unforeseen underrecoveries is presently occurring. Due to rising gas prices in November and December, Chesapeake has underrecovered approximately \$440,000 in these two months. We are experiencing a similar situation in January 1997. Coupled with amortization of a prior period true-up, the balance in Chesapeake's PGA account will be reduced from an overrecovery of \$672,000 in

NATURAL GAS SERVICE TO
BARTON HAINES CITY WINTER HAVEN MOUNTAIN LAKE LAKE ALFRED HIGHLAND CITY WAVERLY MILLBERRY
AUBURNDALE EAGLE LAKE LAKE WALES DUNDEE LAKE HAMILTON ST. CLOUD PLANT CITY

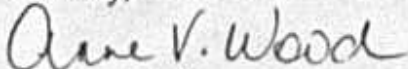
Mr. Dale Mailhot
Page 2
January 7, 1997

October 1996 to an undercollection of approximately \$250,000 by the end of January 1997. Had Chesapeake previously refunded the overrecovery out-of-cycle, we would be faced with an underrecovery of \$922,000 near the end of a PGA cycle, which would increase our gas rate approximately 2.5 cents in the next cycle. Since the current period ends in March, there would not be sufficient time to request and receive approval for a mid-course correction that would allow us to bill a rate in excess of our existing approved cap.

We believe that Chesapeake makes every effort to reduce PGA overrecoveries and therefore, should not be penalized by having the PGA balance deducted from rate base. We also believe that due to the uncertainty of the gas market and the volatility of gas prices, a gas utility should not be forced to refund a PGA overrecovery out-of-cycle. The gas business is cyclical by nature and gas utilities should be allowed to offset underrecoveries in the winter with overrecoveries in the summer without penalty for earnings surveillance purposes.

We appreciate your consideration of our comments. We would also appreciate you attaching this memo and our November 25, 1996 memo to staff's recommendation for submission to the Commission. Thank-you for your cooperation.

Sincerely,



Anne V. Wood
Accounting and Rates Manager

Enclosures

cc: Tom Geoffroy
Wayne Schiefelbein



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November 25, 1996

Mr. Dale Mailhot
Bureau Chief
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0868

Dear Mr. Mailhot:

Attached please find the PGA analysis we spoke about on Friday. I have analyzed the account for the twelve months ended December 31, 1995. In summary, it appears the overrecoveries we have experienced are the result of several factors.

Let me begin by explaining the process Chesapeake goes through each month when setting PGA rates. As you know, we file for a PGA cap every January for the period April through March. This rate includes our projection of therm sales and cost of gas for the period plus a true-up factor for prior period over and underrecoveries.

At the beginning of each month, Chesapeake estimates firm and interruptible sales for the month as well as the cost of gas for that month. If the estimated rates are less than the PGA approved cap, Chesapeake flexes the rate down to the estimated rates in order to avoid large overrecoveries and to allow us to be competitive with our large customers' alternative fuel sources. We file a flex down PGA filing with the Division of Electric and Gas at the beginning of each month. As you can see from the attached schedule, Chesapeake makes every effort to avoid overrecoveries. During the last 35 months, we have charged the cap only 7 times. In fact, in each of the 7 months we charged the cap we were estimating gas costs greater than cap and as a result we were estimating underrecoveries during those months. During 1995, Chesapeake flexed the PGA rate down in all twelve months.

Even with revised estimates at the beginning of each month, it is very possible to experience an overrecovery for the month. Chesapeake uses historical data combined with interviews of its large customers' management to forecast its load each month. To the extent that sales volumes increase from our first of the month estimate, Chesapeake may experience an increase in PGA revenues. One would also expect an

NATURAL GAS SERVICE TO
BARTOW HAINES CITY WINTER HAVEN MOUNTAIN LAKE LAKE ALFRED HIGHLAND CITY WAVERLY MULBERRY
AUBURNDALE EAGLE LAKE LAKE WALES DUNDEE LAKE HAMILTON ST. CLOUD PLANT CITY

Mr. Dale Mailhot
Page 2
November 25, 1996

increased cost of gas if sales volumes increase for the month. As you can see from the attached schedule, actual sales volumes exceeded our estimates for the period by approximately 6,160,000 therms. This difference is primarily the result of interruptible volumes in excess of what we projected. The increase in volumes resulted in increased PGA revenues of \$1,234,062. Cost of gas exceeded our estimates by \$685,747, equalling a net overrecovery for the period of \$548,315.

Two items which affect cost of gas but are not readily estimable in the first of the month forecast, and are therefore excluded, are cashout dollars and FGT revenue sharing. Cashout dollars result from balancing Chesapeake's distribution system with FGT and with our transportation customers. As delivery point operator on FGT, Chesapeake is financially responsible for all imbalances (the difference between gas scheduled for delivery and actual deliveries) between its distribution system and FGT. We settle those imbalances by either booking out with (and paying directly) another party on FGT's system or by cashing out those balances with FGT. During this period, we did both. Since our transportation customer imbalances are included in the system-wide imbalance, we have a cashout mechanism in our tariff for resolution of customer imbalances (Original Sheets Nos. 76 and 77). Our mechanism is designed to encourage transportation customers to stay within defined tolerances so as to avoid any negative operational impact on Chesapeake's distribution system. As a result, it is not uncommon for Chesapeake to recover more dollars from its customers than it actually had to pay to settle the monthly imbalance with FGT. All the dollars recovered from cashing out imbalances are appropriately debited/credited to the PGA. I have attached a schedule of our cashout dollars for the period, which resulted in a credit to the PGA of \$415,677.

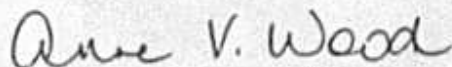
FGT revenue sharing received for the period was \$72,645. FGT credits firm shippers monthly with a pro-rata share of revenue, when capacity on the pipeline is sufficient to allow interruptible transportation volumes to flow. As stated above, Chesapeake does not forecast this revenue at the beginning of the month, however, we do credit the dollars directly to the PGA.

Mr. Dale Mailhot
Page 3
November 25, 1996

In summary, Chesapeake's overrecovered PGA balance has resulted primarily from the increase in sales volumes to interruptible customers beyond our first of the month estimate and the dollars received from settling the pipeline imbalances with FGT, other parties, and our customers. Chesapeake lowered the PGA rate each month during 1995 in order to avoid large overrecoveries for the period based on the best information we had at the time.

We believe Chesapeake has shown diligent efforts to reduce PGA overrecoveries and that the factors which caused our overrecoveries are beyond our control. As a result, our position is that the PGA balance should be included as a component of capital structure with interest calculated at the average 30 day commercial paper rate for the period and not as a reduction to rate base for purposes of settling our 1995 overearnings with Staff. We do not believe that Chesapeake should be penalized for its overrecovered PGA balance. Please contact me if you have any questions regarding this analysis. Thank-you for the opportunity to address this issue.

Sincerely,



Anne V. Wood
Accounting and Rates Manager

cc: Wayne Schiefelbein
Tom Geoffroy
Steve Thompson

CHESAPEAKE UTILITIES CORPORATION
 FLORIDA DIVISION
 PGA GAS RATES
 JANUARY 1994 THRU NOVEMBER 1996

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1994	FIRM BILLED PGA	APPROVED CAP
JANUARY	32.330	38.994
FEBRUARY	38.994	38.994
MARCH	38.994	38.994
APRIL	35.082	35.082
MAY	31.139	35.082
JUNE	27.503	35.082
JULY	21.947	35.082
AUGUST	22.135	35.082
SEPTEMBER	21.506	35.082
OCTOBER	28.890	35.082
NOVEMBER	24.412	35.082
DECEMBER	23.566	35.082

1995	FIRM BILLED PGA	APPROVED CAP
JANUARY	23.832	35.082
FEBRUARY	20.357	35.082
MARCH	29.061	35.082
APRIL	36.707	37.675
MAY	27.325	37.675
JUNE	31.415	37.675
JULY	25.607	37.675
AUGUST	25.473	37.675
SEPTEMBER	24.310	37.675
OCTOBER	31.027	37.675
NOVEMBER	32.779	37.675
DECEMBER	34.771	37.675

1996	FIRM BILLED PGA	APPROVED CAP
JANUARY	37.675	37.675
FEBRUARY	30.664	37.675
MARCH	37.675	37.675
APRIL	35.159	35.159
MAY	29.058	35.159
JUNE	29.405	35.159
JULY	31.846	35.159
AUGUST	28.170	35.159
SEPTEMBER	26.048	35.159
OCTOBER	31.692	35.159
NOVEMBER	35.159	35.159

NUMBER OF MONTHS : 35
 MONTHS AT CAP 7

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	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTALS	13 MO AVG
DEC 84														
CHESAPEAKE UTILITIES CORPORATION FLORIDA DIVISION ANALYSIS OF PGA ACCOUNT DECEMBER 31, 1988														
BEGINNING BALANCE	723,063	562,204	590,503	472,581	601,815	533,917	551,787	521,428	591,120	770,842	841,588	1,115,052	723,063	
OVERCOLLECTIONS		32,883		168,815		54,407	6,287	208,047	115,548	208,784	208,418		884,878	
UNDERCOLLECTIONS	(158,854)		(113,412)		(11,460)							(144,824)	(448,860)	548,315
AMORTIZE PRIOR PO OVER/UNDER	(7,245)	(7,245)	(7,245)	(9,300)	(9,300)	(9,300)	(9,300)	(9,300)	(9,300)	(9,300)	(9,300)	(9,300)	(378,480)	
INTEREST	3,240	3,911	2,688	2,722	2,885	2,748	2,887	2,948	3,579	4,182	4,864	4,851	40,484	
ENDING BALANCE	723,063	562,204	590,503	472,581	601,815	533,917	551,787	521,428	591,120	770,842	841,588	1,115,052	828,278	553,202

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
CHESAPEAKE UTILITIES CORPORATION FLORIDA DIVISION ANALYSIS OF PGA ACCOUNT DECEMBER 31, 1988													
DIFFERENCE IN REVENUE ESTIMATE	32,803	8,875	156,193	179,075	89,503	81,682	(42,866)	91,249	182,134	246,330	300,584	(51,200)	1,234,062
DIFFERENCE IN COST OF GAS ESTIMATE	190,457	(24,008)	298,606	13,280	101,014	7,275	(48,864)	(114,790)	87,568	38,588	82,188	83,564	685,747
OVER/UNDERCOLLECTION FOR PERIOD	(158,854)	32,883	(113,412)		(11,461)	54,407	6,288	208,047	115,548	208,784	208,418	(144,824)	548,315

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	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
ESTIMATED PGA REVENUE	1,842,480	1,769,100	1,278,880	1,277,200	1,082,330	833,270	861,860	828,130	805,730	1,131,700	1,198,210	1,683,300	14,800,410
FROM THERM SALES ESTIMATE	0.23683	0.20273	0.28814	0.37255	0.28149	0.32182	0.26483	0.28331	0.25180	0.31781	0.33000	0.30485	
TOTAL ESTIMATED FIRM PGA REVENUE	439,305	358,650	368,525	477,095	298,035	300,158	238,108	244,848	235,710	359,868	430,385	588,814	4,305,181
INTERRUPTIBLE THERM SALES ESTIMATE	1,787,240	1,675,840	1,605,750	1,112,880	1,833,000	1,873,300	2,088,300	1,988,480	1,215,700	1,786,300	2,000,790	2,308,360	21,714,730
TOTAL ESTIMATED INTERRUPTIBLE PGA REVENUE	0.15214	0.14508	0.15019	0.17987	0.21535	0.21138	0.21589	0.18272	0.22589	0.22958	0.23430	0.28242	
TOTAL ESTIMATED COST OF GAS (= REVENUE)	273,888	243,148	278,715	200,285	384,747	417,077	453,408	378,282	287,335	480,188	488,778	857,011	4,483,748
ACTUAL PGA REVENUE	710,053	801,798	847,240	877,263	883,782	717,235	881,812	824,011	533,045	759,852	898,171	1,253,825	8,708,807
ACTUAL FROM THERM SALES	1,775,985	1,848,805	1,507,848	1,238,232	1,198,822	870,883	863,752	838,505	1,000,818	1,337,485	1,827,802	1,344,438	15,580,885
ACTUAL FROM SALES REVENUE	403,878	339,308	429,820	445,088	265,885	299,287	224,573	282,435	283,071	487,187	587,884	488,708	4,387,038
ACTUAL INTERRUPTIBLE THERM SALES	2,215,034	1,807,511	2,481,248	2,227,865	2,088,944	2,223,875	1,880,517	2,505,338	1,883,157	2,830,712	2,455,879	2,818,238	27,154,448
ACTUAL INTERRUPTIBLE SALES REVENUE	332,732	273,818	385,384	371,158	458,187	440,327	374,870	413,522	423,805	598,882	543,598	704,483	5,298,585
PLUS TRUE UP PROVISION REFUNDED THIS PERIOD	7,245	7,245	7,249	38,303	38,303	38,303	38,303	38,303	38,303	38,303	38,303	38,303	375,488
PGA REVENUE COLLECTED TO COVER COST OF GAS	743,858	810,473	802,433	858,458	783,335	778,817	838,848	715,280	716,178	1,005,182	1,168,795	1,202,475	10,022,989
ACTUAL LESS ESTIMATED PGA REVENUE	33,803	8,678	155,183	179,075	69,553	81,682	(42,688)	81,248	183,134	245,339	300,884	81,259	1,234,082

NOTE = ESTIMATED RATES EXCLUDE PRIOR PERIOD TRUE-UP AND TAXES

TOTAL ESTIMATED FIRM SALES	14,800,410	TOTAL ACTUAL FIRM SALES	15,580,885
TOTAL ESTIMATED INTERR SALES	21,714,730	TOTAL ACTUAL INTERR SALES	27,154,448
TOTAL THERM SALES ESTIMATED	34,815,140	TOTAL ACTUAL THERM SALES	42,775,433

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CHEMURAKE UTILITIES CORPORATION
 FLORIDA DIVISION
 ANALYSIS OF PGA ACCOUNT
 DECEMBER 31, 1996

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
ESTIMATED VS. ACTUAL COST OF GAS	710,053	601,798	847,240	877,363	883,782	717,235	681,512	824,011	533,045	739,852	808,171	1,253,825	8,798,807
ESTIMATED COST OF GAS	800,510	577,790	915,845	890,943	794,798	724,510	632,548	509,213	600,533	799,418	861,239	1,247,408	9,654,854
ACTUAL COST OF GAS	190,457	24,009	298,605	13,260	101,014	2,273	148,964	(114,202)	67,586	29,598	82,189	93,294	893,747
DIFFERENCE IN ESTIMATED VS. ACTUAL COST OF GAS													

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CHESAPEAKE UTILITIES CORPORATION
 FLORIDA DIVISION
 ANALYSIS OF CASHOUT DOLLARS IN PGA
 DECEMBER 31, 1996

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTALS	
CASHOUT - CUC AND OTHERS	0	(11,266)	3,800	(83,553)	73,863	(25,854)	0	(65,125)	(1,708)	0	0	(26,007)	458	(174,869)
CASHOUT - CUC AND FOT	0	5,149	0	0	0	0	10,378	(5,187)	0	(8,054)	(82,843)	7,365	(53,881)	
TOTAL CASHOUT ON FOT	0	(5,149)	3,800	(83,553)	73,863	(25,854)	10,378	(101,322)	(1,708)	(8,054)	(68,847)	7,804	(238,879)	
CASHOUT - CUC AND CUSTOMERS	(25,428)	(80,873)	45,818	(81,235)	15,825	32,300	(587)	3,330	(8,235)	(10,708)	2,741	(88,341)	(186,869)	
NET (SURPLUS) OR DEFICIT FROM CASHOUTS (1)	(25,428)	(85,119)	49,618	(164,788)	89,778	6,446	9,779	(87,992)	(10,943)	(18,779)	(65,808)	(80,477)	(413,877)	

CHESAPEAKE UTILITIES CORPORATION
 FLORIDA DIVISION
 ANALYSIS OF FOT REVENUE SHARING IN PGA
 DECEMBER 31, 1996

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTALS
REVENUE SHARING RECEIVED FROM FOT (1)	(16,068)	(11,285)	(10,862)	(2,019)	(11,045)	(2,143)	(5,253)	(4,924)	(2,872)	(1,115)	(1,498)	(2,352)	(73,845)

(1) Amounts shown in brackets are dollars credited to the PGA account