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September 4, 1998

Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

HAND DELIVERY

Re: Docket No. 980002-EG
Conservation Cost Recovery Clause

Dear Ms. Bayo:

Enclosed on behalf of Chesapeake Utilities Corporation for filing in the above docket are an original and fifteen (15) copies of

1. Notice of Substitution of Counsel; 09641-98
2. Direct Testimony of Beverly A. Bauck; 09642-98
3. Exhibit BAB-1; and
4. our Certificate of Service.

ACK Handwritten
AFA Handwritten
APP enclosed
CAF attention.
CMU _____
CTR _____
EAG Kullenger
LEG 1
LIV 3 hrs test
OPC _____
RCH _____
SEC 1
WAS _____
OTH _____

Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention. Thank you for your assistance.

Sincerely,

Wayne L. Schiefelbein

Wayne L. Schiefelbein

RECEIVED & FILED
[Signature]
FPSC-BUREAU OF RECORDS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Conservation Cost Recovery)
Clause.)

DOCKET NO. 980002-EG

FILED: September 4, 1998

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the Notice of Substitution of Counsel, the Direct Testimony of Beverly A. Bauck and Exhibit BAB-1 have been furnished by hand-delivery on this 4th day of September, 1998 to WILLIAM COCHRAN KEATING, IV, ESQ., Division of Legal Services, Florida Public Service Commission, Gunter Building, Room 370, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and by regular U.S. Mail to the following:

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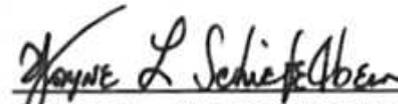
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Attorneys for Chesapeake
Utilities Corporation

In. Re. Conservation Cost Recovery Clause

DIRECT TESTIMONY OF BEVERLY A. BAUCK

On Behalf of

Chesapeake Utilities Corporation

DOCKET NO. 980002-EG

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7 Q. Please state your name, business address, by whom you are employed, and in what
8 capacity.

9 A. My name is Beverly A. Bauck, and my business address is 1015 6th Street N. W.,
10 Winter Haven, Florida, 33881. I am employed by Chesapeake Utilities Corporation
11 ("Chesapeake") as Conservation Services Representative

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

14 A. Yes

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

16 A. The purpose of my testimony is to present data and summaries concerning the planned
17 and actual accomplishments of Chesapeake's energy conservation programs during the
18 period October 1, 1997 through March 31, 1998. Data related to calculation of the
19 true-up for this period is also included.

20 Q. Have you prepared summaries of Chesapeake's conservation programs and the costs
21 associated with these programs?

22 A. Yes. Summaries of the five programs in connection with which Chesapeake incurred
23 recoverable costs during the period October 1, 1997 through March 31, 1998 are
24 contained in Schedule CT-6 of Exhibit BAB-1. Included are our Single and Multi-
25 Family Home Builder Program, our Water Heater Replacement Program, our

- 1 Replacement of Electric Strip and Oil Heating Program, our Natural Gas Space
2 Conditioning Program, and our Conservation Education Program
- 3 Q Have you prepared schedules which show the expenditures associated with
4 Chesapeake's energy conservation programs for the periods you have mentioned?
- 5 A Yes. Schedule CT-2, page 2, Exhibit BAB-1 shows actual expenses for the period.
6 Schedule CT-2, page 1, shows a comparison of the actual program costs and true-up
7 with the estimated costs and true-up submitted at the February 1998 hearing in this
8 docket.
- 9 Q What was the total cost incurred by Chesapeake in connection with the five programs
10 during the months ending March 31, 1998?
- 11 A As shown in Exhibit BAB-1, Schedule CT-2, page 2, total program costs were
12 \$137,773. This total is \$20,912 more than our projection of the program costs for the
13 six month period.
- 14 Q Have you prepared, for the six-month period involved, a schedule which shows the
15 variance of actual from projected costs by categories of expenses?
- 16 A Yes. Schedule CT-2, page 3, of Exhibit BAB-1 shows these variances. Reasons for
17 the variances are included in Schedule CT-5 of Exhibit BAB-1.
- 18 Q What is Chesapeake's adjusted net true-up for the six months ended March 31, 1998?
- 19 A We originally estimated an underrecovery, including interest of, \$17,250. This
20 projected true-up amount was based on conservation revenues of \$100,998 for the
21 period October 1997 through March 1998. However, sales during this period actually
22 yielded conservation revenues of \$103,741, over projecting by \$2,743. Adding
23 expenses of \$20,912 more than projected results in a total difference, including interest,
24 of \$18,339 as shown on Schedule CT-1 of Exhibit BAB-1
- 25 Q Is this adjusted net true-up of \$18,339 an overrecovery of underrecovery?

1 A An underrecovery, as shown on Schedule CT-1 of Exhibit BAB-1.

2 Q Does this conclude your testimony?

3 A Yes, it does

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Exhibit _____ (BAB-1)

CHESAPEAKE UTILITIES CORPORATION

CONSERVATION COST RECOVERY TRUE-UP

October 1, 1997 through March 31, 1998

CONTENTS

Schedule CT-1		
(1 of 1)	Adjusted Net True-Up	1
Schedule CT-2		
(1 of 3)	Analysis of Energy Conservation Costs Actual vs. Estimated	2
(2 of 3)	Actual Conservation Program Costs per Program	3
(3 of 3)	Conservation Costs Per Program - Variance Actual vs. Projected	4
Schedule CT - 3		
(1 of 3)	Energy Conservation Adjustment Calculation of True-Up and Interest Provision - Summary of Expenses by Program by Month	5
(2 of 3)	Energy Conservation Adjustment Calculation of True-up and Interest Provision	6
(3 of 3)	Calculation of True-up and Interest Provision	7
Schedule CT - 4		
(1 of 1)	Schedule of Capital Investments, Depreciation and Return	8
Schedule CT - 5		
(1 of 1)	Reconciliation and Explanation of Differences Between Filing and PSC Audit Report for October 1997 through March 1998	9
Schedule CT - 6		
(1 of 5)	Program Description and Progress - Single & Multi-Family Home Builder Program	10
(2 of 5)	Program Description and Progress- Water Heater Replacement Program	11
(3 of 5)	Program Description and Progress- Electric Strip and Oil Heating Replacement	12
(4 of 5)	Program Description and Progress- Conservation Education Program	13
(5 of 5)	Program Description and Progress Natural Gas Space Conditioning Program	14

SCHEDULE CT-1

COMPANY: CHESAPEAKE UTILITIES
CORPORATION

ADJUSTED NET TRUE-UP
OCTOBER 1997 THROUGH MARCH 1998

END OF PERIOD NET TRUE-UP

PRINCIPLE	34,031	
INTEREST	<u>1,558</u>	25,589

LESS PROJECTED TRUE-UP

PRINCIPLE	15,863	
INTEREST	<u>1,387</u>	<u>17,250</u>

ADJUSTED NET TRUE-UP		<u>18,339</u>
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() REFLECTS OVER-RECOVERY

ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
ACTUAL VERSUS ESTIMATED
OCTOBER 1997 THROUGH MARCH 1998

	<u>ACTUAL</u>	<u>PROJECTED*</u>	<u>DIFFERENCE</u>
CAPITAL INVESTMENT	0	0	0
PAYROLL & BENEFITS	18,758	15,357	3,401
MATERIALS & SUPPLIES	93	105	(12)
ADVERTISING	19,478	16,154	3,324
INCENTIVES	95,828	83,061	12,767
OUTSIDE SERVICES	1,896	327	1,569
VEHICLES	1,611	1,857	(245)
OTHER	<u>109</u>	<u>0</u>	<u>109</u>
SUB-TOTAL	137,773	116,861	20,912
PROGRAM REVENUES	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL PROGRAM COSTS	137,773	116,861	20,912
LESS:			
CONSERVATION REVENUES APPLICABLE TO THE PERIOD	(103,741)	(100,998)	(2,743)
TRUE-UP BEFORE INTEREST	34,031	15,863	18,168
INTEREST PROVISION	<u>1,558</u>	<u>1,387</u>	<u>171</u>
END OF PERIOD TRUE-UP	<u>35,589</u>	<u>17,250</u>	<u>18,339</u>

() REFLECTS OVER-RECOVERY

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM
OCTOBER 1997 THROUGH MARCH 1998

PROGRAM NAME	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTIS.	INCENTIV.	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: HOME BUILDERES	12,519	0	13,988	86,972	0	1,123	0	114,602
PROGRAM 2: WATER HEATER REPLACE	3,767	0	2,631	3,751	0	295	0	10,444
PROGRAM 3: OIL & ELEC. HEAT REPLACE	2,473	0	2,859	1,155	0	193	0	6,680
PROGRAM 4: CONSERVATION EDUCATION	0	93	0	0	0	0	0	93
PROGRAM 5: GAS SPACE CONDITIONING	0	0	0	3,950	0	0	0	3,950
PROGRAM 6: COMMOM COSTS	0	0	0	0	1,896	0	109	2,005
PROGRAM 7: (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 8: (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 9: (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 10: (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 11: (TYPE NAME HERE)	0	0	0	0	0	0	0	0
TOTAL	18,758	93	19,478	95,828	1,896	1,611	109	137,773

CONSERVATION COSTS PER PROGRAM - VARIANCE ACTUAL VERSUS PROJECTED
OCTOBER 1997 THROUGH MARCH 1998

PROGRAM NAME	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTIS.	INCENTIV.	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: HOME BUILDERES	2,325	0	1,444	9,608	0	(197)	0	13,180
PROGRAM 2: WATER HEATER REPLACEMENT	599	0	826	1,256	0	(32)	0	2,650
PROGRAM 3: OIL & ELECTRIC HEAT REPLACE	477	0	1,054	(1,047)	0	(16)	0	468
PROGRAM 4: CONSERVATION EDUCATION	0	93	0	0	0	0	0	93
PROGRAM 5: GAS SPACE CONDITIONING	0	(105)	0	3,950	0	0	0	3,845
PROGRAM 6: COMMOM COSTS	0	0	0	(1,000)	1,569	0	109	678
PROGRAM 7: (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 8: (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 9: (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 10: (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 11: (TYPE NAME HERE)	0	0	0	0	0	0	0	0
TOTAL	3,401	(12)	3,324	12,767	1,569	(245)	109	20,912
	3,401	(12)	3,324	12,767	1,569	(245)	109	20,912

() REFELCTS PROJECTED OVER ACTUAL EXPENSE ESTIMATES

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST
OCTOBER 1997 THROUGH MARCH 1998

PROGRAM NAME	OCT 1997	NOV 1997	DEC 1997	JAN 1998	FEB 1998	MAR 1998	TOTAL
PROGRAM 1: HOME BUILDERES	18,013	10,965	31,583	6,415	14,983	32,643	114,603
PROGRAM 2: WATER HEATER REPLACE	951	886	2,571	1,390	2,290	2,356	10,444
PROGRAM 3: OIL & ELEC. HEAT REPLACE	495	669	2,173	562	1,634	1,146	6,679
PROGRAM 4: CONSERVATION EDUCATION	0	0	0	0	0	93	93
PROGRAM 5: GAS SPACE CONDITIONING	0	0	3,950	0	0	0	3,950
PROGRAM 6: COMMOM COSTS	214	0	431	0	820	540	2,005
PROGRAM 7: (TYPE NAME HERE)	0	0	0	0	0	0	0
PROGRAM 8: (TYPE NAME HERE)	0	0	0	0	0	0	0
PROGRAM 9: (TYPE NAME HERE)	0	0	0	0	0	0	0
PROGRAM 10: (TYPE NAME HERE)	0	0	0	0	0	0	0
PROGRAM 11: (TYPE NAME HERE)	0	0	0	0	0	0	0
TOTAL	19,672	12,520	40,708	8,368	19,728	36,777	137,773

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST
OCTOBER 1997 THROUGH MARCH 1998

CONSERVATION REVENUES	OCT 1997	NOV 1997	DEC 1997	JAN 1998	FEB 1998	MAR 1998	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	(14,002)	(18,093)	(21,689)	(26,347)	(25,662)	(23,421)	(129,214)
4. TOTAL REVENUES	(14,002)	(18,093)	(21,689)	(26,347)	(25,662)	(23,421)	(129,214)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	4,246	4,246	4,246	4,246	4,246	4,246	25,473
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(9,757)	(13,848)	(17,443)	(22,101)	(21,417)	(19,176)	(103,741)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	19,672	12,520	40,708	8,368	19,728	36,777	137,773
8. TRUE-UP THIS PERIOD	9,916	(1,328)	23,265	(13,733)	(1,689)	17,601	34,031
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	248	251	289	290	231	250	1,558
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	50,950	56,868	51,546	70,854	53,165	47,461	50,950
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	(4,246)	(4,246)	(4,246)	(4,246)	(4,246)	(4,246)	(25,473)
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	56,868	51,546	70,854	53,165	47,461	61,066	61,066

CALCULATION OF TRUE-UP AND INTEREST PROVISION
OCTOBER 1997 THROUGH MARCH 1998

INTEREST PROVISION	OCT 1997	NOV 1997	DEC 1997	JAN 1998	FEB 1998	MAR 1998	TOTAL
1. BEGINNING TRUE-UP	50,950	56,868	51,546	70,854	53,165	47,461	
2. ENDING TRUE-UP BEFORE INTEREST	56,620	51,295	70,565	52,875	47,230	60,816	
3. TOTAL BEGINNING & ENDING TRUE-UP	107,570	108,163	122,110	123,728	100,395	108,277	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	53,785	54,081	61,055	61,864	50,197	54,139	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	5.530%	5.530%	5.600%	5.750%	5.500%	5.530%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	5.530%	5.600%	5.750%	5.500%	5.530%	5.550%	
7. TOTAL (SUM LINES 5 & 6)	11.060%	11.130%	11.350%	11.250%	11.030%	11.080%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	5.530%	5.565%	5.675%	5.625%	5.515%	5.540%	
9. MONTHLY AVG INTEREST RATE	0.461%	0.464%	0.473%	0.469%	0.460%	0.462%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	248	251	289	290	231	250	1,558

SCHEDULE CT-4

SCHEDULE OF CAPITAL INVESTMENTS, DEPRECIATION, AND RETURN
FOR MONTHS: OCTOBER 1997 THROUGH MARCH 1996

NOT APPLICABLE

BEGINNING OF PERIOD CUMULATIVE INVESTMENT: 0
 LESS: ACCUMULATED DEPRECIATION: 0
 NET INVESTMENT 0

DESCRIPTION	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	TOTAL
INVESTMENT	0	0	0	0	0	0	0
DEPRECIATION BASE	0	0	0	0	0	0	0
DEPRECIATION EXPENSE	0	0	0	0	0	0	0
CUMULATIVE INVEST.	0	0	0	0	0	0	0
LESS: ACCUM. DEPR	0	0	0	0	0	0	0
NET INVESTMENT	0	0	0	0	0	0	0
AVERAGE INVESTMENT	0	0	0	0	0	0	0
RETURN ON AVG INVEST	0	0	0	0	0	0	0
RETURN REQUIREMENTS	0	0	0	0	0	0	0
TOTAL DEPR & RETURN	0	0	0	0	0	0	0

Exhibit No. _____

Docket No. 980002-EG

CHESAPEAKE UTILITIES CORPORATION

(BAB-1)

Page 9 of 14

Schedule CT-5

CHESAPEAKE UTILITIES CORPORATION

Reconciliation and Explanation of Differences Between Filing and PSC Audit Report for October 1997 through March 1998.

NO DIFFERENCES AS OF THE DATE OF THIS FILING

Schedule CT-6

Page 1 of 5

CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Single and Multi-Family Home Builder Program

Program Description:

This program is designed to increase the number of high priority natural gas customers in the new home construction market. Incentives are offered in the form of gas piping and venting allowances to assist builders with gas appliance installation.

Allowances:

Conservation allowances are currently:

- \$220 Energy efficient natural gas water heater installation
- \$220 Natural Gas home heating
- \$38 Energy efficient natural gas range or dryer stub outlet

Program Accomplishments:

For the six month period October 1997 through March 1998, we estimated that 165 new homes would be connected to the system. During this period, allowances were actually paid for building 215 new homes equipped with natural gas appliances.

Program Fiscal Expenditures:

During the six month period, expenditures for this program totaled \$114,602.

Program Progress Summary:

Since the programs inception, 3961 new homes have been equipped with efficient natural gas appliances. Company representatives continue to work closely with area builders to promote the installation of natural gas appliances in new homes.

Schedule CT-6
Page 2 of 5

CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:
Water Heater Replacement Program

Program Description:
This program is designed to encourage the replacement of electric resistance water heater with energy efficient natural gas water heaters. For the period October 1997 through March 1998 the program offered incentives of \$220 to homeowners and \$33 to installing dealers to assist in defraying the increase cost of piping and venting associated with gas water heater installations.

Program Accomplishments:
During the six month period, October 1997 through March 1998 we estimated that 25 homeowners would replace their electric water heaters with energy efficient natural gas models. In actuality 16 water heaters were installed during this period.

Program Fiscal Expenditures:
Program costs totaled \$10,443.87 during the six-month period.

Program Progress Summary:
Since the programs inception, 976 natural gas water heaters have replaced electric models as a result of conversion allowances.

Schedule CT-6
Page 3 of 5

CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:
Electric Strip and Oil Heating Replacement

Program Description:
This program is designed to reduce KWD and KWH consumption, and the direct use of oil, by encouraging the replacement of electric strip and oil heating equipment with energy efficient natural gas furnaces. The company offers incentives of \$330 to homeowners and \$55 to installing dealers to offset the additional cost of piping and venting required for natural gas heating. The company offers piping and venting allowances of \$55 to homeowners and \$22 to installing dealers when installing a natural gas space heater to replace oil or electric heat.

Program Accomplishments:
For the six month period from October 1997 through March 1998 we estimate that 7 natural gas furnaces and space heaters would replace electric or oil heat. During this period 3 homeowners actually converted to natural gas heat.

Program Fiscal Expenditures:
Program costs totaled \$6680 during the six month period.

Program Progress Summary:
Since the programs inception, 365 energy-efficient natural gas furnaces and space heaters have replaced electric or oil burning models as a result of conservation allowances.

Schedule CT-6
Page 4 of 5

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 utility bill.

Program Accomplishments:

We continue to offer no-cost walk-through energy audits on the proper use of natural gas appliances and conservation tips to gas customers, together with literature outlining the expected savings from using natural gas appliances when compared to electricity.

Program Fiscal Expenditures:

Program cost totaled \$93 for this six month period.

Program Progress Summary:

We continue to meet requests from schools and the community for speakers and from schools for conservation education materials.

Exhibit No. _____

Docket No. 980002-EG

CHESAPEAKE UTILITIES CORPORATION
(BAB-1)

Page 14 of 14

Schedule CT-6

Page 5 of 5

CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Natural Gas Space Conditioning Program

Program Description:

The program is designed to convert customers from electric space conditioning equipment to energy efficient natural gas space conditioning equipment. The program provides an allowance to qualifying participants to compensate for the higher initial costs of natural gas space conditioning equipment and its installation. The program will also help reduce summer kw demand and will assist in the conservation of kwh production. The company offers incentives of \$50 per ton installed natural gas space conditioning equipment.

Program Accomplishments:

During this period, 79 tons of natural gas cooling were installed.

Program Fiscal Expenditures:

During this period from October 1997 through March 1998, \$3950 has been expended in allowances.

Program Progress Summary:

Seven natural gas space conditioning units have been installed since this program began