

MEMORANDUM

October 8, 1998

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 980002-EG -- CHESAPEAKE UTILITIES CORPORATION
AUDIT REPORT - CONSERVATION - SIX-MONTH PERIOD ENDED MARCH 31, 1998
AUDIT CONTROL NO. 98-162-3-1

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

Chesapeake Utilities Corporation
Thomas A. Goeffroy
P. O. Box 960
Winter Haven, FL 33882-0960

DNV/sp

Attachment

cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Jacobs
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Lowery/Brown)
Orlando District Office (Forbes)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE

11161 OCT-98

FPSC-RECORDS/REPORTING

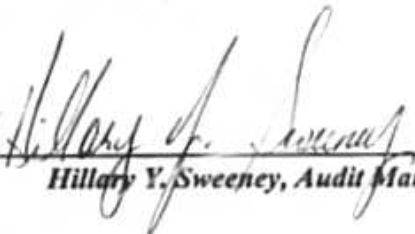


FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING

Orlando District Office

CHESAPEAKE UTILITY CORPORATION
ENERGY CONSERVATION COST RECOVERY AUDIT
SIX-MONTH PERIOD ENDED MARCH 31, 1998

DOCKET NO. 980002-EG
AUDIT CONTROL NO. 98-162-3-1



Hillary Y. Sweeney, Audit Manager



Ian J. Forbes, Audit Supervisor

DOCUMENT NUMBER-DATE

11161 OCT-98

FPSC-RECORDS/REPORTING

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

SEPTEMBER 11, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Energy Conservation Cost Recovery (ECCR) schedules for the six-month period ended March 31, 1998, for Chesapeake Utilities Corporation. These schedules were prepared by the company as part of its petition for a ECCR True-up in Docket No. 980002-EG. There is no confidential information associated with this audit, and there are no audit staff minority opinions.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

In our opinion, the schedules referred to above present fairly, in all material respects, the company's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all the financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Schedules CT2 through CT3 - Recomputed the company's Schedules CT-1 through CY-6 for the period October 1997 through March 1998.

Conservation Revenues - Compiled ECCR revenues for the six - month period ended March 31, 1998. Scheduled terms sold and recalculated conservation revenues. Traced Commission-approved factors to the billing register.

Program Costs - Reviewed conservation expenses for each program. Traced conservation expenses to the general ledger. Judgementally sampled expenses to ensure they were properly classified and eligible for conservation cost recovery.

Cost Recovery - Recalculated company exhibit for net true-up. Verified that the correct interest rates were applied to under or over recovered amounts for the six months ended March 31, 1998. Verified cost recovery Commission Order Numbers PSC-97-0291-FOF-EG and PSC-98-0403-FOF-EG.

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	<u>56,620</u>	<u>51,295</u>	<u>70,565</u>	<u>52,875</u>	<u>47,230</u>	<u>60,816</u>	
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%)	<u>53,785</u>	<u>54,081</u>	<u>61,055</u>	<u>61,864</u>	<u>50,197</u>	<u>54,139</u>	
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	<u>5.530%</u>	<u>5.600%</u>	<u>5.750%</u>	<u>5.500%</u>	<u>5.530%</u>	<u>5.550%</u>	
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)	<u>248</u>	<u>251</u>	<u>289</u>	<u>290</u>	<u>231</u>	<u>250</u>	<u>1,558</u>

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYO
DIRECTOR
(850) 413-6770

Public Service Commission

October 12, 1998

Thomas A. Geoffroy
Chesapeake Utilities Corporation
Post Office Box 960
Winter Haven, Florida 33882-0960

Re: Docket No. 980002 - EG - Chesapeake Utilities Corporation
Audit Report - Conservation - Six-month Period Ended March 31, 1998
Audit Control # 98-162-3-1

Dear Mr. Geoffroy:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above case will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn, Chief
Bureau of Records

BSB/abf
Enclosure
cc: Division of Audit and Financial Analysis
Wayne Schiefelbein, Esquire