



**ORIGINAL**  
**Public Service Commission**

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** September 16, 1999  
**TO:** Division of Electric and Gas (Lowery)  
**FROM:** Denise N. Vandiver, Division of Auditing and Financial Analysis *W*  
**RE:** Docket No. 990002-EG; Chesapeake Utilities Corporation  
 Response to Conservation Audit Report  
 Twelve-month Period Ended March 31, 1999  
 Audit Control No. 99-079-3-1

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Chesapeake Utilities Corporation submitted the attached comments regarding the recent conservation audit completed by the Bureau of Auditing Services. These comments are forwarded for your review.

DNV: sp

Attachment

cc: ✓ Division of Records and Reporting  
 Division of Auditing and Financial Analysis (Devlin/Causseaux/Harvey/  
 File Folder)  
 Orlando District Office  
 Division of Legal Services

Office of Public Counsel

AFA \_\_\_\_\_  
 APP \_\_\_\_\_  
 CAF \_\_\_\_\_  
 CMU \_\_\_\_\_  
 CTR \_\_\_\_\_  
 EAG \_\_\_\_\_  
 LEG \_\_\_\_\_  
 MAS \_\_\_\_\_  
 OPC \_\_\_\_\_  
 PAI \_\_\_\_\_  
 SEC 1 \_\_\_\_\_  
 WAW \_\_\_\_\_  
 OTH \_\_\_\_\_



September 10, 1999

Denise N. Vandiver  
Bureau Chief – Auditing Services  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0865

RE: Docket No. 990002-EG: Chesapeake Utilities Corporation Audit Report:  
Conservation – Twelve-month Period Ended March 31, 1999 Audit Control No.  
99-079-3-1

Dear Ms. Vandiver:

In response to your audit findings, I offer the following information.

**Audit Exception No. 1**

**Subject: Conservation Rates**

The finding that the April 1998 conservation revenue factors were billed but not reported correctly does not appear to be accurate. The conservation rate is billed with the tax included and recorded and reported net of tax. The tax is recorded as a liability in our books and not included as a part of the conservation filing.

The approved tariff rate for April 1998 is \$0.049930. The tax multiplier included in this rate is 1.01911. The reported rate was \$0.049 which is the tariff rate divided by the tax multiplier. It appears that the auditor used the May 1998 tax multiplier of 1.00376 in his calculation.

The second part of this finding, that the conservation revenue factors applied by the company for the eleven months, May 1998 through March 31, 1999 does not agree with Commission Order No. PSC-98-0403-FOF-EG, is correct. However, the rate changed from April 1998 to May 1998 due to a rate restructuring approved by the FPSC. The rate restructuring changed the tax factor embedded in all our rates and consequently are reflected in the approved rates as of May 2, 1998. (See attached approved rate sheet.) It appears that the revenue factors used in the audit report are not the correct factors.

It appears that both of the calculations made in Exception 1 were incorrect.

Central Florida Gas Company  
A Division of Chesapeake Utilities Corporation

September 13, 1999

**Audit Exception No. 2**

**Subject: Misclassified Incentives**

We accept this finding and will make the appropriate reclassifications.

If you have any questions regarding this response, please call me at 941-299-2883.

Sincerely,

A handwritten signature in cursive script that reads "James A. Williams".

James A. Williams  
Accounting & Rates Manager

**BILLING ADJUSTMENTS**  
(continued)

(2) **ENERGY CONSERVATION COST RECOVERY ADJUSTMENT CLAUSE:**

Applicable:

To the Rate per Month provision in each of the Company's rate schedules referenced below in this section.

The bill for gas supplied to a firm customer in any billing period shall be adjusted as follows:

Each Rate Schedule shall be increased or decreased to the nearest .01 cent multiplied by the tax factor of 1.00376 for each therm of sales to recover the conservation related expenditures by the Company. The Company shall record both projected and actual expenses and revenues associated with the implementation of the Company's energy conservation plan as authorized by the Commission. The procedure for the review, approval, recovery and recording of such costs and revenues is set forth in the Commission Rule 25-17.15, F.A.C.

The cost recovery factor for the period from April 1998 through March 1999 for each rate schedule are as follows:

Rate Schedule	Rate Class	Dollars per therm
RS,RACS	Residential Sales Service	\$.04918
C	Commercial Sales Service	\$.01550
CLV	Commercial Large Volume Sales Service	\$.00940
I	Industrial Sales Service	\$.00519
FTS	Firm Transportation Service	\$.00501