

ORIGINAL

STATE OF FLORIDA

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DIVISION OF REGULATORY OVERSIGHT  
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(850) 413-6480

Public Service Commission

July 10, 2000

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

**Re: Docket No. 000003-GU; Chesapeake Utilities Corporation  
Audit Report; Purchased Gas Adjustment - Period Ended December 31, 1999  
Audit Control No. 00-003-3-2**

Mr. Geoffroy:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

*Denise N. Vandiver*

Denise N. Vandiver  
Bureau Chief - Auditing Services

DNV: sp  
Enclosure

- cc:  Division of Records and Reporting
- Division of Regulatory Oversight (Hoppe/Harvey/File Folder)
- Division of Competitive Services (Makin)
- Orlando District Office (Winston)
- Division of Legal Services
- Office of Public Counsel

Wayne Schiefelbein  
P. O. Box 13688  
Tallahassee, FL 32317

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**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF REGULATORY OVERSIGHT  
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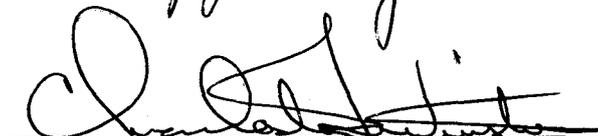
**CHESAPEAKE UTILITIES CORPORATION  
FLORIDA DIVISION**

**PURCHASED GAS ADJUSTMENT AUDIT**

**TWELVE-MONTH PERIOD ENDED DECEMBER 31, 1999**

**DOCKET NO. 000003-GU  
AUDIT CONTROL NO. 00-003-3-2**

  
\_\_\_\_\_  
*Hillary Y. Sweeney, Audit Manager*

  
\_\_\_\_\_  
*Charleston J. Winston, Audit Supervisor*

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**DIVISION OF REGULATORY OVERSIGHT  
AUDITOR'S REPORT**

**JUNE 28, 2000**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the accompanying Purchased Gas Adjustment schedules for the twelve-month period ended December 31, 1999, for Chesapeake Utilities Corporation, Florida Division. These schedules were prepared by the company as part of its petition for purchased gas adjustment true-up in Docket No. 000003-GU.

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.

## **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:

**Scanned** - The documents or accounts were read quickly looking for obvious errors.

**Compiled** - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Verify** - The item was tested for accuracy and compared to the substantiating documentation.

**Schedules A-1 through A-6** - Compiled and recomputed sample months from the company's Schedules A-1 through A-6 for the period January 1999 through December 1999.

**PGA Revenues** - Traced and recomputed therm sales for the above-mentioned period to the company's monthly billing registers and general ledger. Recomputed a sample of customer bills to confirm that the company is using Commission-approved tariffs.

**Cost of Gas** - Verified therms and cost of gas purchased to the company-provided invoices.

**True-up** - Verified true-ups to Commission Order No. PSC-98-1689-FOF-GU. Verified that the correct interest rates were applied to under or over recovered amounts for the twelve months ended December 31, 1999.

**Affiliate Transactions Review** - Reviewed affiliate transactions to evaluate arm's length and non-discriminatory activity.

**Exception Number 1**

**Subject: Total Cost of Gas Purchased**

**Statement of Fact:** The company reported the following amounts as the total cost of gas purchased.

January 1999	\$747,334	March 1999	\$762,306
December 1999	\$663,786		

**Recommendation:**

**January 1999**

The total cost of gas purchased is overstated by \$550. The utility reduced the cost of purchased gas for off system sales transmission (OSST) charges by \$550. The invoice for OSST shows a charge of \$1,100. An additional reduction of \$550 should be made.

**March 1999**

The total cost of gas purchased is understated by \$101.46 (\$201.46-\$100.00) due to the following.

- (a) The utility reduced the cost of purchased gas for total OSST charges by \$100. The company received different invoices with OSST charges of \$100 each. An additional reduction of \$100 should be made.
- (b) The company did not include two invoices for usage totaling \$201.46 (200.00 + \$1.46).

**December 1999**

The total cost of gas purchased is overstated by \$3,639.58 due to an error in subtraction. The total cost of purchased gas was offset by \$68,685.29 (\$70,505.07 - \$1,819.79) for volumetric relinquishments to others. The offset should have been \$72,324.86 (\$70,505.07 + \$1,819.79) for a difference of \$3,639.58.

The total costs for gas purchased for January, March and December 1999 should be \$746,785, \$762,407 and \$660,147, respectively.

The effect of these adjustments to the true-up is shown below.

<b>December 1999 True-up</b>		
<b>Per Company</b>	<b>Per Audit</b>	<b>Adjustment</b>
\$51,315	\$58,536	\$7,221

COMPANY: FL DIV CUC		COMPARISON OF ACTUAL VERSUS ORIGINAL ESTIMATE OF THE PURCHASED GAS ADJUSTMENT COST RECOVERY FACTOR				SCHEDULE A-1 EXHIBIT NO. _____ DOCKET NO. 990003-GU CHESAPEAKE UTILITIES CORP. JAW-1 PAGE ____ OF ____			
TOTAL COMPANY		ESTIMATED FOR THE PERIOD OF:							
		JAN 99		Through		DEC 99			
		CURRENT MONTH:		DECEMBER		PERIOD TO DATE			
COST OF GAS PURCHASED		ACTUAL	REVISED ESTIMATE	DIFFERENCE		ACTUAL	REVISED ESTIMATE	DIFFERENCE	
				AMOUNT	%			AMOUNT	%
1	COMMODITY (Pipeline)	7,065	5,398	1,667	30.88	52,090	50,488	1,602	3.17
2	NO NOTICE SERVICE	3,043	304	2,739	900.99	28,004	25,265	2,739	10.84
3	SWING SERVICE	0	0	0	0.00	163,014	119,638	43,376	38.28
4	COMMODITY (Other)	436,355	384,477	51,878	13.49	5,136,404	5,066,450	69,954	1.38
5	DEMAND	217,323	221,657	(4,334)	-1.98	2,287,419	2,341,636	(54,217)	-2.32
6	OTHER	0	0	0	0.00	(1,050)	(49,954)	48,904	-97.90
LESS END-USE CONTRACT									
7	COMMODITY (Pipeline)	0	0	0	0.00	0	0	0	0.00
8	DEMAND	0	0	0	0.00	0	0	0	0.00
9		0	0	0	0.00	0	0	0	0.00
10	Second Prior Month Purchase Adj. (OPTIONAL)	0	0	0	0.00	0	0	0	0.00
11	TOTAL COST (1+2+3+4+5+6+10)-(7+8+9)	663,786	611,836	51,950	8.49	7,665,881	7,553,521	112,360	1.49
12	NET UNBILLED	0	0	0	0.00	0	0	0	0.00
13	COMPANY USE	0	0	0	0.00	1,088	1,088	0	0.00
14	TOTAL THERM SALES	779,367	617,925	161,442	26.13	7,805,242	7,719,783	85,459	1.12
THERMS PURCHASED									
15	COMMODITY (Pipeline)	2,019,230	1,637,030	382,200	23.35	21,881,990	21,770,590	111,400	0.51
16	NO NOTICE SERVICE	515,840	310,000	205,840	68.40	4,746,460	4,540,620	205,840	4.53
17	SWING SERVICE	0	0	0	0.00	362,010	292,000	70,010	23.98
18	COMMODITY (Other)	1,919,495	1,637,030	282,465	17.25	22,391,498	22,187,682	203,816	0.92
19	DEMAND	2,312,550	2,497,360	(184,810)	-7.40	29,604,540	30,575,550	(971,010)	-3.18
20	OTHER	0	0	0	0.00	0	(930,000)	930,000	-100.00
LESS END-USE CONTRACT									
21	COMMODITY (Pipeline)	0	0	0	0.00	0	0	0	0.00
22	DEMAND	0	0	0	0.00	0	0	0	0.00
23		0	0	0	0.00	0	0	0	0.00
24	TOTAL PURCHASES (+17+18+20)-(21+23)	1,919,495	1,637,030	282,465	17.25	22,753,508	21,549,682	1,203,826	5.59
25	NET UNBILLED	0	0	0	0.00	0	0	0	0.00
26	COMPANY USE	0	0	0	0.00	4,551	4,551	0	0.00
27	TOTAL THERM SALES	2,019,172	1,646,900	372,272	22.60	23,108,312	22,536,442	571,870	2.54
CENTS PER THERM									
28	COMMODITY (Pipeline) (1/15)	0.350	0.330	0.020	6.11	0.238	0.232	0.006	2.65
29	NO NOTICE SERVICE (2/16)	0.590	0.098	0.492	501.55	0.590	0.558	0.034	6.03
30	SWING SERVICE (3/17)	0.000	0.000	0.000	0.00	45.030	40.971	4.059	9.91
31	COMMODITY (Other) (4/18)	22.733	23.486	-0.753	-3.21	22.939	22.835	0.105	0.48
32	DEMAND (5/19)	9.398	8.878	0.522	5.88	7.727	7.659	0.068	0.89
33	OTHER (6/20)	0.000	0.000	0.000	0.00	0.000	5.371	-5.371	-100.00
LESS END-USE CONTRACT									
34	COMMODITY Pipeline (7/21)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
35	DEMAND (8/22)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
36		0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
37	TOTAL COST OF PURCHASES (11/24)	34.581	37.375	-2.793	-7.47	33.691	35.052	-1.361	-3.88
38	NET UNBILLED (12/25)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
39	COMPANY USE (13/26)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
40	TOTAL COST OF THERMS SOLD (11/27)	32.874	37.151	-4.277	-11.51	33.174	33.517	-0.343	-1.02
41	TRUE-UP (E-2)	0.246	0.246	0.000	0	0.246	0.246	0.000	0
42	TOTAL COST OF GAS (40+41)	33.120	37.397	-4.277	-11.44	33.420	33.763	-0.343	-1.02
43	REVENUE TAX FACTOR	1.00503	1.00503	0.00000	0	1.00503	1.00503	0.00000	0
44	PGA FACTOR ADJUSTED FOR TAXES (42x43)	33.287	37.585	-4.298	-11.44	33.588	33.933	-0.345	-1.02
45	PGA FACTOR ROUNDED TO NEAREST .001	33.287	37.585	-4.298	-11.44	33.588	33.933	-0.345	-1.02

FL DIV CUC		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2			
FOR THE PERIOD OF:		JAN 99		Through		DEC 99		EXHIBIT NO _____	
								DOCKET NO. 990003-GU	
								CHESAPEAKE UTILITIES CORP	
								JAW-1	
								PAGE _____ OF _____	
		CURRENT MONTH:		DECEMBER		PERIOD TO DATE			
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
				AMOUNT	%			AMOUNT	%
<b>TRUE-UP CALCULATION</b>									
1 PURCHASED GAS COST (A-1 lines 3,4)		436,355	384,477	(51,878)	-13.493%	5,299,418	5,186,086	(113,332)	-2.185%
2 TRANSPORTATION COST (A-1 lines 1,2,5 plus A-1(2) line 33,35,36)		227,432	227,359	(73)	-0.032%	2,366,463	2,416,438	49,975	2.068%
3 TOTAL		663,787	611,836	(51,951)	-8.491%	7,665,881	7,602,524	(63,357)	-0.833%
4 FUEL REVENUES (NET OF REVENUE TAX)		779,367	617,925	(161,442)	-26.126%	7,806,242	7,719,783	(86,459)	-1.120%
5 TRUE-UP (COLLECTED) OR REFUNDED		(6,090)	(6,090)	(0)	0.007%	(73,078)	(73,080)	(2)	0.003%
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)		773,277	611,835	(161,442)	-26.387%	7,733,164	7,646,703	(86,461)	-1.131%
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)		109,490	(1)	(109,491)	10949141.67%	67,283	44,179	(23,104)	-52.296%
8 INTEREST PROVISION-THIS PERIOD (21)		(30)	116	146	125.870%	885	746	(138)	-18.534%
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST		(64,235)	21,870	86,105	393.718%	(89,931)	(89,931)	0	0.000%
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)		6,090	6,090	0	0.007%	73,078	73,080	2	0.003%
10a FLEX RATE REFUND (if applicable)		0	0	0	0.000%	0	0	0	0.000%
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)		51,315	28,074	(23,240)	-82.781%	51,315	28,074	(23,240)	-82.781%
<b>INTEREST PROVISION</b>									
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)		(64,235)	21,870	86,105	393.718%	add to line 4			
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)		51,345	27,959	(23,386)	-83.645%	If line 5 is a collection ( ) subtract from line 4			
14 TOTAL (12+13)		(12,890)	49,828	62,719	125.870%				
15 AVERAGE (50% OF 14)		(6,445)	24,914	31,359	125.870%				
16 INTEREST RATE - FIRST DAY OF MONTH		5.550%	5.550%	0	0.000%				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		5.600%	5.600%	0.000	0.000%				
18 TOTAL (16+17)		11.150%	11.150%	0	0.000%				
19 AVERAGE (50% OF 18)		5.575%	5.575%	0	0.000%				
20 MONTHLY AVERAGE (19/12 Months)		0.465%	0.465%	0.00000	0.000%				
21 INTEREST PROVISION (15x20)		(30)	116	146	125.870%				

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