

State of Florida



Public Service Commission

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

DATE: June 19, 2001
TO: Division of Competitive Services (Makin)
FROM: Division of Regulatory Oversight (Vandiver)
RE: Docket No. 010003-GU; Chesapeake Utilities Corporation, (Fl. Div)
PGA - Period Ended 12/31/2000 ; Audit Control No. 01-064-3-2

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
Division of Commission Clerk and Administrative Services
Division of Legal Services

Chesapeake Utilities Corporation, Fl. Division
Mr. Thomas A. Geoffroy
P.O. Box 960
Winter Haven, Florida 33882-0960

Wayne Schiefelbein
P.O. Box 15856
Tallahassee, Florida 32317-5856

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DOCUMENT NUMBER-DATE

07704 JUN 21 2001

FPSC-RECORDS/REPORTING

MEMORANDUM

Date May 21, 2001

TO : DENISE VANDIVER, CHIEF OF AUDITING SERVICES  
DIV. OF REGULATORY OVERSIGHT, TALLAHASSEE  
FROM *CJW*: CHARLESTON J. WINSTON, AUDIT SUPERVISOR, ORLANDO DISTRICT  
RE : COMPLETED AUDIT SUMMARY REPORT

Originator Wayne Makin

Company Chesapeake Utilities Corp. Florida Division

AFA Control No. 01-064-3-2 Docket No. 010003-GU

Purpose of Audit Purchased Gas Cost Recovery True-up for the Period January 2000 through  
December 2000

Auditors Assigned \_\_\_\_\_ Audit Hrs. \_\_\_\_\_; \_\_\_\_\_ Audit Hrs. \_\_\_\_\_

Auditors Assigned \_\_\_\_\_ Audit Hrs. \_\_\_\_\_; \_\_\_\_\_ Audit Hrs. \_\_\_\_\_

Audit Manager Misty Shepherd Audit Hrs. 80 Audit Supervisor Hrs. 4

Date Field Work Began March 12, 2001 Field Work Ended April 18, 2001

Estimated Hours 80 Total Hours Charged (including travel & Supervisor) 94

Estimated Travel Hours 10

FOR THE FOLLOWING ITEMS USE ADDITIONAL PAPER AS NECESSARY - BE SPECIFIC

RECOMMENDATIONS FOR THE NEXT AUDIT: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF REGULATORY OVERSIGHT  
BUREAU OF AUDITING SERVICES*

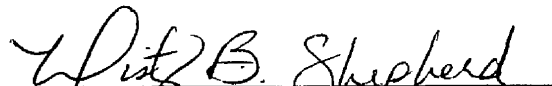
*Orlando District Office*

**CHESAPEAKE UTILITIES CORPORATION  
FLORIDA DIVISION**

**PURCHASED GAS ADJUSTMENT AUDIT**

**12-MONTH PERIOD ENDED DECEMBER 31, 2000**

**DOCKET NO. 010003-GU  
AUDIT CONTROL NO. 01-064-3-2**

  
*Misty B. Shepherd, Audit Manager*

  
*Charleston J. Winston, Audit Supervisor*

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

**April 17, 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 historical 12-month period ended December 31, 2000, 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. 010003-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:

**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 2000 through December 2000.

**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 thermos and cost of gas purchased to the company-provided invoices.

**True-up** - Verified true-ups to Commission Order No. PSC-99-2443-FOF-GU, issued December 14, 2000. Verified that the correct interest rates were applied to under or overrecovered amounts for the twelve months ended December 31, 2000.

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

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. 000003-GU CHESAPEAKE UTILITIES CORP. JAW-1 PAGE ____ OF ____	
TOTAL COMPANY		ESTIMATED FOR THE PERIOD OF: JAN 00 Through DEC 00							
		CURRENT MONTH:		DECEMBER		PERIOD TO DATE			
		ACTUAL	REVISED ESTIMATE	DIFFERENCE AMOUNT	%	ACTUAL	REVISED ESTIMATE	DIFFERENCE AMOUNT	%
<b>COST OF GAS PURCHASED</b>									
1	COMMODITY (Pipeline)	7,370	6,012	1,358	22.59	71,685	70,278	1,407	-2.01
2	NO NOTICE SERVICE	3,043	1,829	1,214	40.36	28,133	17,264	10,869	62.67
3	SWING SERVICE	279,958	0	279,958	0.00	888,465	0	888,465	0.00
4	COMMODITY (Other)	1,307,439	1,274,295	33,144	2.60	8,583,882	8,745,135	(81,253)	-0.70
5	DEMAND	244,743	248,287	(3,547)	-1.43	2,225,998	2,228,817	(2,819)	-0.04
6	OTHER	(100)	0	(100)	0.00	(900)	0	(900)	0.00
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	OTHER	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)	1,842,448	1,530,423	312,025	20.39	11,897,262	11,058,522	837,740	7.57
12	NET UNBILLED	0	0	0	0.00	0	0	0	0.00
13	COMPANY USE	0	0	0	0.00	0	0	0	0.00
14	TOTAL THERM SALES	1,022,382	1,530,423	(508,041)	-33.20	9,619,366	11,004,102	(1,384,736)	-12.58
<b>THERMS PURCHASED</b>									
15	COMMODITY (Pipeline) BILLING DETERMINANTS ONLY	2,158,140	1,858,620	197,520	10.28	22,089,460	22,069,280	19,180	0.09
16	NO NOTICE SERVICE BILLING DETERMINANTS ONLY	515,640	310,000	205,640	40.00	4,768,450	2,931,261	1,837,189	62.68
17	SWING SERVICE COMMODITY	332,820	0	332,820	0.00	827,590	0	827,590	0.00
18	COMMODITY (Other) COMMODITY	2,107,977	1,858,620	149,357	7.63	21,791,927	22,069,280	(277,353)	-1.28
19	DEMAND BILLING DETERMINANTS ONLY	4,246,970	4,356,430	(109,460)	-2.51	34,457,630	36,204,270	(1,746,640)	-4.82
20	OTHER COMMODITY	0	0	0	0.00	0	0	0	0.00
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	OTHER	0	0	0	0.00	0	0	0	0.00
24	TOTAL PURCHASES (15+16+20)	2,440,797	1,858,620	482,177	24.82	22,819,517	22,069,280	550,237	2.49
25	NET UNBILLED	0	0	0	0.00	0	0	0	0.00
26	COMPANY USE	0	0	0	0.00	0	0	0	0.00
27	TOTAL THERM SALES	1,580,506	1,814,430	(233,924)	-17.44	20,819,515	21,863,840	(1,044,325)	-4.78
<b>CENTS PER THERM</b>									
28	COMMODITY (Pipeline) (1/15)	0.342	0.307	0.035	11.36	0.325	0.318	0.008	1.92
29	NO NOTICE SERVICE (2/16)	0.590	0.560	0.000	-0.01	0.590	0.590	0.000	0.00
30	SWING SERVICE (3/17)	84.116	0.000	84.116	0.00	107.356	0.000	107.356	0.00
31	COMMODITY (Other) (4/18)	82.023	65.081	16.942	20.77	39.849	39.828	0.021	0.05
32	DEMAND (5/19)	5.763	5.699	0.063	1.11	8.460	8.151	0.309	5.03
33	OTHER (6/20)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
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	OTHER (9/23)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
37	TOTAL COST OF PURCHASES (11/24)	78.488	78.138	0.350	0.45	52.597	50.113	2.485	4.96
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)	118.573	79.941	38.632	48.82	57.145	50.584	6.561	12.97
41	TRUE-UP (E-2)	-0.313	-0.313	0.000	0.00	-0.313	-0.313	0.000	0.00
42	TOTAL COST OF GAS (40+41)	118.260	79.628	38.632	48.00	56.832	50.271	6.561	13.05
43	REVENUE TAX FACTOR	1.00503	1.00503	0.00000	0.00	1.00503	1.00503	0.00000	0.00
44	PGA FACTOR ADJUSTED FOR TAXES (42x43)	118.845	80.029	38.818	48.00	57.118	50.523	6.594	13.05
45	PGA FACTOR ROUNDED TO NEAREST .001	118.845	80.029	38.818	48.00	57.118	50.523	6.595	13.05

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FL DIV CUC		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2			
FOR THE PERIOD OF:		JAN 00		Through		DEC 00		EXHIBIT NO. _____	
								DOCKET NO. 000003-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)	1,587,395	1,274,295	(313,100)	-24.570%	9,572,347	8,745,135	(827,212)	-8.459%
2	TRANSPORTATION COST (A-1 lines 1,2,5 plus A-1(2) line 33,35,36)	255,053	256,128	1,075	0.420%	2,324,914	2,314,387	(10,527)	-0.455%
3	TOTAL	1,842,448	1,530,423	(312,025)	-20.388%	11,897,261	11,059,522	(837,739)	-7.575%
4	FUEL REVENUES (NET OF REVENUE TAX)	1,022,382	1,530,423	508,041	33.196%	9,619,366	11,004,102	1,384,736	12.584%
5	TRUE-UP (COLLECTED) OR REFUNDED	6,151	6,151	0	0.000%	73,812	73,812	0	0.000%
6	FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ or -) LINE 5)	1,028,533	1,536,574	508,041	33.063%	9,693,178	11,077,914	1,384,736	12.500%
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(813,915)	6,151	820,066	13332.24%	(2,204,084)	18,392	2,222,476	12083.928%
8	INTEREST PROVISION-THIS PERIOD (21)	(9,984)	(149)	9,835	-6616.996%	(50,550)	172	50,722	29437.623%
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	1,405,168	(27,024)	1,378,144	-5099.704%	51,315	28,074	(23,241)	-82.785%
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(6,151)	(6,151)	0	0.000%	(73,812)	(73,812)	0	0.000%
10a	Adjustment	0	0	0	0.000%	41,913	0	(41,913)	0.000%
11	TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	(2,235,218)	(27,173)	2,208,045	-8125.989%	(2,235,218)	(27,174)	2,208,044	-8125.668%
<b>INTEREST PROVISION</b>									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(1,405,168)	(27,024)	1,378,144	-5099.704%	add to line 4			
13	ENDING TRUE-UP BEFORE INTEREST (12+7-5)	(2,225,234)	(27,024)	2,198,210	-8134.288%	If line 5 is a collection ( ) subtract from line 4			
14	TOTAL (12+13)	(3,630,402)	(54,048)	3,576,354	-6616.996%				
15	AVERAGE (50% OF 14)	(1,815,201)	(27,024)	1,788,177	-6616.996%				
16	INTEREST RATE - FIRST DAY OF MONTH	6.650%	6.650%	0	0.000%				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	6.550%	6.550%	0.000	0.000%				
18	TOTAL (16+17)	13.200%	13.200%	0	0.000%				
19	AVERAGE (50% OF 18)	6.600%	6.600%	0	0.000%				
20	MONTHLY AVERAGE (19/12 Months)	0.550%	0.550%	0.00000	0.000%				
21	INTEREST PROVISION (15x20)	(9,984)	(149)	9,835	-6616.996%				