

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Natural Gas Conservation Cost Recovery

DIRECT TESTIMONY OF AMANDA J. PRICE

On behalf of

The Florida Division of Chesapeake Utilities Corporation

DOCKET NO. 010004-GU

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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 Amanda J. Price, and my business address is 1015 6th Street N.W.,
10 Winter Haven, Florida, 33881. I am employed by the Florida Division of Chesapeake Utilities
11 Corporation ("the Company") as Division Accountant.

12 Q. Are you familiar with the energy conservation programs of the Company 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. To describe generally the expenditures made and projected to be made in implementing,
17 promoting, and operating the Company's energy conservation programs. This will
18 include recoverable costs incurred in January through July, 2001 and projections of
19 program costs to be incurred from August through December, 2001. It will
20 also include projected conservation costs for the period January 2002 through
21 December 2002, with a calculation of the conservation adjustment factors to be applied
22 to the customers' bills during the collection period of January 1, 2002 through December 31,
23 2002.

24 Q. Have you prepared summaries of the Company's conservation programs and the costs
25 associated with these programs?

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1 A. Yes. Summaries of the five programs are contained in Schedule C-4 of Exhibit AJP-
2 1. Included are our Home Builder Program, Residential Appliance Replacement,
3 Residential Propane Distribution, Residential Water Heater Retention, Natural Gas Space
4 Conditioning for Residential Homes, Gas Space Conditioning, and our Conservation Education
5 Program.

6 Q. Have you prepared schedules which show the expenditures associated with
7 the Company's energy conservation programs for the periods you have mentioned?

8 A. Yes, Schedule C-3, Exhibit AJP-1 shows actual expenses for the months January through
9 July, 2001. Projections for August through December, 2001 are also
10 shown on Schedule C-3. Projected expenses for the January 2002 through December 2002
11 period are shown on Schedule C-2 of Exhibit AJP-1.

12 Q. Have you prepared schedules which show revenues for the period January, 2001
13 through December, 2001?

14 A. Yes. Schedule C-3 (Page 4 of 5) shows actual revenues for the months January
15 through July, 2001. Projections for August through December, 2001, are
16 also shown on Schedule C-3 (Page 4 of 5).

17 Q. Have you prepared a schedule which shows the calculation of the Company's proposed
18 conservation adjustment factors to be applied during billing periods from January 1, 2002
19 through December 31, 2002?

20 A. Yes. Schedule C-1 of Exhibit AJP-1 shows this calculation. Net program cost
21 estimates for the period January 1, 2002 through December 31, 2002 are used. The
22 estimated true-up amount from Schedule C-3 (Page 4 of 5, Line 12) of Exhibit AJP-1,
23 being an underrecovery, was added to the total of the projected costs for the twelve month
24 period. The total amount was then divided among the Company's firm rate classes,
25 based on total projected contribution. The results were then divided by the projected
26 retail firm therm sales for each rate class for the twelve-month period ending December 31,

1 2002. The resulting factors are shown on Schedule C-1 of Exhibit AJP-1.

2 Q. Does this conclude your testimony?

3 A. Yes, it does.

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Exhibit _____ (AJP-1)

THE FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

CONSERVATION COST RECOVERY PROJECTION

January 1, 2002 through December 31, 2002

SCHEDULE C-1

Exhibit No. _____
 Docket No. 010004-GU
 Chesapeake Utilities Corp.
 (AJP-1)

ENERGY CONSERVATION ADJUSTMENT
 SUMMARY OF COST RECOVERY CLAUSE CALCULATION
 JANUARY 2002 THROUGH DECEMBER 2002

1. INCREMENTAL COSTS (SCHEDULE C-2)	961,036
2. TRUE-UP (SCHEDULE C-3)	<u>79,429</u>
3. TOTAL	<u>1,040,466</u>

RATE CLASS	BILLS	THERM SALES	CUSTOMER CHARGE REVENUES	ENERGY CHARGE	TOTAL	ESTIMATED ECCR	% SURCHARGE	CENTS PEREXPANSION THERM	ECCR ADJUSTMENT FACTOR	ECCR ADJUSTMENT FACTORS
GS-1\TS-1	108,525	2,399,330	1,123,290	1,057,454	2,180,744	326,205	14.9584%	0.1360	1.00503	0.13664
GS-2\TS-2	6,501	1,177,100	182,700	345,548	528,248	79,018	14.9584%	0.0671	1.00503	0.06747
GS-3\TS-3	2,580	1,794,604	145,308	453,766	599,073	89,612	14.9584%	0.0499	1.00503	0.05019
GS-4\TS-4	614	1,812,842	79,750	401,215	480,965	71,945	14.9584%	0.0397	1.00503	0.03989
GS-5\TS-5	133	1,401,996	61,500	263,599	325,099	48,630	14.9584%	0.0347	1.00503	0.03486
GS-6\TS-6	297	1,272,610	48,000	187,188	235,188	35,180	14.9584%	0.0276	1.00503	0.02778
GS-7\TS-7	170	7,926,659	143,400	774,744	918,144	137,340	14.9584%	0.0173	1.00503	0.01741
GS-8\TS-8	84	6,068,203	60,000	529,323	589,323	88,153	14.9584%	0.0145	1.00503	0.01460
GS-9\TS-9	<u>192</u>	<u>12,008,913</u>	<u>151,200</u>	<u>947,742</u>	<u>1,098,942</u>	<u>164,384</u>	<u>14.9584%</u>	<u>0.0137</u>	<u>1.00503</u>	<u>0.01376</u>
TOTAL	119,096	35,862,257	1,995,148	4,960,579	6,955,727	1,040,466	14.9584%	0.0290	1.00503	0.02916

PROJECTED CONSERVATION PROGRAM COSTS BY COST CATEGORY
FOR PERIOD: JANUARY 2002 THROUGH DECEMBER 2002

PROGRAM NAME

	<u>CAPITAL INVESTMENT</u>	<u>PAYROLL & BENEFITS</u>	<u>MATERIALS & SUPPLIES</u>	<u>ADVERTISING</u>	<u>INCENTIVES</u>	<u>OUTSIDE SERVICES</u>	<u>VEHICLE</u>	<u>OTHER</u>	<u>TOTAL</u>
1. RESIDENTIAL HOME BUILDER	0	81,326	9,735	40,590	372,475	1,620	6,506	2,400	514,652
2. RESIDENTIAL APPLIANCE REPLACEMENT	0	54,217	6,490	27,060	87,750	1,080	4,337	1,600	182,534
3. RESIDENTIAL PROPANE DISTRIBUTION	0	0	0	0	4,388	0	0	0	4,388
4. RESIDENTIAL WATER HEATER RETENTION	0	27,109	3,245	13,530	22,500	540	2,169	800	69,893
5. NG SPACE CONDITIONING	0	0	0	0	0	0	0	0	0
6. GAS SPACE CONDITIONING	0	0	0	0	0	0	0	0	0
7. EDUCATION	0	108,435	12,980	54,120	0	2,160	8,675	3,200	189,570
8. COMMON COSTS	0	0	0	0	0	0	0	0	0
9. (INSERT NAME)	0	0	0	0	0	0	0	0	0
10. (INSERT NAME)	0	0	0	0	0	0	0	0	0
11. (INSERT NAME)	0	0	0	0	0	0	0	0	0
12. (INSERT NAME)	0	0	0	0	0	0	0	0	0
13. (INSERT NAME)	0	0	0	0	0	0	0	0	0
14. (INSERT NAME)	0	0	0	0	0	0	0	0	0
15. (INSERT NAME)	0	0	0	0	0	0	0	0	0
16. (INSERT NAME)	0	0	0	0	0	0	0	0	0
17. (INSERT NAME)	0	0	0	0	0	0	0	0	0
18. (INSERT NAME)	0	0	0	0	0	0	0	0	0
19. (INSERT NAME)	0	0	0	0	0	0	0	0	0
20. (INSERT NAME)	0	0	0	0	0	0	0	0	0
TOTAL ALL PROGRAMS	<u>0</u>	<u>271,087</u>	<u>32,450</u>	<u>135,300</u>	<u>487,113</u>	<u>5,400</u>	<u>21,687</u>	<u>8,000</u>	<u>961,036</u>
LESS: AMOUNT IN RATE BASE	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
RECOVERABLE CONSER.	<u>0</u>	<u>271,087</u>	<u>32,450</u>	<u>135,300</u>	<u>487,113</u>	<u>5,400</u>	<u>21,687</u>	<u>8,000</u>	<u>961,036</u>

CONSERVATION PROGRAM COSTS BY COST CATEGORY
FOR PERIOD JANUARY 2001 THROUGH DECEMBER 2001
SEVEN MONTHS ACTUAL AND FIVE MONTHS ESTIMATED

	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
1. RESIDENTIAL HOME BUILDER									
A ACTUAL	0	22,242	13,096	62,268	108,180	5,014	2,018	1,360	214,178
B ESTIMATED	0	15,887	9,354	33,227	35,538	3,581	1,441	972	100,001
C TOTAL	0	38,128	22,450	95,496	143,718	8,595	3,460	2,332	314,180
2. RESIDENTIAL APPLIANCE REPLACEMENT									
A ACTUAL	0	11,816	1,615	24,118	11,880	5,350	1,072	723	56,574
B ESTIMATED	0	8,440	1,154	9,727	2,076	3,821	766	516	26,500
C TOTAL	0	20,256	2,768	33,845	13,956	9,171	1,838	1,239	83,073
3. RESIDENTIAL PROPANE DISTRIBUTION									
A ACTUAL	0	0	0	0	0	0	0	0	0
B ESTIMATED	0	0	0	0	0	0	0	0	0
C TOTAL	0	0	0	0	0	0	0	0	0
4. RESIDENTIAL WATER HEATER RETENTION									
A ACTUAL	0	10,194	0	0	7,250	0	925	623	18,992
B ESTIMATED	0	7,281	0	0	5,179	0	661	445	13,566
C TOTAL	0	17,476	0	0	12,429	0	1,586	1,069	32,558
5. NG SPACE CONDITIONING FOR RESIDENTIAL HOMES									
A ACTUAL	0	0	0	0	0	0	0	0	0
B ESTIMATED	0	0	0	0	0	0	0	0	0
C TOTAL	0	0	0	0	0	0	0	0	0
6. GAS SPACE CONDITIONING									
A ACTUAL	0	0	0	0	0	0	0	0	0
B ESTIMATED	0	0	0	0	0	0	0	0	0
C TOTAL	0	0	0	0	0	0	0	0	0
7. EDUCATION									
A ACTUAL	0	2,085	1,452	3,538	0	943	189	128	8,334
B ESTIMATED	0	1,489	1,037	2,527	0	674	135	91	5,953
C TOTAL	0	3,575	2,488	6,065	0	1,617	324	219	14,287
8. COMMON COST									
A ACTUAL	0	0	0	0	0	0	0	0	0
B ESTIMATED	0	0	0	0	0	0	0	0	0
C TOTAL	0	0	0	0	0	0	0	0	0
TOTAL COSTS	0	79,434	27,707	135,406	170,103	19,383	7,207	4,858	444,098

CONSERVATION PROGRAM COSTS - EXPENSES BY MONTH
FOR PERIOD: JANUARY 2001 THROUGH DECEMBER 2001
SEVEN MONTHS ACTUAL AND FIVE MONTHS PROJECTED

DESCRIPTION	MONTH JAN	MONTH FEB	MONTH MAR	MONTH APR	MONTH MAY	MONTH JUN	MONTH JUL	MONTH AUG	MONTH SEP	MONTH OCT	MONTH NOV	MONTH DEC	TOTAL
1 HOME BUILDER PROGRAM	18,168	14,097	69,243	26,109	31,171	33,963	21,427	20,000	20,000	20,000	20,000	20,000	314,180
2 RES. APPLIANCE REPLACEMENT	11,300	1,878	8,926	5,239	10,528	9,863	8,840	7,000	7,000	5,000	5,000	2,500	83,073
3 RES PROPANE DISTRIBUTION	0	0	0	0	0	0	0	0	0	0	0	0	0
4 RES WATER HEATER RETENTION	(2,964)	4,760	978	379	1,872	1,950	1,359	1,191	1,191	1,191	1,191	1,191	14,287
5. NG SPACE CONDITIONING	0	0	0	0	0	0	0	0	0	0	0	0	0
6. GAS SPACE CONDITIONING	0	0	0	0	0	0	0	0	0	0	0	0	0
7 EDUCATION	600	2,577	3,339	3,154	3,128	3,756	2,438	2,713	2,713	2,713	2,713	2,713	32,558
8 COMMON COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
9 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
10 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
11 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
12 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
13 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
14 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
15 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
16 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
17 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
18. (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
19 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
20 (INSERT NAME)	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ALL PROGRAMS	27,104	23,313	82,486	34,881	46,699	49,532	34,063	30,904	30,904	28,904	28,904	26,404	444,098
LESS:													
BASE RATE RECOVERY	0	0	0	0	0	0	0	0	0	0	0	0	0
NET RECOVERABLE	27,104	23,313	82,486	34,881	46,699	49,532	34,063	30,904	30,904	28,904	28,904	26,404	444,098

ENERGY CONSERVATION COST RECOVERY ADJUSTMENT
FOR PERIOD: JANUARY 2001 THROUGH DECEMBER 2001
SEVEN MONTHS ACTUAL AND FIVE MONTHS ESTIMATED

CONSERVATION REVS	MONTH JAN	MONTH FEB	MONTH MAR	MONTH APR	MONTH MAY	MONTH JUN	MONTH JUL	MONTH AUG	MONTH SEP	MONTH OCT	MONTH NOV	MONTH DEC	TOTAL
1. RCS AUDIT FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROG. REVS.	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS.	(26,885)	(23,761)	(33,475)	(29,081)	(29,878)	(24,035)	(22,146)	(30,000)	(35,000)	(45,000)	(50,000)	(55,000)	(404,261)
4. TOTAL REVENUES	(26,885)	(23,761)	(33,475)	(29,081)	(29,878)	(24,035)	(22,146)	(30,000)	(35,000)	(45,000)	(50,000)	(55,000)	(404,261)
5. PRIOR PERIOD TRUE- UP NOT APPLICABLE TO THIS PERIOD	2,888	2,889	2,888	2,888	2,888	2,888	2,888	2,888	2,888	2,888	2,888	2,888	34,662
6. CONSERV. REVS. APPLICABLE TO THE PERIOD	(23,997)	(20,872)	(30,586)	(26,193)	(26,989)	(21,147)	(19,257)	(27,112)	(32,112)	(42,112)	(47,112)	(52,112)	(369,599)
7. CONSERV. EXPS.	27,104	23,313	82,486	34,881	46,699	49,532	34,063	30,904	30,904	28,904	28,904	26,404	444,098
8. TRUE-UP THIS PERIOD	3,107	2,441	51,899	8,688	19,710	28,386	14,806	3,792	(1,208)	(13,208)	(18,208)	(25,708)	74,498
9. INTER. PROVISION THIS PERIOD	191	193	292	368	385	416	449	457	562	633	549	436	4,932
10. TRUE-UP AND INTEREST PROV. BEG. OF MONTH	34,661	35,070	34,816	84,118	90,286	107,493	133,406	145,773	147,134	143,600	128,137	107,590	34,661
11. PRIOR TRUE-UP COLLECTED OR (REFUNDED)	(2,888)	(2,888)	(2,888)	(2,888)	(2,888)	(2,888)	(2,888)	(2,888)	(2,888)	(2,888)	(2,888)	(2,888)	(34,661)
12. TOTAL NET TRUE-UP	35,070	34,816	84,118	90,286	107,493	133,406	145,773	147,134	143,600	128,137	107,590	79,429	79,429

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR PERIOD: JANUARY 2001 THROUGH DECEMBER 2001
SEVEN MONTHS ACTUAL AND FIVE MONTHS PROJECTED

INTEREST PROVISION	MONTH JAN	MONTH FEB	MONTH MAR	MONTH APR	MONTH MAY	MONTH JUN	MONTH JUL	MONTH AUG	MONTH SEP	MONTH OCT	MONTH NOV	MONTH DEC	TOTAL
1. BEGINNING TRUE-UP	34,661	35,070	34,816	84,118	90,286	107,493	133,406	145,773	147,134	143,600	128,137	107,590	
2. ENDING TRUE-UP BEFORE INTEREST	34,880	34,623	83,827	89,918	107,107	132,990	145,324	146,677	143,038	127,504	107,041	78,994	
3. TOTAL BEGINNING & ENDING TRUE-UP	69,541	69,694	118,643	174,036	197,393	240,483	278,730	292,450	290,172	271,104	235,178	186,584	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	34,770	34,847	59,321	87,018	98,697	120,241	139,365	146,225	145,086	135,552	117,589	93,292	
5. INTEREST RATE FIRST DAY OF REPORTING MONTH	6.50%	6.65%	6.65%	5.15%	5.00%	4.37%	3.94%	3.80%	3.70%	5.60%	5.60%	5.60%	
6. INTER. RATE - FIRST DAY SUBSEQUENT MONTH	6.65%	6.65%	5.15%	5.00%	4.37%	3.94%	3.80%	3.70%	5.60%	5.60%	5.60%	5.60%	
7. TOTAL (SUM LINES 5 & 6)	13.15%	13.30%	11.80%	10.15%	9.37%	8.31%	7.74%	7.50%	9.30%	11.21%	11.21%	11.21%	
8. AVG. INTEREST RATE (LINE 7 TIMES 50%)	6.58%	6.65%	5.90%	5.08%	4.69%	4.16%	3.87%	3.75%	4.65%	5.60%	5.60%	5.60%	
9. MONTHLY AVG INTEREST RATE	0.55%	0.55%	0.49%	0.42%	0.39%	0.35%	0.32%	0.31%	0.39%	0.47%	0.47%	0.47%	
10. INTEREST PROVISION	191	193	292	368	385	416	449	457	562	633	549	436	4,932

Schedule C-4
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CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Residential Home Builder Program

Program Description:

This program is designed to increase the overall energy efficiency in the residential new construction market by promoting energy efficient natural gas appliances in residences that would qualify for the Company's residential rates. Incentives are offered in the form of gas piping and venting allowances to assist builders with gas appliance installation. i

Allowances:

Conservation allowances are currently:

- \$275 Energy efficient natural gas water heater installation.
- \$275 Natural Gas home heating.
- \$75 Energy efficient natural gas range or dryer stub outlet.

Program Activity and Projections:

During the seven month period January, 2001 through July, 2001, 243 residences qualified under our home builder program. We estimate 174 new homes will qualify during the period August, 2001 through December, 2001.

Program Fiscal Expenditures:

For the seven month period January, 2001 through July, 2001 CUC incurred costs of \$214,178 for the Home Builder Program. For August, 2001 through December, 2001, costs are estimated to be \$100,001.

Schedule C-4
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CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Residential Appliance Replacement Program

Program Description:

This program is designed to encourage the replacement of inefficient non-natural gas residential appliances with energy efficient natural gas appliances. Incentives are offered in the form of allowances to assist in defraying the additional costs associated with the piping and venting of natural gas equipment.

Allowance:

Conservation allowance is currently:

- \$330.00 Energy Efficient Water Heater Installation
- \$330.00 Natural Gas Home Heating System
- \$ 50.00 Energy-efficient gas range
- \$ 50.00 Natural Gas Clothes Dryer

Program Activity and Projections:

During the seven month period January, 2001 through July, 2001, 34 residences qualified under our appliance replacement program. We estimate an additional 24 residences will qualify for incentives during the period August, 2001 through December, 2001.

Program Fiscal Expenditures:

For the seven month period January, 2001 through July, 2001, CUC incurred costs of \$56,574 for the Residential Appliance Replacement Program. During August, 2001 through December, 2001 costs are estimated to be \$26,500.

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CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Residential Propane Distribution Program

Program Description:

The program is designed to promote the use of "gas" within developments that are built beyond the economic extension of the Company's existing natural gas infrastructure. The concept of installing an underground propane system, which includes distribution mains, service laterals and meter sets that are capable of supplying either propane or natural gas, is a viable method of encouraging installation of "gas" appliances in the residential subdivision at the time of construction. This program is designed to provide Builders and Developers a cash incentive to encourage the installation of "gas" appliances in the newly constructed house.

Allowances:

Conservation allowances are currently:

- \$275 Energy efficient natural gas water heater installation.
- \$275 Natural Gas home heating.
- \$75 Energy efficient natural gas range or dryer stub outlet.

Program Activity and Projections:

There has been no activity in this program to date. No activity is projected for the remainder of 2001.

Program Fiscal Expenditures:

There has been no activity in this program to date.

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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 Activity and Projections:

Over the next several months we intend to supply conservation education materials to schools in our service area.

Program Fiscal Expenditures:

During the seven month period January, 2001 through July, 2001, CUC incurred program costs of \$8,334 for this program. For August, 2001 through December, 2001, expenditures are estimated to be \$5,953 for this program.

Schedule C-4
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CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Natural Gas Space Conditioning for Residential Homes Program

Program Description:

The program is intended to encourage the use of energy efficient natural gas air conditioning products in residential homes. The program is designed to offer a \$1200 per unit allowance to qualifying participants to compensate for the higher initial costs of natural gas space conditioning equipment and its installation.

Program Activity and Projections:

For the seven month period January, 2001 through July, 2001, CUC paid no allowances on this program. No activity is projected in this program for the remainder of 2001.

Program Fiscal Expenditures:

For the seven month period January, 2001 through July, 2001, CUC incurred no cost for the Natural Gas Space Conditioning Program.

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CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Gas Space Conditioning Program

Program Description:

The program is intended to encourage the use of energy efficient natural gas air conditioning products to non-residential customers. The program provides an allowance of \$50 per ton of natural gas space conditioning up to a maximum of 500 tons per system, to qualifying participants to compensate for the higher initial costs of natural gas space conditioning equipment and installation.

Program Activity and Projections:

For the seven month period January, 2001 through July, 2001, CUC paid no allowances on this program. No activity is projected for the remainder of 2001.

Program Fiscal Expenditures:

For the seven month period January, 2001 through July, 2001, CUC incurred no costs for the Natural Gas Space Conditioning Program.

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CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:
Residential Water Heater Retention Program

Program Description:
This program is offered to existing customers and dealers to encourage the continued use of natural gas in the home and avoid costly abandonment activities by the Company. The water heater is not only the primary natural gas cost savings appliance within the homes, but it is also the anchor natural gas load within the home. As an incentive to continue to provide substantial benefits to the customer and utilize our resources effectively, this program offers a cash payment to the customer and dealer.

Allowances:
Conservation allowances are currently:
 \$100 Energy efficient natural gas water heater installation.
 \$ 50 Dealer

Program Activity and Projections:
For the seven month period January, 2001 through July, 2001, CUC paid allowances on 70 water heaters. We estimate we will pay allowances on 50 additional water heaters during the period of August, 2001 through December, 2001.

Program Fiscal Expenditures:
For the seven month period January, 2001 through July, 2001, CUC incurred program costs of \$18,992 for this program. For August, 2001 through December, 2001, expenditures totaling \$13,566 are anticipated.