

State of Florida



Public Service Commission  
-M-E-M-O-R-A-N-D-U-M-

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**DATE:** August 7, 2002  
**TO:** Division of Competitive Markets and Enforcement (Makin)  
**FROM:** Division of Auditing and Safety (Vandiver) *W*  
**RE:** **Docket No.** 020003-GU; **Company Name:** Chesapeake Utilities Corp., Florida Division; **Audit Purpose:** Affiliated Transactions Audit for the Period January - December 2001; **Audit Control No.** 02-032-3-1

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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 the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp  
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)  
Division of the Commission Clerk and Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

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State of Florida



Public Service Commission  
-M-E-M-O-R-A-N-D-U-M-

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**DATE:** August 6, 2002  
**TO:** Division of Competitive Markets and Enforcement (~~Brown~~) *Martin*  
**FROM:** Division of Auditing and Safety (Vandiver)  
**RE:** **Docket No.** 020003-GU; **Company Name:** Chesapeake Utilities Corp., Florida Division; **Audit Purpose:** Affiliated Transactions Audit for the Period January - December 2001; **Audit Control No.** 02-032-3-1

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**FLORIDA PUBLIC SERVICE COMMISSION**  
*DIVISION OF AUDITING AND SAFETY*  
*BUREAU OF AUDITING*

*Orlando District Office*

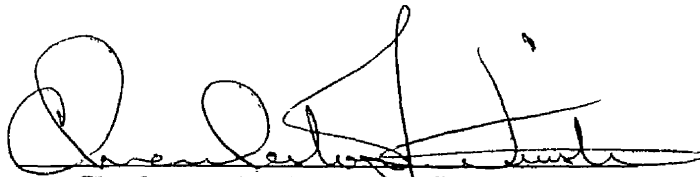
**FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION**

**AFFILIATED TRANSACTION AUDIT**

**12-MONTH PERIOD ENDED DECEMBER 31, 2001**

**DOCKET NO. 020003-GU**

**AUDIT CONTROL NO. 02-032-3-1**



*Charleston J. Winston, Audit Manager*



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*Jeffery A. Small, Professional Accountant Specialist*

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**DIVISION OF AUDITING AND SAFETY  
AUDITOR'S REPORT**

**JULY 25, 2002**

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

We have applied the procedures described later in this report to audit the affiliated transactions, Docket No. 020003-GU, for the 12-month period ended December 31, 2001, for the Florida Division of Chesapeake Utilities Corporation (CUC).

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 FINDINGS**

The total difference between gas futures purchased by the company and the index amount is \$227,577.80.

## **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.

**Intercompany Transactions** - Compiled intercompany transactions. Compared price paid to affiliates to market. Determined if there were any contracts between affiliates and the company. Scanned services purchased from the affiliates. Scanned and compiled affiliate's overhead costs charged to the utility. Compared market price for gas to futures and to actual price paid by the utility.

## Audit Disclosure 1

### Subject: Gas Futures

**Statement of Fact:** CUC entered into a Fixed Price Natural Gas Sale of \$4.98 per decatherm with Prior Energy Corporation. The differences between the index price reported in "Inside FERC's Gas Market Report" and futures paid by the company for 2001 are shown on the tables below. The total differences between the futures paid by CUC and the index price was \$227, 577.80 for 2001. The index price does not include any markups that may apply.

#### June 2001

Zone	Futures Price paid by CUC	Index Price	Therms Purchased	Futures - Paid by CUC	Index Amount	Difference
1	4.98	3.71	4,320	\$21,513.60	\$16,027.20	\$5,486.40
2	4.98	3.73	5,190	25,846.20	19,358.70	6,487.50
3	4.98	3.68	2,490	12,400.20	9,163.20	3,237.00
Total:			12,000	\$59,760.00	\$44,549.10	\$15,210.90

#### July 2001

Zone	Futures Price paid by CUC	Index Price	Therms Purchased	Futures - Paid by CUC	Index Amount	Difference
1	4.98	3.11	4,464	\$22,230.72	\$13,883.04	\$8,347.68
2	4.98	3.19	5,363	26,707.74	17,107.97	9,599.77
3	4.98	3.12	2,573	12,813.54	8,027.76	4,785.78
Total:			12,400	\$61,752.00	\$39,018.77	\$22,733.23

**Audit Disclosure 1, continued**

August 2001

Zone	Futures Price paid by CUC	Index Price	Therms Purchased	Futures - Paid by CUC	Index Amount	Difference
1	4.98	3.11	4,464	\$22,230.72	\$13,883.04	\$8,347.68
2	4.98	3.18	5,363	26,707.74	17,054.34	9,653.40
3	4.98	3.12	2,573	12,813.54	8,027.76	4,785.78
Total:			12,400	\$61,752.00	\$38,965.14	\$22,786.86

September 2001

Zone	Futures Price paid by CUC	Index Price	Therms Purchased	Futures - Paid by CUC	Index Amount	Difference
1	4.98	2.26	4,320	\$21,513.60	\$9,763.20	\$11,750.40
2	4.98	2.34	5,190	25,846.20	12,144.60	13,701.60
3	4.98	2.22	2,490	12,400.20	5,527.80	6,872.40
Total:			12,000	\$59,760.00	\$27,435.60	\$32,324.40

October 2001

Zone	Futures Price paid by CUC	Index Price	Therms Purchased	Futures - Paid by CUC	Index Amount	Difference
1	4.98	1.80	4,495	\$22,385.10	\$8,091.00	\$14,294.10
2	4.98	1.84	5,332	26,553.36	9,810.88	16,742.48
3	4.98	1.77	2,573	12,813.54	4,554.21	8,259.33
Total:			12,400	\$61,752.00	\$22,456.09	\$39,295.91



**Audit Disclosure 1, continued**

November 2001

Zone	Futures Price paid by CUC	Index Price	Therms Purchased	Futures - Paid by CUC	Index Amount	Difference
1	4.98	3.08	5,400	\$26,892.00	\$16,632.00	\$10,260.00
2	4.98	3.14	6,450	32,121.00	20,253.00	11,868.00
3	4.98	3.11	3,150	15,687.00	9,796.50	5,890.50
Total:			15,000	\$74,700.00	\$46,681.50	\$28,018.50

December 2001

Zone	Futures Price paid by CUC	Index Price	Therms Purchased	Futures - Paid by CUC	Index Amount	Difference
1	4.98	2.18			\$0.00	\$0.00
2	4.98	2.28			0.00	0.00
3	4.98	2.27	24,800	123,504.00	56,296.00	67,208.00
Total:			24,800	\$123,504.00	\$56,296.00	\$67,208.00

Grand total: 101,000 \$502,980.00 \$275,402.20 \$227,577.80