

Docket No. 020004-GU

Exhibit \_\_\_\_\_ (BSB-1)

**THE FLORIDA DIVISION OF  
CHESAPEAKE UTILITIES CORPORATION  
CONSERVATION COST RECOVERY PROJECTION  
JANUARY 1, 2003 THROUGH DECEMBER 31, 2003**

DOCUMENT RECEIVED  
10634 OCT-28  
FPSC-COMMISSION CLERK

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 In Re: Natural Gas Conservation Cost Recovery

3 DIRECT TESTIMONY OF BRIAN S. BILINSKI

4 On behalf of

5 The Florida Division of Chesapeake Utilities Corporation

6 DOCKET NO. 020004-GU

7 Q. Please state your name, occupation, and business address.

8 A. My name is Brian S. Bilinski. I am the Accounting and Rates Manager of the Florida Division  
9 of Chesapeake Utilities Corporation. My business address is 1015 6th Street, N. W., Winter  
10 Haven, Florida 33881.

11 Q. Describe briefly your educational background and relevant professional background.

12 A. I have a Bachelor's of Science degree in Accounting from St. Peter's College in Jersey City,  
13 New Jersey and a Master's in Business Administration from Stetson University in Deland,  
14 Florida. I have been employed in the water and wastewater industry in Florida for over twenty  
15 years. I was first employed by the Florida Division of Chesapeake Utilities Corporation in June  
16 2002 as the Accounting and Rates Manager.

17 Q. Are you familiar with the energy conservation programs of the Company and costs which have  
18 been, and are projected to be, incurred in their implementation?

19 A. Yes.

20 Q. What is the purpose of your testimony in this docket?

21 A. To describe generally the expenditures made and projected to be made in implementing,  
22 promoting, and operating the Company's energy conservation programs. This will include  
23 recoverable costs incurred in January through August 2002 and projections of program costs to  
24 be incurred from September through December 2002. It will also include projected  
25 conservation costs for the period January 2003 through December 2003, with a calculation of

1 the conservation adjustment factors to be applied to the customers' bills during the collection  
2 period of January 1, 2003 through December 31, 2003.

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

5 A. Yes. Summaries of the seven programs are contained in Schedule C-4 of Exhibit BSB-1.  
6 Included are the Residential Home Builder Program, the Residential Appliance Replacement  
7 Program, the Residential Propane Distribution Program, the Conservation Education Program,  
8 the Natural Gas Space Conditioning for Residential Homes Program, the Gas Space  
9 Conditioning Program, and the Residential Water Heater Retention Program.

10 Q. Have you prepared schedules that show the expenditures associated with the Company's energy  
11 conservation programs for the periods you have mentioned?

12 A. Yes, Schedule C-3, Exhibit BSB-1 shows actual expenses for the months January through  
13 August 2002. Projections for September through December 2002 are also shown on Schedule  
14 C-3. Projected expenses for the January 2003 through December 2003 period are shown on  
15 Schedule C-2 of Exhibit BSB-1.

16 Q. Have you prepared schedules that show revenues for the period January 2002 through  
17 December 2002?

18 A. Yes. Schedule C-3 (Page 4 of 5) shows actual revenues for the months January through August  
19 2002. Projections for September through December 2002 are also shown on Schedule C-3  
20 (Page 4 of 5).

21 Q. Have you prepared a schedule that shows the calculation of the Company's proposed  
22 conservation adjustment factors to be applied during billing periods from January 1, 2003  
23 through December 31, 2003?

24 A. Yes. Schedule C-1 of Exhibit BSB-1 shows this calculation. Net program cost estimates for the  
25 period January 1, 2003 through December 31, 2003 are used. The estimated true-up amount

1 from Schedule C-3 (Page 4 of 5, Line 12) of Exhibit BSB-1, being an underrecovery, was added  
2 to the total of the projected costs for the twelve-month period. The total amount was then  
3 divided among the Company's rate classes, excluding customers who are on market-based rates,  
4 based on total projected contribution. The results were then divided by the projected gas  
5 throughput for each rate class for the twelve-month period ending December 31, 2003. The  
6 resulting factors are shown on Schedule C-1 of Exhibit BSB-1.

7 Q. Does this conclude your testimony?

8 A. Yes, it does.

SCHEDULE C-1

Exhibit No. \_\_\_\_\_  
 Docket No. 020004-GU  
 Chesapeake Utilities Corp.  
 (BSB-1)

ENERGY CONSERVATION ADJUSTMENT  
 SUMMARY OF COST RECOVERY CLAUSE CALCULATION  
 JANUARY 2003 THROUGH DECEMBER 2003

1. INCREMENTAL COSTS (SCHEDULE C-2)	1,151,035
2. TRUE-UP (SCHEDULE C-3)	<u>10,547</u>
3. TOTAL	<u>1,161,582</u>

RATE CLASS	BILLS	THERMS	CUSTOMER CHARGE REVENUES	ENERGY CHARGE	TOTAL	ESTIMATED ECCR	% SURCHARGE	CENTS PER THERM	PEREXPANSION FACTOR	ECCR ADJUSTMENT FACTORS
GS-1\TS-1	117,196	2,143,668	1,172,920	944,777	2,117,697	366,879	17.3244%	0.1711	1.00503	0.17201
GS-2\TS-2	12,030	1,123,646	221,268	329,856	551,124	95,479	17.3244%	0.0850	1.00503	0.08540
GS-3\TS-3	3,640	1,783,000	138,286	450,832	589,118	102,061	17.3244%	0.0572	1.00503	0.05753
GS-4\TS-4	1,518	1,668,000	83,490	369,158	452,648	78,419	17.3244%	0.0470	1.00503	0.04725
GS-5\TS-5	360	1,000,000	45,000	188,017	233,017	40,369	17.3244%	0.0404	1.00503	0.04057
GS-6\TS-6	228	1,141,000	45,600	167,830	213,430	36,976	17.3244%	0.0324	1.00503	0.03257
GS-7\TS-7	468	8,629,000	140,400	843,390	983,790	170,436	17.3244%	0.0198	1.00503	0.01985
GS-8\TS-8	96	6,106,000	48,000	532,620	580,620	100,589	17.3244%	0.0165	1.00503	0.01656
GS-9\TS-9	<u>84</u>	<u>11,716,000</u>	<u>58,800</u>	<u>924,626</u>	<u>983,426</u>	<u>170,373</u>	<u>17.3244%</u>	<u>0.0145</u>	<u>1.00503</u>	<u>0.01462</u>
TOTAL	135,620	35,310,314	1,953,764	4,751,105	6,704,869	1,161,582	17.3244%	0.0329	1.00503	0.03306



PROJECTED CONSERVATION PROGRAM COSTS BY COST CATEGORY  
FOR PERIOD: JANUARY 2003 THROUGH DECEMBER 2003

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
1. RESIDENTIAL HOME BUILDER	0	270,135	9,480	70,840	279,500	22,400	18,296	0	670,651
2. RESIDENTIAL APPLIANCE REPLACEMENT	0	98,599	7,110	53,130	28,613	16,800	7,035	0	211,287
3. RESIDENTIAL PROPANE DISTRIBUTION	0	2,768	0	0	0	0	144	0	2,912
4. RESIDENTIAL WATER HEATER RETENTION	0	66,026	2,370	17,710	20,687	5,600	4,296	0	116,689
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	91,856	4,740	35,420	0	11,200	6,280	0	149,496
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
<b>TOTAL ALL PROGRAMS</b>	<b>0</b>	<b>529,384</b>	<b>23,700</b>	<b>177,100</b>	<b>328,800</b>	<b>56,000</b>	<b>36,051</b>	<b>0</b>	<b>1,151,035</b>
LESS: AMOUNT IN RATE BASE	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSER.	0	529,384	23,700	* 177,100	328,800	56,000	36,051	0	1,151,035

\* The "Get Gas Florida" State-wide Advertising Campaign expenses of \$24,000 are included in the Total amount shown.



CONSERVATION PROGRAM COSTS BY COST CATEGORY  
FOR PERIOD JANUARY 2002 THROUGH DECEMBER 2002  
EIGHT MONTHS ACTUAL AND FOUR MONTHS ESTIMATED

	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
1. RESIDENTIAL HOME BUILDER									
A. ACTUAL	0	75,584	4,516	54,241	139,019	60	6,806	14,150	294,375
B. ESTIMATED	0	29,254	1,748	20,994	53,806	23	2,634	5,477	113,935
C. TOTAL	0	104,838	6,264	75,235	192,825	83	9,440	19,626	408,310
2. RESIDENTIAL APPLIANCE REPLACEMENT									
A. ACTUAL	0	27,044	2,203	18,916	11,690	5,182	2,745	5,004	72,785
B. ESTIMATED	0	10,713	872	7,493	4,631	2,053	1,088	1,983	28,833
C. TOTAL	0	37,758	3,075	26,410	16,321	7,234	3,833	6,988	101,618
3. RESIDENTIAL PROPANE DISTRIBUTION									
A. ACTUAL	0	1,184	0	0	0	0	117	163	1,463
B. ESTIMATED	0	468	0	0	0	0	46	65	579
C. TOTAL	0	1,652	0	0	0	0	163	228	2,042
4. RESIDENTIAL WATER HEATER RETENTION									
A. ACTUAL	0	15,185	1,166	0	10,700	0	1,111	1,761	29,923
B. ESTIMATED	0	7,355	565	0	5,183	0	539	854	14,496
C. TOTAL	0	22,540	1,731	0	15,883	0	1,650	2,615	44,419
5. NG SPACE CONDITIONING FOR RESIDENTIAL HOMES									
A. ACTUAL	0	215	159	0	0	0	30	18	422
B. ESTIMATED	0	105	79	0	0	0	15	9	208
C. TOTAL	0	320	238	0	0	0	45	27	630
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	83,055	15,014	49,160	450	60	8,553	15,226	171,517
B. ESTIMATED	0	32,901	5,947	19,474	178	23	3,388	6,035	67,947
C. TOTAL	0	115,956	20,961	68,634	628	83	11,941	21,261	239,464
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	283,064	32,269	170,278	225,657	7,400	27,071	50,744	796,483



CONSERVATION PROGRAM COSTS - EXPENSES BY MONTH  
FOR PERIOD: JANUARY 2002 THROUGH DECEMBER 2002  
EIGHT MONTHS ACTUAL AND FOUR 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	24,722	23,299	56,050	41,529	49,369	32,239	30,136	37,029	28,484	28,484	28,484	28,484	408,310
2. RES. APPLIANCE REPLACEMENT	6,244	3,981	17,811	7,603	9,058	6,509	14,572	7,007	7,208	7,208	7,208	7,208	101,618
3. RES PROPANE DISTRIBUTION	422	0	0	722	111	100	109	0	145	145	145	145	2,042
4. RES WATER HEATER RETENTION	3,545	9,070	4,852	1,692	2,910	2,610	1,914	3,335	3,624	3,624	3,624	3,624	44,419
5. NG SPACE CONDITIONING	42	0	0	0	221	0	0	159	52	52	52	52	630
6. GAS SPACE CONDITIONING	0	0	0	0	0	0	0	0	0	0	0	0	0
7. EDUCATION	14,909	18,287	30,474	26,507	24,734	18,239	20,254	18,113	16,987	16,987	16,987	16,987	239,464
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
<b>TOTAL ALL PROGRAMS</b>	<b>49,884</b>	<b>54,636</b>	<b>109,188</b>	<b>78,053</b>	<b>86,402</b>	<b>59,695</b>	<b>66,985</b>	<b>65,643</b>	<b>56,499</b>	<b>56,499</b>	<b>56,499</b>	<b>56,499</b>	<b>796,483</b>
<b>LESS:</b>													
BASE RATE RECOVERY	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>NET RECOVERABLE</b>	<b>49,884</b>	<b>54,636</b>	<b>109,188</b>	<b>78,053</b>	<b>86,402</b>	<b>59,695</b>	<b>66,985</b>	<b>65,643</b>	<b>56,499</b>	<b>56,499</b>	<b>56,499</b>	<b>56,499</b>	<b>796,483</b>

ENERGY CONSERVATION COST RECOVERY ADJUSTMENT  
FOR PERIOD: JANUARY 2002 THROUGH DECEMBER 2002  
EIGHT MONTHS ACTUAL AND FOUR 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.	(110,539)	(94,112)	(94,972)	(79,039)	(71,496)	(62,968)	(61,987)	(64,836)	(70,000)	(90,000)	(100,000)	(110,000)	(1,009,950)
4. TOTAL REVENUES	(110,539)	(94,112)	(94,972)	(79,039)	(71,496)	(62,968)	(61,987)	(64,836)	(70,000)	(90,000)	(100,000)	(110,000)	(1,009,950)
5. PRIOR PERIOD TRUE- UP NOT APPLICABLE TO THIS PERIOD	18,474	18,475	18,474	18,474	18,474	18,474	18,474	18,474	18,474	18,474	18,474	18,474	221,691
6. CONSERV REVS. APPLICABLE TO THE PERIOD	(92,065)	(75,638)	(76,498)	(60,565)	(53,022)	(44,494)	(43,512)	(46,362)	(51,526)	(71,526)	(81,526)	(91,526)	(788,259)
7. CONSERV. EXPS	49,884	54,636	109,188	78,053	86,402	59,695	66,985	65,643	56,499	56,499	56,499	56,499	796,483
8. TRUE-UP THIS PERIOD	(42,181)	(21,001)	32,690	17,489	33,380	15,202	23,472	19,281	4,974	(15,026)	(25,026)	(35,026)	8,225
9. INTER. PROVISION THIS PERIOD	283	208	191	201	210	219	218	220	212	181	125	54	2,321
10. TRUE-UP AND INTEREST PROV. BEG. OF MONTH	221,691	161,319	122,051	136,458	135,673	150,789	147,735	152,951	153,977	140,688	107,369	63,993	221,691
11. PRIOR TRUE-UP COLLECTED OR (REFUNDED)	(18,474)	(18,474)	(18,474)	(18,474)	(18,474)	(18,474)	(18,474)	(18,474)	(18,474)	(18,474)	(18,474)	(18,474)	(221,691)
12. TOTAL NET TRUE-UP	161,319	122,051	136,458	135,673	150,789	147,735	152,951	153,977	140,688	107,369	63,993	10,547	10,547

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
FOR PERIOD JANUARY 2002 THROUGH DECEMBER 2002  
EIGHT MONTHS ACTUAL AND FOUR 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	221,691	161,319	122,051	136,458	135,673	150,789	147,735	152,951	153,977	140,688	107,369	63,993	
2. ENDING TRUE-UP BEFORE INTEREST	161,036	121,843	136,267	135,472	150,579	147,516	152,733	153,757	140,476	107,188	63,868	10,492	
3. TOTAL BEGINNING & ENDING TRUE-UP	382,727	283,162	258,318	271,930	286,252	298,304	300,467	306,707	294,453	247,876	171,236	74,485	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	191,363	141,581	129,159	135,965	143,126	149,152	150,234	153,354	147,226	123,938	85,618	37,243	
5. INTEREST RATE FIRST DAY OF REPORTING MONTH	1.78%	1.77%	1.75%	1.80%	1.75%	1.77%	1.75%	1.73%	1.71%	1.75%	1.75%	1.75%	
6. INTER. RATE - FIRST DAY SUBSEQUENT MONTH	1.77%	1.75%	1.80%	1.75%	1.77%	1.75%	1.73%	1.71%	1.75%	1.75%	1.75%	1.75%	
7. TOTAL (SUM LINES 5 & 6)	3.55%	3.52%	3.55%	3.55%	3.52%	3.52%	3.48%	3.44%	3.46%	3.50%	3.50%	3.50%	
8. AVG. INTEREST RATE (LINE 7 TIMES 50%)	1.78%	1.76%	1.78%	1.78%	1.76%	1.76%	1.74%	1.72%	1.73%	1.75%	1.75%	1.75%	
9. MONTHLY AVG INTEREST RATE	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.14%	0.14%	0.15%	0.15%	0.15%	
10. INTEREST PROVISION	283	208	191	201	210	219	218	220	212	181	125	54	2,321

Schedule C-4  
Page 1 of 7

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.

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 eight-month period January 2002 through August 2002, 317 residences qualified under the Residential Home Builder Program. We estimate 125 new homes will qualify during the period September 2002 through December 2002.

Program Fiscal Expenditures:

For the eight-month period January 2002 through August 2002, CUC incurred costs of \$294,375 for the Residential Home Builder Program. For September 2002 through December 2002, costs are estimated to be \$113,935.

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 eight-month period January 2002 through August 2002, 39 residences qualified under the Residential Appliance Replacement Program. We estimate an additional 15 residences will qualify for incentives during the period September 2002 through December 2002.

Program Fiscal Expenditures:

For the eight-month period January 2002 through August 2002, CUC incurred costs of \$72,785 for the Residential Appliance Replacement Program. During September 2002 through December 2002 costs are estimated to be \$28,833.

Schedule C-4  
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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:

During this year we intend to produce promotional materials aimed at the builder market in order to educate and inform as to the values of a propane distribution system.

Program Fiscal Expenditures:

For the eight-month period January 2002 through August 2002, CUC incurred costs of \$1,463 for the Residential Propane Distribution Program. During September 2002 through December 2002 costs are estimated to be \$579.

Schedule C-4  
Page 4 of 7

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:

We have created community outreach programs designed to inform and educate the general public as well as business interest in the communities we serve as to the value of natural gas and the availability of our conservation allowance programs. Examples of these types of programs: energy plus home builders program, energy plus partners program, appliance retention programs, and energy smart kids.

Program Fiscal Expenditures:

During the eight-month period January 2002 through August 2002, CUC incurred program costs of \$171,517 for this program. For September 2002 through December 2002, expenditures are estimated to be \$67,947 for this program.

Schedule C-4  
Page 5 of 7

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 eight-month period January 2002 through August 2002, CUC paid no allowances on this program. Minimal activity is projected in this program for the remainder of 2002.

Program Fiscal Expenditures:

For the eight-month period January 2002 through August 2002, CUC incurred costs of \$422 for the Natural Gas Space Conditioning for Residential Homes Program. During September 2002 through December 2002 costs are estimated to be \$208.

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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 eight-month period January 2002 through August 2002, CUC paid no allowances on this program. No activity is projected for the remainder of 2002.

Program Fiscal Expenditures:

For the eight-month period January 2002 through August 2002, CUC incurred no costs for the Gas Space Conditioning Program.

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CHESAPEAKE UTILITIES CORPORATION  
Program Description and Progress

Program Title:

Residential Water Heater Retention Program

Program Description:

The Company offers this program to existing customers and dealers to encourage the continued use of natural gas in the home and avoid costly abandonment activities. 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 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 eight-month period January 2002 through August 2002, CUC paid allowances on 91 water heaters. We estimate we will pay allowances on 45 additional water heaters during the period of September 2002 through December 2002.

Program Fiscal Expenditures:

For the eight-month period January 2002 through August 2002, CUC incurred program costs of \$29,923 for this program. For September 2002 through December 2002, expenditures totaling \$14,496 are anticipated.