



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

DATE: December 24, 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:** Purchased Gas Cost Recovery True-up for the period January 2002 through October 2002; **Audit Control No.** 02-268-3-1

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

Jim Williams, Finance Manager
P. O. Box 960
Winter Haven, FL 33882-0960

Wayne L. Schiefelbein, Esq.
Rose Law Firm
2548 Blairstone Pines Dr.
Tallahassee, FL 32301

Brian Bilinski
P. O. Box 960
Winter Haven, FL 33882-0960

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

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

Orlando District Office

**CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION**

PURCHASED GAS ADJUSTMENT AUDIT

10-MONTH PERIOD ENDED OCTOBER 31, 2002

**DOCKET NO. 020003-GU
AUDIT CONTROL NO. 02-268-3-1**

A handwritten signature in cursive script, appearing to read "Richard F. Brown".

Richard F. Brown, Audit Manager

A handwritten signature in cursive script, appearing to read "Charleston J. Winston".

Charleston J. Winston, Audit Supervisor

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

DECEMBER 19, 2002

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 10-month period ended October 31, 2002, 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. 020003-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.

Verified - 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 2002 through October 2002.

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-01-2370-FOF-GU, issued December 7, 2001. Verified that the correct interest rates were applied to under or overrecovered amounts for the 10 months ended October 31, 2002.

FL DIV CUC

CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A-2
 EXHIBIT NO. _____
 DOCKET NO. 020003-GU
 CHESAPEAKE UTILITIES CORP
 JAW-1
 PAGE ____ OF ____

FOR THE PERIOD OF: JAN 02 Through DEC 02

Revised 12/05/02

EXHIBIT I

	CURRENT MONTH: OCTOBER				PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST (A-1 lines 3,4)	175,735	75,330	(100,405)	-133.287%	1,118,808	1,129,810	11,002	0.974%
2 TRANSPORTATION COST (A-1 lines 1,2,5 plus A-1(2) line 33,35,36)	185,149	224,328	39,179	17.465%	819,185	998,750	179,565	17.979%
3 TOTAL	360,884	299,658	(61,226)	-20.432%	1,937,993	2,128,560	190,567	8.953%
4 FUEL REVENUES (NET OF REVENUE TAX)	134,670	117,056	(17,614)	-15.047%	2,045,643	2,158,523	112,880	5.230%
5 TRUE-UP (COLLECTED) OR REFUNDED	(126,711)	(126,711)	0	0.000%	(1,267,110)	(1,267,110)	0	0.000%
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	7,959	(9,655)	(17,614)	182.434%	778,533	891,413	112,880	12.663%
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(352,925)	(309,313)	43,612	-14.10%	(1,159,460)	(1,237,147)	(77,687)	6.280%
8 INTEREST PROVISION-THIS PERIOD (21)	930	3,053	2,123	69.535%	(1,666)	35,236	36,903	104.729%
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	767,823	2,239,800	1,471,977	65.719%	(1,297,156)	1,995,051	3,292,207	165.019%
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	126,711	126,711	0	0.000%	1,267,110	1,267,110	0	0.000%
10a Adjusment	0	0	0	0.000%	1,733,711	0	(1,733,711)	0.000%
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	542,539	2,060,251	1,517,712	73.666%	542,539	2,060,250	1,517,712	73.666%
INTEREST PROVISION								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	767,823	2,239,800	1,471,977	65.719%				
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	541,609	2,057,198	1,515,589	73.672%				
14 TOTAL (12+13)	1,309,432	4,296,998	2,987,566	69.527%				
15 AVERAGE (50% OF 14)	654,716	2,148,499	1,493,783	69.527%				
16 INTEREST RATE - FIRST DAY OF MONTH	1.760%	1.760%	0	0.000%				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.650%	1.650%	0.000	0.000%				
18 TOTAL (16+17)	3.410%	3.410%	0	0.000%				
19 AVERAGE (50% OF 18)	1.705%	1.705%	0.0000	0.000%				
20 MONTHLY AVERAGE (19/12 Months)	0.142%	0.142%	0.00000	0.000%				
21 INTEREST PROVISION (15x20)	930	3,053	2,123	69.535%				

* If line 5 is a refund add to line 4
 If line 5 is a collection () subtract from line 4

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