

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: July 27, 2004
TO: Shevie Brown, Competitive Markets and Enforcement
FROM: Denise N. Vandiver, Chief, Bureau of Auditing *DNV*
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.** 040004-GU ; **Company Name:** Chesapeake Utilities Corp.;
Audit Purpose: Energy Conservation cost Recovery Audit;
Audit Control No. 04-087-3-1

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 Regulatory Compliance and Consumer Assistance (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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DOCUMENT NUMBER-DATE
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FLORIDA PUBLIC SERVICE COMMISSION

*BUREAU OF AUDITING
DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE*

Orlando District Office

CHESAPEAKE UTILITIES CORPORATION

ENERGY CONSERVATION COST RECOVERY AUDIT

12-MONTH PERIOD ENDED DECEMBER 31, 2003

DOCKET NO. 040004-GU

AUDIT CONTROL NO. 04-057-3-1

A handwritten signature in cursive script, appearing to read "Intesar Terkawi".

Intesar Terkawi, Audit Manager

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

Charleston J. Winston, Audit Supervisor

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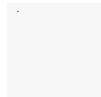
**DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
AUDITOR'S REPORT**

July 15, 2004

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying conservation schedule for the 12-month period ended December 31, 2003, for Chesapeake Utilities Corporation. The attached schedule was prepared by the company as part of its petition for Energy Conservation Cost Recovery (ECCR) in Docket No. 040004-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.

Conservation Revenues: Compiled and traced conservation revenues to the General Ledger. Recalculated a sample of bills to verify that the customers were billed in accordance with the latest approved ECCR rates.

Conservation Expenses: Sampled expenses from each conservation program in order to ascertain that the costs were conservation-related, reasonable, and prudent.

True-Up: Recalculated the conservation true-up at December 31, 2003.

Disclosure No. 1

Subject: New Category “Other” for the Conservation Programs

Statement of Fact: The utility created a new category account called “Other” billed to the conservation programs for the year 2003. The new category includes the following expenses:

Sponsorship of golf tournaments	\$1,650
Breakfasts	\$1,233
Dinners and evening parties	\$1,882
Casino party	\$ 376
Other different sponsorships	<u>\$ 636</u>
Total	\$5,777

The utility’s justifications for the above-mentioned expenses are shown on the following pages.

Recommendation: The audit staff forwards the information to the analyst for consideration in this matter.

Outback Steakhouse

Invoice 874

\$821.50

CFG sponsored the Osceola Builders Council meeting. As part of the sponsorship, CFG provided the dinner for the group from Outback Steakhouse. The builder group's meeting allowed CFG to buy the time of the attendees to educate them on the conservation programs available when building with gas. The sponsorship was to educate the group on the residential home builders conservation program and residential appliance replacement conservation programs.

Polk County Builders Association

Invoice 4561

\$376.00

CFG attended a Polk County Builders Association function that was themed as a casino party. The evening entailed gift donations from various associate members for a silent auction and fake gambling tables with play coins and money that were used to encourage attendees to mingle and converse. Eight of the CFG sales staff attended the party, which reflects the total invoice. The evening gave CFG staff an opportunity to interact with the builders and potential Energy Plus Partners that were attending the event as associate members. The event was tied to the residential home builders program as it allowed CFG sales staff to gain exposure to builders. It also supported the residential appliance replacement and residential water heater retention programs with the exposure to Energy Plus Partner candidates.

Citrus County Builders Association

Invoice 11243

\$1,500.00

CFG was a major sponsor for the builders association golf tournament. Sponsorship in these events is a great way to gain exposure of conservation programs to builders and Energy Plus Partners within the builders association. Sponsorships come with various recognition opportunities and advertising spots for CFG to promote the Energy Plus Home Program which encompasses educating the builders on the residential appliance replacement, residential home builders, and residential water heater retention programs. Also, the sponsorships give CFG a designated area during this well attended event to display educational literature and give the staff the opportunity to talk and build relationships with the golfers as they play through.

Clara's Restaurant

Invoice 1

\$418.70

CFG sponsored the Builders Breakfast for the Polk County Builders Association. Sponsorship with the breakfast allowed CFG to gain exposure for the Energy Plus Home program and conservation programs associated with the programs. Additionally, with the event of the Parade of Homes, this allows CFG to express the importance of energy efficiency in their home building and give educational materials on how to support energy efficiency.

Holiday Inn

Invoice 17364

\$481.02

The Energy Plus Partner network meets for training classes and seminars at the Holiday Inn in Winter Haven. The invoice reflects the meeting room reservations for the training seminars and exam. The training seminars and exams allow for the Energy Plus Partners to gain the needed certifications and training for the installation of gas appliances, which directly supports the residential appliance replacement and water heater retention conservation programs.

Taste of Citrus

Tickets from the event

\$180.00

Taste of Citrus is an event in Citrus County that brings all of the local restaurants together, allowing CFG sales staff to attend the event and meet key contacts within the restaurant industry and create relationships with a non-sales atmosphere. It also allows the sales staff to gain insight on whether or not these restaurant use natural gas or know that it is available in their area.

Lakeland Courtyard

Invoice 10Oct03

\$348.04

CFG sponsored the judges' breakfast for the Polk County Builders Association during the fall Parade of Homes. The sponsorship gives CFG recognition in the face of the judges for the homes. Additionally, it is an educating opportunity for CFG to inform the attendees on conservation programs, the Energy Plus Home and Energy Plus Partner programs and what to look for in new homes that signify an energy efficient home.

Polk County Builders Association

Invoice 5068

\$92.00

CFG attended the PCBA's awards and installation banquet where builders and associate members are recognized for their support within the building industry. At the banquet is where CFG is also recognized for sponsorships like the builders breakfast, the judges breakfast and golf tournament sponsorships. The banquets gain exposure for the Energy Plus Home program.

Osceola Home Builders

Fax confirmation

\$580.00

The Osceola Home Builders network is a group of builders within the Osceola market. As CFG has natural gas in Osceola, it is important to continuously educate the builders in the area that gas is available and the conservation programs available to the builders for, the installation of gas. The cost shows the registration amount for CFG sales staff to attend the OHB's event and network with the builders in a relaxed atmosphere.

Citrus County Economic Development Council and Citrus County Chamber of Commerce

Fax confirmation

\$300.00

CFG bought ten tickets at \$30 a piece to attend the annual event. Attendance allowed CFG sales staff to network with the County's leaders and educate new developers in the area that were targeted for the event, about the conservation programs and availability of natural gas within the County.

Polk County Builders Association

Invoice 4628

\$466.00

CFG sponsored the Polk County Builders Association Builders' Breakfast in conjunction with the fall Parade of Homes. The sponsorship allowed CFG to gain exposure for the Energy Plus Home Program with the judges that were evaluating the homes. The exposure gave CFG the opportunity to educate the judges on energy efficiency and how builders incorporate it into their home building.

Polk County Builders Association

Invoice 4801

\$63.00

The PCBA has a group called the SPIKE members. This group is responsible for recruiting new members into the builders association. Pat Spalding, CFG Builder/Developer Representative is a SPIKE member and attended an outing with the group. Her support in this program allows her to speak with any potential new members and utilize the relationship to educate them on the Energy Plus Home program and the conservation programs associated with it.

Lakeland Association of Realtors

Invoice -- fax confirmation for sponsorship

\$150.00

CFG sponsored a stationary hole at the Lakeland Association of Realtors annual golf tournament in support of the association and the exposure gained through the organization to educate the realtors on natural gas, the Energy Plus Home program and how to speak to end consumers on the benefits of using gas in their home and the conservation programs that are available to them.

EXHIBIT

SCHEDULE OF-3 PAGE 3 OF 3		COMPANY: Chesapeake Light Corporation Debt# No. 98004-GU Issue 2004 Page 8 of 17											
DISBURSEMENT ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION JANUARY 2006 THROUGH DECEMBER 2006													
CONSERVATION REVENUES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1. RECEIPT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVEN	(148,440)	(148,820)	(151,300)	(157,120)	(167,380)	(178,280)	(178,400)	(178,800)	(178,340)	(180,000)	(187,700)	(117,800)	(1,178,910)
4. TOTAL REVENUES	(148,440)	(148,820)	(151,300)	(157,120)	(167,380)	(178,280)	(178,400)	(178,800)	(178,340)	(180,000)	(187,700)	(117,800)	(1,178,910)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	12,400	12,400	12,400	12,400	12,400	12,400	12,400	12,400	12,400	12,400	12,400	12,400	148,280
6. CONSERVATION REVENUE APPLICABLE TO THE PERIOD	(136,040)	(136,420)	(138,900)	(144,720)	(154,980)	(165,880)	(166,000)	(166,400)	(165,940)	(167,600)	(175,300)	(105,400)	(1,030,630)
7. DISBURSEMENT EXP (FROM OF-3, PAGE 9)	75,600	75,172	82,310	82,380	81,370	73,900	80,807	108,707	77,007	184,001	77,800	80,901	1,800,101
8. TRUE-UP THIS PERIOD	(84,800)	(84,800)	(84,800)	0,000	0,000	(16,177)	(1,300)	46,807	13,200	80,400	2,800	(14,800)	(20,800)
9. INTER. PROV. THIS PERIOD (FROM OF-3, PAGE 9)	100	50	(10)	(80)	(60)	(80)	(80)	(80)	(80)	(10)	7	(8)	(140)
10. TRUE-UP & INTER. PROV. MEMORANDUM OF MONTH	148,280	71,000	(4,800)	(82,380)	(81,370)	(88,407)	(88,700)	(74,807)	(61,400)	(103,700)	10,000	3,400	
11. PRIOR TRUE-UP COLLECTED/REPLACED	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	
12. TOTAL NET TRUE-UP (SUM LINES 8-11)	71,080	58,600	(97,210)	(92,380)	(91,770)	(88,777)	(79,800)	(61,800)	(69,700)	13,200	2,807	(20,800)	(20,800)