

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. 040004-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 2004 and projections of program costs to
24 be incurred from September through December 2004. It will also include projected
25 conservation costs for the period January 2005 through December 2005, with a calculation of

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1 the conservation adjustment factors to be applied to the customers' bills during the collection
2 period of January 1, 2005 through December 31, 2005.

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-2.
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-2 shows actual expenses for the months January through
13 August 2004. Projections for September through December 2004 are also shown on Schedule
14 C-3. Projected expenses for the January 2005 through December 2005 period are shown on
15 Schedule C-2 of Exhibit BSB-2.

16 Q. Have you prepared schedules that show revenues for the period January 2004 through
17 December 2004?

18 A. Yes. Schedule C-3 (Page 4 of 5) shows actual revenues for the months January through August
19 2004. Projections for September through December 2004 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, 2005
23 through December 31, 2005?

24 A. Yes. Schedule C-1 of Exhibit BSB-2 shows this calculation. Net program cost estimates for the
25 period January 1, 2005 through December 31, 2005 are used. The estimated true-up amount

1 from Schedule C-3 (Page 4 of 5, Line 12) of Exhibit BSB-2, 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, 2005. The
6 resulting factors are shown on Schedule C-1 of Exhibit BSB-2.

7 Q. Does this conclude your testimony?

8 A. Yes, it does.

Docket No. 040004-GU

Exhibit _____ (BSB-2)

**THE FLORIDA DIVISION OF
CHESAPEAKE UTILITIES CORPORATION
CONSERVATION COST RECOVERY PROJECTION
JANUARY 1, 2005 THROUGH DECEMBER 31, 2005**

ENERGY CONSERVATION ADJUSTMENT
SUMMARY OF COST RECOVERY CLAUSE CALCULATION
JANUARY 2005 THROUGH DECEMBER 2005

1. INCREMENTAL COSTS (SCHEDULE C-2)	928,999
2. TRUE-UP (SCHEDULE C-3)	<u>78,457</u>
3. TOTAL	<u>1,007,456</u>

RATE CLASS	BILLS	THERMS	CUSTOMER CHARGE REVENUES	ENERGY CHARGE	TOTAL	ESTIMATED ECCR	% SURCHARGE	CENTS PER THERM	PEREXPANSION FACTOR	ECCR ADJUSTMENT FACTORS
TS-1A	32,512	310,544	\$325,120	\$136,866	\$461,986	\$58,532	12.6696%	0.1885	1.00503	0.18943
TS-1B	49,384	798,066	\$617,300	\$351,732	\$969,032	\$122,773	12.6696%	0.1538	1.00503	0.15461
TS-1C	52,024	1,378,576	\$780,360	\$607,580	\$1,387,940	\$175,847	12.6696%	0.1276	1.00503	0.12820
TS-2	14,658	1,168,561	\$403,095	\$343,043	\$746,138	\$94,533	12.6696%	0.0809	1.00503	0.08130
TS-3	4,636	1,912,250	\$197,030	\$483,512	\$680,542	\$86,222	12.6696%	0.0451	1.00503	0.04532
TS-4	1,811	1,895,000	\$99,605	\$419,401	\$519,006	\$65,756	12.6696%	0.0347	1.00503	0.03487
TS-5	408	1,095,000	\$51,000	\$205,882	\$256,882	\$32,546	12.6696%	0.0297	1.00503	0.02987
TS-6	228	1,065,000	\$45,600	\$156,651	\$202,251	\$25,624	12.6696%	0.0241	1.00503	0.02418
TS-7	564	9,800,000	\$169,200	\$957,852	\$1,127,052	\$142,793	12.6696%	0.0146	1.00503	0.01464
TS-8	156	8,212,000	\$78,000	\$716,333	\$794,333	\$100,639	12.6696%	0.0123	1.00503	0.01232
TS-9	84	9,475,000	\$58,800	\$747,767	\$806,567	\$102,189	12.6696%	0.0108	1.00503	0.01084
TOTAL	156,465	37,109,997	\$2,825,110	\$5,126,619	\$7,951,729	\$1,007,456	12.6696%			

PROJECTED CONSERVATION PROGRAM COSTS BY COST CATEGORY
FOR PERIOD: JANUARY 2005 THROUGH DECEMBER 2005

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
1. RESIDENTIAL HOME BUILDER	0	207,381	36,000	17,500	380,000	10,000	17,627	0	668,508
2. RESIDENTIAL APPLIANCE REPLACEMENT (908C)	0	57,369	15,000	11,427	6,392	0	2,553	0	92,741
3. RESIDENTIAL PROPANE DISTRIBUTION	0	9,998	5,035	491	0	0	478	0	16,002
4. RESIDENTIAL WATER HEATER RETENTION (908G)	0	22,991	10,009	506	9,261	0	3,219	0	45,986
5. NG SPACE CONDITIONING	0	929	135	0	0	0	65	0	1,129
6. GAS SPACE CONDITIONING	0	0	0	0	0	0	0	0	0
7. EDUCATION	0	67,788	17,500	15,350	0	0	3,995	0	104,633
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	0	366,456	83,679	45,274	395,653	10,000	27,937	0	928,999
LESS: AMOUNT IN RATE BASE	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSER.	0	366,456	83,679	* 45,274	395,653	10,000	27,937	0	928,999

CONSERVATION PROGRAM COSTS BY COST CATEGORY
FOR PERIOD JANUARY 2004 THROUGH DECEMBER 2004
EIGHT MONTHS ACTUAL AND FOUR MONTHS ESTIMATED

	<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									
A. ACTUAL	0	165,674	4,751	22,201	286,010	29,050	6,992	14,851	529,528
B. ESTIMATED	0	54,930	2,350	10,100	84,675	10,748	5,624	5,595	174,022
C. TOTAL	<u>0</u>	<u>220,604</u>	<u>7,101</u>	<u>32,301</u>	<u>370,685</u>	<u>39,797</u>	<u>12,616</u>	<u>20,446</u>	<u>703,549</u>
2. RESIDENTIAL APPLIANCE REPLACEMENT (908C)									
A. ACTUAL	0	54,938	2,540	11,360	3,650	7,050	2,910	1,581	84,029
B. ESTIMATED	0	20,591	1,270	4,255	1,800	3,525	1,407	817	33,664
C. TOTAL	<u>0</u>	<u>75,529</u>	<u>3,810</u>	<u>15,614</u>	<u>5,450</u>	<u>10,575</u>	<u>4,318</u>	<u>2,397</u>	<u>117,693</u>
3. RESIDENTIAL PROPANE DISTRIBUTION (908F)									
A. ACTUAL	0	8,071	4,361	663	0	19,419	186	806	33,506
B. ESTIMATED	0	2,553	70	25	0	3,103	132	0	5,883
C. TOTAL	<u>0</u>	<u>10,624</u>	<u>4,432</u>	<u>688</u>	<u>0</u>	<u>22,521</u>	<u>318</u>	<u>806</u>	<u>39,389</u>
4. RESIDENTIAL WATER HEATER RETENTION (908G)									
A. ACTUAL	0	10,233	1,096	1,230	7,150	4,538	557	1,438	26,241
B. ESTIMATED	0	7,429	548	167	5,750	2,269	549	167	16,879
C. TOTAL	<u>0</u>	<u>17,662</u>	<u>1,644</u>	<u>1,397</u>	<u>12,900</u>	<u>6,807</u>	<u>1,106</u>	<u>1,605</u>	<u>43,120</u>
5. NG SPACE CONDITIONING FOR RESIDENTIAL HOMES (908D)									
A. ACTUAL	0	0	0	0	0	0	0	0	0
B. ESTIMATED	0	0	0	0	0	0	0	0	0
C. TOTAL	<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>
6. GAS SPACE CONDITIONING (908B)									
A. ACTUAL	0	873	60	0	0	0	28	0	960
B. ESTIMATED	0	0	319	0	0	33	23	0	375
C. TOTAL	<u>0</u>	<u>873</u>	<u>378</u>	<u>0</u>	<u>0</u>	<u>33</u>	<u>51</u>	<u>0</u>	<u>1,335</u>
7. EDUCATION (908A)									
A. ACTUAL	0	64,968	1,770	10,143	0	5,001	3,171	1,783	86,835
B. ESTIMATED	0	24,947	10,965	6,356	0	18,102	2,269	527	63,166
C. TOTAL	<u>0</u>	<u>89,914</u>	<u>12,736</u>	<u>16,499</u>	<u>0</u>	<u>23,102</u>	<u>5,440</u>	<u>2,310</u>	<u>150,001</u>
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	<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>
TOTAL COSTS	<u>0</u>	<u>415,206</u>	<u>30,100</u>	<u>66,499</u>	<u>389,035</u>	<u>102,836</u>	<u>23,848</u>	<u>27,564</u>	<u>1,055,088</u>

CONSERVATION PROGRAM COSTS - EXPENSES BY MONTH
FOR PERIOD: JANUARY 2004 THROUGH DECEMBER 2004
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	41,526	17,697	104,795	77,941	72,434	95,536	66,370	53,229	43,505	43,505	43,505	43,505	703,549
2. RES. APPLIANCE REPLACEMENT	13,001	6,944	11,278	12,504	12,092	11,006	10,195	7,008	8,416	8,416	8,416	8,416	117,693
3. RES PROPANE DISTRIBUTION	1,623	2,036	1,253	3,885	11,345	8,078	1,661	3,626	1,471	1,471	1,471	1,471	39,389
4. RES WATER HEATER RETENTION	3,645	3,095	3,799	3,321	2,102	4,214	3,399	2,667	4,220	4,220	4,220	4,220	43,120
5. NG SPACE CONDITIONING	0	0	0	0	0	0	0	0	0	0	0	0	0
3. GAS SPACE CONDITIONING	901	60	0	0	0	0	0	0	94	94	94	94	1,335
7. EDUCATION	13,440	12,119	10,647	10,916	9,746	9,273	10,403	10,290	15,791	15,791	15,791	15,791	150,001
3. COMMON COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
3. (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	74,136	41,950	131,772	108,568	107,718	128,107	92,028	76,820	73,497	73,497	73,497	73,497	1,055,088
LESS:													
BASE RATE RECOVERY	0	0	0	0	0	0	0	0	0	0	0	0	0
NET RECOVERABLE	74,136	41,950	131,772	108,568	107,718	128,107	92,028	76,820	73,497	73,497	73,497	73,497	1,055,088

ENERGY CONSERVATION COST RECOVERY ADJUSTMENT
FOR PERIOD: JANUARY 2004 THROUGH DECEMBER 2004
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.	(91,513)	(79,855)	(118,072)	(81,478)	(70,689)	(53,563)	(57,152)	(56,101)	(70,000)	(75,000)	(80,000)	(120,000)	(953,423)
4. TOTAL REVENUES	(91,513)	(79,855)	(118,072)	(81,478)	(70,689)	(53,563)	(57,152)	(56,101)	(70,000)	(75,000)	(80,000)	(120,000)	(953,423)
5. PRIOR PERIOD TRUE- UP NOT APPLICABLE TO THIS PERIOD	(1,974)	(1,973)	(1,974)	(1,974)	(1,974)	(1,974)	(1,974)	(1,974)	(1,974)	(1,974)	(1,974)	(1,974)	(23,882)
6. CONSERV. REVS. APPLICABLE TO THE PERIOD	(93,486)	(81,828)	(120,046)	(83,451)	(72,662)	(55,536)	(59,126)	(58,075)	(71,974)	(76,974)	(81,974)	(121,974)	(977,104)
7. CONSERV. EXPS.	74,136	41,950	131,772	108,568	107,718	128,107	92,028	76,820	73,497	73,497	73,497	73,497	1,055,088
8. TRUE-UP THIS PERIOD	(19,350)	(39,878)	11,726	25,116	35,055	72,571	32,903	18,745	1,524	(3,476)	(8,476)	(48,476)	77,983
9. INTER. PROVISION THIS PERIOD	(29)	(52)	(60)	(43)	(17)	35	106	122	109	110	107	85	474
10. TRUE-UP AND INTEREST PROV. BEG. OF MONTH	(23,682)	(41,088)	(79,043)	(65,404)	(38,357)	(1,345)	73,236	108,218	129,058	132,664	131,271	124,875	(23,682)
11. PRIOR TRUE-UP COLLECTED OR (REFUNDED)	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	23,682
12. TOTAL NET TRUE-UP	(41,088)	(79,043)	(85,404)	(38,357)	(1,345)	73,236	108,218	129,058	132,664	131,271	124,875	78,457	78,457

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR PERIOD: JANUARY 2004 THROUGH DECEMBER 2004
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	(23,682)	(41,088)	(79,043)	(65,404)	(38,357)	(1,345)	73,236	108,218	129,058	132,664	131,271	124,875	
2. ENDING TRUE-UP BEFORE INTEREST	(41,059)	(78,992)	(65,344)	(38,314)	(1,328)	73,200	108,112	128,936	132,555	131,161	124,768	78,372	
3. TOTAL BEGINNING & ENDING TRUE-UP	(64,741)	(120,079)	(144,387)	(103,717)	(39,684)	71,855	181,347	237,154	261,614	263,826	256,040	203,247	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(32,370)	(60,040)	(72,194)	(51,859)	(19,842)	35,928	90,674	118,577	130,807	131,913	128,020	101,624	
5. INTEREST RATE FIRST DAY OF REPORTING MONTH	1.06%	1.06%	1.01%	0.98%	1.01%	1.04%	1.33%	1.47%	1.00%	1.00%	1.00%	1.00%	
6. INTER. RATE - FIRST DAY SUBSEQUENT MONTH	1.06%	1.01%	0.98%	1.01%	1.04%	1.33%	1.47%	1.00%	1.00%	1.00%	1.00%	1.00%	
7. TOTAL (SUM LINES 5 & 6)	2.12%	2.07%	1.99%	1.99%	2.05%	2.37%	2.80%	2.47%	2.00%	2.00%	2.00%	2.00%	
8. AVG. INTEREST RATE (LINE 7 TIMES 50%)	1.06%	1.04%	1.00%	0.99%	1.02%	1.19%	1.40%	1.24%	1.00%	1.00%	1.00%	1.00%	
9. MONTHLY AVG INTEREST RATE	0.09%	0.09%	0.08%	0.08%	0.09%	0.10%	0.12%	0.10%	0.08%	0.08%	0.08%	0.08%	
10. INTEREST PROVISION	(29)	(52)	(60)	(43)	(17)	35	106	122	109	110	107	85	474

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.

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 2004 through August 2004, 783 residences qualified under the Residential Home Builder Program. We estimate 167 new homes will qualify during the period September 2004 through December 2004.

Program Fiscal Expenditures:

For the eight-month period January 2004 through August 2004, CUC incurred costs of \$529,528 for the Residential Home Builder Program. For September 2004 through December 2004, costs are estimated to be \$174,022.

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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 2004 through August 2004, 9 residences qualified under the Residential Appliance Replacement Program. We estimate an additional 8 residences will qualify for incentives during the period September 2004 through December 2004.

Program Fiscal Expenditures:

For the eight-month period January 2004 through August 2004, CUC incurred costs of \$84,029 for the Residential Appliance Replacement Program. During September 2004 through December 2004 costs are estimated to be \$33,664.

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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 distribute 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 2004 through August 2004, CUC incurred costs of \$33,506 for the Residential Propane Distribution Program. During September 2004 through December 2004 costs are estimated to be \$5,883.

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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 overall energy cost.

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 2004 through August 2004, CUC incurred program costs of \$86,835 for this program. For September 2004 through December 2004, expenditures are estimated to be \$63,166 for this program.

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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 \$1,200 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 2004 through August 2004, CUC didn't pay any allowances on this program. Minimal activity is projected in this program for the remainder of 2004.

Program Fiscal Expenditures:

For the eight-month period January 2004 through August 2004, CUC did not incur any costs of for the Natural Gas Space Conditioning for Residential Homes 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 eight-month period January 2004 through August 2004, CUC didn't pay any allowances on this program.

Program Fiscal Expenditures:

For the eight-month period January 2004 through August 2004, CUC incurred \$960 for the Gas Space Conditioning Program. For September 2004 through December 2004, expenditures are estimated to be \$375 for this 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 2004 through August 2004, CUC paid allowances on 85 water heaters. We estimate we will pay allowances on 44 additional water heaters during the period of September 2004 through December 2004.

Program Fiscal Expenditures:

For the eight-month period January 2004 through August 2004, CUC incurred program costs of \$26,241 for this program. For September 2004 through December 2004, expenditures totaling \$16,879 are anticipated.