

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. 050004-GU

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

8 A. My name is Brian S. Bilinski. I am the Senior Financial Analyst of the Florida Division of  
9 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 2005 and projections of program costs to  
24 be incurred from September through December 2005. It will also include projected  
25 conservation costs for the period January 2006 through December 2006, 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, 2006 through December 31, 2006.

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 Residential Water Heater Retention  
8 Program, the Natural Gas Space Conditioning for Residential Homes Program, the Gas Space  
9 Conditioning Program, and the Conservation Education 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 2005. Projections for September through December 2005 are also shown on Schedule  
14 C-3. Projected expenses for the January 2006 through December 2006 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 2005 through  
17 December 2005?

18 A. Yes. Schedule C-3 (Page 4 of 5) shows actual revenues for the months January through August  
19 2005. Projections for September through December 2005 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, 2006  
23 through December 31, 2006?

24 A. Yes. Schedule C-1 of Exhibit BSB-2 shows this calculation. Net program cost estimates for the  
25 period January 1, 2006 through December 31, 2006 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, 2006. 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. 050004-GU**

**Exhibit \_\_\_\_\_ (BSB-2)**

**THE FLORIDA DIVISION OF  
CHESAPEAKE UTILITIES CORPORATION  
CONSERVATION COST RECOVERY PROJECTION  
JANUARY 1, 2006 THROUGH DECEMBER 31, 2006**

ENERGY CONSERVATION ADJUSTMENT  
SUMMARY OF COST RECOVERY CLAUSE CALCULATION  
JANUARY 2006 THROUGH DECEMBER 2006

1. INCREMENTAL COSTS (SCHEDULE C-2)	1,127,551
2. TRUE-UP (SCHEDULE C-3)	<u>217,207</u>
3. TOTAL	<u>1,344,758</u>

RATE CLASS	BILLS	THERMS	CUSTOMER CHARGE REVENUES	ENERGY CHARGE	TOTAL	ESTIMATED ECCR	% SURCHARGE	CENTS PER THERM	EXPANSION FACTOR	ECCR ADJUSTMENT FACTORS
FTS-A	41,872	399,700	\$418,720	\$176,160	\$594,880	\$86,885	14.6054%	0.2174	1.00503	0.21847
FTS-B	38,380	620,490	\$479,756	\$273,469	\$753,225	\$110,012	14.6054%	0.1773	1.00503	0.17819
FTS-1	60,934	1,618,648	\$914,010	\$713,387	\$1,627,397	\$237,688	14.6054%	0.1468	1.00503	0.14758
FTS-2	16,674	1,284,985	\$458,544	\$377,220	\$835,764	\$122,067	14.6054%	0.0950	1.00503	0.09547
FTS-3	4,660	1,912,250	\$419,400	\$378,262	\$797,662	\$116,502	14.6054%	0.0609	1.00503	0.06123
FTS-4	1,787	1,895,000	\$294,855	\$339,338	\$634,193	\$92,627	14.6054%	0.0489	1.00503	0.04913
FTS-5	408	1,095,000	\$112,200	\$182,066	\$294,266	\$42,979	14.6054%	0.0393	1.00503	0.03945
FTS-6	228	1,070,000	\$102,600	\$156,905	\$259,505	\$37,902	14.6054%	0.0354	1.00503	0.03560
FTS-7	252	3,255,000	\$119,700	\$361,110	\$480,810	\$70,224	14.6054%	0.0216	1.00503	0.02168
FTS-8	204	4,820,000	\$153,000	\$493,182	\$646,182	\$94,378	14.6054%	0.0196	1.00503	0.01968
FTS-9	168	7,845,000	\$151,200	\$702,677	\$853,877	\$124,712	14.6054%	0.0159	1.00503	0.01598
FTS-10	84	5,675,000	\$126,000	\$471,820	\$597,820	\$87,314	14.6054%	0.0154	1.00503	0.01546
FTS-11	60	6,230,000	\$180,000	\$427,876	\$607,876	\$88,783	14.6054%	0.0143	1.00503	0.01432
FTS-12	12	2,800,000	\$48,000	\$175,784	\$223,784	\$32,685	14.6054%	0.0117	1.00503	0.01173
TOTAL	165,723	40,521,073	\$3,977,985	\$5,229,254	\$9,207,239	\$1,344,758	14.6054%			



PROJECTED CONSERVATION PROGRAM COSTS BY COST CATEGORY  
FOR PERIOD: JANUARY 2006 THROUGH DECEMBER 2006

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
1. RESIDENTIAL HOME BUILDER	0	327,823	0	42,989	425,000	5,130	23,968	0	824,910
2. RESIDENTIAL APPLIANCE REPLACEMENT (908C)	0	96,713	0	11,984	22,500	26	4,194	0	135,417
3. RESIDENTIAL PROPANE DISTRIBUTION	0	13,569	0	535	0	3,058	243	0	17,405
4. RESIDENTIAL WATER HEATER RETENTION (908G)	0	35,786	0	1,215	15,000	26	2,620	0	54,647
5. NG SPACE CONDITIONING	0	4,019	0	0	0	0	227	0	4,246
6. GAS SPACE CONDITIONING	0	0	0	0	0	0	0	0	0
7. EDUCATION	0	70,067	0	18,598	0	26	2,235	0	90,926
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	547,977	0	75,321	462,500	8,266	33,487	0	1,127,551
LESS: AMOUNT IN RATE BASE	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSER.	0	547,977	0	75,321	462,500	8,266	33,487	0	1,127,551





CONSERVATION PROGRAM COSTS BY COST CATEGORY  
 FOR PERIOD JANUARY 2005 THROUGH DECEMBER 2005  
 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	164,597	1,188	56,129	328,175	8,160	6,529	5,452	570,231
B. ESTIMATED	0	112,376	0	10,304	110,075	8,811	6,461	0	248,027
C. TOTAL	0	276,973	1,188	66,433	438,250	16,971	12,990	5,452	818,258
2. RESIDENTIAL APPLIANCE REPLACEMENT (908C)									
A. ACTUAL	0	52,304	28	7,852	6,610	6,341	1,322	915	75,372
B. ESTIMATED	0	26,385	0	4,435	3,000	0	1,118	0	34,938
C. TOTAL	0	78,689	28	12,287	9,610	6,341	2,440	915	110,310
3. RESIDENTIAL PROPANE DISTRIBUTION (908F)									
A. ACTUAL	0	3,728	0	0	0	2,859	31	1,688	8,306
B. ESTIMATED	0	6,899	0	465	0	0	138	0	7,502
C. TOTAL	0	10,627	0	465	0	2,859	169	1,688	15,808
4. RESIDENTIAL WATER HEATER RETENTION (908G)									
A. ACTUAL	0	27,733	28	667	3,250	3,049	1,390	(212)	35,905
B. ESTIMATED	0	7,210	0	506	10,200	0	909	0	18,825
C. TOTAL	0	34,943	28	1,173	13,450	3,049	2,299	(212)	54,730
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	0	0	0	0	0	0	0	0	0
6. GAS SPACE CONDITIONING (908B)									
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 (908A)									
A. ACTUAL	0	62,301	59	11,057	0	3,623	1,757	225	79,022
B. ESTIMATED	0	35,176	0	6,566	0	0	1,485	0	43,227
C. TOTAL	0	97,477	59	17,623	0	3,623	3,242	225	122,249
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	498,709	1,303	97,980	461,310	32,844	21,141	8,069	1,121,355



CONSERVATION PROGRAM COSTS - EXPENSES BY MONTH  
FOR PERIOD: JANUARY 2005 THROUGH DECEMBER 2005  
EIGHT MONTHS ACTUAL AND FOUR MONTHS PROJECTED

DESCRIPTION	JAN 2005	FEB 2005	MAR 2005	APR 2005	MAY 2005	JUN 2005	JUL 2005	AUG 2005	SEP 2005	OCT 2005	NOV 2005	DEC 2005	TOTAL
1. HOME BUILDER PROGRAM	89,127	51,818	79,056	59,812	63,792	101,004	53,564	72,059	62,007	62,007	62,007	62,007	818,258
2. RES. APPLIANCE REPLACEMENT	6,792	7,845	8,768	4,743	13,049	12,531	9,875	11,769	8,735	8,735	8,735	8,735	110,310
3. RES PROPANE DISTRIBUTION	1,870	255	851	898	1,291	(84)	1,688	1,536	1,876	1,876	1,876	1,876	15,808
4. RES WATER HEATER RETENTION	3,347	1,752	5,762	3,876	2,029	6,071	7,143	5,924	4,706	4,706	4,706	4,706	54,730
5. NG SPACE CONDITIONING	0	0	0	0	0	0	0	0	0	0	0	0	0
6. GAS SPACE CONDITIONING	0	0	0	0	0	0	0	0	0	0	0	0	0
7. EDUCATION	8,180	10,199	13,008	10,888	9,617	9,706	9,121	8,304	10,807	10,807	10,807	10,807	122,249
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>109,315</b>	<b>71,869</b>	<b>107,445</b>	<b>80,217</b>	<b>89,778</b>	<b>129,228</b>	<b>81,391</b>	<b>99,592</b>	<b>88,130</b>	<b>88,130</b>	<b>88,130</b>	<b>88,130</b>	<b>1,121,355</b>
LESS:													
BASE RATE RECOVERY	0	0	0	0	0	0	0	0	0				0
<b>NET RECOVERABLE</b>	<b>109,315</b>	<b>71,869</b>	<b>107,445</b>	<b>80,217</b>	<b>89,778</b>	<b>129,228</b>	<b>81,391</b>	<b>99,592</b>	<b>88,130</b>	<b>88,130</b>	<b>88,130</b>	<b>88,130</b>	<b>1,121,355</b>

ENERGY CONSERVATION COST RECOVERY ADJUSTMENT  
FOR PERIOD: JANUARY 2005 THROUGH DECEMBER 2005  
EIGHT MONTHS ACTUAL AND FOUR MONTHS ESTIMATED

CONSERVATION REVS	JAN 2005	FEB 2005	MAR 2005	APR 2005	MAY 2005	JUN 2005	JUL 2005	AUG 2005	SEP 2005	OCT 2005	NOV 2005	DEC 2005	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.	(131,686)	(107,522)	(115,185)	(102,379)	(83,917)	(78,116)	(65,326)	(62,107)	(55,193)	(75,000)	(80,000)	(120,000)	(1,076,431)
4. TOTAL REVENUES	(131,686)	(107,522)	(115,185)	(102,379)	(83,917)	(78,116)	(65,326)	(62,107)	(55,193)	(75,000)	(80,000)	(120,000)	(1,076,431)
5. PRIOR PERIOD TRUE- UP NOT APPLICABLE TO THIS PERIOD	14,038	14,039	14,038	14,038	14,038	14,038	14,038	14,038	14,038	14,038	14,038	14,038	168,458
6. CONSERV. REVS. APPLICABLE TO THE PERIOD	(117,648)	(93,483)	(101,147)	(88,341)	(69,879)	(64,078)	(51,288)	(48,068)	(41,155)	(60,962)	(65,962)	(105,962)	(907,973)
7. CONSERV. EXPS.	109,315	71,869	107,445	80,217	89,778	129,228	81,391	99,592	88,130	88,130	88,130	88,130	1,121,355
8. TRUE-UP THIS PERIOD	(8,333)	(21,614)	6,298	(8,124)	19,900	65,150	30,103	51,523	46,975	27,168	22,168	(17,832)	213,382
9. INTER. PROVISION THIS PERIOD	308	268	237	216	208	292	400	500	450	311	326	310	3,825
10. TRUE-UP AND INTEREST PROV. BEG. OF MONTH	168,458	146,395	111,010	103,507	81,561	87,630	139,034	155,498	193,484	226,870	240,311	248,767	168,458
11. PRIOR TRUE-UP COLLECTED OR (REFUNDED)	(14,038)	(14,038)	(14,038)	(14,038)	(14,038)	(14,038)	(14,038)	(14,038)	(14,038)	(14,038)	(14,038)	(14,038)	(168,458)
12. TOTAL NET TRUE-UP	146,395	111,010	103,507	81,561	87,630	139,034	155,498	193,484	226,870	240,311	248,767	217,207	217,207

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
FOR PERIOD: JANUARY 2005 THROUGH DECEMBER 2005  
EIGHT MONTHS ACTUAL AND FOUR MONTHS PROJECTED

INTEREST PROVISION	JAN 2005	FEB 2005	MAR 2005	APR 2005	MAY 2005	JUN 2005	JUL 2005	AUG 2005	SEP 2005	OCT 2005	NOV 2005	DEC 2005	TOTAL
1. BEGINNING TRUE-UP	168,458	146,395	111,010	103,507	81,561	87,630	139,034	155,498	193,484	226,870	240,311	248,767	
2. ENDING TRUE-UP BEFORE INTEREST	146,087	110,742	103,271	81,345	87,422	138,742	155,099	192,983	226,420	240,000	248,441	216,896	
3. TOTAL BEGINNING & ENDING TRUE-UP	314,545	257,137	214,281	184,852	168,984	226,372	294,133	348,482	419,904	466,870	488,752	465,663	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	157,272	128,569	107,140	92,426	84,492	113,186	147,066	174,241	209,952	233,435	244,376	232,831	
5. INTEREST RATE FIRST DAY OF REPORTING MONTH	2.28%	2.42%	2.58%	2.72%	2.88%	3.02%	3.17%	3.35%	3.54%	1.60%	1.60%	1.60%	
6. INTER. RATE - FIRST DAY SUBSEQUENT MONTH	2.42%	2.58%	2.72%	2.88%	3.02%	3.17%	3.35%	3.54%	1.60%	1.60%	1.60%	1.60%	
7. TOTAL (SUM LINES 5 & 6)	4.70%	5.00%	5.30%	5.60%	5.90%	6.19%	6.52%	6.89%	5.14%	3.20%	3.20%	3.20%	
8. AVG. INTEREST RATE (LINE 7 TIMES 50%)	2.35%	2.50%	2.65%	2.80%	2.95%	3.10%	3.26%	3.45%	2.57%	1.60%	1.60%	1.60%	
9. MONTHLY AVG INTEREST RATE	0.20%	0.21%	0.22%	0.23%	0.25%	0.26%	0.27%	0.29%	0.21%	0.13%	0.13%	0.13%	
10. INTEREST PROVISION	308	268	237	216	208	292	400	500	450	311	326	310	3,825

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 2005 through August 2005, 518 residences qualified under the Residential Home Builder Program. We estimate 259 new homes will qualify during the period September 2005 through December 2005.

Program Fiscal Expenditures:

For the eight-month period January 2005 through August 2005, CUC incurred costs of \$570,231 for the Residential Home Builder Program. For September 2005 through December 2005, costs are estimated to be \$248,027.

Schedule C-4  
Page 2 of 7

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 2005 through August 2005, 20 residences qualified under the Residential Appliance Replacement Program. We estimate an additional 10 residences will qualify for incentives during the period September 2005 through December 2005.

Program Fiscal Expenditures:

For the eight-month period January 2005 through August 2005, CUC incurred costs of \$75,372 for the Residential Appliance Replacement Program. During September 2005 through December 2005 costs are estimated to be \$34,938.

Schedule C-4  
Page 3 of 7

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 2005 through August 2005, CUC incurred costs of \$8,306 for the Residential Propane Distribution Program. During September 2005 through December 2005 costs are estimated to be \$7,502.



Schedule C-4  
Page 4 of 7

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 2005 through August 2005, CUC paid allowances on 34 water heaters. We estimate we will pay allowances on 68 additional water heaters during the period of September 2005 through December 2005.

Program Fiscal Expenditures:

For the eight-month period January 2005 through August 2005, CUC incurred program costs of \$35,905 for this program. For September 2005 through December 2005, expenditures totaling \$18,825 are anticipated.

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 \$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 2005 through August 2005, CUC didn't pay any allowances on this program. Minimal activity is projected in this program for the remainder of 2005.

Program Fiscal Expenditures:

For the eight-month period January 2005 through August 2005, CUC did not incur any costs of for the Natural Gas Space Conditioning for Residential Homes Program.

Schedule C-4  
Page 6 of 7

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 2005 through August 2005, CUC didn't pay any allowances on this program.

Program Fiscal Expenditures:

For the eight-month period January 2005 through August 2005, CUC didn't incur any costs for the Gas Space Conditioning Program. No costs are estimated for September 2005 through December 2005.

Schedule C-4  
Page 7 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 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 2005 through August 2005, CUC incurred program costs of \$79,022 for this program. For September 2005 through December 2005, expenditures are estimated to be \$43,227 for this program.