

1 PARTICIPATING:

2 WAYNE SCHIEFELBEIN, ESQUIRE, and BETH COOPER,
3 representing Florida Division of Chesapeake Utilities
4 Corporation.

5 KATHERINE FLEMING, ESQUIRE, and DENISE VANDIVER,
6 representing the Florida Public Service Commission Staff.

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P R O C E E D I N G S

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CHAIRMAN EDGAR: And that will bring us, Commissioners, to Item 30.

MS. FLEMING: Commissioners, Katherine Fleming appearing on behalf of Commission legal staff.

Item 30 is Chesapeake's request to maintain its accounting records out of state. The utility is here to address the Commission, and staff is available to answer any questions you may have.

CHAIRMAN EDGAR: Thank you.

MR. SCHIEFELBEIN: Good afternoon. My name is Wayne Schiefelbein, of counsel to Rose, Sundstrom & Bentley, appearing on behalf of Chesapeake Utilities Corporation. With me today is Beth Cooper, Vice President and Treasurer of Chesapeake from Dover, Delaware. And with your consent, I'd like to have Ms. Cooper address you on this item.

CHAIRMAN EDGAR: Ms. Cooper.

MS. COOPER: Good afternoon. I'm visiting here from our corporate headquarters in Dover, Delaware. And I want to first begin by personally apologizing. I'm apologizing on behalf of the company. In our attempt -- what we did was we actually moved the accounting records to Dover from Florida in attempting to minimize the controls and processes that we would need to have our external auditors test. And in doing that, we

1 failed to recognize that it required Public Service Commission
2 approval. Once we determined that was the case, we had
3 completed our external audit. Those records have been returned
4 to Florida pending your review of our application to move those
5 records.

6 With that said, I want, I want all of you to
7 understand that we apologize for the oversight on our part. We
8 have the utmost respect for the Commission, its regulations and
9 its rules. And I would just like you to know once again that
10 we're sorry, and I'm happy to answer any questions that you
11 might have.

12 CHAIRMAN EDGAR: Thank you, Ms. Cooper.

13 Commissioners, are there questions? Commissioner
14 Carter.

15 COMMISSIONER CARTER: Thank you, Madam Chair. I'd
16 just like to ask the question, how long between the time that
17 the records were out of Florida and they were returned to
18 Florida? Was this precipitated by staff contacting the entity,
19 Chesapeake, or was it unilaterally done voluntarily? I mean,
20 help me put it in some context, staff.

21 MS. VANDIVER: I'm Denise Vandiver with the Bureau of
22 Auditing. And the company moved the records in the summer of
23 last year and on their own recognized that they had violated
24 the rule and initiated the petition to request your approval.
25 We did not find that at the time and bring them in or anything.

1 COMMISSIONER CARTER: Follow-up, Madam Chairman?

2 CHAIRMAN EDGAR: Commissioner Carter.

3 COMMISSIONER CARTER: When?

4 MR. VANDIVER: Oh, they filed a petition in December,
5 so about five months maybe, four months.

6 COMMISSIONER CARTER: So they -- did they bring their
7 records back in five months or did they just come to the
8 realization in five months? I'm trying to get a -- give me
9 some kind of --

10 MR. VANDIVER: They brought the records back in after
11 we had discussions with them when they filed their petition.
12 They brought the records in at the end of last month.

13 MS. COOPER: If I could for just a minute.

14 CHAIRMAN EDGAR: Ms. Cooper.

15 MS. COOPER: I would like to clarify that. The
16 accounts payable records were first moved in June of last year
17 in anticipation of the external auditors beginning their
18 internal control review, which basically starts the process for
19 our year-end audit. The remaining accounting records were
20 moved in September.

21 We filed the application with the PSC in December.
22 The records were returned as soon as we had finished our audit
23 in February. We couldn't move them once that process had
24 started.

25 CHAIRMAN EDGAR: Commissioner Carter.

1 COMMISSIONER CARTER: For staff, is this a case of
2 first impression?

3 MS. FLEMING: Commissioners, no. In the past there
4 have been other instances where utilities have requested for
5 the records to be maintained out of state. There was one
6 instance that I found in my research. Back in '98 City Gas had
7 already moved its records out of state, filed its petition to
8 ask the Commission its request to permanently move its record
9 out of state. While it was waiting on Commission approval, the
10 records were maintained out of state and were never brought
11 back into the state. And in that instance, the Commission did
12 approve City Gas's petition to move the records out of state
13 and they did not initiate a show cause proceeding in that
14 docket.

15 COMMISSIONER CARTER: Thank you, Madam Chair.

16 CHAIRMAN EDGAR: Commissioner Tew.

17 COMMISSIONER TEW: I appreciate your apology,
18 Ms. Cooper. But given this is the second time we've recently
19 taken up violations by your company, can you attest to the
20 steps you've put in, if any, to prevent future violations?

21 MS. COOPER: Well, I would just add, Commissioner
22 Tew, in this particular case I think, you know, the company
23 recognized as soon as it happened and we shipped the records
24 back. I mean, we were not seeking to be in violation, nor
25 to -- you know, I understand, I know in the prior

1 circumstance -- you mentioned a previous violation. I know
2 with that particular instance as well we thought that with the
3 language that was included in the contract we were trying to
4 give respect to the Commission and also to provide the ability
5 for the Commission to give their approval. So on our part, you
6 know, certainly in the past we recognized the importance of the
7 regulatory process and compliance, and, unfortunately, I feel
8 like we've just had two bad instances over really a long period
9 of time where we've had no violations, and so.

10 CHAIRMAN EDGAR: Commissioner Arriaga.

11 COMMISSIONER ARRIAGA: I was just going to first of
12 all accept and thank you for your comments. But I had the same
13 issues that Commissioner Tew has. I mean, I think we saw the
14 same, something similar with your company two, three weeks ago,
15 maybe a month ago, and I just want to know from staff, are we
16 going to see repetitive violations and recommend to the
17 Commission that we don't enforce our own rules and regulations?

18 MS. FLEMING: Well, I'd like to point out, yes, we
19 did see an instance with Chesapeake several -- probably it was
20 the February 18th agenda or somewhere around that time frame.
21 And I would like to point out that these violations were
22 concurrent in nature. It's not as if they violated one rule,
23 were reprimanded by the Commission, and then decided to go
24 ahead and violate another rule.

25 As Ms. Cooper stated, it's just been bad instances.

1 The Commission is known for enforcing its rules in violations.
2 And the companies are put on notice that, and the companies do
3 realize that the Commission is not lenient. What staff did in
4 this recommendation, we balanced out all the factors. We
5 looked at the facts in this case. The purpose of this rule is
6 to allow the staff audit, Commission staff audit access to
7 records. Based on the facts and the circumstances, staff was
8 not denied access to records, the records were moved back into
9 the state, and the utility has done everything they can to come
10 into compliance with this rule.

11 So based on the facts of this docket, staff felt that
12 it was appropriate to recommend not show causing.

13 COMMISSIONER ARRIAGA: Thank you.

14 CHAIRMAN EDGAR: Commissioners.

15 COMMISSIONER DEASON: If there are no questions, I
16 would move approval of staff's recommendation.

17 COMMISSIONER TEW: Second.

18 CHAIRMAN EDGAR: I have a motion and a second.

19 Discussion?

20 All in favor of the motion, say aye.

21 (Unanimous affirmative vote.)

22 Opposed? Show Item 30 approved.

23 MR. SCHIEFELBEIN: Thank you very much.

24 CHAIRMAN EDGAR: Thank you.

25 (Agenda Item 30 concluded.)

