

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: May 22, 2006
TO: Shevie B. Brown, Regulatory Analyst III, Division of Competitive Markets & Enforcement
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: **Docket No:** 060004-GU; **Company Name:** Chesapeake Utilities Corp.
Audit Request : Audit Gas Conservation Filings
Audit Control No: 06-068-2-3

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 Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV:sbj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk & Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
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DOCUMENT NUMBER-DATE

04448 MAY 22 06

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
BUREAU OF AUDITING

Tampa District Office

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION
ENERGY CONSERVATION COST RECOVERY
TRUE-UP INVESTIGATION
AS OF DECEMBER 31, 2005

DOCKET NO. 060004-GU
AUDIT CONTROL NO. 06-068-2-3

A handwritten signature in black ink, appearing to read "Jeffery A. Small".

Jeffery A. Small, Audit Manager

A handwritten signature in black ink, appearing to read "Joseph W. Rohrbacher".

Joseph W. Rohrbacher, District Audit Supervisor

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

MAY 12, 2006

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED
PARTIES**

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Competitive Markets and Enforcement in its audit service request dated March 15, 2006. We have applied these procedures to the attached schedules prepared by the Florida Division of Chesapeake Utilities Corporation in support of its filing for Energy Conservation Cost Recovery in Docket No. 060004-WU.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES

General

Objective: To determine that the utility's filing represents its recorded results from continuing operations.

Procedures: We reconciled the following individual component energy conservation cost recovery (ECCR) balances to the utility's general ledger for the 12-month period ended December 31, 2005.

ECCR Revenues

Objective: To determine that the utility's conservation revenues are recorded in compliance with Commission rules and the utility's approved ECCR program.

Procedures: We traced the utility's conservation revenues recorded in the filing to the general ledger and recalculated a sample of customer bills to verify that the appropriate conservation factors were charged.

ECCR Expenses

Objective: To determine that the utility's conservation expenses are recorded in compliance with Commission rules and the utility's approved ECCR program.

Procedures: We traced the utility's conservation expenses recorded in the filing to the general ledger.

ECCR True-Up

Objective: To determine that the utility's ECCR true-up balance is accurately calculated in compliance with Commission rules and the utility's approved ECCR program.

Procedures: We recomputed the utility's ECCR true-up balance for the 12-month period ended December 31, 2005 and reconciled the beginning true-up balance to Commission order. We also traced the interest rate used to calculate the monthly true-up ending balance to the Wall Street Journal rate.

ECCR Other

Objective: To determine that all executed utility developer agreements are in compliance with Commission rules and the utility's approved ECCR program.

Procedures: We reviewed all builders agreements executed in 2005 to ensure that the incentives offered to the builders reconciled to the utility's approved conservation programs.

EXHIBIT

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SCHEDULE CT-3

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COMPANY: Chesapeake Utilities Corporation

Docket No. 060004-GU

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ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION

SUMMARY OF EXPENSES BY PROGRAM BY MONTH

FOR MONTHS: JANUARY 2005 THROUGH DECEMBER 2005

EXPENSES:	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
PROGRAM 1: RESIDENTIAL HOME BUILDER	89,092	51,818	79,056	59,812	63,792	103,303	51,265	72,059	56,346	53,198	76,194	122,687	878,621
PROGRAM 2: RESIDENTIAL APPLIANCE REPLACEMENT	6,792	7,845	8,768	4,743	13,049	14,567	7,840	11,769	15,430	8,121	10,126	12,182	121,230
PROGRAM 3: RESIDENTIAL PROPANE DISTRIBUTION	1,870	255	851	898	1,261	(84)	1,688	1,536	659	640	(341)	1,961	11,224
PROGRAM 4: RESIDENTIAL WATER HEATER RETENTION	3,347	1,752	5,762	3,876	2,029	7,957	5,257	5,924	3,953	5,404	5,485	6,056	56,801
PROGRAM 5: NG SPACE CONDITIONING FOR RES HOMES	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 6: GAS SPACE CONDITIONING	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 7: CONSERVATION EDUCATION	8,180	10,199	13,008	10,888	9,617	10,779	8,049	8,304	11,956	(8,747)	6,980	7,286	96,497
PROGRAM 8:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 9:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 10:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 11:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 12:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 13:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 14:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 15:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 16:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 17:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 18:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 19:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 20:	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	109,280	71,869	170,445	80,217	89,778	136,521	74,099	99,592	88,343	58,615	98,442	150,172	1,164,373
LESS AMOUNT INCLUDED IN RATE BASE	0	0	0	0	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSERVATION EXPENSES	109,280	71,869	170,445	80,217	89,778	136,521	74,099	99,592	88,343	58,615	98,442	150,172	1,164,373

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ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: JANUARY 2005 THROUGH DECEMBER 2005

CONSERVATION REVENUES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM 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)	(63,638)	(68,891)	(77,831)	(89,863)	(1,046,461)
4. TOTAL REVENUES	(131,686)	(107,522)	(115,185)	(102,379)	(83,917)	(78,116)	(65,326)	(62,107)	(63,638)	(68,891)	(77,831)	(89,863)	(1,046,461)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	11,645	11,645	11,645	11,645	11,645	11,645	11,645	11,645	11,645	11,645	11,645	11,645	11,645
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(120,042)	(95,877)	(103,540)	(90,734)	(72,272)	(66,472)	(53,682)	(50,462)	(51,994)	(57,246)	(66,186)	(78,218)	(906,724)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	109,280	71,869	107,445	80,217	89,778	136,521	74,099	99,592	88,343	58,615	98,442	150,172	1,164,373
8. TRUE-UP THIS PERIOD	(10,761)	(24,008)	3,905	(10,517)	17,506	70,049	20,417	49,130	36,349	1,369	32,256	71,954	257,649
9. INTEREST PROV. THIS PERIOD	259	214	177	152	140	232	339	427	547	601	653	820	4,561
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	139,737	117,590	82,151	74,589	52,579	58,580	117,216	126,328	164,241	189,492	179,816	201,080	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	(11,645)	(11,645)	(11,645)	(11,645)	(11,645)	(11,645)	(11,645)	(11,645)	(11,645)	(11,645)	(11,645)	(11,645)	(11,645)
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	117,590	82,151	74,589	52,579	58,580	117,216	126,328	164,241	189,492	179,816	201,080	262,210	262,210

EXHIBIT

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CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: JANUARY 2005 THROUGH DECEMBER 2005

INTEREST PROVISION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1. BEGINNING TRUE-UP	139,737	117,590	82,151	74,589	52,579	58,580	117,216	126,328	164,241	189,492	179,816	201,080	
2. ENDING TRUE-UP BEFORE INTERES	117,331	81,937	74,411	52,427	58,441	116,985	125,989	163,813	188,945	179,216	200,428	261,390	
3. TOTAL BEGINNING & ENDING TRUE-UP	257,068	199,527	156,563	127,015	111,020	175,565	243,205	290,141	353,185	368,707	380,244	462,470	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	128,534	99,764	78,281	63,508	55,510	87,783	121,603	145,071	176,593	184,354	190,122	231,235	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	2.34%	2.50%	2.65%	2.78%	2.98%	3.06%	3.27%	3.43%	3.64%	3.79%	4.03%	4.21%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	2.50%	2.65%	2.78%	2.98%	3.06%	3.27%	3.43%	3.64%	3.79%	4.03%	4.21%	4.30%	
7. TOTAL (SUM LINES 5 & 6)	4.84%	5.15%	5.43%	5.76%	6.04%	6.33%	6.70%	7.07%	7.43%	7.82%	8.24%	8.51%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	2.42%	2.58%	2.72%	2.88%	3.02%	3.17%	3.35%	3.54%	3.72%	3.91%	4.12%	4.26%	
9. MONTHLY AVG INTEREST RATE	0.20%	0.21%	0.23%	0.24%	0.25%	0.26%	0.28%	0.29%	0.31%	0.33%	0.34%	0.35%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	259	214	177	152	140	232	339	427	547	601	653	820	4,561