

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. 060004-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 2006 and projections of program costs to
24 be incurred from September through December 2006. It will also include projected
25 conservation costs for the period January through December 2007, with a calculation of the

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1 conservation adjustment factors to be applied to the customers' bills during the collection period
2 of January 1, 2007 through December 31, 2007.

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 2006. Projections for September through December 2006 are also shown on Schedule
14 C-3. Projected expenses for the January through December 2007 period are shown on Schedule
15 C-2 of Exhibit BSB-2.

16 Q. Have you prepared schedules that show revenues for the period January through December
17 2006?

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 2006 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, 2007
23 through December 31, 2007?

24 A. Yes. Schedule C-1 of Exhibit BSB-2 shows this calculation. Net program cost estimates for the
25 period January 1, 2007 through December 31, 2007 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, 2007. 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. 060004-GU

Exhibit _____ (BSB-2)

**THE FLORIDA DIVISION OF
CHESAPEAKE UTILITIES CORPORATION
CONSERVATION COST RECOVERY PROJECTION
JANUARY 1, 2007 THROUGH DECEMBER 31, 2007**

ENERGY CONSERVATION ADJUSTMENT
SUMMARY OF COST RECOVERY CLAUSE CALCULATION
JANUARY 2007 THROUGH DECEMBER 2007

1. INCREMENTAL COSTS (SCHEDULE C-2)	1,422,724
2. TRUE-UP (SCHEDULE C-3)	<u>6,148</u>
3. TOTAL	<u>1,428,872</u>

RATE CLASS	BILLS	THERMS	CUSTOMER CHARGE REVENUES	ENERGY CHARGE	TOTAL	ESTIMATED ECCR	% SURCHARGE	CENTS PER THERM	EXPANSION FACTOR	ECCR ADJUSTMENT FACTORS
FTS-A	35,368	337,646	\$353,680	\$148,811	\$502,491	\$72,806	14.4891%	0.2156	1.00503	0.21671
FTS-B	37,900	612,735	\$473,756	\$270,051	\$743,807	\$107,771	14.4891%	0.1759	1.00503	0.17677
FTS-1	77,205	2,029,272	\$1,158,075	\$894,361	\$2,052,436	\$297,379	14.4891%	0.1465	1.00503	0.14728
FTS-2	24,292	1,712,463	\$668,034	\$502,711	\$1,170,745	\$169,630	14.4891%	0.0991	1.00503	0.09955
FTS-3	5,274	2,171,170	\$474,660	\$429,479	\$904,139	\$131,001	14.4891%	0.0603	1.00503	0.06064
FTS-4	1,907	2,021,926	\$314,655	\$362,066	\$676,721	\$98,051	14.4891%	0.0485	1.00503	0.04874
FTS-5	396	1,063,000	\$108,900	\$176,745	\$285,645	\$41,387	14.4891%	0.0389	1.00503	0.03913
FTS-6	192	898,000	\$86,400	\$131,683	\$218,083	\$31,598	14.4891%	0.0352	1.00503	0.03536
FTS-7	228	2,584,000	\$108,300	\$286,669	\$394,969	\$57,227	14.4891%	0.0221	1.00503	0.02226
FTS-8	204	4,780,000	\$153,000	\$489,090	\$642,090	\$93,033	14.4891%	0.0195	1.00503	0.01956
FTS-9	144	6,030,000	\$129,600	\$540,107	\$669,707	\$97,034	14.4891%	0.0161	1.00503	0.01617
FTS-10	36	2,600,000	\$54,000	\$216,164	\$270,164	\$39,144	14.4891%	0.0151	1.00503	0.01513
FTS-11	84	11,100,000	\$252,000	\$762,348	\$1,014,348	\$146,970	14.4891%	0.0132	1.00503	0.01331
FTS-12	12	4,275,000	\$48,000	\$268,385	\$316,385	\$45,841	14.4891%	0.0107	1.00503	0.01078
TOTAL	183,242	42,215,212	\$4,383,060	\$5,478,668	\$9,861,728	\$1,428,872	14.4891%			

PROJECTED CONSERVATION PROGRAM COSTS BY COST CATEGORY
FOR PERIOD: JANUARY 2007 THROUGH DECEMBER 2007

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
1. RESIDENTIAL HOME BUILDER	0	245,000	11,000	25,000	689,286	4,200	21,000	13,000	1,008,486
2. RESIDENTIAL APPLIANCE REPLACEMENT (908C)	0	60,000	3,600	2,000	113,750	0	5,000	2,000	186,350
3. RESIDENTIAL PROPANE DISTRIBUTION	0	0	1,800	9,000	0	0	0	0	10,800
4. RESIDENTIAL WATER HEATER RETENTION (908G)	0	70,000	5,400	0	45,000	0	8,000	0	128,400
5. NG SPACE CONDITIONING	0	0	0	0	0	0	0	0	0
6. GAS SPACE CONDITIONING	0	0	0	0	0	0	0	0	0
7. EDUCATION	0	55,000	4,300	16,000	4,388	0	7,000	2,000	88,688
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	430,000	26,100	52,000	852,424	4,200	41,000	17,000	1,422,724
LESS: AMOUNT IN RATE BASE	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSER.	0	430,000	26,100	52,000	852,424	4,200	41,000	17,000	1,422,724

CONSERVATION PROGRAM COSTS - CAPITAL INVESTMENTS,
DEPRECIATION, AND RETURN
FOR MONTHS: JANUARY 2007 THROUGH DECEMBER 2007

BEGINNING OF PERIOD CUMULATIVE INVESTMENT:	0
LESS: ACCUMULATED DEPRECIATION:	<u>0</u>
NET INVESTMENT	<u>0</u>

DESCRIPTION	JAN 2007	FEB 2007	MAR 2007	APR 2007	MAY 2007	JUN 2007	JUL 2007	AUG 2007	SEP 2007	OCT 2007	NOV 2007	DEC 2007	TOTAL
INVESTMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
DEPRECIATION BASE	0	0	0	0	0	0	0	0	0	0	0	0	0
DEPRECIATION EXPENSE	<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>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CUMULATIVE INVEST.	0	0	0	0	0	0	0	0	0	0	0	0	0
LESS: ACCUM. DEPR	<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>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET INVESTMENT	<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>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
AVERAGE INVESTMENT	0	0	0	0	0	0	0	0	0	0	0.0	0	0
RETURN ON AVG INVEST	0	0	0	0	0	0	0	0	0	0	0.0	0	0
RETURN REQUIREMENTS	<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>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0</u>
TOTAL DEPR & RETURN	<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>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0</u>

CONSERVATION PROGRAM COSTS BY COST CATEGORY
FOR PERIOD JANUARY 2006 THROUGH DECEMBER 2006
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	157,499	7,851	14,251	284,335	1,222	14,221	7,401	486,779
B. ESTIMATED	0	78,749	3,925	7,126	142,168	611	7,110	3,701	243,390
C. TOTAL	0	236,248	11,776	21,377	426,503	1,832	21,331	11,102	730,169
2. RESIDENTIAL APPLIANCE REPLACEMENT (908C)									
A. ACTUAL	0	38,058	2,732	0	5,220	0	3,212	1,281	50,502
B. ESTIMATED	0	19,029	1,366	0	2,610	0	1,606	640	25,252
C. TOTAL	0	57,087	4,098	0	7,830	0	4,818	1,921	75,754
3. RESIDENTIAL PROPANE DISTRIBUTION (908F)									
A. ACTUAL	0	0	1,242	5,644	1,475	0	0	0	8,361
B. ESTIMATED	0	0	621	2,822	738	0	0	0	4,180
C. TOTAL	0	0	1,863	8,466	2,213	0	0	0	12,541
4. RESIDENTIAL WATER HEATER RETENTION (908G)									
A. ACTUAL	0	42,523	4,143	36	1,500	0	5,075	184	53,461
B. ESTIMATED	0	21,262	2,071	0	750	0	2,537	0	26,620
C. TOTAL	0	63,785	6,214	36	2,250	0	7,612	184	80,081
5. NG SPACE CONDITIONING FOR RESIDENTIAL HOMES (908D)									
A. ACTUAL	0	135	3	0	0	0	5	0	143
B. ESTIMATED	0	0	0	0	0	0	0	0	0
C. TOTAL	0	135	3	0	0	0	5	0	143
6. GAS SPACE CONDITIONING (908B)									
A. ACTUAL	0	0	0	0	0	0	0	149	149
B. ESTIMATED	0	0	0	0	0	0	0	0	0
C. TOTAL	0	0	0	0	0	0	0	149	149
7. EDUCATION (908A)									
A. ACTUAL	0	34,438	3,379	9,355	0	0	4,567	1,405	53,144
B. ESTIMATED	0	17,219	1,689	4,678	0	0	2,284	702	26,572
C. TOTAL	0	51,656	5,068	14,033	0	0	6,851	2,107	79,716
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	408,911	29,023	43,912	438,795	1,832	40,617	15,463	978,552

CONSERVATION PROGRAM COSTS - EXPENSES BY MONTH
FOR PERIOD: JANUARY 2006 THROUGH DECEMBER 2006
EIGHT MONTHS ACTUAL AND FOUR MONTHS PROJECTED

DESCRIPTION	JAN 2006	FEB 2006	MAR 2006	APR 2006	MAY 2006	JUN 2006	JUL 2006	AUG 2006	SEP 2006	OCT 2006	NOV 2006	DEC 2006	TOTAL
1. HOME BUILDER PROGRAM	23,704	54,678	86,733	52,528	118,707	62,580	46,985	40,865	60,847	60,847	60,847	60,845	730,169
2. RES. APPLIANCE REPLACEMENT	7,157	7,881	395	8,375	8,607	5,696	6,731	5,660	6,313	6,313	6,313	6,314	75,754
3. RES PROPANE DISTRIBUTION	0	400	6,167	0	0	0	319	1,475	1,045	1,045	1,045	1,045	12,541
4. RES WATER HEATER RETENTION	5,831	6,207	8,413	2,604	7,291	5,845	8,470	8,799	6,655	6,655	6,655	6,655	80,081
5. NG SPACE CONDITIONING	0	0	0	0	0	138	0	5	0	0	0	0	143
6. GAS SPACE CONDITIONING	0	0	149	0	0	0	0	0	0	0	0	0	149
7. EDUCATION	6,627	11,203	2,359	7,921	7,172	4,468	6,348	7,045	6,643	6,643	6,643	6,643	79,716
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
TOTAL ALL PROGRAMS	43,319	80,369	104,216	71,429	141,777	78,727	68,853	63,849	81,503	81,503	81,503	81,502	978,552
LESS: BASE RATE RECOVERY	0	0	0	0	0	0	0	0	0	0	0	0	0
NET RECOVERABLE	43,319	80,369	104,216	71,429	141,777	78,727	68,853	63,849	81,503	81,503	81,503	81,502	978,552

ENERGY CONSERVATION COST RECOVERY ADJUSTMENT
FOR PERIOD: JANUARY 2006 THROUGH DECEMBER 2006
EIGHT MONTHS ACTUAL AND FOUR MONTHS ESTIMATED

CONSERVATION REVS	JAN 2006	FEB 2006	MAR 2006	APR 2006	MAY 2006	JUN 2006	JUL 2006 #	AUG 2006	SEP 2006	OCT 2006	NOV 2006	DEC 2006	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.	(143,095)	(132,531)	(119,886)	(107,453)	(101,546)	(87,934)	(80,160)	(78,474)	(73,000)	(90,000)	(105,000)	(120,000)	(1,239,079)
4. TOTAL REVENUES	(143,095)	(132,531)	(119,886)	(107,453)	(101,546)	(87,934)	(80,160)	(78,474)	(73,000)	(90,000)	(105,000)	(120,000)	(1,239,079)
5. PRIOR PERIOD TRUE- UP NOT APPLICABLE TO THIS PERIOD	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	262,210
6. CONSERV. REVS. APPLICABLE TO THE PERIOD	(121,244)	(110,680)	(98,035)	(85,602)	(79,695)	(66,083)	(58,309)	(56,623)	(51,149)	(68,149)	(83,149)	(98,149)	(976,869)
7. CONSERV. EXPS.	43,319	80,369	104,216	71,429	141,777	78,727	68,853	63,847	81,503	81,503	81,503	81,503	978,552
8. TRUE-UP THIS PERIOD	(77,925)	(30,311)	6,181	(14,173)	62,082	12,644	10,544	7,224	30,354	13,354	(1,646)	(16,646)	1,684
9. INTER. PROVISION THIS PERIOD	779	517	402	318	335	414	385	328	314	315	246	111	4,465
10. TRUE-UP AND INTEREST PROV. BEG. OF MONTH	262,210	163,213	111,568	96,301	60,595	101,161	92,369	81,447	67,149	75,966	67,784	44,534	262,210
11. PRIOR TRUE-UP COLLECTED OR (REFUNDED)	(21,851)	(21,851)	(21,851)	(21,851)	(21,851)	(21,851)	(21,851)	(21,851)	(21,851)	(21,851)	(21,851)	(21,851)	(262,210)
12. TOTAL NET TRUE-UP	163,213	111,568	96,301	60,595	101,161	92,369	81,447	67,149	75,966	67,784	44,534	6,148	6,148

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR PERIOD: JANUARY 2006 THROUGH DECEMBER 2006
EIGHT MONTHS ACTUAL AND FOUR MONTHS PROJECTED

	JAN 2006	FEB 2006	MAR 2006	APR 2006	MAY 2006	JUN 2006 2	JUL 2006	AUG 2006 #	SEP 2006	OCT 2006	NOV 2006	DEC 2006	TOTAL
INTEREST PROVISION													
1. BEGINNING TRUE-UP	262,210	163,213	111,568	96,301	60,595	101,161	92,369	81,447	67,149	75,966	67,784	44,534	
2. ENDING TRUE-UP BEFORE INTEREST	162,434	111,052	95,899	60,277	100,826	91,955	81,062	66,821	75,652	67,469	44,288	6,037	
3. TOTAL BEGINNING & ENDING TRUE-UP	424,644	274,265	207,467	156,578	161,421	193,116	173,432	148,268	142,802	143,436	112,072	50,571	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	212,322	137,133	103,734	78,289	80,710	96,558	86,716	74,134	71,401	71,718	56,036	25,286	
5. INTEREST RATE FIRST DAY OF REPORTING MONTH	4.30%	4.51%	4.53%	4.78%	4.96%	5.01%	5.29%	5.36%	5.27%	5.27%	5.27%	5.27%	
6. INTER. RATE - FIRST DAY SUBSEQUENT MONTH	4.51%	4.53%	4.78%	4.96%	5.01%	5.29%	5.36%	5.27%	5.27%	5.27%	5.27%	5.27%	
7. TOTAL (SUM LINES 5 & 6)	8.81%	9.04%	9.31%	9.74%	9.97%	10.30%	10.65%	10.63%	10.54%	10.54%	10.54%	10.54%	
8. AVG. INTEREST RATE (LINE 7 TIMES 50%)	4.41%	4.52%	4.66%	4.87%	4.99%	5.15%	5.33%	5.32%	5.27%	5.27%	5.27%	5.27%	
9. MONTHLY AVG INTEREST RATE	0.37%	0.38%	0.39%	0.41%	0.42%	0.43%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	
10. INTEREST PROVISION	779	517	402	318	335	414	385	328	314	315	246	111	4,465

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 through August 2006, 664 residences qualified under the Residential Home Builder Program. We estimate 332 new homes will qualify during the period September through December 2006.

Program Fiscal Expenditures:

For the eight-month period January through August 2006, CUC incurred costs of \$486,779 for the Residential Home Builder Program. For September through December 2006, costs are estimated to be \$243,390.

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 through August 2006, 12 residences qualified under the Residential Appliance Replacement Program. We estimate an additional 6 residences will qualify for incentives during the period September through December 2006.

Program Fiscal Expenditures:

For the eight-month period January through August 2006, CUC incurred costs of \$50,502 for the Residential Appliance Replacement Program. During September through December 2006 costs are estimated to be \$25,252.

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 through August 2006, CUC incurred costs of \$8,361 for the Residential Propane Distribution Program. During September through December 2006 costs are estimated to be \$4,180.

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 through August 2006, CUC paid allowances on 28 water heaters. We estimate we will pay allowances on 14 additional water heaters during the period of September through December 2006.

Program Fiscal Expenditures:

For the eight-month period January through August 2006, CUC incurred program costs of \$53,461 for this program. For September through December 2006, expenditures totaling \$26,620 are anticipated.

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 through August 2006, CUC didn't pay any allowances on this program. Minimal activity is projected in this program for the remainder of 2006.

Program Fiscal Expenditures:

For the eight-month period January through August 2006, CUC incurred \$143 of program costs for the Natural Gas Space Conditioning for Residential Homes Program. No costs are estimated for the period September through December 2006.

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 through August 2006, CUC didn't pay any allowances on this program.

Program Fiscal Expenditures:

For the eight-month period January through August 2006, CUC incurred \$149 of costs for the Gas Space Conditioning Program. No costs are estimated for September through December 2006.

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 through August 2006, CUC incurred program costs of \$53,144 for this program. For September through December 2006, expenditures are estimated to be \$26,572 for this program.