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May 2, 2007

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07 MAY - 2 AM 10:53
COMMISSION
CLERK

VIA HAND DELIVERY

Ms. Ann Cole
Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 070004-GU – Conservation Cost Recovery Clause

Dear Ms. Cole:

Enclosed for filing in the above referenced Docket on behalf of the Florida Division of Chesapeake Utilities Corporation, please find an original and 15 copies of the Direct Testimony and Exhibit of Mr. Brian Bilinski.

CMP _____
COM 5
CTR Orig
ECR 1
GCL _____
OPC _____
ROA _____
SOR _____
SGA _____
SEC _____
OTH _____

Your assistance in this matter is greatly appreciated.

Sincerely,

Beth Keating
AKERMAN SENTERFITT
106 East College Avenue, Suite 1200
Tallahassee, FL 32302-1877
Phone: (850) 224-9634
Fax: (850) 222-0103

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FPSC-BUREAU OF RECORDS

Enclosures

DOCUMENT NUMBER-DATE
03710 MAY-25
FPSC-COMMISSION CLERK

ORIGINAL

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 In Re: Conservation Cost Recovery Clause

3 DIRECT TESTIMONY OF BRIAN S. BILINSKI

4 On Behalf of

5 Chesapeake Utilities Corporation

6 DOCKET NO. 070004-GU

7 Q. Please state your name, business address, by whom you are employed, and in
8 what capacity.

9 A. My name is Brian S. Bilinski. My business address is 1015 6th Street N.W.,
10 Winter Haven, Florida, 33881. I am employed by Chesapeake Utilities
11 Corporation ("Chesapeake") as the Senior Financial Analyst.

12 Q. Are you familiar with the energy conservation programs of Chesapeake and
13 the revenues and costs that are associated with these programs?

14 A. Yes.

15 Q. What is the purpose of your testimony in this docket?

16 A. The purpose of my testimony is to present data and summaries concerning the
17 planned and actual accomplishments of Chesapeake's energy conservation
18 programs during the period January 2006 through December 2006. Data
19 related to calculation of the true-up for this period is also included.

20 Q. Have you prepared summaries of Chesapeake's conservation programs and
21 the costs associated with them?

22 A. Yes. Summaries of the seven programs in connection with which Chesapeake
23 incurred recoverable costs during the period January 2006 through December

DOCUMENT NUMBER-DATE

03710 MAY-25

FPSC-COMMISSION CLERK

1 2006 are contained in Schedule CT-6 of Exhibit BSB-1. Included are our
2 Residential Home Builder Program, Residential Appliance Replacement
3 Program, Residential Propane Distribution Program, Residential Water Heater
4 Retention Program, Natural Gas Space Conditioning for Residential Homes
5 Program, Gas Space Conditioning Program, and the Conservation Education
6 Program.

7 Q. Have you prepared schedules which show the expenditures associated with
8 Chesapeake's energy conservation programs for the periods you have
9 mentioned?

10 A. Yes. Schedule CT-2 page 1, Exhibit BSB-1 shows actual expenses
11 for the period, and also shows a comparison of the actual program costs and
12 true-up with the estimated costs and true-up submitted at the November 2006
13 hearing in this docket.

14 Q. What was the total cost incurred by Chesapeake in connection with the seven
15 programs during the twelve months ending December 2006?

16 A. As shown in Exhibit BSB-1, Schedule CT-2, page 2, total program costs were
17 \$967,263. This total is \$(11,290) less than our projection of the program costs
18 for the twelve month period.

19 Q. Have you prepared, for the twelve month period involved, a schedule which
20 shows the variance of actual from projected costs by categories of expenses.

21 A. Yes. Schedule CT-2, page 3, of Exhibit BSB-1 shows these variances.

22 Q. What is Chesapeake's adjusted net true-up for the twelve months ended
23 December 2006?

1 A. As shown on Schedule CT-2, page 1, we originally estimated an under-
2 recovery, including interest, of \$6,148. This projected true-up amount was
3 based on conservation revenues of \$976,869 for the period January 2006
4 through December 2006. However, the approved energy conservation rates
5 for transportation services during this period actually yielded conservation
6 revenues of \$982,293, or \$5,424 over projection. Expenses for the period
7 were \$(11,290) less than projected. The total difference, including interest of
8 \$432, is \$(17,147).

9 Q. Is this adjusted net true-up of \$(17,147) an over-recovery or an under-
10 recovery?

11 A. An over-recovery, as shown on Schedule CT-1 of Exhibit BSB-1.

12 Q. Does this conclude your testimony?

13 A. Yes, it does.

Docket No. 070004-GU

Exhibit _____(BSB-1)

CHESAPEAKE UTILITIES CORPORATION
CONSERVATION COST RECOVERY TRUE-UP
January 1, 2006 through December 31, 2006

CONTENTS

Schedule CT-1		
(1 of 1)	Adjusted Net True-up	1
Schedule CT-2		
(1 of 3)	Analysis of Energy Conservation Costs Actual vs. Estimated	
2		
(2 of 3)	Actual Conservation Program Costs per Program	
3		
(3 of 3)	Conservation Costs Per Program- Variance Actual vs. Projected	
4		
Schedule CT-3		
(1 of 3)	Energy Conservation Adjustment Calculation of True-Up and Interest Provision- Summary of Expenses by Program by Month	
5		
(2 of 3)	Energy Conservation Adjustment Calculation of True-Up and Interest Provision	6
(3 of 3)	Calculation of True-Up and Interest Provision	7
Schedule CT-4		
(1 of 1)	Schedule of Capital Investments, Depreciation and Return	8
Schedule CT-5		
(1 of 1)	Reconciliation and Explanation of Differences Between Filing and PSC Audit Report for 2006. Variance Actual vs. Projected	9
Schedule CT-6		
(1 of 8)	Program Description and Progress Residential Home Builder Program	10

(2 of 8)	Program Description and Progress Residential Appliance Replacement Program	11
(3 of 8)	Program Description and Progress Residential Propane Distribution Program	12
(4 of 8)	Program Description and Progress Residential Water Heater Retention Program	13
(5 of 8)	Program Description and Progress Natural Gas Space Conditioning for Residential Homes Program	14
(6 of 8)	Program Description and Progress Gas Space Conditioning Program	15
(7 of 8)	Program Description and Progress Conservation Education Program	16
(8 of 8)	Program Description and Progress Conservation Education Program (Continued)	17

ADJUSTED NET TRUE-UP
FOR MONTH JANUARY 2006 THROUGH DECEMBER 2006

END OF PERIOD NET TRUE-UP

PRINCIPLE	(15,031)	
INTEREST	<u>4,032</u>	(10,999)

LESS PROJECTED TRUE-UP

PRINCIPLE	1,684	
INTEREST	<u>4,464</u>	<u>6,148</u>

ADJUSTED NET TRUE-UP

(17,147)

() REFLECTS OVER-RECOVERY

ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
ACTUAL VERSUS ESTIMATED

JANUARY 2006 THROUGH DECEMBER 2006

	<u>ACTUAL</u>	<u>PROJECTED*</u>	<u>DIFFERENCE</u>
CAPITAL INVESTMENT	0	0	0
PAYROLL & BENEFITS	390,742	408,911	(18,169)
MATERIALS & SUPPLIES	37,867	29,022	8,845
ADVERTISING	41,777	43,912	(2,135)
INCENTIVES	441,915	438,795	3,120
OUTSIDE SERVICES	1,222	1,832	(610)
VEHICLES	34,944	40,617	(5,673)
OTHER	18,796	15,463	3,333
SUB-TOTAL	967,263	978,552	(11,290)
PROGRAM REVENUES	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL PROGRAM COSTS	967,263	978,552	(11,290)
LESS:			
PAYROLL ADJUSTMENTS	0	0	0
AMOUNTS INCLUDED IN RATE BASE	0	0	0
CONSERVATION REVENUES APPLICABLE TO THE PERIOD	(982,293)	(976,869)	(5,424)
ROUNDING ADJUSTMENT	<u>0</u>	<u>0</u>	<u>0</u>
TRUE-UP BEFORE INTEREST	(15,031)	1,684	(16,715)
INTEREST PROVISION	<u>4,032</u>	<u>4,464</u>	<u>(432)</u>
END OF PERIOD TRUE-UP	<u>(10,999)</u>	<u>6,148</u>	<u>(17,147)</u>

() REFLECTS OVER-RECOVERY

* 8 MONTHS ACTUAL AND 4 MONTHS PROJECTED

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM
FOR MONTHS: JANUARY 2006 THROUGH DECEMBER 2006

PROGRAM NAME	<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>
PROGRAM 1: RESIDENTIAL HOME BUILDER	0	228,506	17,658	20,561	428,160	1,222	18,836	13,470	728,413
PROGRAM 2: RESIDENTIAL APPLIANCE REPLACEMENT	0	53,733	5,040	8,660	9,780	0	3,797	3,331	84,341
PROGRAM 3: RESIDENTIAL PROPANE DISTRIBUTION	0	1,164	1,270	0	1,475	0	(4)	0	3,905
PROGRAM 4: RESIDENTIAL WATER HEATER RETENTION	0	61,353	6,389	802	2,500	0	6,901	440	78,385
PROGRAM 5: NG SPACE CONDITIONING FOR RES HOMES	0	135	3	0	0	0	5	0	143
PROGRAM 6: GAS SPACE CONDITIONING	0	0	0	0	0	0	0	149	149
PROGRAM 7: CONSERVATION EDUCATION	0	45,851	7,507	11,754	0	0	5,409	1,405	71,926
PROGRAM 8:	0	0	0	0	0	0	0	0	0
PROGRAM 9:	0	0	0	0	0	0	0	0	0
PROGRAM 10:	0	0	0	0	0	0	0	0	0
PROGRAM 11:	0	0	0	0	0	0	0	0	0
PROGRAM 12:	0	0	0	0	0	0	0	0	0
PROGRAM 13:	0	0	0	0	0	0	0	0	0
PROGRAM 14:	0	0	0	0	0	0	0	0	0
PROGRAM 15:	0	0	0	0	0	0	0	0	0
PROGRAM 16:	0	0	0	0	0	0	0	0	0
PROGRAM 17:	0	0	0	0	0	0	0	0	0
PROGRAM 18:	0	0	0	0	0	0	0	0	0
PROGRAM 19:	0	0	0	0	0	0	0	0	0
PROGRAM 20:	0	0	0	0	0	0	0	0	0
TOTAL	0	390,742	37,867	41,777	441,915	1,222	34,944	18,796	967,263

CONSERVATION COSTS PER PROGRAM - VARIANCE ACTUAL VERSUS PROJECTED
FOR MONTHS: JANUARY 2006 THROUGH DECEMBER 2006

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: RESIDENTIAL HOME BUILDER	0	(7,742)	5,882	(816)	1,658	(610)	(2,495)	2,368	(1,755)
PROGRAM 2: RESIDENTIAL APPLIANCE REPLACEMENT	0	(3,354)	942	8,660	1,950	0	(1,021)	1,410	8,587
PROGRAM 3: RESIDENTIAL PROPANE DISTRIBUTION	0	1,164	(593)	(8,466)	(738)	0	(4)	0	(8,637)
PROGRAM 4: RESIDENTIAL WATER HEATER RETENTION	0	(2,432)	175	766	250	0	(711)	256	(1,696)
PROGRAM 5: NG SPACE CONDITIONING FOR RES HOMES	0	0	0	0	0	0	0	0	0
PROGRAM 6: GAS SPACE CONDITIONING	0	0	0	0	0	0	0	0	0
PROGRAM 7: CONSERVATION EDUCATION	0	(5,805)	2,439	(2,279)	0	0	(1,442)	(702)	(7,789)
PROGRAM 8:	0	0	0	0	0	0	0	0	0
PROGRAM 9:	0	0	0	0	0	0	0	0	0
PROGRAM 10:	0	0	0	0	0	0	0	0	0
PROGRAM 11:	0	0	0	0	0	0	0	0	0
PROGRAM 12:	0	0	0	0	0	0	0	0	0
PROGRAM 13:	0	0	0	0	0	0	0	0	0
PROGRAM 14:	0	0	0	0	0	0	0	0	0
PROGRAM 15:	0	0	0	0	0	0	0	0	0
PROGRAM 16:	0	0	0	0	0	0	0	0	0
PROGRAM 17:	0	0	0	0	0	0	0	0	0
PROGRAM 18:	0	0	0	0	0	0	0	0	0
PROGRAM 19:	0	0	0	0	0	0	0	0	0
PROGRAM 20:	0	0	0	0	0	0	0	0	0
TOTAL TOTAL OF ALL PROGRAMS	0	(18,169)	8,845	(2,135)	3,120	(610)	(5,673)	3,333	(11,290)

() REFLECTS PROJECTED OVER ACTUAL EXPENSE ESTIMATES

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY PROGRAM BY MONTH
FOR MONTHS: JANUARY 2006 THROUGH DECEMBER 2006

EXPENSES:	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
PROGRAM 1: RESIDENTIAL HOME BUILDER	23,704	54,678	86,733	52,528	118,707	62,576	6,348	40,868	109,368	23,594	42,175	66,497	687,776
PROGRAM 2: RESIDENTIAL APPLIANCE REPLACEMENT	6,634	7,881	6,562	8,375	8,607	5,696	6,731	5,660	4,381	8,314	5,562	9,938	84,341
PROGRAM 3: RESIDENTIAL PROPANE DISTRIBUTION	522	400	0	0	0	0	319	1,475	0	0	0	1,189	3,905
PROGRAM 4: RESIDENTIAL WATER HEATER RETENTION	5,831	6,207	8,413	2,604	7,291	5,845	8,470	8,799	7,917	4,770	8,654	3,584	78,385
PROGRAM 5: NG SPACE CONDITIONING FOR RES HOMES	0	0	0	0	0	143	0	0	0	0	0	0	143
PROGRAM 6: GAS SPACE CONDITIONING	0	0	149	0	0	0	0	0	0	0	0	0	149
PROGRAM 7: CONSERVATION EDUCATION	6,627	11,203	2,359	7,921	7,172	4,468	6,348	7,045	4,092	5,609	4,739	4,342	71,926
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	43,319	80,369	104,216	71,429	141,777	78,727	68,853	63,847	125,758	42,286	61,130	85,550	967,263
LESS AMOUNT INCLUDED IN RATE BASE	0	0	0	0	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSERVATION EXPENSES	43,319	80,369	104,216	71,429	141,777	78,727	68,853	63,847	125,758	42,286	61,130	85,550	967,263

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2006 THROUGH DECEMBER 2006

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	(143,095)	(132,531)	(119,886)	(107,453)	(101,546)	(87,934)	(80,160)	(78,474)	(79,286)	(90,636)	(97,271)	(116,256)	(1,234,529)
4. TOTAL REVENUES	(143,095)	(132,531)	(119,886)	(107,453)	(101,546)	(87,934)	(80,160)	(78,474)	(79,286)	(90,636)	(97,271)	(116,256)	(1,234,529)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	21,020	21,020	21,020	21,020	21,020	21,020	21,020	21,020	21,020	21,020	21,020	21,020	252,236
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(122,075)	(111,511)	(98,867)	(86,433)	(80,526)	(66,914)	(59,141)	(57,455)	(58,266)	(69,617)	(76,251)	(95,236)	(982,293)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	43,319	80,369	104,216	71,429	141,777	78,727	68,853	63,847	125,758	42,286	61,130	85,550	967,263
8. TRUE-UP THIS PERIOD	(78,756)	(31,142)	5,350	(15,004)	61,251	11,813	9,713	6,393	67,492	(27,330)	(15,122)	(9,686)	(15,030)
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	743	479	363	277	293	371	339	283	351	349	165	19	4,032
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	252,236	153,203	101,520	86,213	50,466	90,991	82,155	71,187	56,843	103,667	55,666	19,689	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	(21,020)	(21,020)	(21,020)	(21,020)	(21,020)	(21,020)	(21,020)	(21,020)	(21,020)	(21,020)	(21,020)	(21,020)	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	153,203	101,520	86,213	50,466	90,991	82,155	71,187	56,843	103,667	55,666	19,689	(10,998)	(10,998)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: JANUARY 2006 THROUGH DECEMBER 2006

INTEREST PROVISION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1. BEGINNING TRUE-UP	252,236	153,203	101,520	86,213	50,466	90,991	82,155	71,187	56,843	103,667	55,666	19,689	
2. ENDING TRUE-UP BEFORE INTEREST	152,460	101,041	85,850	50,189	90,698	81,784	70,848	56,560	103,315	55,317	19,524	(11,017)	
3. TOTAL BEGINNING & ENDING TRUE-UP	404,696	254,244	187,369	136,402	141,164	172,775	153,002	127,748	160,159	158,984	75,190	8,672	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	202,348	127,122	93,685	68,201	70,582	86,387	76,501	63,874	80,079	79,492	37,595	4,336	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	4.30%	4.51%	4.53%	4.78%	4.96%	5.01%	5.29%	5.36%	5.27%	5.26%	5.27%	5.25%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	4.51%	4.53%	4.78%	4.96%	5.01%	5.29%	5.36%	5.27%	5.26%	5.27%	5.25%	5.27%	
7. TOTAL (SUM LINES 5 & 6)	8.81%	9.04%	9.31%	9.74%	9.97%	10.30%	10.65%	10.63%	10.53%	10.53%	10.52%	10.52%	
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%	5.26%	5.26%	
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 (LINE 4 TIMES LINE 9)	743	479	363	277	293	371	339	283	351	349	165	19	4,032

Exhibit No. _____ (BSB-1)
Docket No. 070004-GU
CHESAPEAKE UTILITIES CORPORATION
Page 9 of 17

Schedule CT-5

CHESAPEAKE UTILITIES CORPORATION

Reconciliation and Explanation of Differences Between Filing and PSC Audit
Report for January 2006 through December 2006.

NO DIFFERENCES AS OF THE DATE OF THIS FILING

Schedule CT-6
Page 1 of 8

CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Residential Home Builder Program (Residential New Construction 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 conservation allowances to assist builders with gas appliance installation.

Allowances:

Conservation allowances for 2006 are:

- \$275 Energy efficient natural gas water heater installation.
- \$275 Natural Gas home heating.
- \$75 Energy efficient natural gas range or dryer stub outlet.

Program Projections:

For the twelve-month period January 2006 through December 2006, we estimated that 996 homes would be connected to the system. During this period, allowances were actually paid for building 926 new homes equipped with natural gas appliances.

Program Fiscal Expenditures:

During the twelve-month period, expenditures for this program totaled \$728,413.

Program Progress Summary:

Since the program's inception, 9,367 new homes have been equipped with natural gas appliances. Company representatives continue to work closely with area builders to promote the installation of natural gas appliances in new homes.

Schedule CT-6
Page 2 of 8

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 cost associated with the installation of piping, venting and purchase of natural gas appliances.

Allowances:
Conservation allowances for 2006 are:
 \$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 Projections:
For the twelve-month period January 2006 through December 2006, we estimated that 18 residences would qualify for incentives during this period. In actuality, 28 residences qualified for incentives.

Program Fiscal Expenditures:
For this twelve-month period, CUC incurred program costs of \$84,341.

Program Summary:
Since inception, 313 residences have qualified for this program.

Schedule CT-6
Page 3 of 8

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 Fiscal Expenditures:
Program cost totaled \$3,905 for this twelve-month period, incurred by staff in response to builder/developer inquiries.

Program Summary:
Five propane distribution sub-divisions have been added under this program since its inception.

Schedule CT-6
Page 5 of 8

CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Natural Gas Space Conditioning for Residential Homes Program

Program Description:

This program is designed to convert residential customers from electric space conditioning equipment to energy efficient natural gas space conditioning equipment. The program provides an allowance to qualifying participants to compensate for the higher initial costs of natural gas space conditioning equipment and its installation. The program will also help reduce the summer KW demand and will assist in the conservation of KWH production.

Program Projections:

The projected expenses for this period were \$143.

Program Fiscal Expenditures:

Program costs for this twelve-month period totaled \$143.

Program Summary:

Five residential gas space conditioning units have been installed since the inception of this program.

Schedule CT-6
Page 4 of 8

CHESAPEAKE UTILITIES CORPORATION
Program Description and Progress

Program Title:

Residential Water Heater Retention Program (Residential Appliance 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 for 2006 are:

- \$100 Energy efficient natural gas water heater installation.
- \$ 50 Dealer

Program Activity and Projections:

For the twelve-month period January 2006 through December 2006, we estimated that 42 natural gas water heaters would qualify for this program. In actuality, 39 rebates were paid for natural gas water heaters installed.

Program Fiscal Expenditures:

For this twelve-month period, CUC incurred program costs of \$78,385.

Program Summary:

Since inception, 775 natural gas water heaters have been changed out and natural gas water heaters reinstalled. CUC will continue to work closely with homeowners and dealers to promote the continued use of energy efficient natural gas.

Schedule CT-6
Page 6 of 8

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 Projections:

The expenses projected for this period were \$149.

Program Fiscal Expenditures:

Program costs for this twelve-month period totaled \$149.

Program Summary:

Eight natural gas space conditioning units have been installed since the inception of this program.

Schedule CT-6
Page 7 of 8

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 utility bill.

Program Activity and Projections:
We continue to develop branded programs as well as expand community outreach programs designed to inform and educate the general public as well as business interest in the communities about the availability of our conservation programs, and the benefits and value of natural gas. Examples of these types of programs;

Energy Plus Home Program is designed to encourage the replacement of inefficient non-natural gas residential appliances with energy efficient natural gas appliances. Often residential consumers only consider the higher installation costs, and not the operating savings, associated with natural gas appliances and therefore do not convert to energy efficient natural gas appliances. The brand supports several conservation programs - *Residential Appliance Replacement Program*, *Residential Water Heater Retention Program*, and *the Space Conditioning for Residential Applications*.

Energy Plus Home Builder Program promotes the *Residential Home Builder Program* which purpose is to promote energy efficient natural gas encouraging the selection of appliances most suitable in reducing the ultimate consumer's overall energy costs. Incentives are offered in the form of cash allowances on the installation of those chosen appliances. The program offers builders and developers incentives to assist in defraying the additional costs associated with the installation of natural gas appliances.

Energy Plus Partners Program is the new name of the Preferred Partners program that was launched in late 2001. The program works to remove market

Schedule CT-6
Page 8 of 8

barriers, expand consumer choice, and create synergy between the trades and businesses linked to natural gas. The program supports awareness of our conservation allowances programs. Examples of business entities that support the gas system and are potential partners for the gas company: builders, developers, retailers, HVAC providers, plumbers, and architects, to name but a few. The brand supports several conservation programs - *Residential Appliance Replacement Program, Residential Water Heater Retention Program, Space Conditioning for Residential Applications, Residential Home Builder Program, and the Residential Propane Distribution Program*

Energy Smart Kids Program educates and engages young minds in an in-school setting. The classroom-based program provides posters, classroom activities, gas education booklets, pencils and teaching plan. A “school board” approved curriculum offers teachers a balanced five day lesson plan ending with an in-classroom demonstration featuring “Effie” the power station – a small working power generating engine that converts gas into electric. Energy conservation is the main theme of the program.

Program Fiscal Expenditures:

Program costs totaled \$71,926 for this twelve-month period.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony and Exhibit BSB-1 of Brian Bilinski on behalf of the Florida Division of Chesapeake Utilities Corporation, has been furnished by U.S. Mail to the following parties of record this 2nd day of May 2007.

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