

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: July 17, 2008
TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 080004-GU; Company Name: Chesapeake Utilities Corp.;
Audit Purpose: 2007 Gas Conservation Filings; Company Code: GU616;
Record #: 5773; Audit Control No: 08-037-2-3;

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. There are no confidential work papers associated with this audit.

DNV:bj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder -6)
Division of Commission Clerk (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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Chesapeake Utilities Corp.
P.O. Box 960
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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

**CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION**

ENERGY CONSERVATION COST RECOVERY AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2007

DOCKET NO. 080004-GU

AUDIT CONTROL NO. 08-037-2-3


Daniel Acheampong, Audit Manager


Joseph W. Rohrbacher, Tampa District Supervisor

DOCUMENT NUMBER-DATE

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

July 3, 2008

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Chesapeake Utilities Corporation, Florida Division, (CUC) in support of its filing for Energy Conservation Cost Recovery (ECCR) in Docket No. 080004-GU.

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

OBJECTIVES AND PROCEDURES:

REVENUES

Objective: - To verify that CUC has applied the approved ECCR adjustment factors to energy (Therm) sales during the period January 1, 2007 through December 31, 2007.

Procedures: - We recalculated revenues, by month and rate class, using approved Florida Public Service Commission, (FPSC) rate factors and company provided Therm Recoverable sales. We reconciled the filing to the general ledger. We recalculated the energy charge for customer bills selected from various rate classes and determined that the company used the correct rates as approved by the Commission.

EXPENSES

Objective: - To verify the accuracy of information filed by CUC regarding conservation costs for the period January 1, 2007 through December 31, 2007 per Commission Rule 25-17.015, F.A.C.

Procedures: - We reconciled the ECCR filing to the general ledger and to supporting documentation provided by the company. We performed specific testing as described in the following procedures.

Objective: - Determine whether expenditures for which recovery is claimed through the ECCR are allowable expenses.

Procedures: - We compiled ECCR expenses and agreed same to the filing. We scheduled expenses by program and by expense categories. We tested the allocation of company salaries and benefits to ECCR expense to verify that only conservation activity was included. We prepared a schedule of salaries and benefits and traced them to conservation programs. We also tested judgmentally selected items in Materials and Supplies, Outside Services, and Vehicles.

Objective: - To verify that advertising costs charged to ECCR are consistent with Rule 25-17.015 (5), F.A.C.

Procedures: - We tested advertising costs to verify that they were properly recoverable through the ECCR and did not compare electric vs. gas technologies.

Objective: - For all conservation programs that differed from the budgeted amount, identify the program and total dollar difference between budgeted and actual expenses.

Procedures: - We identified those programs that exceeded budgeted amount by 10% or more. We determined which expenses were over budget in the selected programs and reviewed an explanation from the company.

ECCR True-Up

Objective: - To determine if the True-up calculation and interest provision as filed was properly calculated using the FPSC approved interest rates.

Procedures: - We recomputed the 2007 ECCR true-up and interest using the FPSC approved recoverable true-up amount and interest rates.

ECCR Other

Objective: To determine that all executed company builder agreements are in compliance with Commission rules and the company's approved ECCR programs.

Procedures: We reviewed all builders agreements executed in 2007 to ensure that the incentives offered to the builders agree to the company's approved conservation programs.

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2007 THROUGH DECEMBER 2007

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	(128,077)	(140,564)	(131,563)	(132,100)	(109,259)	(92,424)	(79,215)	(84,057)	(77,865)	(86,020)	(100,503)	(107,802)	(1,289,448)
4. TOTAL REVENUES	(128,077)	(140,564)	(131,563)	(132,100)	(109,259)	(92,424)	(79,215)	(84,057)	(77,865)	(86,020)	(100,503)	(107,802)	(1,289,448)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(813)	(813)	(813)	(813)	(813)	(813)	(813)	(813)	(813)	(813)	(813)	(813)	(9,754)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(128,890)	(141,377)	(132,375)	(132,913)	(110,072)	(93,237)	(80,028)	(84,870)	(78,678)	(86,832)	(101,316)	(108,615)	(1,279,202)
7. CONSERVATION EXP6 (FROM CT-3, PAGE 1)	81,775	83,038	71,743	71,444	112,107	103,508	81,917	52,827	93,440	44,759	102,117	87,488	908,159
8. TRUE-UP THIS PERIOD	(67,115)	(78,338)	(60,633)	(81,489)	2,035	10,269	(18,111)	(32,043)	14,762	(42,074)	801	(41,129)	(373,043)
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(188)	(504)	(807)	(1,078)	(1,206)	(1,183)	(1,200)	(1,354)	(1,371)	(1,313)	(1,356)	(1,478)	(13,036)
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(9,754)	(78,244)	(154,273)	(214,900)	(276,631)	(274,989)	(285,091)	(283,589)	(316,173)	(301,999)	(344,543)	(344,285)	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	813	813	813	813	813	813	813	813	813	813	813	813	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	(78,244)	(154,273)	(214,900)	(276,631)	(274,989)	(285,091)	(283,589)	(316,173)	(301,999)	(344,543)	(344,285)	(386,070)	(386,079)

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM
FOR MONTHS: JANUARY 2007 THROUGH DECEMBER 2007

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: RESIDENTIAL NEW CONSTRUCTION	0	200,305	28,278	75,893	283,300	595	16,878	0	605,249
PROGRAM 2: RESIDENTIAL APPLIANCE REPLACEMENT	0	38,457	9,204	18,485	18,685	595	1,522	0	86,927
PROGRAM 3: RESIDENTIAL PROPANE DISTRIBUTION	0	309	717	0	0	175	17	0	1,218
PROGRAM 4: RESIDENTIAL APPLIANCE RETENTION	0	84,511	15,642	16,423	42,600	595	6,431	0	146,202
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	44,603	6,990	9,173	0	2,284	3,512	0	66,562
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	348,184	60,831	119,954	344,585	4,244	28,380	0	906,159