

State of Florida



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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 16, 2009
TO: Delvin Higgins, Regulatory Analyst II, Division of Economic Regulation
FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DM*
RE: Docket No. 090004GU - Company Name: Chesapeake Utilities Corp.
Audit Purpose: Energy Conservation Cost Recovery; Company Code: GU616
Audit Control No: 09-028-2-3

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 a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

DNM/ch

Attachment: Audit Report

cc: Division of Regulatory Compliance (Salak, Mailhot, Harvey,
Miami District Office, Tampa District Office, File Folder)
Office of Commission Clerk (2)
Office of the General Counsel

Mr. Thomas A. Geoffroy
Florida Division of Chesapeake Utilities Corporation
P.O. Box 960
Winter Haven, FL 33882-0960

DOCUMENT NUMBER DATE

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State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

Jan 0
DATE: May 13, 2008/09
TO: Dale Mailhot; Assistant Director, Division of Regulatory Compliance
FROM: Lynn Deamer, Division of Regulatory Compliance *LD*
RE: Completed Audit Summary Report

Originator: Intesar Terkawi _____
Company: Chesapeake Utilities Corp. _____
Audit Control No.: 09-028-2-3 _____ **Docket No.:** 090004-GU _____
Purpose of Audit: Energy Conservation Cost Recovery Audit _____

Auditors Assigned: _____ **Audit Hours:** _____
Audit Manager: Intesar Terkawi _____ **134** _____
Audit Supervisor Hours: _____
Estimated Hours: _____ **Total Hours:** _____
Field Work Began: 03/24/2009 _____ **Field Work Ended:** 05/13/2009 _____
Number of Work Paper Binders: 1 _____

Recommendations for the next audit (use additional paper as necessary - be specific)

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

**DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING**

TALLAHASSEE DISTRICT OFFICE

**CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION**

ENERGY CONSERVATION COST RECOVERY AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2008

DOCKET NO. 090004-GU

AUDIT CONTROL NO. 09-028-2-3


Intesar Terkawi, Audit Manager


Lynn Deamer, District Audit Supervisor

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**DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT**

May 10, 2009

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. 090004-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 and the report is intended 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, 2008 through December 31, 2008.

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, 2008 through December 31, 2008 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 judgmentally selected items in Materials and Supplies, Outside Services, Advertisement, Payroll & Benefits, and Vehicles.

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 the programs that are different from the budgeted amounts and asked for explanation. We reviewed the 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 2008 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 2008 to ensure that the incentives offered to the builders agree to the company's approved conservation programs.

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM
FOR MONTHS: JANUARY 2008 THROUGH DECEMBER 2008

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: RESIDENTIAL NEW CONSTRUCTION	\$0	\$155,699	\$33,571	\$59,504	\$173,800	\$7,500	\$15,589	\$0	\$445,663
PROGRAM 2: RESIDENTIAL APPLIANCE REPLACEMENT	\$0	\$37,969	\$5,731	\$25,579	\$28,550	\$0	\$2,560	\$0	\$101,409
PROGRAM 3: RESIDENTIAL PROPANE DISTRIBUTION	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PROGRAM 4: RESIDENTIAL APPLIANCE RETENTION	\$0	\$51,267	\$13,318	\$26,505	\$18,050	\$0	\$6,405	\$0	\$115,535
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	\$30,051	\$11,883	\$3,048	\$0	\$4,687	\$1,969	\$0	\$51,638
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	\$274,976	\$64,501	\$114,636	\$221,400	\$12,187	\$26,543	\$0	\$714,243

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2008 THROUGH DECEMBER 2008

CONSERVATION REVENUES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1. RCS AUDIT FEES	30	30	30	30	30	30	30	30	30	30	30	30	30
2. OTHER PROGRAM REVS	30	30	30	30	30	30	30	30	30	30	30	30	30
3. CONSERV. ADJ REVS	(318,503)	(310,739)	(311,343)	(310,818)	(309,888)	(314,997)	(307,997)	(310,277)	(305,289)	(306,270)	(315,833)	(310,948)	(3,202,382)
4. TOTAL REVENUES	(118,003)	(104,739)	(111,343)	(110,818)	(109,908)	(114,997)	(107,997)	(110,277)	(105,289)	(106,270)	(119,833)	(110,648)	(1,082,382)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(332,173)	(332,173)	(332,173)	(332,173)	(332,173)	(332,173)	(332,173)	(332,173)	(332,173)	(332,173)	(332,173)	(332,173)	(3,988,579)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(148,179)	(148,913)	(143,313)	(145,492)	(146,772)	(147,170)	(149,920)	(152,450)	(147,442)	(151,043)	(152,658)	(152,821)	(1,446,481)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	148,186	177,207	148,088	197,806	153,138	140,042	131,585	160,941	131,793	160,711	141,823	176,887	1,714,343
8. TRUE-UP THIS PERIOD	(1109,021)	(139,809)	(166,449)	(175,983)	(171,839)	(147,128)	(149,288)	(182,408)	(153,890)	(100,732)	(170,106)	(166,224)	(1,734,219)
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(1,416)	(1,314)	(1,238)	(1,208)	(1,251)	(1,209)	(1,348)	(1,394)	(13,082)	(12,037)	(1,208)	(1,628)	(16,814)
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(149,879)	(148,243)	(148,962)	(150,100)	(149,916)	(148,427)	(149,636)	(150,130)	(149,175)	(149,831)	(148,817)	(147,758)	(1,727,268)
11. PRIOR TRUE-UP COLLECTED (REFUNDED)	332,173	332,173	332,173	332,173	332,173	332,173	332,173	332,173	332,173	332,173	332,173	332,173	3,988,579
12. TOTAL NET TRUE-UP (SUM LINES 8-11)	(149,245)	(148,283)	(158,100)	(168,615)	(167,639)	(164,681)	(167,130)	(168,130)	(167,201)	(166,687)	(167,838)	(171,254)	(1,791,254)