



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: June 9, 2010
TO: Devlin Higgins, Regulatory Analyst III, Division of Economic Regulation
FROM: Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis CP
RE: Docket No.: 100004-GU
Company Name: Florida Division of Chesapeake Utilities Corporation
Company Code: GU616
Audit Purpose: Gas Conservation Cost Recovery
Audit Control No: 09-350-1-2

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 Commission Clerk. There were no confidential work papers associated with this audit.

CP/ip
Attachment: Audit Report

cc: (With Attachment)
Office of Auditing and Performance Analysis (Mailhot, File Folder)
Office of Commission Clerk
Office of the General Counsel

(Without Attachment)
Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

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FLORIDA PUBLIC SERVICE COMMISSION

OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
BUREAU OF AUDITING

TALLAHASSEE DISTRICT OFFICE

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION

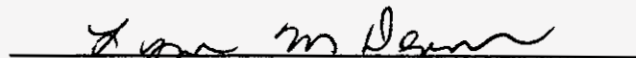
GAS CONSERVATION COST RECOVERY AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2009

DOCKET NO. 100004-GU

AUDIT CONTROL NO. 09-350-1-2


Intesar Terkawi, Audit Manager


Lynn Deamer, District Audit Supervisor

DOCUMENT NUMBER-DATE

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**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
AUDITOR'S REPORT**

June 9, 2010

TO: FLORIDA PUBLIC SERVICE COMMISSION

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 Gas Conservation Cost Recovery (GCCR) in Docket No. 100004-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 only for internal Commission use.

OBJECTIVES AND PROCEDURES:

REVENUES

Objective: - To verify that CUC has applied the approved GCCR adjustment factors to energy (Therm) sales during the period January 1, 2009 through December 31, 2009.

Procedures: - We recalculated revenues, by month and rate class, using approved 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 in the FPSC Order PSC-08-0785-FOF-GU. No exceptions were noted.

EXPENSES

Objective: - To verify the accuracy of information filed by CUC regarding conservation costs for the period January 1, 2009 through December 31, 2009 per Commission Rule 25-17.015, F.A.C.

Procedures: - We reconciled the GCCR filing to the general ledger and to supporting documentation provided by the company. We performed specific testing for certain invoices that are selected randomly from all programs. No exceptions were noted.

Objective: - Determine whether expenditures for which recovery is claimed through the GCCR 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. No exceptions were noted.

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. No exceptions were noted.

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 2009 GCCR true-up and interest using the FPSC approved recoverable true-up amount and interest rates. No exceptions were noted.

ECCR Other

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

Procedures: We reviewed all builders agreements executed in 2009 to ensure that the incentives offered are in compliance with the Commission's rules. No exceptions were noted.

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM
FOR MONTHS: JANUARY 2009 THROUGH DECEMBER 2009

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: RESIDENTIAL NEW CONSTRUCTION	\$0	\$151,576	\$56,714	\$55,325	\$111,060	\$26,350	\$10,914	\$0	\$411,929
PROGRAM 2: RESIDENTIAL APPLIANCE REPLACEMENT	\$0	\$57,890	\$14,566	\$27,870	\$8,750	\$18,750	\$5,315	\$0	\$133,132
PROGRAM 3: RESIDENTIAL PROPANE DISTRIBUTION	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PROGRAM 4: RESIDENTIAL APPLIANCE RETENTION	\$0	\$37,699	\$11,998	\$30,965	\$40,650	\$7,500	\$2,936	\$0	\$131,748
PROGRAM 5: NG SPACE CONDITIONING FOR RES HOME:	\$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	\$23,970	\$9,069	\$0	\$0	\$225	\$756	\$0	\$34,041
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	\$271,128	\$92,367	\$114,161	\$160,450	\$52,825	\$19,921	\$0	\$710,850

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2009 THROUGH DECEMBER 2009

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	(\$65,968)	(\$70,413)	(\$63,040)	(\$57,021)	(\$48,686)	(\$41,162)	(\$35,621)	(\$35,077)	(\$37,099)	(\$38,906)	(\$42,958)	(\$52,357)	(\$588,308)
4. TOTAL REVENUES	(\$65,968)	(\$70,413)	(\$63,040)	(\$57,021)	(\$48,686)	(\$41,162)	(\$35,621)	(\$35,077)	(\$37,099)	(\$38,906)	(\$42,958)	(\$52,357)	(\$588,308)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(\$62,586)	(\$62,586)	(\$62,586)	(\$62,586)	(\$62,586)	(\$62,586)	(\$62,586)	(\$62,586)	(\$62,586)	(\$62,586)	(\$62,586)	(\$62,586)	(\$751,034)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(\$128,555)	(\$132,999)	(\$125,626)	(\$119,607)	(\$111,272)	(\$103,748)	(\$98,207)	(\$97,663)	(\$99,685)	(\$101,493)	(\$105,544)	(\$114,943)	(\$1,339,343)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	\$45,408	\$75,826	\$65,670	\$62,519	\$49,977	\$63,167	\$45,504	\$50,662	\$71,920	\$80,832	\$68,136	\$63,229	\$710,850
8. TRUE-UP THIS PERIOD	(\$83,147)	(\$57,173)	(\$59,956)	(\$57,088)	(\$81,295)	(\$50,581)	(\$52,703)	(\$47,001)	(\$27,766)	(\$40,660)	(\$38,408)	(\$51,714)	(\$628,493)
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(\$422)	(\$494)	(\$415)	(\$302)	(\$221)	(\$204)	(\$201)	(\$167)	(\$147)	(\$132)	(\$114)	(\$106)	(\$2,925)
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(\$751,034)	(\$772,017)	(\$767,097)	(\$764,882)	(\$759,686)	(\$758,616)	(\$746,815)	(\$737,133)	(\$721,715)	(\$687,041)	(\$665,247)	(\$642,183)	
11 PRIOR TRUE-UP (COLLECTED)/REFUNDED	\$62,586	\$62,586	\$62,586	\$62,586	\$62,586	\$62,586	\$62,586	\$62,586	\$62,586	\$62,586	\$62,586	\$62,586	
12 TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	(\$772,017)	(\$767,097)	(\$764,882)	(\$759,686)	(\$758,616)	(\$746,815)	(\$737,133)	(\$721,715)	(\$687,041)	(\$665,247)	(\$642,183)	(\$631,417)	(\$631,417)