

State of Florida



**Public Service Commission**

Office of Auditing and Performance Analysis  
Bureau of Auditing  
Miami District Office

**Auditor's Report**

Florida Division of Chesapeake Utilities Corporation  
Gas Conservation Cost Recovery

**Twelve Months Ended December 31, 2012**

Docket No. 130004-GU  
Audit Control No. 13-004-4-1  
**July 19, 2013**

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Bety Maitre  
Audit Manager

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Kathy Welch  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economics in its audit service request dated January 3, 2013. We have applied these procedures to the attached schedules prepared by Florida Division of Chesapeake Utilities Corporation in support of its 2012 filing for the Gas Conservation Cost Recovery Clause in Docket No. 130004-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definition

Utility refers to the Florida Division of Chesapeake Utilities Corporation.  
GCCR refers to the Gas Conservation Cost Recovery Clause.

### **Revenue**

**Objectives:** The objectives were to determine the actual therm sales for the period January 1, 2012, through December 31, 2012, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR clause.

**Procedures:** We reconciled the 2012 filing to the Utility's general ledger by month. We compared therms sold times the correct tariff rate to the revenue recorded in the ledger. We selected a random sample of residential and commercial customers' bills for the months of June and October 2012 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

### **Expense**

**Objectives:** The objectives were to determine whether operation and maintenance (O&M) expense listed on Schedule CT-3 of the Utility's filing was supported by adequate documentation and that the expenses were appropriately recoverable through the GCCR clause.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of expenses for testing. The source documentation for selected items was reviewed to ensure the expense was charged to the correct accounts and appropriately recoverable through the GCCR Clause. Incentives were reconciled to Commission approved rates. Advertisements were tested for compliance with Rule 25-17.015(5), F.A.C. No exceptions were noted.

### **True-up**

**Objective:** The objective was to determine whether the True-Up and Interest Provision as filed on Schedule CT-3 was properly calculated.

**Procedures:** We traced the December 31, 2011, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2012, using the Commission approved beginning balance as of December 31, 2011, the Financial Commercial Paper rates, and the 2012 GCCR revenues and costs. Finding 1 discusses the True-Up.

## Audit Findings

### **Finding 1: True-Up**

**Audit Analysis:** Commission Order No. PSC-12-0612-FOF-GU, issued November 15, 2012, states that the final true-up amount for 2011 was (\$29,729). The Utility filed a revised 2011 filing on July 16, 2012 which also calculated a final true-up amount of (\$29,729). However, the utility did not use this amount as its beginning true-up amount in the 2102 filing, but used (\$46,175).

Also in its 2012 filing, the Utility included (\$9,070) of Conservation Expenses. This amount includes adjustments to the general ledger that had already been accounted for in the revised 2011 ending true-up amount, but booked to the General Ledger in 2012. Audit staff reversed these amounts out of the Conservation Expenses for 2012. The correct Conservation Expense recoverable in the 2012 filing is \$815,817.

The schedule following this finding shows the correct true-up calculation.

**Effect on the General Ledger:** There is no effect on the ledger.

**Effect on the Filing:** The over-recovery should be (\$35,777), which is \$25,548 lower than the (\$61,325) reported.

**Calculation of True-up with Ordered Prior Period True-up**

<b>Description</b>	<b>Jan-12</b>	<b>Feb-12</b>	<b>Mar-12</b>	<b>Apr-12</b>	<b>May-12</b>	<b>Jun-12</b>	<b>Jul-12</b>	<b>Aug-12</b>	<b>Sep-12</b>	<b>Oct-12</b>	<b>Nov-12</b>	<b>Dec-12</b>	<b>Total</b>
Total Conservation Revenues	(101,170)	(81,276)	(78,977)	(77,417)	(57,127)	(41,337)	(55,299)	(53,770)	(56,118)	(62,307)	(81,310)	(75,485)	(821,594)
(1/12) of Prior True-Up	(2,477)	(2,477)	(2,477)	(2,477)	(2,477)	(2,477)	(2,477)	(2,477)	(2,477)	(2,477)	(2,477)	(2,477)	(29,729)
Total conservation revenue current period	(103,648)	(83,753)	(81,454)	(79,894)	(59,604)	(43,814)	(57,776)	(56,248)	(58,596)	(64,785)	(83,788)	(77,963)	(851,323)
Conservation Cost	24,084	20,137	57,153	28,665	38,137	55,794	47,402	39,420	61,867	66,255	54,329	322,573	815,817
True-up this period	(79,564)	(63,616)	(24,301)	(51,229)	(21,468)	11,980	(10,374)	(16,828)	3,272	1,471	(29,459)	244,610	(35,506)
Interest provision	(4)	(12)	(18)	(21)	(26)	(28)	(30)	(29)	(27)	(29)	(31)	(15)	(272)
Adj. to interest Provision	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred true-up beginning		0	0	0	0	0	0	0	0	0	0	0	0
True-up & interest beginning	(29,729)	(106,820)	(167,970)	(189,811)	(238,585)	(257,601)	(243,172)	(251,099)	(265,478)	(259,756)	(255,837)	(282,850)	(29,729)
Regulatory asses. fee adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior true-up collected	2,477	2,477	2,477	2,477	2,477	2,477	2,477	2,477	2,477	2,477	2,477	2,477	29,729
Total net true-up Under-recovery (Over-Recovery)	(106,820)	(167,970)	(189,811)	(238,585)	(257,601)	(243,172)	(251,099)	(265,478)	(259,756)	(255,837)	(282,850)	(35,777)	(35,777)
True-up Per Filing	(123,266)	(184,417)	(206,260)	(264,106)	(283,125)	(268,699)	(276,629)	(291,013)	(285,295)	(281,380)	(308,395)	(61,325)	(61,325)
Difference	16,446	16,447	16,449	25,521	25,524	25,527	25,530	25,535	25,539	25,543	25,545	25,548	25,548

## Exhibit

### Exhibit 1: True Up

COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

SCHEDULE CT-3  
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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-12 THROUGH December-12

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
<b>B. CONSERVATION REVENUES</b>													
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(101,170)	(81,275)	(78,977)	(77,417)	(57,127)	(41,337)	(55,298)	(53,772)	(56,119)	(62,308)	(81,310)	(75,485)	(821,596)
3. TOTAL REVENUES	(101,170)	(81,276)	(78,977)	(77,417)	(57,127)	(41,337)	(55,299)	(53,772)	(56,119)	(62,306)	(81,310)	(75,485)	(821,596)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(3,847)	(3,848)	(3,848)	(3,848)	(3,848)	(3,848)	(3,848)	(3,848)	(3,848)	(3,848)	(3,848)	(3,848)	(46,175)
5. CONSERVATION REVENUE APPLICABLE	(105,017)	(85,123)	(82,825)	(81,265)	(60,975)	(45,185)	(59,147)	(57,620)	(59,967)	(66,156)	(85,158)	(79,333)	(867,771)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	24,084	20,137	57,154	19,595	38,137	55,794	47,402	39,420	61,867	66,255	54,329	322,573	606,747
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	(80,933)	(64,986)	(25,671)	(61,670)	(22,838)	10,609	(11,745)	(18,200)	1,900	99	(30,829)	243,240	(61,024)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(5)	(13)	(20)	(24)	(29)	(31)	(33)	(32)	(30)	(32)	(34)	(18)	(301)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(46,175)	(123,286)	(184,417)	(206,260)	(264,106)	(283,125)	(268,699)	(276,629)	(291,013)	(285,295)	(281,380)	(308,385)	(46,175)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	3,847	3,848	3,848	3,848	3,848	3,848	3,848	3,848	3,848	3,848	3,848	3,848	46,175
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(123,286)	(184,417)	(206,260)	(264,106)	(283,125)	(268,699)	(276,629)	(281,013)	(285,295)	(281,380)	(308,385)	(61,325)	(61,325)

EXHIBIT NO \_\_\_\_\_  
DOCKET NO. 130004-GU  
CHESAPEAKE UTILITIES CORPORATION  
(CDY-3)  
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