

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-**

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**DATE:** June 5, 2015  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 150004-GU  
Company Name: Chesapeake Utilities Corp.  
Company Code: GU616  
Audit Purpose: Natural Gas Conservation Cost Recovery Clause  
Audit Control No: 15-012-1-3

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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 is no confidential work papers associated with this audit.

LMD/cp

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida



**Public Service Commission**

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

**Auditor's Report**

Florida Division of Chesapeake Utilities Corporation  
Gas Conservation Cost Recovery Clause

**Twelve Months Ended December 31, 2014**

Docket No. 150004-GU

Audit Control No. 15-012-1-3

**June 1, 2015**

A handwritten signature in black ink, reading "Donna D. Brown", written over a horizontal line.

Donna D. Brown  
Audit Manager

A handwritten signature in blue ink, reading "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer  
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 12, 2015. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida Division of Chesapeake Utilities Corporation in support of its 2014 filing for the Gas Conservation Cost Recovery Clause in Docket No. 150004-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

CUC/Utility refers to Florida Division of Chesapeake Utilities Corporation.

GCCR refers to Gas Conservation Cost Recovery Clause.

### **Revenue**

**Objectives:** The objectives were to determine the actual therms sold for the period January 1, 2014, through December 31, 2014, and whether the Utility applied the Commission approved gas conservation cost recovery factor to actual therm sales.

**Procedures:** We computed revenues using the factors in Order No. PSC-13-0613-FOF-EI, issued November 20, 2013 and actual therm sales from the Gross Margin Report, and reconciled them to the general ledger and the GCCR filing. We selected a random sample of residential and commercial customers' bills 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) Expenses listed on Schedule CT-3 of the Utility's GCCR filing were supported by adequate documentation and that the expenses were appropriately recoverable through the GCCR.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, charged to the correct account, and appropriately recoverable through the GCCR. We traced the cash incentives from the general ledger to supporting documentation and verified that the incentive amount did not exceed the approved amount reflected in the applicable Orders. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

### **True-Up**

**Objectives:** 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, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Non-Financial Commercial Paper rates, and the 2014 GCCR filing revenues and costs. No exceptions were noted.

## **Analytical Review**

**Objectives:** The objective was to perform an analytical review of the Utility's GCCR Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

**Procedures:** We compared 2014 to 2013 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. No exceptions were noted.

Audit Findings

**None**

## Exhibits

### Exhibit 1: True-Up

COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

SCHEDULE CT-3  
PAGE 1 OF 3

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
SUMMARY OF EXPENSES BY PROGRAM BY MONTH

FOR MONTHS      January-14      THROUGH      December-14

A. CONSERVATION EXPENSE BY PROGRAM	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Residential Home Builder	11,919	26,488	110,785	14,293	21,241	2,307	4,726	13,726	26,176	21,573	5,201	2,376	260,813
2 Residential Appliance Replacement	6,722	11,142	5,969	15,187	11,358	5,048	9,047	8,208	12,318	8,256	7,298	13,068	113,621
3 Residential Propane Distribution													
4 Residential Water Heater Retention	4,766	17,625	8,410	16,338	17,211	6,190	15,431	7,564	17,491	8,233	12,264	10,536	142,057
NG Space Conditioning For Res Homes													
6 Gas Space Conditioning													
7 Conservation Education	5,305	3,978	5,773	5,612	6,506	6,528	8,864	6,070	3,648	7,331	3,928	3,774	67,319
CFG Common	15,573	21,151	24,474	19,432	15,912	20,839	28,868	16,721	24,139	18,948	17,799	17,425	241,281
Conservation Demonstration and Develop.									1,200	(1,200)	652		652
10 Small Food			19	7,440	9,224	14,757	190,437	17,265	93,373	37,582	35,673	27,575	433,345
11 Large Food			19	90	83	61	22,674		196	192	94	5,109	28,517
12 Large Non-Food			19	90	94	50	19		4,752	107	1,427	159	6,716
13 Large Hospitality			19	90	94	50	13,225	15,007	6,198	192	94	6,185	41,153
14 Large Cleaning			19	90	12,244	50	2,520		137	2,543	3,290	4,159	25,053
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5. TOTAL ALL PROGRAMS	44,284	80,384	155,504	78,664	93,968	55,881	295,810	84,561	189,627	103,756	87,719	90,366	1,360,526
6. LESS AMOUNT INCLUDED IN RATE BASE													
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7. RECOVERABLE CONSERVATION EXPENSES	44,284	80,384	155,504	78,664	93,968	55,881	295,810	84,561	189,627	103,756	87,719	90,366	1,360,526

COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

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

FOR MONTHS January-14 THROUGH December-14

B. CONSERVATION REVENUES	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(133,078)	(110,438)	(100,558)	(94,824)	(75,166)	(66,805)	(29,088)	(52,306)	(64,994)	(76,126)	(91,388)	(113,203)	(1,057,774)
3. TOTAL REVENUES	(133,078)	(110,438)	(100,558)	(94,824)	(75,166)	(66,805)	(79,088)	(52,306)	(64,994)	(76,126)	(91,388)	(113,203)	(1,057,774)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	8,041	8,043	8,043	8,043	8,043	8,043	8,043	8,043	8,043	8,043	8,043	8,043	96,514
5. CONSERVATION REVENUE APPLICABLE	(125,037)	(102,395)	(92,515)	(86,781)	(67,123)	(58,562)	(71,045)	(44,263)	(56,951)	(68,083)	(83,345)	(105,160)	(961,260)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	44,84	80,84	155,204	78,64	93,68	55,81	295,10	842,61	189,27	103,25e	87,219	90,66	1,360,226
7. TRUE-UP THIS PERIOD (LINE 5-6)	(80,753)	(22,011)	62,990	(8,117)	26,845	(2,681)	224,766	40,298	132,676	35,673	4,374	(14,794)	399,266
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	2						7	14	14	17	23	26	106
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	96,514	7,722	(22,332)	32,615	16,456	35,260	24,537	241,266	273,535	398,182	425,829	422,183	96,514
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(8,041)	(8,043)	(8,043)	(8,043)	(8,043)	(8,043)	(8,043)	(8,043)	(8,043)	(8,043)	(8,043)	(8,043)	(96,514)
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	7,722	(22,332)	32,615	16,456	35,260	24,537	241,266	273,535	398,182	425,829	422,183	399,372	399,372

COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

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

FOR MONTHS January-14 THROUGH December-14

C. INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE B-9)	96,514	7,722	(22,332)	32,615	16,456	35,260	24,537	241,266	273,535	398,182	425,829	422,183	96,514
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	7,720	(22,332)	32,615	16,455	35,259	24,536	241,259	273,521	398,168	425,812	422,160	399,346	399,266
3. TOTAL BEG. AND ENDING TRUE-UP	104,234	(14,609)	10,283	49,070	51,715	59,795	285,796	514,788	671,704	823,995	847,990	821,530	495,780
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	52,117	(7,305)	5,142	24,535	25,857	29,898	132,898	257,394	335,852	411,997	423,995	410,765	247,890
5. INTEREST RATE- FIRST DAY OF REPORTING BUSINESS MONTH	0.03%	0.05%	0.05%	0.06%	0.05%	0.05%	0.06%	0.07%	0.06%	0.04%	0.06%	0.07%	
6. INTEREST RATE- FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.05%	0.05%	0.06%	0.06%	0.05%	0.06%	0.07%	0.06%	0.04%	0.05%	0.07%	0.05%	
7. TOTAL (LINE C-5 + C-6)	0.08%	0.10%	0.11%	0.11%	0.10%	0.11%	0.13%	0.13%	0.10%	0.10%	0.13%	0.15%	
8. AVG. INTEREST RATE (C-7 XSO%)	0.04%	0.05%	0.05%	0.05%	0.05%	0.06%	0.07%	0.07%	0.05%	0.05%	0.07%	0.08%	
9. MONTHLY AVERAGE INTEREST RATE	0.003%	0.004%	0.005%	0.005%	0.004%	0.005%	0.005%	0.005%	0.004%	0.004%	0.005%	0.006%	
10. INTEREST PROVISION (LINE C-4 X C-9)	2						7	14	14	17	23	26	106