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March 25, 1999

Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Hand Delivery

Re: Undocketed - Review of Regulated Utilities' Year 2000 Preparations and Readiness
(Electric and Gas)

Dear Ms. Bayo:

Enclosed is a copy of the responses by the Florida Division of Chesapeake Utilities Corporation to the questions in the March 5, 1999, Notice of Staff Workshop for the above matter.

Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention.

Sincerely,



Wayne L. Schiefelbein

WLS/l dv
Enclosures

cc:w/encl.: W. Cochran Keating, Div. of Legal Services
Cheryl Banks, Div. of Electric & Gas
Wayne Makin, Div. of Electric & Gas

(Via Hand Delivery)
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FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION
YEAR 2000 READINESS WORKSHOP
WRITTEN RESPONSES TO PSC QUESTIONS
MARCH 29, 1999

The Year 2000

Chesapeake is dependent upon a variety of information systems to operate efficiently and effectively. In order to address the impact of the Year 2000 ("Year 2000" or "Y2K") on its information systems, Chesapeake is in the process of evaluating and remediating any deficiencies. The Company's evaluation of its readiness and the potential impact of the Year 2000 on its systems have been separated into five components: primary internal applications, embedded systems, vendors/suppliers, end-user computing systems and customers.

- Chesapeake's primary internal applications include company maintained software systems for its financial information; natural gas customer information and billing; and propane customer information, billing and delivery. The Company completed testing of these three applications in 1998 and deems them Year 2000 ready.
- Embedded systems include the supervisory control and data acquisition ("SCADA") system for the natural gas transmission segment, telecommunications, metering and other facilities related systems. Chesapeake has currently identified 64 vendors that support the Company's embedded systems. Chesapeake expects to finalize the review for additional vendors and/or embedded systems by the end of the first quarter of 1999. The Company has prioritized these vendors into three potential impact classifications: 15 high impact vendors, supporting items such as the SCADA system; 19 medium impact vendors, supporting systems such as telecommunications; and 30 low impact vendors, supporting items such as copiers and postage meters. The Company has been testing these systems and has contacted all of the vendors currently identified, with 85% responding. Of the vendors contacted, a total of 20 vendors — four high impact, six medium impact and ten low impact vendors — indicated they were Y2K ready. The Company has been either working with vendors to reach a state of readiness with the applicable systems or has changed to vendors or systems that are Y2K ready. The SCADA system, the most critical embedded system, is scheduled to be Y2K ready during the second quarter of 1999. Chesapeake will continue to follow up with vendors that are not Y2K ready and will consider alternate providers as necessary to the extent available.
- Chesapeake has identified 101 vendors/suppliers that supply the Company with products and services that impact various elements of the Company's business. The Company has classified these vendors into three impact classifications: 27 high impact vendors such as suppliers of natural gas or propane; 31 medium impact vendors such as regional communication vendors; and 43 low impact vendors. The Company has requested a Y2K status statement from each of these vendors. The Company has received 72 responses, which indicated that nine medium impact and 13 low impact vendors were Y2K ready. The Company will continue to follow up with vendors that are not Y2K ready and will consider alternate providers as necessary to the extent available.
- End-user computing systems are upgraded periodically through the Company's ongoing replacement program. Almost all of the Company's personal computers are currently Year 2000 ready. Additional personal computers will be replaced during the first quarter of 1999. Chesapeake's local area network is Year 2000 ready as is all PC-based and network-based software.
- Customers, primarily industrial interruptible natural gas customers, must ensure that their plant controls are Year 2000 ready for their alternative fuel. The Company has identified 107 interruptible customers and will contact each of them by the end of the first quarter of 1999. The Company will take into account the results of the survey in developing the natural gas contingency plan.

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The Company believes the most significant potential risks with respect to its internal operations, those over which it has direct control, are its ability to: (1) use electronic devices to control and operate its natural gas delivery systems; (2) maintain continuous operation of its computer systems; (3) render timely bills to its customers; and (4) enforce tariffs and contracts applicable to interruptible customers.

The Company relies on the producers of natural gas and suppliers of interstate transportation capacity to deliver natural gas to the Company's natural gas delivery systems. The Company is also dependent on propane producers, suppliers and railroad facilities to receive propane supply. Chesapeake is also dependent on various suppliers of communication services. Should any of these critical vendors fail, the impact of any such failure could become a significant challenge to the Company's ability to meet the demands of its customers, to operate its delivery systems and to communicate with its customers. It could also have a material adverse financial impact, including but not limited to, lost sales revenues, increased operating costs and claims from customers related to business interruptions. The Company's Year 2000 evaluation process is addressing each of these risks and the required remediation. The Company is developing its contingency plan for the Year 2000, which will address various alternatives and will include assessing a variety of scenarios that could emerge and require the Company to react. Chesapeake expects to have its contingency plan finalized by the end of the second quarter of 1999. The contingency plan will continue to be modified as warranted by changing events.

The costs incurred as of December 31, 1998 in addressing Year 2000 issues have been immaterial. The Company has estimated costs of \$270,000 to replace and/or remediate specific embedded systems. However, until the Company has completed further analysis of the impact of the Year 2000 issue on its embedded systems, vendors/suppliers, end-user computing systems, customers and contingency planning, it is unable to estimate any additional costs it may incur as a result of its efforts.

Presently, no Year 2000-impacted internal applications or embedded systems have been identified that cannot be upgraded or modified within acceptable time frames. The target date for completion of all Year 2000-related activities remains at mid-1999.

Notification to Customers

Attached to this response is a copy of the first of two Year 2000 letters the Company will be sending to all customers in order to educate them with respect to our year 2000 preparation efforts. The attached letter will be included as a bill insert to all customers during April 1999.



April 1999

Central Florida Gas Company Readies for the Year 2000

As the millennium nears, the anticipation of what will actually happen when the clocks turn over to 2-0-0-0 grows. We are already fielding a number of calls from concerned customers looking for reassurance from us that there will be no interruption in their gas service when the New Year's bell tolls. Since 1996, Central Florida Gas Company has been preparing for the inevitable "Year 2000", "Millennium Bug" or "Y2K" by engaging in a strategic initiative to assess, correct and test all of our information systems and date sensitive equipment.

The potential problem originates from the early computer age when systems were programmed to recognize the year by the last two-digits rather than the actual four-digits. This year, when the date changes from 1-9-9-9 to 2-0-0-0, some computers may believe the year to be 1900 rather than the actual 2000. This could result in a computer or computer-operated device shutting down or performing inconsistently.

Central Florida Gas Company's Year 2000 Challenge

We are pleased with the progress we have made to date in readying for Year 2000 and have yet to identify any applications or systems that cannot be upgraded or modified within acceptable time frames. We are also on target for completion of all Year 2000-related activities by mid-1999.

Because we are dependent upon a variety of information systems to operate efficiently and effectively, we have placed a priority on the preparation and readiness of our systems for the Year 2000. Specifically, our initiative has addressed the following five components:

- **Primary Internal Applications:** Central Florida Gas Company's primary internal applications include systems for our financial information, natural gas customer information and billing and propane customer information, billing and delivery. In 1998, we completed testing of these three primary applications and have found them to be Year 2000 compliant.
- **Embedded Systems:** Systems that use "internal" or "embedded" computers or computer-operated devices such as telephone, system control and data acquisition for the natural gas transmission segment as well as other facilities-related systems. Once the initial inventory of these types of systems had been completed, we began contacting system vendors and testing all systems. We will repair or replace embedded systems to the extent necessary.

Central Florida Gas Company
A Division of Chesapeake Utilities Corporation

- **Business Partners:** Vendors and suppliers of products and services critical to our business, such as the supply of natural gas and propane, have been identified. We are currently in the process of contacting them to determine each company's Year 2000 status. We will consider alternative providers if necessary.
- **Employee Computer Systems:** We have upgraded and replaced many personal computers so that all employee personal computers or "PC's" will be Year 2000 ready. Our Local Area Network, which creates an information link for all of our offices, is also Year 2000 ready as well as all PC-based and network-based software.
- **Customers:** Our customers, primarily industrial that use natural gas on an interruptible basis, must ensure us of their ability to switch to an alternative fuel source if needed. We are currently in the process of identifying and contacting these customers. This initiative is aimed at maintaining the integrity or soundness of our distribution network in the unlikely event of a Year 2000 related problem.

An additional part of our Year 2000 Challenge initiative is the development of a contingency plan to address potential internal and external challenges should an unforeseen problem arise. As we continue to assess, correct and test throughout the remainder of 1999, we will address these potential challenges by adding to our contingency plan as needed.

We feel confident that we are making every effort to ensure that we will operate efficiently through the turn of the century and well into the next.

Because being ready for the Year 2000 is our choice at Central Florida Gas Company.