

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION)
OF CHESAPEAKE UTILITIES CORPORATION)
FOR APPROVAL OF A CHANGE IN ITS GAS) PSC DOCKET NO. 04-334F
SALES SERVICE RATES ("GSR") TO BE)
EFFECTIVE NOVEMBER 1, 2004)
(FILED SEPTEMBER 1, 2004))

ORDER NO. 6540

This 21st day of December, 2004, the Commission finds, determines, and Orders the following:

1. On September 1, 2004, Chesapeake Utilities Corporation ("Chesapeake" or "the Company"), filed an application seeking approval to tariff new Gas Sales Service rates ("GSR") to be in effect during the period from November 1, 2004, until the next annual adjustment date of November 1, 2005. By PSC Order No. 6471 (Sept. 14, 2004), the Commission allowed the Company's proposed new GSR rates to go into effect, on a temporary basis and subject to refund and true-up, for gas services provided after November 1, 2004. Those rates are now under review in proceedings pending before Hearing Examiner William F. O'Brien.

2. Sheet No. 42 of Chesapeake's P.S.C. Del. No. 4-Gas Tariff sets forth a procedure to be used to adjust the Company's GSR rates during the applicable period if either over-recoveries or under-recoveries are projected to exceed specified percentage limitations. Thus, if it appears that the continued use of then-effective GSR rates will result in an under-collection of gas costs by more than 6% of the sum of the actual firm gas costs to date and the projected firm gas costs for the remainder

of the over/under projection period,¹ then the Company must file - and the Commission must then review - new GSR rates. These new rates are then effective until the next annual adjustment in such rates.

3. By supplemental application filed December 1, 2004, the Company filed for adjustments to the GSR factors under the above tariff provision. According to the Company, if the GSR rates allowed by PSC Order No. 6471 were continued in effect during the present over/under collection period, the Company would, based on actual gas costs to date and projected firm gas costs, under-recover its gas costs by \$4,811,598 or 12.51%. Chesapeake now seeks approval to make adjustments to its GSR rates to be effective January 1, 2005, in order to mitigate this projected under-recovery amount.

4. Consistent with the directive in Sheet No. 42 of Chesapeake's Gas tariff, the Commission will allow the GSR rate adjustments proposed in the supplemental application to go into effect, on a temporary basis and subject to a true-up and refund (if necessary). The Commission will, in light of the amount of the increases brought about by these adjustments, also provide public notice of these adjustments and provide for another period for interested persons to intervene. The justness and reasonableness of the adjusted GSR rates as proposed in the December 1, 2004 supplemental application shall be considered as part of the ongoing proceedings in this docket.

Now, therefore, **IT IS ORDERED:**

1. That, pursuant to 26 Del. C. §§ 303(b), 304, and 306(a)(2), and Sheet No. 42 of Chesapeake Utilities Corporation's P.S.C. Del. No. 4

¹The "over/under period" used to calculate the need for such an "out-of-band" adjustment is the twelve-month period ending on October 31 within the projected period.

- Gas Tariff, the modifications to the Gas Service Sales rates contained in the supplemental application filed by Chesapeake Utilities Corporation on December 1, 2004, are hereby allowed to go into effect, on a temporary basis and subject to a true-up reconciliation and refund, pending the completion of full evidentiary hearings and a final decision by the Commission in this docket. Such adjusted Gas Sales Service rates shall be effective for service on and after January 1, 2005, with proration. The sixty (60) day requirement set forth in 26 Del. C. § 304 is hereby waived. The rates allowed to go into effect are as follows:

TEMPORARY GAS SALES SERVICE RATES

<u>Service Classification</u>	<u>GSR Rate</u>
RS, GS, MVS, & LVS	\$1.135/Ccf
GLR, GLO, GCR, & GCO	\$0.947/Ccf
HLFS & SFS	\$1.077/Ccf

2. That the adjusted Gas Sales Service rates, as proposed in the supplemental application filed December 1, 2004, and allowed to go into effect on a temporary basis in Ordering paragraph one above, shall be examined for justness, reasonableness, and compliance with Sheet No. 42 of the applicant's Gas Tariff, in the ongoing proceedings in this matter now pending before Hearing Examiner William F. O'Brien. Chesapeake Utilities Corporation is again put on notice that it will be charged the costs incurred in connection with this proceeding under the provisions of 26 Del. C. § 114(b)(1).

3. That Chesapeake Utilities Corporation shall give public notice of the filing of its supplemental application and of the Commission's action thereon by publishing notice in the form attached as Exhibit "A" in the legal classified sections of The News Journal and the Delaware

State News newspapers, in two column format outlined in black, on Wednesday, December 29, 2004. The applicant shall file proof of such publication as soon as practical thereafter but not later than the commencement of the evidentiary hearings concerning this matter.

4. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

/s/ Arnetta McRae
Chair

/s/ Joshua M. Twilley
Vice Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

Commissioner

ATTEST:

/s/ Norma J. Sherwood
Acting Secretary

E X H I B I T "A"

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PUBLIC NOTICE OF INCREASE IN GAS RATES

**TO: ALL NATURAL GAS CUSTOMERS OF CHESAPEAKE UTILITIES
CORPORATION AND OTHER INTERESTED PERSONS**

In September, 2004, Chesapeake Utilities Corporation ("Chesapeake" or the "Company"), filed an application with the Delaware Public Service Commission (the "Commission") seeking to establish Gas Sales Service rates ("GSR") for gas service supplied from November 1, 2004 through October 31, 2005. The GSR rates are the component of a customer's bill that reflects the costs that Chesapeake expects to incur to purchase from wholesale suppliers the supply of natural gas needed to serve its subscribers. In PSC Order No. 6471 (Sept. 14, 2004), the Commission allowed the Company's proposed GSR rates to go into effect on a temporary basis pending full evidentiary hearings and a final decision of the Commission. Such GSR rates apply to gas services supplied on or after November 1, 2004.

On December 1, 2004, Chesapeake filed a supplemental application with the Commission seeking approval to make upward adjustments to the earlier GSR rates in order to mitigate an anticipated 12.51% under-recovery of gas costs which likely would occur if the temporary GSR rates

approved in PSC Order No. 6471 would continue in effect. Under Sheet No. 42 of Chesapeake's Gas tariff, the Company must make such a filing to adjust its GSR rates if it projects that it will under-recover its anticipated gas costs by an amount in excess of 6% of such costs. The Company asserts that its under-recovered amount will exceed such threshold due primarily to significant increases in gas supply costs.

At its meeting on December 21, 2004, the Commission allowed the proposed upward adjustments to the Company's GSR rates to go into effect on a temporary basis pending the completion of the previously scheduled evidentiary hearings and a final decision of the Commission in this docket. The Commission took such action in light of the requirements of Sheet No. 42 of the Company's Gas tariff.

The new, temporarily-permitted GSR rates, as compared to the temporary GSR rates approved in PSC Order No. 6471, are shown below:

GAS SALES SERVICE RATES

<u>Service Classification</u>	<u>Previous Temporary Rates</u>	<u>Adjusted Temporary Rates</u>
RS, GS, MVS, & LVS	\$0.995/Ccf	\$1.135/Ccf
GLR, GLO, GCR, & GCO	\$0.824/Ccf	\$0.947/Ccf
HLFS & SFS	\$0.943/Ccf	\$1.077/Ccf

Under the adjusted GSR rates, residential space heating customers using 120 ccf of gas in the winter months will experience an increase of \$16.80, or 10%, in monthly gas billings. **These new GSR rates will be applied to gas services rendered after January 1, 2005.**

Due to this change in rates, the Commission has re-opened the period for interested persons to seek to intervene in this matter. Any person or group wishing to participate formally as a party in this docket (PSC

Docket No. 04-334F), with the right to submit evidence and to be represented by counsel must, in accordance with Rule 21 of the Commission's "Rules of Practice and Procedure," petition the Commission for, and be granted, leave to intervene. To be timely, all such petitions must be filed with the Delaware Public Service Commission at 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover, Delaware 19904 on or before Friday, January 14, 2005. Petitions received thereafter will not be considered except for good cause shown. Persons already granted leave to intervene need not file any additional petition.

Copies of the December 1, 2004 supplemental application and the accompanying testimony and schedules, as well as the materials already filed in this docket, are available for public inspection at the Commission's Dover office at the address set out above.

Individuals with disabilities who wish to participate in these proceedings or to review the filings may contact the Commission to discuss any auxiliary aids or services needed to facilitate such review or participation. Such contact may be in person, by writing, by use of voice, text, or relay telephone, or otherwise. The Commission's toll-free telephone number within Delaware is 1-800-282-8574. The Commission can also be reached at (302) 739-4247 and that number should also be used for Text Telephone ("TT") calls. Inquiries can also be sent to the Commission by Internet e-mail to "funmi.jegade@state.de.us."