

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

IN THE MATTER OF THE APPLICATION OF        )  
CHESAPEAKE UTILITIES CORPORATION        )  
FOR APPROVAL OF AN ALTERNATIVE RATE       ) PSC DOCKET NO. 05-322  
DESIGN AND RATE STRUCTURE IN EASTERN       )  
SUSSEX COUNTY, DELAWARE                 )  
(FILED SEPTEMBER 2, 2005)                 )

**ORDER NO. 6744**

**AND NOW**, to wit, this 11<sup>th</sup> day of October, A.D., 2005, Chesapeake Utilities Corporation (hereinafter "Chesapeake" or "the Company") pursuant to 26 *Del. C.* § 201 filed the above-captioned application (the "Application") with the Public Service Commission ("the Commission") seeking approval: (1) to expand the availability of natural gas service to residents in eastern Sussex County, Delaware; (2) to establish an alternative rate design and rate structure for the expansion areas of eastern Sussex County as reflected in the Application; (3) that Chesapeake not be required to reduce its base tariff delivery rates so long as Chesapeake's rate of return on equity as reported to the Commission does not exceed 15%; (4) to authorize Chesapeake to defer the regulatory costs incurred with respect to this Application for future recovery in the Company's next base rate proceeding; (5) to authorize the Company to capitalize the costs incurred for converting customer equipment to utilize natural gas and include such costs in the Company's rate base; (6) to authorize the Company in its sole discretion to extend its main lines in the expansion rate area if the forecast of return on Company equity exceeds 9%; (8) to authorize the Company to capitalize the acquisition

of facilities purchased from the Propane Service Providers and include the purchase price in the Company's rate base; and (9) to authorize Chesapeake to implement on a temporary basis and subject to refund the alternative rate design and rate structure described herein on November 1, 2005;

**AND**, the Commission having determined, pursuant to 26 *Del. C.* §§ 303 and 304, that the proposed alternative rate design request along with the other elements of this application should be suspended until January 1, 2006 so that the Commission can further study the application in more detail; now, therefore,

**IT IS ORDERED:**

1. That pursuant to 26 *Del. C.* §§ 303 and 304, the Application made by Chesapeake Utilities Corporation on September 2, 2005 for establishment, *inter alia*, of an alternative rate design and rate structure for certain areas of eastern Sussex County, is hereby suspended until January 1, 2006. The suspension of the Application may be further extended beyond January 1, 2006 by Order of this Commission.

2. That William F. O'Brien is designated as Hearing Examiner for this matter pursuant to the terms and provisions of 26 *Del. C.* § 502 and 29 *Del. C.* ch. 101 with authority to schedule and conduct such evidentiary hearings as may be necessary to develop a full and complete evidentiary record concerning this matter, and to report to the Commission his proposed findings and recommendations based on the evidence presented. James McC. Geddes, Esquire, is designated Rate Counsel for this matter.

3. That pursuant to and in satisfaction of the requirements of 26 Del. C. § 304, Chesapeake Utilities Corporation shall give public notice of the filing of this application and of the Commission action thereon by publishing notice in the form attached hereto as Exhibit "A" in The News Journal and Delaware State News newspapers in two-column format outlined in black on October 18, 2005, with proof of such publication to be filed with the Commission as soon thereafter as reasonably practicable but prior to the date set for any evidentiary hearings in this docket.

4. Chesapeake Utilities Corporation is hereby 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).

5. 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

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Vice Chair

/s/ Joann T. Conaway  
Commissioner

/s/ Jaymes B. Lester  
Commissioner

PSC Docket No. 05-322, Order No. 6744 Cont'd.

/s/ Dallas Winslow  
Commissioner

ATTEST:

/s/ Norma J. Sherwood  
Acting Secretary

E X H I B I T "A"

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CHESAPEAKE UTILITIES CORPORATION )  
FOR APPROVAL OF AN ALTERNATIVE RATE ) PSC DOCKET NO. 05-322  
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SUSSEX COUNTY, DELAWARE (FILED )  
SEPTEMBER 2, 2005) )

P U B L I C N O T I C E

**TO: ALL NATURAL GAS CUSTOMERS OF CHESAPEAKE  
UTILITIES CORPORATION**

On September 2, 2005, Chesapeake Utilities Corporation ("Chesapeake" or "the Company") filed an Application with the Delaware Public Service Commission ("the Commission"). The Application requests approval: (1) to expand the availability of natural gas service to residents in eastern Sussex County, Delaware; (2) to establish an alternative rate design and rate structure for these areas of eastern Sussex County as reflected in the Application; (3) that Chesapeake not be required to reduce its base tariff delivery rates so long as Chesapeake's rate of return on equity as reported to the Commission does not exceed 15%; (4) to authorize Chesapeake to defer the regulatory costs incurred with respect to this Application for future recovery in the Company's next base rate proceeding; (5) to authorize the Company to capitalize the costs incurred for converting customer equipment to utilize the natural gas and include such costs in the

Company's rate base; (6) to authorize the Company in its sole discretion to extend its main lines in the expansion rate area if the forecast of return on Company equity exceeds 9%; (8) to authorize the Company to capitalize the acquisition of facilities purchased from the Propane Service Providers and include the purchase price in the Company's rate base; and (9) to authorize Chesapeake to implement on a temporary basis and subject to refund the alternative rate design and rate structure described herein on November 1, 2005.

The Commission has suspended the request for alternative rate design relief and the other aspects of the application until January 1, 2006, and will consider requests and other modifications to become effective as of January 1, 2006, or after full and complete evidentiary hearings and further proceedings to be presided over by the Commission-appointed Hearing Examiner.

Any person or group who wishes to formally participate as a party to this docket (PSC Docket No. 05-322) 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 in the proceedings in this docket by the Hearing Examiner. 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 November 7, 2005. Petitions received thereafter will not be considered except for good cause shown. Copies of all such petitions shall be served upon Chesapeake by mailing copies to the Company at 350 South Queen Street, Post

Office Box 1769, Dover, Delaware 19903, Attn: Manager of Pricing and Regulation.

The Hearing Examiner will consider the Application, including any settlement that might be reached by the parties to the proceeding in hearings to be held at the time and location to be determined by the Hearing Examiner.

Copies of Chesapeake's Application, testimony, and exhibits will be available for public inspection at the Commission's offices at the address set out above during normal business hours, or, by appointment, in the office of the Division of the Public Advocate located on the Fourth Floor of the Carvel State Office Building, 820 North French Street, Wilmington. Please call for an appointment at (302) 577-5077.

Any individual with disabilities who wishes to participate in these proceedings, or to review these filings, should 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, telephonically, by use of the Telecommunications Relay Service, or otherwise. The Commission's toll-free telephone number in Delaware is (800) 282-8574. Persons with questions concerning this application may also contact the Commission by either Text Telephone ("TT") or by regular telephone at (302) 739-4333. Inquiries can also be sent by Internet e-mail addressed to [susan.neidig@state.de.us](mailto:susan.neidig@state.de.us).