

**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 SALES       ) PSC DOCKET NO. 05-315F  
SERVICE RATES ("GSR") TO BE EFFECTIVE     )  
NOVEMBER 1, 2005                                )  
(OPENED AUGUST 31, 2005)                     )

**ORDER NO. 7024**

**AND NOW**, this 19<sup>th</sup> day of September, 2006;

**WHEREAS**, the Commission has received and considered the Findings and Recommendations of the Hearing Examiner issued in the above-captioned docket, which was submitted after a duly noticed public evidentiary hearing, and which is attached to the original hereof as Attachment "A";

**AND WHEREAS**, the Hearing Examiner recommends that the Gas Sales Service Rates proposed by Chesapeake Utilities Corporation in its October 3, 2005 application and its February 23, 2006 supplemental application, be approved as just and reasonable for service rendered on and after November 1, 2005 for the initial application, and for bills rendered on and after March 15, 2006, for the supplemental application;

**AND WHEREAS**, the Hearing Examiner recommends that the Proposed Settlement agreement, which is endorsed by all the parties, and which is attached to the original hereof as Attachment "B", be approved as reasonable and in the public interest; now, therefore,

**IT IS ORDERED:**

1. That, by and in accordance with the affirmative vote of a majority of the Commissioners, the Commission hereby adopts the September 6, 2006 Findings and Recommendations of the Hearing Examiner, appended to the original hereof as Attachment "A".

2. That the Commission approves the Proposed Settlement, appended to the original hereof as Attachment "B", and Chesapeake Utilities Corporation's proposed Gas Sales Service Rates, effective for service on and after November 1, 2005, for the October 3, 2005 application, and on and after March 15, 2006, for the February 23, 2006 supplemental application.

3. That Chesapeake Utilities Corporation's proposed rates are approved as just and reasonable rates effective November 1, 2005, and March 15, 2006, as set forth below:

<u>Service Classification</u>	<u>Effective 11/1/05</u>	<u>Effective 3/15/06</u>
RS, GS, MVS, LVS	\$1.596 per ccf	\$1.383 per ccf
GLR, GLO, GCR, GCO	\$1.421 per ccf	\$1.201 per ccf
HLFS, SFS	\$1.552 per ccf	\$1.340 per ccf
Firm Balancing Rate (LVS)	\$0.038 per ccf	(unchanged)
Firm Balancing Rate (HLFS, SFS)	\$0.017 per ccf	(unchanged)

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/ Joann T. Conaway  
Commissioner

/s/ Jaymes B. Lester  
Commissioner

/s/ Dallas Winslow  
Commissioner

/s/ Jeffrey J. Clark  
Commissioner

ATTEST:

/s/ Karen J. Nickerson  
Secretary

A T T A C H M E N T "A"

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SALES SERVICE RATES ("GSR") TO BE )  
EFFECTIVE NOVEMBER 1, 2005 )  
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FINDINGS AND RECOMMENDATIONS OF THE HEARING EXAMINER

DATED: SEPTEMBER 6, 2006

WILLIAM F. O'BRIEN  
HEARING EXAMINER

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**FINDINGS AND RECOMMENDATIONS OF THE HEARING EXAMINER**

William F. O'Brien, duly appointed Hearing Examiner in this Docket pursuant to 26 *Del. C.* § 502 and 29 *Del. C. Ch.* 101, by Commission Order No. 6738, dated October 11, 2005, reports to the Commission as follows:

**I. APPEARANCES**

On behalf of the Applicant, Chesapeake Utilities Corporation - Delaware Division ("Chesapeake" or "Company"):

Parkowski, Guerke & Swayze, P.A.,  
BY: WILLIAM A. DENMAN, ESQUIRE

On behalf of the Public Service Commission Staff ("Staff"):

Murphy, Spadaro & Landon  
BY: FRANCIS J. MURPHY, ESQUIRE

On behalf of the Division of the Public Advocate ("DPA"):

G. ARTHUR PADMORE, PUBLIC ADVOCATE

**II. BACKGROUND**

1. On October 3, 2005, Chesapeake applied to the Public Service Commission ("Commission") for approval of changes to its Gas Sales Service Rates ("GSR") to become effective for service rendered on and after November 1, 2005. On February 23, 2006, Chesapeake filed a

Supplemental Application seeking a decrease to its proposed GSR, to be effective for service rendered on and after March 15, 2006. The proposed rates, as compared to the current, approved rates, are as follows (per ccf):

<u>Service Classification</u>	<u>Effective 1/1/05 (approved)</u>	<u>Effective 11/1/05 (proposed)</u>	<u>Effective 3/15/06 (proposed)</u>
RS, GS, MVS, LVS	\$1.135	\$1.596	\$1.383
GLR, GLO, GCR, GCO	\$0.947	\$1.421	\$1.201
HLFS, SFS	\$1.077	\$1.552	\$1.340
Firm Balancing Rate (LVS)	\$0.041	\$0.038	(unchanged)
Firm Balancing Rate (HLFS, SFS)	\$0.021	\$0.017	(unchanged)

2. According to Chesapeake, under the proposed rates (as adjusted), residential space heating customers using 120 ccf of gas in the winter months will experience an increase of \$29 or 16%, in monthly gas billings over the rate in effect prior to November 1, 2005. Commercial and industrial customers will see increases in the range of 16% to 20% during a winter month, depending on their Service Classification.

3. Pursuant to 26 Del. C. §§ 304 and 306, the Commission, in Orders Nos. 6738 (Oct. 11, 2005) and 6854 (Feb. 28, 2006), permitted the proposed rate changes to go into effect on November 1, 2005, and March 15, 2006, on a temporary basis subject to refund, pending full evidentiary hearings. The Commission designated this Hearing Examiner to conduct such hearings and to report to the Commission proposed findings and recommendations based on the evidence presented.

4. On September 21, 2005, the DPA filed its notice of intervention.

5. A duly noticed<sup>1</sup> public comment hearing was conducted on January 18, 2006, in the Commission's Dover office. Two members of the public attended the hearing and offered comments, which are summarized below. No written comments were received.

6. A duly noticed public evidentiary hearing was commenced on July 12, 2006, but was adjourned at the request from the parties for additional time to negotiate a settlement agreement. The evidentiary hearing was completed on August 23, 2006, after the parties submitted a proposed settlement agreement ("Proposed Settlement"), which, if adopted, would resolve all issues in the case. (Ex. 11.) The record, as developed at the hearing, consists of an 81-page verbatim transcript and eleven exhibits. As there were no issues in dispute, post-hearing briefs were deemed unnecessary.

7. I have considered all of the record evidence and the Proposed Settlement and, based thereon, I submit for the Commission's consideration these findings and recommendations.

### **III. PUBLIC COMMENT**

8. Two customers offered comments at the January 18, 2006 public comment hearing and there were no written comments submitted. Abigail Burk of Dover stated that when she called the Company to ask why her rates are so high, she was told that prices on everything have gone up and that hurricane Katrina had an effect. Tr. 20. She did

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<sup>1</sup> The affidavits of publication of notice from the *Delaware State News* and *The News Journal* are included in the record as Exhibit 1. Exhibits will be cited as "Ex.\_\_\_\_" and references to the hearing transcript will be cited as "Tr.\_\_\_\_."

... (footnote continued to next page.)

not understand, however, why we are paying for the effects of Katrina nor why her bills are so high when winter temperatures are so much higher than average. She also asserted that there is no justification for a 30% increase, especially when workers are lucky to get a 2% raise. Earl Mays noted that Chesapeake's GSR rates are up over 40%, in total, since last fall, rather than the 30% that was advertised. He also questioned whether current customers have to pay for the gas mains that are constructed for new development.<sup>2</sup>

#### **IV. UUSUMMARY OF THE EVIDENCE**

9. Jennifer A. Clausius, Manager of Pricing and Regulation for Chesapeake, submitted pre-filed direct testimony, dated October 3, 2005, and supplemental testimony, dated February 23, 2006. (Exs. 2, 3.) Ms. Clausius described the calculations of the three proposed gas sales service rates and discussed the Company's gas supply and transportation service offerings. According to Ms. Clausius, the three GSR rates were developed in accordance with the approved gas cost recovery mechanism prescribed by the Company's natural gas tariff. (Ex. 2 at 6.) Ms. Clausius testified that the proposed increase in GSR rates reflect significant increases in natural gas commodity prices (*i.e.*, variable costs) due to the effects of recent hurricane activity in the Gulf of Mexico and increases in daily firm transportation entitlements on the Eastern Shore Natural Gas Company ("ESNG") pipeline (*i.e.*, fixed costs.) (Ex. 2 at 7-8.)

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<sup>2</sup> In response to the comments, Company representatives stated that in the fall of 2005 hurricanes Katrina and Rita disrupted much of the natural gas production in the Gulf of Mexico, which shortened supply and drove prices up. Tr. 25. The effect was mitigated somewhat, however, by the lower demand resulting from warmer winter temperatures. Tr. 29. It was also acknowledged ... (footnote continued to next page.)

10. In her supplemental testimony, Ms. Clausius explained why it was necessary for Chesapeake to file a supplemental application, or "out-of-cycle" GSR filing. (Ex. 3.) According to the Company's gas tariff, if its latest estimated over-collection exceeds 4.5 percent of the actual firm gas costs incurred to date along with its latest firm gas cost estimates for the remainder of the over/under collection period, then the Company must apply for revised GSR charges to be effective until the next annual adjustment in rates. When the Company filed its supplemental application, the Company estimated that the over-collection level would be approximately 8.84 percent for the over/under collection period ending October 31, 2006. (*Id.* at 4.)

11. Susan J. Phinnessee, Manager of Gas Supply and Procurement for Chesapeake, submitted pre-filed direct testimony, dated October 3, 2005, and supplemental testimony, dated February 23, 2006. (Exs. 5, 6.) Ms. Phinnessee provided background support for the GSR calculations and addressed the Company's gas supply and transportation service offerings. In addition, Ms. Phinnessee described the Company's gas supply procurement activities and explained its relationship with its "asset manager." (Ex. 5-4-5.) According to Ms. Phinnessee, its Asset Management Agreement benefits firm customers because it provides the Company with access to reliable and flexible supply alternatives in addition to enhanced fixed cost recovery relating to the Company's transportation and storage entitlements. The guaranteed cost recovery achieved by the Company is reflected in a credit to the firm customers through the Company's margin sharing mechanism. (*Id.* at 5.)

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that the increase in the GSR itself is 40% but that its effect on a customer's ... (footnote continued to next page.)

12. Funmi Jegede, a Public Utilities Analyst for Staff, submitted pre-filed direct testimony, dated June 1, 2006. (Ex. 10.) Ms. Jegede reviewed both the original filing and the supplemental filing and verified that the projected commodity prices are reasonable and that the proposed rates comply with Chesapeake's tariff. Ms. Jegede, therefore, recommended approval of all of the proposed rate increases. (*Id.* at 12-13, 22.) However, Ms. Jegede testified that Staff believes that the Company could improve the management of its fixed costs and she questioned the Company's reliance on its asset manager for its portfolio management. (*Id.* at 6.) Ms. Jegede recommended that the Company provide Staff with periodic updates of: (1) its progress in PSC Docket No. 05-322; (2) the steps it takes to mitigate the effect of rising gas costs; and (3) its "hypothetical" commodity transactions under its proposed hedging program. Finally, Ms. Jegede recommended that the Company file a formal hedging plan, without further delay, for implementation when it files its next GSR application. (*Id.* at 22.)

13. Andrea C. Crane, Vice President of The Columbia Group, submitted pre-filed direct testimony, dated June 1, 2006, on behalf of DPA. (Ex. 8 (confidential version) and Ex. 9 (public version).) Ms. Crane did not recommend any changes to the proposed GSR charges. She did, however, conclude that the Company's GSR rates are "very high" relative to those charged by other utilities in the area and she recommended, among other things, that the Commission terminate the Company's sharing of interruptible margins and other shared revenues until the Company demonstrated the reasonableness of its costs. (Ex.

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total gas bill amounts to about 30%. Tr. 28.

9 at 5-6.) Ms. Crane also recommended that the Company work with Staff and DPA on its gas hedging program and address how it will manage its procurement activities once its Asset Management Agreement ends on May 31, 2007.

14. Ms. Clausius and Ms. Phinnessee submitted prefiled rebuttal testimony, dated June 26, 2006, in which they responded to the recommendations and to certain statements made by Ms. Jegede and Ms. Crane. (Exs. 4, 7.) Ms. Clausius provided several reasons why it is unreasonable to compare Chesapeake's GSR rates with those of other utilities in the area, including the fact that its location on the Delmarva Peninsula causes it to utilize an additional interstate pipeline. (Ex. 4 at 5-6.) Ms. Clausius also explained how Chesapeake has justified its costs in its quarterly reports and described how eliminating the revenue sharing would hurt shareholders and customers. (*Id.* at 10.) With respect to its hedging program, Ms. Clausius noted that it has already implemented its program, which it has modified to account for the artificially high gas costs caused by the recent hurricane damage to production assets in the Gulf Coast region. (*Id.* 20 - 21.) Ms. Phinnessee defended the Company's use of an asset manager (through which it purchases one part of its supply, with guaranteed cost recovery) and noted that it plans to distribute its next asset management RFP to potential candidates by July 7, 2006. (Ex. 7.)

15. At the hearing, the parties submitted a Proposed Settlement, in which they agreed that the Company would hire a consultant to review its hedging program (at a cost of up to \$20,000, half of which the Company may seek recovery of in its next rate case). (Ex. 11.) The parties also agreed to certain revisions to the Company's

reporting requirements regarding its hedging program, regarding ESNG's filings at the Federal Energy Regulatory Commission and regarding Chesapeake's long-term strategic planning. In addition, the Company agreed to provide certain information pertaining to its RFP process for its next asset management agreement, its gas costs relative to other utilities, and the steps it takes to mitigate the effects of rising gas costs. (Tr. 67-69 (Clausius).)

**V. DISCUSSION**

16. The Commission has jurisdiction in this matter pursuant to 26 Del. C. § 303(b).

17. As discussed above, Staff and DPA have verified that Chesapeake developed the proposed GSR rates using reasonable price projections and made its calculations in conformance with its tariff. Although the size of the proposed increase is significant, the rates are a reflection of rising market prices for natural gas during the determination period, and, under its tariff, Chesapeake recovers such costs (without any profit component) through its gas cost recovery mechanism. Based on the Company's supporting testimony and documentation, and on Staff and DPA's favorable recommendations, I find that the proposed rates are just and reasonable and in compliance with the Company's tariff. I recommend, therefore, that the Commission approve the GSR rates as proposed in the Company's initial and supplemental applications, as seen above at paragraph 1.

18. Regarding the issues raised by Staff and DPA in their direct testimony, the parties agreed to enter into the Proposed Settlement as a resolution of all such matters. The terms of the settlement are summarized above (at paragraph 15) and are, of course, delineated in the Proposed Settlement document, which is attached hereto. The

settlement terms, which were reached by parties representing the interests of shareholders and customers, appear to be a reasonable resolution to the issues raised by Staff and DPA. I agree with Ms. Clausius, Ms. Jegede, and Ms. Crane, therefore, that adoption of the Proposed Settlement would be in the public interest.

**VI. RECOMMENDATIONS**

20. In summary, and for the reasons discussed above, I propose and recommend to the Commission the following:

- A. That the Commission approve as just and reasonable the Company's proposed revised GSR charges as proposed in the Company's initial and supplemental applications; and
- B. That the Commission adopt as reasonable and in the public interest the Proposed Settlement, which is attached to the proposed Order in this matter.

A proposed order, which will implement the foregoing recommendations, is attached hereto.

Respectfully submitted,

/s/ William F. O'Brien  
William F. O'Brien  
Hearing Examiner

Dated: September 6, 2006

**A T T A C H M E N T “B”**

**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. 05-315F  
SALES SERVICE RATES (“GSR”) TO BE       )  
EFFECTIVE NOVEMBER 1, 2005               )  
(FILED OCTOBER 3, 2005)                    )

**PROPOSED SETTLEMENT**

On this 23rd day of August, 2006, Chesapeake Utilities Corporation, a Delaware corporation (hereinafter "Chesapeake" or the "Company"), and the other undersigned parties (all of whom together are the "Settling Parties") hereby propose a settlement that, in the Settling Parties' view, appropriately resolves all issues raised in this proceeding.

**I.     INTRODUCTION**

1. In October, 2005, Chesapeake filed with the Delaware Public Service Commission (the "Commission") an application (the "Original Application") for a change in its Gas Sales Service Rates to be effective for service rendered on and after November 1, 2005. In Commission Order No. 6738 dated October 11, 2005, the Commission allowed Chesapeake's proposed rates to go into effect on November 1, 2005 on a temporary basis pending full evidentiary hearings and a final decision of the Commission. On February 23, 2006, Chesapeake filed a supplemental application (the "Supplemental Application") with the Commission seeking approval to make downward adjustments to the earlier GSR rates in order to mitigate an anticipated 8.84% over-recovery of gas costs which likely would occur if the temporary GSR rates previously approved in PSC Order No. 6738 would continue in effect. At its meeting on

February 28, 2006, the Commission allowed the proposed downward adjustments to go into effect on a temporary basis.

2. On or about June 1, 2006, the Commission Staff (the "Staff") filed its prefiled testimony (Exhibit 10). On or about June 1, 2006, the Division of the Public Advocate (the "DPA") filed its prefiled testimony (Exhibit 9). The testimony of the Staff and DPA, among other things, raised several cost recovery and reporting issues.

3. Subsequently, on June 26, 2006, Chesapeake filed its rebuttal testimony in this docket (Exhibit 8) pursuant to which Chesapeake took issue with various recommendations of the Staff and DPA regarding several cost recovery and reporting issues.

4. During the course of this proceeding, the parties have conducted substantial written discovery in the form of both informal and formal data requests.

5. The Settling Parties have conferred in an effort to resolve all cost recovery and reporting issues raised in this proceeding. The Settling Parties acknowledge that the parties differ as to the proper resolution of many of the underlying issues in this proceeding. Notwithstanding these differences, the Settling Parties have agreed to enter into this Proposed Settlement on the terms and conditions contained herein, because they believe that this Proposed Settlement will serve the interest of the public and the Company, while meeting the statutory requirement that rates be both just and reasonable.

## **II. SETTLEMENT PROVISIONS**

6. DPA and Staff have concerns, expressed in their testimonies, regarding the Company's hedging program, which began in November 2005. The DPA and Staff reserve their rights to argue in the next GSR proceeding that any losses sustained in the current GSR period (2005-2006) should not be borne by ratepayers.

7. The Company will hire a consultant to review its hedging program and make recommendations regarding the hedging program. The Company will agree to fund up to \$20,000 in consultant costs. The Company may defer these costs until the next base rate case, at which time the Company will have the right to seek recovery of 50% of these costs and other parties will have the right to oppose recovery. The remaining 50% of these costs will be absorbed by shareholders.

8. The Gas Hedging Reports submitted by the Company to the Staff and DPA will be revised to provide summary information regarding the hedging decisions made by the Company, and the Gas Hedging Reports will be updated to reflect the Company's current hedged position vs. NYMEX futures prices for months that have not yet settled.

9. Issues relating to the sharing of off-system sales and capacity release margins may be addressed in Docket No. 05-322. If not, any party may raise the issue of the sharing of margins in the Company's next GSR proceeding.

10. Information on the gas procurement rates charged by 10 other utilities in the area will be included for informational purposes as part of future GSR filings.

11. The Company will provide the following information on its Asset Management Agreement procurement process: a) number of entities receiving the Company's Request For Proposal; b) number of respondents; c) evaluation criteria; and d) analysis of bids.

12. Chesapeake will notify the Staff and DPA of Eastern Shore Natural Gas Company filings with the Federal Energy Regulatory Commission. Such notification will include a summary of the filing, whether or not Chesapeake intends to intervene, and the anticipated impact on Chesapeake's firm customers.

13. Before the Company's next GSR filing, the Company will provide the Staff and DPA with an update on the status of the Company's Sussex County expansion filing (PSC Docket 05-322).

14. The Company will include, in its future GSR applications, an update on steps taken to mitigate the effect of rising gas costs, such as, enrollment in the budget billing program and promotion of conservation.

15. The Company agrees that its next Long-Term Gas Supply and Demand Strategic Plan will be filed with the Commission no later than September 30, 2006.

16. The Settling Parties agree that the Company's proposed rates as set forth in the Company's Original Application, and as subsequently modified by the Company's Supplemental Application, are just and reasonable rates

### **III. STANDARD PROVISIONS AND RESERVATIONS**

17. The provisions of this Proposed Settlement are not severable.

18. This Proposed Settlement recommends a compromise for the purposes of settlement and shall not be regarded as a precedent with respect to any rate making or any other principle in any future case or in any existing proceeding, except that, consistent with and subject to the provisos expressly set forth below, this Proposed Settlement shall preclude any Settling Party from taking a contrary position with respect to issues specifically addressed and resolved herein in proceedings involving the review of this Proposed Settlement and any appeals related to this Proposed Settlement. No party to this Proposed Settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or the resolution of any particular issue addressed in this Proposed Settlement other than as specified herein, except that each Settling Party agrees that the Proposed Settlement may be submitted to the Commission for a determination that it is in the public interest and that no Settling Party will oppose such a determination. Except as expressly set forth below, none of the Settling Parties waives any rights it may have to take any position in future proceedings regarding the issues in this proceeding, including positions contrary to positions taken herein or previously taken.

19. In the event that this Proposed Settlement does not become final, either because it is not approved by the Commission or because it is the subject of a successful appeal and remand, each of the Settling Parties reserves its respective rights to submit additional testimony, file

briefs, or otherwise take positions as it deems appropriate in its sole discretion to litigate the issues in this proceeding.

20. The Proposed Settlement will become effective upon the Commission's issuance of a final order approving this Proposed Settlement and all the settlement terms and conditions without modification. After the issuance of such final order, the terms of this Proposed Settlement shall be implemented and enforceable notwithstanding the pendency of a legal challenge to the Commission's approval of this Proposed Settlement or to actions taken by another regulatory agency or Court, unless such implementation and enforcement is stayed or enjoined by the Commission, another regulatory agency, or a Court having jurisdiction over the matter.

21. The obligations under this Proposed Settlement, if any, that apply for a specific term set forth herein shall expire automatically in accordance with the term specified, and shall require no further action for their expiration.

22. The Settling Parties may enforce this Proposed Settlement through any appropriate action before the Commission or through any other available remedy. The Settling Parties shall consider any final Commission order related to the enforcement or interpretation of this Proposed Settlement as an appealable order to the Superior Court of the State of Delaware. This shall be in addition to any other available remedy at law or in equity.

23. If a Court grants a legal challenge to the Commission's approval of this Proposed Settlement and issues a final non-appealable order which prevents or precludes implementation of any material term of this Proposed Settlement, or if some other legal bar has the same effect, then this Proposed Settlement is voidable upon written notice by any of the Settling Parties.

24. This Proposed Settlement resolves all of the issues specifically addressed herein and precludes the Settling Parties from asserting contrary positions during subsequent litigation in this proceeding or related appeals; provided, however, that this Proposed Settlement is made without admission against or prejudice to any factual or legal positions which any of the Settling Parties may assert (a) in the event that the Commission does not issue a final order approving this Proposed Settlement without modifications; or (b) in other proceedings before the Commission or other governmental body so long as such positions do not attempt to abrogate this Proposed Settlement. This Proposed Settlement is determinative and conclusive of all of the issues addressed herein and, upon approval by the Commission, shall constitute a final adjudication as to the Settling Parties of all of the issues in this proceeding.

25. This Proposed Settlement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission should fail to grant such approval, or should modify any of the terms and conditions herein, this Proposed Settlement will terminate and be of no force and effect, unless the Settling Parties agree to waive the application of this provision. The Settling Parties will make their best efforts to support this Proposed Settlement and to secure its approval by the Commission.

26. It is expressly understood and agreed that this Proposed Settlement constitutes a negotiated resolution of the issues in this proceeding and any related court appeals.

#### **IV. CONCLUSION**

Intending to legally bind themselves and their successors and assigns, the undersigned parties have caused this Proposed Settlement to be signed by their duly authorized representatives.

**Chesapeake Utilities Corporation**

Dated: 8-21-06

By: /s/ Stephen C. Thompson

**Delaware Public Service Commission Staff**

Dated: 8-23-06

By: /s/ Connie S. McDowell

**The Division of the Public Advocate**

Dated: 8-23-06

By: /s/ G. Arthur Padmore