

**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. 06-287F
SERVICE RATES ("GSR") TO BE EFFECTIVE)
NOVEMBER 1, 2006)
(FILED SEPTEMBER 1, 2006))

ORDER NO. 7040

AND NOW, to-wit, this 3rd day of October, 2006, Chesapeake Utilities Corporation having, on September 1, 2006, filed with the Commission an application for proposed changes in its Gas Sales Service Rates ("GSR") to become effective for gas service rendered on and after November 1, 2006;

AND, the Commission having determined, pursuant to 26 Del. C. §§ 303, 304, and 306, to permit the proposed rate changes to become effective, but subject to refund, for gas service usage on and after November 1, 2006 (with proration) pending further review and a final decision by the Commission; now, therefore,

IT IS HEREBY ORDERED:

1. That, pursuant to 26 Del. C. §§ 304 and 306, by the affirmative vote of not less than three Commissioners, the tariff revisions proposed by Chesapeake Utilities Corporation in its application filed on September 1, 2006, that would: (a) decrease its Gas Sales Service Rate for customers taking service under rate schedules RS, GS, MVS, and LVS to \$1.340 per Ccf; (b) decrease its Gas Sales Service Rate for customers taking service under rate schedules GLR, GLO, GCR, and GCO to \$1.125 per Ccf; (c) decrease its Gas Sales Service Rate for customers

taking service under rate schedules HLFS and SFS to \$1.280 per Ccf; (d) increase the firm balancing rate to \$.039 per Ccf for transportation customers served under rate schedule LVS; and (e) continue the firm balancing rate of \$.017 per Ccf for transportation customers served under rate schedules HLFS and SFS, are permitted to go into effect for gas service usage on and after November 1, 2006 (with proration), pending evidentiary hearings and a final decision by the Commission. Such rates shall be subject to refund depending on such final decision.

2. That William F. O'Brien is designated as the Hearing Examiner for this docket pursuant to 26 Del. C. § 502 and 29 Del. C. ch. 101. Senior Hearing Examiner O'Brien shall conduct such public evidentiary hearings as may be necessary or appropriate to develop a full and complete record concerning this matter. Senior Hearing Examiner O'Brien shall thereafter report to the Commission his proposed findings and recommendations based on the evidence presented. Pursuant to Rule 21 of the Commission's Rules of Practice and Procedure, Senior Hearing Examiner O'Brien is specifically delegated the authority to grant or deny petitions to intervene. In addition, Senior Hearing Examiner O'Brien is authorized to determine, under 26 Del. C. § 102A, the appropriate form and manner of public notice for any further proceeding in this matter. Francis J. Murphy, Esquire, is designated as Rate Counsel for this matter.

3. That Chesapeake Utilities Corporation is hereby advised that the cost of this proceeding will, under the provisions of 26 Del. C. § 114(b)(1), be charged to the utility.

4. That Chesapeake Utilities Corporation shall provide public notices of the filing of this application and of this Commission action thereon by publishing notice in the form attached hereto 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 the following dates: Wednesday, October 11, 2006 (The News Journal) and Thursday, October 12, 2006 (Delaware State News). Proof of such publication shall be provided to the Commission as soon as possible but not later than the commencement of the evidentiary hearings concerning this matter.

5. The Commission reserves the jurisdiction and authority to enter such other or 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

E X H I B I T "A"

**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. 06-287F
SERVICE RATES ("GSR") TO BE EFFECTIVE)
NOVEMBER 1, 2006)
(FILED SEPTEMBER 1, 2006))

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

**OF CHANGES TO THE GAS SALES RATES
FOR THE CHESAPEAKE UTILITIES CORPORATION**

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

Pursuant to 26 Del. C. §§ 303(b) and 304, Chesapeake Utilities Corporation ("Chesapeake" or "the Company") has filed with the Public Service Commission (the "Commission") an application proposing to change its current Gas Sales Service Rates ("GSR") in the following manner: (1) to decrease the GSR rate from \$1.383 per Ccf to \$1.340 per Ccf for customers served under rate schedules RS, GS, MVS, and LVS; (2) to decrease the GSR rate from \$1.201 per Ccf to \$1.125 per Ccf for customers served under rate schedules GLR, GLO, GCR, and GCO; (3) to decrease the GSR rate from \$1.340 per Ccf to \$1.280 per Ccf for customers served under rate schedules HLFS and SFS; (4) to increase the firm balancing rate from \$.038 per Ccf to \$.039 per Ccf for transportation customers served under rate schedule LVS; and (5) to continue the firm balancing rate of \$.017 per Ccf for transportation customers served under rate schedules HLFS and SFS. The above decrease in the Residential Service ("RS") surcharge will mean that the monthly winter bill of a residential heating consumer, using 120 Ccf of gas per month, will decrease by approximately \$5.16 per

month or 2.4%. Compared to rates effective November 1, 2005, a residential heating customer using 120 Ccf of gas per month will experience a decrease of approximately \$31 per month or 13%.

At its meeting on October 3, 2006, the Commission determined to allow the proposed GSR rate changes to take effect on November 1, 2006, pending further review and a final decision by the Commission. Such rates will be subject to refund depending on the Commission's final decision. The Commission's final action on this application will be based upon the evidence presented at duly-noticed evidentiary hearings to be held at a later date.

Any person, group, or entity who wishes to formally participate as a party to this Docket (PSC Docket No. 06-287F), must, in accordance with Rule 21 of the Commission's Rules of Practice and Procedure, petition the Commission for leave to intervene in the proceedings in this docket. Such petitions must be filed with the Commission at 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover, Delaware 19904 on or before November 6, 2006. Petitions received thereafter will not be considered except for good cause.

Copies of Chesapeake's application and the testimony and exhibits the Company has filed in this docket are available for public inspection at the Commission's office at the address set out above during normal business hours.

Any individual with a disability who wishes to participate in these proceedings, or to review the material submitted, should contact the Commission to discuss any aids or services needed. The Commission Staff is also available to provide more information. The Commission's toll-

free telephone number within Delaware is 1-800-282-8574. The Commission can also be reached at (302) 739-4333 (including text telephone Communications). Inquiries can also be sent to the Commission by Internet e-mail to "funmi.jegade@state.de.us."