

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

IN THE MATTER OF THE APPLICATION OF)
CHESAPEAKE UTILITIES CORPORATION)
FOR AN INCREASE IN ITS NATURAL GAS)
RATES AND SERVICES, AND FOR APPROVAL) PSC DOCKET NO. 07-186
OF CERTAIN OTHER CHANGES TO ITS)
NATURAL GAS TARIFF)
(OPENED JULY 6, 2007))

ORDER NO. 7232

AND NOW, to wit, this 24th day of July, A.D., 2007, the Delaware Division of Chesapeake Utilities Corporation ("Chesapeake" or "the Company"), having, on July 6, 2007, filed with the Commission the above-captioned application ("the Application") seeking: (1) approval for a general increase in its natural gas rates of approximately \$1,895,668 (3.25% of existing revenues) over the natural gas customers' total current delivery service rates based on the test period billing statistics for the twelve month-period ending March 31, 2007; (2) approval of proposed new service offerings and rate design changes, including an aggregated transportation program allowing all commercial and industrial customers to choose a third-party marketer from whom to purchase natural gas supply and several new rate classifications; (3) approval of a revenue normalization mechanism for all customers with annual usage up to 100,000 Ccf and several new conservation and energy efficiency programs targeted for the residential sector in conjunction with the revenue normalization mechanism; (4) approval to establish an alternative rate design and rate structure for these expansion areas of eastern Sussex County as

reflected in the Application; (5) authorization to capitalize the costs incurred for purchasing propane distribution systems at market price and include the cost in the Company's rate base; (6) authorization to capitalize the costs associated with converting customers to natural gas service; (7) approval of the Company's proposal that it not be required to reduce base rates in the future unless the actual return on equity, as reported by the Company on a quarterly basis, exceeds 15 percent; and (8) authorization to implement on a temporary basis, and subject to refund, the proposed natural gas rate increases and services throughout its service territory in the State of Delaware, and for certain other changes to its natural gas tariff described herein on September 4, 2007.

AND, the Commission having determined, pursuant to 26 Del. C. §§ 303, 304, and 306, that the proposed natural gas rate increase request, along with the other elements of this application, should be suspended so that the Commission can conduct evidentiary hearings and further study the application in more detail; now, therefore,

IT IS ORDERED:

1. That pursuant to 26 Del. C. §§ 303, 304, and 306(a)(1), the Application made by Chesapeake Utilities Corporation on July 6, 2007 seeking, *inter alia*, a general increase in its natural gas rates and services and revisions to its natural gas tariff, is hereby suspended pending further evidentiary hearings and a final decision of the Commission.

2. That pursuant to the requirements of 26 Del. C. § 304(a), Chesapeake Utilities Corporation shall give public notice of its

application for increased rates and tariff revisions by causing the publication of the notice hereto attached as Exhibit "A" in The News Journal and the Delaware State News newspapers on the following dates, in two column format, outlined in black:

July 30, 2007 (The News Journal)

July 31, 2007 (Delaware State News)

Proof of such publication shall be filed with the Commission as soon thereafter as is reasonably practicable but prior to the date set for any evidentiary hearing in this docket.

3. That Ruth Ann Price is designated as the Hearing Examiner for this docket pursuant to 26 Del. C. § 502 and 29 Del. C. ch. 101. Hearing Examiner Price shall schedule and conduct such public evidentiary hearings as may be necessary or appropriate to develop a full and complete record concerning this matter. Hearing Examiner Price shall thereafter report to the Commission her proposed findings and recommendations based on the evidence presented. Pursuant to Rule 21(d) of the Rules of Practice and Procedure, Hearing Examiner Price is delegated the authority to grant or deny petitions to intervene. In addition, Hearing Examiner Price is delegated the authority under 26 Del. C. § 102A to determine the content, form and manner of any further notice in this matter. James McC. Geddes, Esquire, is designated as Rate Counsel for this matter.

4. That 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

/s/ Joann T. Conaway
Commissioner

/s/ Dallas Winslow
Commissioner

Commissioner

Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

E X H I B I T "A"

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

**OF CHANGES TO NATURAL GAS RATES AND SERVICE OFFERINGS
FOR CHESAPEAKE UTILITIES CORPORATION**

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

Pursuant to 26 Del. C. §§ 201 and 304, the Delaware Division of Chesapeake Utilities Corporation ("Chesapeake" or "the Company") has filed an application with the Public Service Commission ("the Commission") seeking approval to increase its natural gas rates and make various changes to its currently effective gas services' tariff. The new rates are proposed to be effective with service rendered on and after September 4, 2007, and are designed to produce an annual increase in revenues of approximately \$1,895,668 (or 3.25% of existing revenues) based on a test period ending March 31, 2007. Under the proposed rates, the bill of the average residential natural gas heating customer using 120 Ccf (hundred cubic feet) during a winter month would increase by approximately \$9.47 per month, and the bill

for the average non-heating gas customer using 18 Ccf per month would increase by approximately \$1.11 per month.

At its meeting on July 24, 2007, the Commission suspended the proposed effective date of the proposed new rates and tariff revisions pending further investigation and public evidentiary hearings, which will be conducted later after further public notice. State law, however, permits Chesapeake to place up to \$2,500,000 of increased rates into effect, but subject to refund, on an interim basis pending evidentiary hearings, even if the Commission suspends a proposed rate increase. Chesapeake is expected to implement proposed rates based on its current rate schedules, on an interim basis, effective September 4, 2007. Under the interim rates, the bill of the average residential natural gas heating customer using 120 Ccf during a winter month would increase by approximately \$5.04 per month, and the bill for the average non-heating gas customer using 18 Ccf per month would increase by approximately \$2.74 per month.

Chesapeake has also filed for approval of several new service offerings for its customers including an aggregated transportation program allowing all commercial and industrial customers to choose to purchase natural gas from a third-party supplier rather than through Chesapeake's Gas Sales Service Rate mechanism. Chesapeake is also proposing to change its rate structure by increasing its residential rate schedules from a single rate schedule to three volumetric classes and by increasing its commercial and industrial rate structure from four rate schedules to seven volumetric thresholds. Chesapeake is also proposing a separate rate rider that would be applicable to

current and potential residential customers located in eastern Sussex County, Delaware. In addition, Chesapeake is asking the Commission to approve a proposal under which it would not be required to reduce its base rates in the future unless the actual return on its equity exceeds 15 percent. Finally, Chesapeake is proposing a revenue normalization mechanism for all customers using less than 100,000 Ccf annually, along with several conservation and energy efficiency programs targeted for the residential sector in conjunction with the revenue normalization mechanism.

The Commission will make its decision in this matter based upon the evidence of record taken at public evidentiary hearings and a public comment session that will be conducted upon later public notice.

Any person or group who wishes to formally participate as a party to this docket (PSC Docket No. 07-186) with the right to submit evidence and 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. 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 August 30, 2007. Petitions received thereafter will not be considered except for good cause shown. A copy of any Petition shall also be served, by mail or other form of delivery, on Jennifer A. Clausius, Manager of Pricing and Regulation, Chesapeake Utilities Corporation, 350 South Queen Street, Dover, Delaware 19904.

All interested Chesapeake natural gas customers are urged and invited to review the Application and supporting materials to see how their individual rates and interests may be affected. Copies of the Chesapeake Application and the testimony and exhibits the Company filed are available for public inspection during normal business hours at the Commission's office located at the address set forth above.

Any individuals with disabilities, who wish to participate in these proceedings, or to review the Application, 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, or otherwise. Persons with questions concerning this matter may contact the Commission at its toll-free number (for calls made within Delaware) (800) 282-8574, or by regular telephone at (302) 739-4247. Inquiries can also be sent by Internet e-mail to susan.neidig@state.de.us.