

BEFORE THE PUBLIC SERVICE COMMISSION

FOR 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. 7256

This 21st day of August, 2007, the Commission determines and Orders the following:

1. On September 2, 2005, Chesapeake Utilities Corporation ("Chesapeake" or the "Company") filed with the Delaware Public Service Commission (the "Commission") an application (the "Application") seeking Commission approval of the following: (1) an alternative rate design and rate structure (the "Expansion Area Rate") for certain areas of eastern Sussex County and implementation of the alternative rate design and rate structure on a temporary basis and subject to refund, effective November 1, 2005; (2) that Chesapeake not be required to reduce its base tariff delivery rates so long as its return on equity (as reported to the Commission) did not exceed 15%; (3) deferral of the regulatory costs incurred with respect to the Application for future recovery in its next base rate case; (4) capitalization of the costs of converting customer equipment to utilize natural gas and inclusion of such costs in its rate base; (5) extension of its main lines, in its sole discretion, in the Expansion Rate Area if the forecasted return on its equity exceeded 9%; and (6)

capitalization of Chesapeake's acquisitions of facilities purchased from propane service providers and inclusion of the purchase prices in its rate base.

2. By Order No. 7137 (Feb. 27, 2007), the Commission denied Chesapeake's request to implement the Expansion Area Rate effective with usage on or after March 1, 2007. However, the Commission authorized Chesapeake to include an Expansion Area Rate as part of its overall cost of service study in its next rate filing to allow the Commission to consider it in the context of Chesapeake's overall rate design.

3. On July 6, 2007, Chesapeake filed with the Commission an application ("the Rate Case Filing") seeking, among other things, approval: (1) 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) 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) 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) to establish an alternative rate design and rate structure for certain expansion areas of eastern Sussex County as reflected in the Rate Case Filing; (5) to

capitalize the costs incurred for purchasing propane distribution systems at market price and include the cost in the Company's rate base; (6) to capitalize the costs associated with converting customers to natural gas service; (7) 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) 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 in the Rate Case Filing on September 4, 2007.

4. By Order No. 7232 (July 24, 2007), the Commission opened Docket No. 07-186 to consider the Rate Case Filing and suspended Chesapeake's proposed rate increase and accompanying tariff revisions (along with other elements of the Rate Case Filing) to enable the Commission to study the Rate Case Filing in further detail.

5. On July 12, 2007, Chesapeake filed a letter with the Commission withdrawing the Application because the issues addressed in PSC Docket No. 05-322 would be addressed in the pending rate case in PSC Docket No. 07-186. Accordingly, Chesapeake requested that the Commission dismiss PSC Docket No. 05-322.

6. On August 21, 2007, the Commission determined that Chesapeake has included in its base rate filing an Expansion Area Rate as part of the Company's overall rate design. The Commission further determined that the issues raised in PSC Docket No. 05-322 would be addressed in the Company's pending base rate case.

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

1. That, for the reasons stated above, Chesapeake Utilities Corporation's request to dismiss the above-captioned matter is hereby approved and the Docket is closed.

2. 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