

**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. 07-246F
SERVICE RATES ("GSR") TO BE EFFECTIVE)
NOVEMBER 1, 2007)
(FILED SEPTEMBER 10, 2007))

ORDER NO. 7416

This 8th day of July, 2008, the Commission finds, determines and Orders the following:

1. On September 10, 2007, Chesapeake Utilities Corporation ("Chesapeake" or "the Company") 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, 2007. The changes consist of decreased GSR rates for gas customers and increased firm balancing rates for transportation customers. Under the proposed rates, the monthly winter bill of a residential heating consumer, using 120 Ccf of gas per month, would decrease by approximately \$21 per month or 10 percent, as compared to rates effective November 1, 2006.

2. On October 2, 2007, the Commission, by Order No. 7302, permitted the proposed rates to go into effect on November 1, 2007, on a temporary basis, subject to refund, pending evidentiary hearings and a final decision by the Commission. Those rates are now under review in proceedings pending before Senior Hearing Examiner Ruth Ann Price.

3. On July 1, 2008, the Company filed a supplemental, or "out-of-cycle," application seeking increases in its GSR rates, to be effective August 1, 2008, based on a projected under-collection of gas costs. The Company's Tariff, at Sheet No. 42, sets forth a procedure to be used to

adjust the Company's GSR rates during the applicable period if either over-recoveries or under-recoveries are projected to exceed specified percentage limitations. Thus, if it appears that the continued use of then-effective GSR rates will result in an under-collection of gas costs by more than 6% of the sum of the actual firm gas costs to date and the projected firm gas costs for the remainder of the over/under projection period, then the Company must file - and the Commission must then review - new GSR rates.

4. According to the Company, if the GSR rates allowed by PSC Order No. 7302 were continued in effect during the present determination period, then the Company would, based on actual gas costs to date and projected firm gas costs, under-recover its gas costs by \$3,192,378, or 7.34%. Chesapeake now seeks approval to make adjustments to its GSR rates (as outlined below) in order to mitigate this projected under-recovery amount. However, according to the Company, because there are only three months left in the recovery period, and the Company prefers not to burden its customers with a large percentage increase during low-usage months, the GSR rates now proposed by the Company still will not bring the anticipated under-recovery below the 6% threshold. Rather, the new rates will reduce the anticipated under-recovery amount to \$2,808,147, or 6.46%. Given this result, Chesapeake asks for a waiver lifting the 6% threshold requirement set forth in its Tariff for the remaining three months of the recovery period, or until November 1, 2008. In addition, based on the short time-frame for recovery, the Company has requested a waiver of the 60-day notice requirement under 26 Del. C. § 304(a) in order to place the new rates in effect on August 1, 2008, rather than on August 29, 2008.

5. According to the Company, the proposed changes (as compared to the temporary rates now in effect) would increase the monthly winter bill of a residential heating consumer, using 120 Ccf of gas per month, by approximately 7%, or \$12 per winter month. An average residential heating customer using 740 Ccf per year would experience an annual increase of approximately 6%, or \$6 per month. In other words, the Company now proposes, for the final three months of the GSR recovery period, to reduce the decrease it placed in effect on November 1, 2007, by a little over one-half of that decrease. More particularly, the rates approved for the last recovery period, the temporary rates now in effect, and the proposed new rates are as follows:

GAS SALES SERVICE RATES

<u>Service Classification</u>	<u>approved 11/1/06-10/30/07</u>	<u>temporary 11/1/07-7/31/08</u>	<u>supplemental 8/1/08-10/30/08</u>
RS, GS, MVS, & LVS	\$1.340/Ccf	\$1.115/Ccf	\$1.217/Ccf
GLR, GLO, GCR, & GCO	\$1.125/Ccf	\$0.881/Ccf	\$1.001/Ccf
HLFS & SFS	\$1.280/Ccf	\$1.044/Ccf	\$1.166/Ccf

6. Consistent with the directive in Sheet No. 42 of Chesapeake's Gas tariff, the Commission will allow the GSR rate adjustments proposed in the supplemental application to go into effect, on a temporary basis and subject to a true-up and refund (if necessary). The Commission will not require a new intervention period for this docket, in light of the relatively small amount of the increase, the short effective period for the new rate, and the fact that the supplemental rates remain below the GSR rates approved for the last effective period. However, when the Company publishes notice of the evidentiary hearing in this case, it shall include an explanation of the rate effects of the initial filing

and the supplemental filing, so that customers will have the opportunity to offer written and oral comments on both the original decrease in GSR rates, and the supplemental reduction of that decrease. The justness and reasonableness of the adjusted GSR rates as proposed in the July 1 supplemental application shall be considered as part of the ongoing proceedings in this docket.

7. The Commission will also, for the reasons provided above, grant waivers to Chesapeake (a) lifting the 6% under-recovery threshold for the final three months of the recovery period and (b) allowing an abbreviated notice period so that the new rates may become effective on August 1, 2008.

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

1. That, pursuant to 26 Del. C. §§ 303(b), 304, and 306(a)(2), and Sheet No. 42 of Chesapeake Utilities Corporation's P.S.C. Del. No. 4 - Gas Tariff, the modifications to the Gas Service Sales rates contained in the supplemental application filed by Chesapeake Utilities Corporation on July 1, 2008, are hereby allowed to go into effect, on a temporary basis and subject to a true-up reconciliation and refund, pending the completion of full evidentiary hearings and a final decision by the Commission in this docket. Such adjusted Gas Sales Service rates shall be effective for service on or after August 1, 2008, with proration. The rates allowed to go into effect are as follows:

TEMPORARY GAS SALES SERVICE RATES

<u>Service Classification</u>	<u>GSR Rate</u>
RS, GS, MVS, & LVS	\$1.217/Ccf
GLR, GLO, GCR, & GCO	\$1.001/Ccf
HLFS & SFS	\$1.166/Ccf

2. That, under 26 Del. C. § 304(a), the sixty-day notice period is waived and the application filed on July 1, 2008, is accepted for rates effective August 1, 2008.

3. That the adjusted Gas Sales Service rates, as proposed in the supplemental application filed July 1, 2008, and allowed to go into effect on a temporary basis in Ordering paragraph one above, shall be examined for justness, reasonableness, and compliance with Sheet No. 42 of the applicant's Gas Tariff, in the ongoing proceedings in this matter now pending before Senior Hearing Examiner Ruth Ann Price. Chesapeake Utilities Corporation is again 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).

4. That Chesapeake Utilities Corporation shall give public notice of the filing of its supplemental application and of the Commission's action thereon by publishing notice in the legal classified sections of The News Journal and the Delaware State News newspapers as part of the notice it will provide for the evidentiary hearing in this docket.

5. That, in conjunction with the action taken in Ordering paragraph one above, the Commission also grants to Chesapeake Utilities Corporation a waiver of the provisions in Sheet No. 42 of the applicant's P.S.C. Del. No. 4 - Gas tariff which requires the applicant to file for adjustments to its Gas Sales Service Rates if the projected under-recovery of gas costs exceed 6% of the sum of the then actual gas costs plus projected gas costs for the remainder of the over/under recovery period. Such waiver will apply to the adjustments to Gas Sales Service rates allowed to go into effect by this Order.

6. 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:

Chair

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary