BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE INVESTIGATION INTO THE TERMINATION OF NATURAL GAS SERVICE TO RESIDENTIAL CUSTOMERS BY CHESAPEAKE UTILITIES CORPORATION (FILED JANUARY 22, 2008)	)))))	PSC COMPLAINT DOCKET NO. 352-08

ORDER NO. 7441

AND NOW, this 16th day of September, 2008;

WHEREAS, the Commission having received and considered the Findings and Recommendations of the Hearing Examiner ("Report") issued in the above-captioned docket, which was submitted after a duly noticed public evidentiary hearing;

AND WHEREAS, the Commission finds that the proposed terms of the Settlement Agreement are just and reasonable and that adoption of the Hearing Examiner's Report is 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 3, 2008 Findings and Recommendations of the Hearing Examiner, appended to the original hereof as Attachment "A".

2. That the Commission approves as just, reasonable, and in the public interest the Company's proposals contained in the Proposed Settlement Agreement, appended to the original hereof as "Attachment "B".

3. That Chesapeake Utilities Corporation shall file such tariff sheets as may be needed consistent with this Order.

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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FINDINGS AND RECOMMENDATIONS OF THE HEARING EXAMINER

Ruth Ann Price, the duly appointed Senior Hearing Examiner in this docket, pursuant to 26 *Del. C.* § 502 and 29 *Del. C. ch.* 101, reports to the Commission as follows:

I. APPEARANCES

Counsel on behalf of the Public Service Commission Staff:

Murphy & Landon
Francis J. Murphy, Esquire

On behalf of the Public Service Commission Staff:

Sarah Buttner, Policy Advisor, Policy Advisor to the Commission

Kevin Neilson, Regulatory Policy Administrator

On behalf of the Division of Public Advocate:

Arthur Padmore, Public Advocate

On behalf of Chesapeake Utilities, Inc.:

Jennifer A. Clausius, Manager of Pricing and Regulation

Counsel on behalf of Chesapeake Utilities, Inc.:

Parkowski, Guerke & Swayze
Thomas H. Kovach, Esquire
William A. Denman, Esquire

II. BACKGROUND

A. Procedural History and Public Comment

1. On January 22, 2008, the Public Service Commission Staff ("Staff") filed a Complaint (the "Complaint") to initiate this docket in response to an informal complaint filed by a customer (the "Customer") of Chesapeake Utilities Corporation ("Chesapeake" or "Company")[1] The Customer alleged that Chesapeake terminated the Customer's natural gas service for non-payment on a day when the temperature was below 32 degrees at 8:00 A.M. Staff alleged that the Company's conduct violated the regulations adopted by the Public Service Commission ("Commission") in Regulation Docket No. 53 (the "Termination Provisions").[2]

2. In the Complaint, Staff alleged, among other things, that Chesapeake disconnected service to one or more of its residential heating customers without complying with the notice requirements of the Termination Provisions and Chesapeake's Tariff. Staff also alleged that one or more terminations took place during the Heating Season (as defined under the "Termination Provisions") when the temperature was at or below 32 degrees at 8:00 AM on the day of termination.

3. In its Complaint, Staff quoted the following provision found at Section 6.1 of the Regulations:

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[1]References to the Exhibits entered into the evidentiary record of this proceeding will be cited as "(Ex. __)." See Ex. 2, Staff's Complaint.

[2]Commission Order No. 6325 (Dec. 9, 2003), Regulations Governing Termination of Residential Electric or Natural Gas Service By Public Utilities For Non-Payment During Extreme Seasonal Temperature Conditions, PSC Regulation Docket No. 53 ("Regulations").

Conditions of Termination

A. Heating Season

Under no circumstances may a covered utility terminate service for non-payment to a dwelling unit on a day when the National Weather Service reports that the 8:00 A.M. temperature measured at a location in the State of Delaware that is within fifty (50) miles of the subject dwelling unit is thirty-two degrees Fahrenheit (32ºF) or below on the morning of the date when said service is scheduled for termination.

4. On February 19, 2008, Chesapeake filed a response to the Complaint (the "Response").

5. On February 26, 2008, the Division of the Public Advocate ("DPA") served the parties with a Notice of Intervention.

6. In Chesapeake's Response to Staff's Complaint, Chesapeake denied that it had violated the Termination Provisions and alleged that it acted properly in terminating service. Chesapeake also alleged that, consistent with its approved Tariff, Chesapeake had the right to terminate service at any time, and regardless of the temperature, to customers who, in response to a termination notice and in an effort to avoid termination, issued a check (or other form of payment) to the Company that was ultimately returned by the bank due to insufficient funds in the account. The Staff and the DPA disagreed with Chesapeake's interpretation of the Termination Provisions.

7. During the course of the investigation by Staff and the DPA, Chesapeake agreed not to terminate service to any customer of the Company on any day when the temperature was at or below 32 degrees at 8:00 A.M. unless the termination was necessary for safety reasons. In

addition, in response to Staff's request, the Company reinstated service to the Customer who had filed the informal complaint.

8. During the course of this proceeding, the parties conducted substantial written discovery in the form of both informal and formal data requests. The parties have conferred in an effort to resolve all issues raised in this proceeding. The parties differ as to the proper resolution of many of the underlying issues in this proceeding, the interpretation of the Termination Provisions, and the Company's Tariff. Notwithstanding these differences, the parties agreed to enter into a Proposed Settlement Agreement on the terms and conditions described below.[3]

9. On August 11, 2008 at or about 10:00 AM, and pursuant to 26 *Del. C.* § 512(c), I conducted a public evidentiary hearing at the Commission's office in Dover, where the parties were afforded the opportunity to present evidence about the Proposed Settlement Agreement and whether it is in the public interest. Prior to the evidentiary presentations, members of the public were afforded the opportunity to provide comments on the Proposed Settlement Agreement. No members of the public appeared at the evidentiary hearing, and the Staff and the DPA did not receive any written comments from the public or customers of Chesapeake.

10. In addition, on August 11, 2008 at 7:00 PM, a public comment hearing was convened at the Commission's office in Dover which afforded the public and customers of Chesapeake an additional opportunity to provide comment on the Proposed Settlement Agreement.

[3]Ex. 4.

Notice of the 7:00 PM public comment hearing was provided in a press release issued by Staff. No members of the public or customers of Chesapeake appeared at the public comment hearing.

III. SUMMARY OF THE EVIDENCE

11. Chesapeake published notice of the August 11, 2008 public evidentiary hearing in The News Journal and The Delaware State News newspapers on July 22, 2008.[4] In the notice, Chesapeake informed the public that there would be an opportunity to provide comments on the Proposed Settlement Agreement prior to the presentation of the evidence.[5]

12. As stated above, members of the public were afforded the opportunity to comment at the outset of the August 11, 2008 public evidentiary hearing but no members of the public appeared.[6] In addition, a second public comment hearing was convened at 7:02 PM on August 11, 2008. The public comment hearing was concluded at 7:14 PM and no members of the public appeared.[7]

A. The Parties' Settlement Agreement

13. Under the Proposed Settlement Agreement, Chesapeake will make a twenty-five thousand dollar ($25,000) contribution on or before November 1, 2008 to the Sharing Fund, an assistance fund administered by Catholic Charities to assist all income eligible customers of

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[4]Ex. 1 (Affidavits of Publication for The News Journal and Independent Newspapers, Inc., the publisher of the Delaware State News.

[5]Ex. 1.

[6]Hearing Transcript ("HT") at 3.

[7]HT at 31-3.

Chesapeake with their natural gas bills.[8] In addition, Chesapeake shall make three annual contributions to the Sharing Fund in the amount of $10,000 each (for a total of $30,000) on or before December 31 of each year, starting with calendar year 2008 and ending in 2010.

14. The Company agreed that it will not recover, or attempt to recover, in rates, any part of the $55,000 in contributions required by the settlement. The contributions are to be in addition to any other contributions that the Company may otherwise make to the Sharing Fund. The Company is required to send a letter to the Commission during the month of January in 2009, 2010, and 2011 setting forth the amount that the Company contributed to the Sharing Fund the previous year as a result of this proceeding. The letter to the Commission shall also itemize the annual contributions made by the Company to the Sharing Fund from 2005 to the present. Finally, Chesapeake represented that its determination of the contribution amount for the Sharing Fund in the years 2008, 2009, 2010, and 2011 will be independent of, and not take into consideration, the amounts paid pursuant to the Proposed Settlement Agreement.

15. Furthermore, Chesapeake agreed to amend the termination sections of its Tariff to preclude the Company from terminating natural gas service to any residential customer during the Heating Season on a day when the temperature is at or below 32 degrees at 8:00 AM, except to the extent necessary in the interest of safety. The proposed amendment to the Company's Tariff is attached to the Proposed Settlement Agreement as Exhibit A.

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[8]Ex. 4.

B. <u>Staff's Testimony</u>

16. Kevin Neilson, a Regulatory Policy Administrator, testified on behalf of Staff.[9] Mr. Neilson was the Case Manager for the Staff in this docket. Mr. Neilson testified that he reviewed the Proposed Settlement with Chesapeake, including the revised Tariff Provision attached as Exhibit A. He also testified that the Proposed Settlement Agreement accurately summarized the procedural history of the docket.[10]

17. Mr. Neilson further testified that, in Staff's view, the Proposed Settlement Agreement was fair and reasonable and in the public interest.[11] He explained that the Company had agreed to change its Tariff to include language that would prohibit the termination of customers during the Heating Season, except in cases of emergency or for safety reasons.[12] He said that, rather than impose penalties on Chesapeake, the payments under the settlement would provide additional funds to help low-income customers pay their heating bills in the Heating Season. He also stated that the Staff considered the amount of the contributions by Chesapeake to be sufficient to constitute a reasonable response to the Company's conduct.[13] He noted that the total amount of the contributions, namely $55,000, was comparable to the amount that the Staff would have sought in penalties, if the

[9]HT at 11.

[10]HT at 11.

[11]HT at 11.

[12]HT at 11-12.

[13]HT at 11-12.

Company had not agreed to settle.[14] He observed that by settling the Complaint docket, Chesapeake, the Public Advocate, and the Commission were saved the expense of additional proceedings.[15]

18. Mr. Neilson testified that the $55,000 would be taken from Chesapeake's profits.[16] Pursuant to the Proposed Settlement Agreement, the Company agreed not to seek to recover the payments in future rate proceedings.[17] In connection with questions posed to Mr. Neilson by me, the Company represented, as reflected in the Settlement Agreement, that the payments made pursuant to the Agreement would not affect the Company's historical contributions, or contributions on an individual basis, toward the Sharing Fund.[18] Accordingly, the Staff recommended that the Hearing Examiner and the Commission approve the Proposed Settlement Agreement in its entirety.[19]

19. Mr. Neilson noted that the Division of the Public Advocate also joined in the Proposed Settlement Agreement.[20]

C. <u>Chesapeake Utilities Corporation</u>

20. Jennifer Clausius, the Manager of Pricing and Regulation for Chesapeake, testified on behalf of the Company. According to

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[14]HT at 12.

[15]HT at 12.

[16]HT at 13-4.

[17]HT at 13-4.

[18]HT at 14-8.

[19]HT at 12.

[20]HT at 12.

Ms. Clausius, Chesapeake believed that it had not violated Regulation Docket No. 53 in connection with the termination of customers during the Heating Season.[21] She said that the Company believed that the provisions of its Tariff permitted it to terminate customers, even when the temperature was at or below 32 degrees, if the customers had attempted to pay the Company with a check that was later returned for insufficient funds, where the inadequate check was presented in order to avoid a service termination.[22]

21. Ms. Clausius further testified that as a part of the Settlement, Chesapeake agreed to make changes to its Tariff consistent with the Settlement Agreement.[23] The revised Tariff language is contained in Exhibit A to the Proposed Settlement Agreement.[24]

22. Ms. Clausius said that the Company believes that the settlement is in the public interest because it clarifies Chesapeake's Tariff.[25] In addition, the Company wanted to put the issue behind it and move forward to serve its customers.[26] She noted that the settlement would provide additional assistance to the Sharing Fund, to help low-income customers pay their bills during the winter.[27] Finally, she said that the settlement would enable the parties to

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[21]HT at 22-4.

[22]HT at 22-4.

[23]HT at 24.

[24]HT at 24.

[25]HT at 24.

[26]HT at 24.

[27]HT at 24-5.

avoid the expense and time that would have to be committed if the parties litigated the docket.[28]

IV. DISCUSSION

23. According to the Proposed Settlement Agreement, the testimony presented by the Staff, and the testimony presented by Chesapeake, the settlement will obligate Chesapeake to contribute $25,000 on or before November 1, 2008 to the Sharing Fund, and an additional $10,000 on or before December 31 of 2008, 2009, and 2010; for a total of $55,000. Chesapeake agrees that this will be $55,000 of new money, and that it will not seek to recover the contributions in rates. Rather, the contributions will come from the Company's profits.

24. According to Ms. Clausius, Chesapeake's average annual contribution to the Sharing Fund has been around $12,500.[29] In connection with a July 16, 2007 Settlement among Chesapeake, the DPA, and Staff, that was approved by the Commission in Order No. 7228 (July 24, 2007), the Company has committed to contribute $37,500 to the Sharing Fund on or before November 1, 2007, 2008, and 2009. The contributions to the Sharing Fund required by the Proposed Settlement Agreement at issue here will be in addition to the contributions required by the July 16, 2007 Settlement. The Proposed Settlement in this matter requires the Company to advise the Commission annually of its contributions to the Sharing Fund for the years 2008, 2009, and

[28]HT at 24-5.

[29]HT at 16.

2010, so that Staff can monitor the Company's compliance with the terms of the settlement.

25. Chesapeake voluntarily agreed that, while this docket was pending, it would not terminate the service of customers who sought to avoid termination by presenting a check that was returned for insufficient funds, where this occurred during the Heating Season and the temperature was at or below 32 degrees Fahrenheit.

26. The Staff presented testimony that the $55,000 in contributions was comparable to the amount that the Staff would have sought in penalties, if this docket had been litigated to a conclusion. Instead of collecting penalties, and incurring additional litigation expenses, the Staff and the DPA have urged that the Company make contributions to charity and thereby aid the income eligible customers who were most affected by Chesapeake’s past termination practices, which it has agreed to change. This is a fair, reasonable, and just resolution to this docket, and I find it to be in the public interest.

27. Section 512 of Title 26 provides:

> 512. Settlements are to be encouraged.
>
> (a) Insofar as practicable, the Commission shall encourage the resolution of matters brought before it through the use of stipulations and settlements.
>
> (b) The Commission’s Staff may be an active participant in the resolution of such matters.
>
> (c) The Commission may upon hearing approve the resolution of matters brought before it by stipulations or settlements whether or not such stipulations or settlements are agreed to or approved by all parties where the Commission finds such resolutions to be in the public interest.

28. Pursuant to Section 512, the settlement of a dispute brought before the Commission is strongly encouraged, provided the settlement is in the public interest. The parties' Proposed Settlement Agreement in this matter is in the public interest, and is in keeping with the legislative intent expressed by the Delaware General Assembly in Section 512.

VI. RECOMMENDATION

29. Based on the evidence presented and for the reasons stated above, I recommend the following:

A. That, for the reasons set forth above, the Commission adopt as just, reasonable, and in the public interest under 26 *Del. C.* § 512 the Proposed Settlement Agreement in this matter agreed to by Chesapeake Utilities Corporation, the Division of the Public Advocate, and Commission Staff. The Proposed Settlement Agreement is attached hereto as "Attachment B."

B. That, consistent with the Proposed Settlement Agreement, the Commission approve the revised tariff sheet contained in Exhibit A to the Settlement Agreement to be effective on the date of the Commission's Order.

A Proposed Order, which will implement the foregoing recommendations, is attached hereto as “Attachment A.”

Respectfully submitted,

/s/ Ruth Ann Price_____
Ruth Ann Price
Senior Hearing Examiner

Dated: September 3, 2008

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	)	
INVESTIGATION INTO THE	)	
TERMINATION OF NATURAL GAS SERVICE	)	PSC DOCKET NO. 352-08
TO RESIDENTIAL CUSTOMERS BY	)	
CHESAPEAKE UTILITIES CORPORATION	)	

PROPOSED SETTLEMENT

On this 25th day of July, 2008, 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. On or about January 18, 2008, the Commission Staff ("Staff") filed the above captioned action (the "Complaint") in response to an informal complaint filed by a customer (the "Customer") of Chesapeake. The Customer alleged that Chesapeake had terminated the Customer's natural gas service for non-payment on a day when the temperature was below 32 degrees at 8:00 A.M. in violation of the rules adopted in Regulation Docket 53 (the "Termination Provisions"). In the Complaint, the Staff alleged, among other things, that the Company had disconnected service to one or more of the Company's residential heating customers without complying with the notice requirements of the Termination Provisions and the Company's Tariff. Staff also alleged that one or more terminations took place during the Heating Season (as defined under the "Termination Provisions") when the temperature was below 32 degrees at 8:00 AM on the day of termination.

2. On February 19, 2008, Chesapeake filed a response to the Complaint (the "Response"). In the Response, Chesapeake denied that it had violated the Termination Provisions and alleged that Chesapeake had acted properly in terminating service. Chesapeake alleged that consistent with Chesapeake's approved Tariff, Chesapeake had the right to terminate service (at any time, and regardless of the temperature) to customers who, in response to a termination notice and in an effort to avoid termination, issued a check (or other form of payment) to the Company that was ultimately returned by the bank due to insufficient funds in the account. The Staff disagreed with Chesapeake's interpretation of Regulation Docket 53.

3. During the course of the Staff's investigation, Chesapeake agreed not to terminate service to any customer of the Company on any day when the temperature was at or below 32 degrees at 8:00 A.M. unless the termination was necessary for safety reasons. Moreover, in response to the Staff's request, the Company reinstated service to the Customer.

4. During the course of this proceeding, the parties have conducted substantial written discovery in the form of both informal and formal data requests. The Settling Parties have conferred in an effort to resolve all 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, the interpretation of the Termination Provisions, and the Company's Tariff. 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.

II. SETTLEMENT PROVISIONS

5. Chesapeake, subject to the Commission's approval, will amend the termination sections of its Tariff so as to preclude the Company from terminating service during the Heating

Season (as defined in Regulation Docket 53) to any customer on a day when the temperature is at or below 32 degrees at 8 A.M., unless the termination is necessary for safety reasons. The proposed amendment to the Company's Tariff is attached hereto as **Exhibit A**.

6. On or before November 1st of 2008, the Company will make a $25,000.00 contribution to the Sharing Fund, an assistance fund administered by Catholic Charities to assist all income eligible customers of the Company. The Company will encourage Catholic Charities to earmark these funds for assistance to qualified customers of the Company for payment of their natural gas bills. Thereafter, the Company will make three (3) annual contributions to the Sharing Fund in the amount of $10,000.00 each (for a total of $30,000.00) on or before December 31 of each year, starting with calendar year 2008. The Company agrees that it will not recover, or attempt to recover, in rates, any part of the $55,000 in contributions set forth in this paragraph. These contributions are to be in addition to any other contributions that the Company may otherwise make to the Sharing Fund. The Company shall send a letter to the Commission during the month of January 2009, 2010, and 2011 setting forth the amount that the Company contributed to the Sharing Fund the previous year as a result of this proceeding. The letter to the Commission shall also itemize the annual contributions made by the Company to the Sharing Fund from 2005 to the present. Finally, the Company represents that its determination of the contribution amount by the Company for the Sharing Fund in the years 2008, 2009, 2010, and 2011 will be independent of, and not take into consideration, the amounts paid pursuant to this Settlement Agreement.

III. STANDARD PROVISIONS AND RESERVATIONS

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

8. This Proposed Settlement recommends a compromise for the purposes of settlement and shall not be regarded as a precedent with respect to 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 will 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. Nothing in this Proposed Settlement shall constitute an admission by Chesapeake that it violated any of the terms and conditions of the Company's Tariff or any of the Termination Provisions.

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

10. 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.

11. 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.

12. 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.

13. 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.

14. This Proposed Settlement resolves all of the issues addressed herein and or arising from the Complaint, including but not limited to all service terminations in response to insufficient fund payments, 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 any other proceeding 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.

15. 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 in writing 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.

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

SIGNATURE LINES APPEAR ON LAST PAGE

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: _7-25-08_____ By: /s/ Stephen C. Thompson___

Delaware Public Service Commission Staff

Dated: _8/11/08____ By: /s/ Bruce H. Burcat_____

The Division of the Public Advocate

Dated: _7/25/08____ By: /s/ G. Arthur Padmore_____

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RULES AND REGULATIONS

SECTION XIV - DISCONNECTION BY THE COMPANY

14.1 DISCONNECTION BY THE COMPANY

The Company may discontinue service and remove its property without being liable to the Customer, or to tenants or occupants of the premises served, for any loss, cost, damage or expense occasioned by such refusal, discontinuance or removal, for any of the following reasons:

(a) Customer's failure to comply with any of the provisions of the contract, or any applicable regulations of the Commission, or any of the Company's applicable rules or practices currently in effect.

(b) Customer's non-payment of bill at present or former location. A written notice shall set forth the date service will be discontinued, which shall not be less than five days from the date of mailing of such notice.

(c) Customer's failure to provide a deposit to insure payment of bills, when requested by the Company under the provisions of section 13.2.

(d) After a reasonable request for access to its meter or meters is refused, or if access thereto is obstructed or hazardous.

(e) Customer's failure to maintain his equipment in safe condition, in the judgment of the Company.

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(f) Customer's abuse, fraud, or tampering with the connections, meters or other equipment of the Company.

(g) Customer's equipment or use thereof might injuriously affect the equipment of the Company, or the Company's service to other customers.

The notice provided for in this Section shall consist of five (5) days' written notice sent by first class prepaid mail deposited in a United States mailbox and addressed to the Customer at his last known mailing address appearing on the records of the Company.

The Company may discontinue service without notice for reasons (e), (f), or (g) above; but, except in emergency situations, in no event shall such termination occur between 12:00 noon on any Friday and 12:00 noon on the succeeding Monday. Should Friday be a legal, state or national holiday, the last preceding business day shall be substituted for Friday. Should Monday be a state or national, legal holiday, the next succeeding business day shall be substituted for Monday. Except in cases of safety or in emergency situations, in no event shall termination occur on a day when the temperature is 32 degrees Fahrenheit or below at 8:00 am.

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Issue Date:
Effective Date:

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Authorization:

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Deleted: Order No. 5932 dated April 16, 2002 in PSC Docket No. 01-307