

**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. 08-269F
SERVICE RATES ("GSR") TO BE EFFECTIVE)
NOVEMBER 1, 2008)
(FILED SEPTEMBER 2, 2008))

ORDER NO. 7521

This 29th day of January, 2009, the Commission finds, determines and Orders the following:

1. On September 2, 2008, Chesapeake Utilities Corporation ("Chesapeake" or the "Company") filed with the Delaware Public Service Commission (the "Commission") an application for proposed increases in its Gas Sales Service Rates ("GSR") to become effective for service rendered on and after November 1, 2008, as follows:

Rate Schedule	Current Surcharge	Proposed Surcharge
RS-1, RS-2, GS, MVS, LVS	\$1.217 per Ccf	\$1.466 per Ccf
GLR, GLO	\$1.001 per Ccf	\$1.231 per Ccf
HLFS	\$1.166 per Ccf	\$1.391 per Ccf

The Company also sought permission to adjust the firm balancing rates for certain rate schedules, effective for service rendered on and after November 1, 2008, as follows:

Rate Schedule	Current Rate	Proposed Rate
LVS	\$0.049 per Ccf	\$0.060 per Ccf
HLFS	\$0.022 per Ccf	\$0.019 per Ccf
ITS	\$0.005 per Ccf	\$0.004 per Ccf

2. On September 16, 2008, by Order No. 7446, the Commission permitted the proposed rates to go into effect on November 1, 2008 on a temporary basis and subject to true-up and refund, pending evidentiary hearings and a final decision by the Commission. Those rates are now under review in proceedings pending before Hearing Examiner Mark Lawrence. Francis J. Murphy, Jr. was designated as Rate Counsel.

3. Sheet No. 42 of Chesapeake's tariff sets forth the procedure for adjusting its GSR rates during the applicable GSR period if over-recoveries of gas costs are expected to exceed 4.5% or under-recoveries of gas costs are expected to exceed 6%. Thus, if it appears that the continued use of the then-effective GSR rates will result in an over-collection of gas costs by more than 4.5% or an under-collection of more than 6% of the actual firm gas costs to date and for the remainder of the over/under projection period, then the Company must file, and the Commission must then review, new GSR rates.

4. On January 8, 2009, Chesapeake filed a supplemental, or "out of cycle," application seeking Commission approval of a decrease in its proposed GSR rates, effective for bills rendered on and after February 1, 2009. The Company states that the decrease in natural gas

commodity prices that has occurred since September 2, 2008 will result in an over-collection of \$8,814,645 or 16.51% of the projected cost of gas under presently-approved rates. Thus, the Company requests permission to decrease its current GSR rates from the ones temporarily approved in Order No. 7446 as follows:

Rate Schedule	Current Surcharge	Proposed Surcharge
RS-1, RS-2, GS, MVS, LVS	\$1.466 per Ccf	\$1.243 per Ccf
GLR, GLO	\$1.231 per Ccf	\$1.013 per Ccf
HLFS	\$1.391 per Ccf	\$1.172 per Ccf

5. Chesapeake also requests a waiver of the sixty (60) day notice requirement set forth in 26 *Del. C.* § 304(a) in order to allow the new rates to become effective with bills rendered on and after February 1, 2009.

6. According to the Company, as a result of the proposed changes, an average residential heating customer using 700 Ccf per year will experience an annual decrease of approximately 11%, or \$13 per month. During the winter heating season, an average residential heating customer using 120 Ccf per month will experience a decrease of approximately 12%, or \$27 per winter month, and an average residential heating customer using 110 Ccf per month will experience a decrease of approximately 12%, or \$25 per winter month.

7. Consistent with the provisions of Sheet No. 42 of Chesapeake's 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 true-up and refund (if

necessary) effective with bills rendered on and after February 1, 2009, pending evidentiary hearings on the justness and reasonableness of the proposed rates. The Commission will not require a new intervention period for this docket in light of the facts that the adjustment results in a decrease in the rates approved on a temporary basis in Order No. 7446 and that the only intervener during the intervention period was the Division of the Public Advocate. 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 application and the supplemental application, so that customers will have the opportunity to offer written and oral comments on both the original increase in GSR rates and the decrease requested in the supplemental application. The justness and reasonableness of the adjusted GSR rates as proposed in the supplemental application shall be considered as part of the ongoing proceedings in this docket.

8. For the reasons set forth above, the Commission will also grant Chesapeake's request for a waiver of the sixty (60) day notice requirement of 26 *Del. C.* § 304(a) allowing an abbreviated notice period so that the new rates may become effective with bills rendered on and after February 1, 2009.

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:

1. That, pursuant to 26 *Del. C.* §§ 303(b), 304 and 306(a)(2) and Sheet No. 42 of Chesapeake Utilities Corporation's tariff, the modifications to the GSR rates contained in Chesapeake Utilities Corporation's supplemental application on January 8, 2009 are hereby

approved, to become effective with bills rendered on and after February 1, 2009, on a temporary basis and subject to true-up and refund, pending the completion of full evidentiary hearings and a final decision by the Commission in this docket. The rates so approved shall be as follows:

Rate Schedule	Proposed Surcharge
RS-1, RS-2, GS, MVS, LVS	\$1.243 per Ccf
GLR, GLO	\$1.013 per Ccf
HLFS	\$1.172 per Ccf

2. That, pursuant to 26 *Del. C.* § 304(a), the sixty (60) day notice requirement is waived and the application filed on January 8, 2009 is accepted for rates to become effective with bills rendered on and after February 1, 2009.

3. That the adjusted GSR rates, as proposed in the Company's supplemental application filed January 8, 2009 and approved to go into effect on a temporary basis in Ordering Paragraph 1 above, shall be examined for their justness and reasonableness and their compliance with Sheet No. 42 of Chesapeake's tariff in the ongoing proceedings in this matter now pending before Hearing Examiner Lawrence. Francis J. Murphy, Esquire, shall continue as Rate Counsel. Chesapeake Utilities Corporation is again put on notice that it will be charged the costs incurred in connection with this proceeding pursuant to 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. Such notice shall include an explanation of the rate effects of the initial application and the supplemental application, so that customers will have the opportunity to offer written and oral comments on both the original increase in GSR rates and the decrease requested in the supplemental application.

5. That, in conjunction with the action taken in Ordering Paragraph 1 above, the Commission also grants Chesapeake Utilities Corporation's request for a waiver of the provisions in Sheet No. 42 of its tariff, which requires Chesapeake Utilities Corporation to file for adjustments to its GSR rates if the projected over-recovery of gas costs exceeds 4.5% of the sum of the then-actual gas costs plus projected gas costs for the remainder of the GSR period. Such waiver shall apply to the adjustments to GSR rates permitted to go into effect pursuant to 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:

/s/ Arnetta McRae
Chair

PSC Docket No. 08-269F, Order No. 7521 Cont'd.

/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