

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

IN THE MATTER OF THE TARIFF FILING BY)
CHESAPEAKE UTILITIES CORPORATION FOR)
THE RENEWAL OF RATE SCHEDULE "TSFF") PSC DOCKET NO. 04-466
CALLED TOWN OF SMYRNA FRANCHISE FEE)
RIDER (FILED DECEMBER 14, 2004))

ORDER NO. 6570

AND NOW, to wit, this 8th day of February, 2005;

WHEREAS, in PSC Order No. 4671 (Dec. 17, 1997), the Commission approved Chesapeake Utilities Corporation's ("Chesapeake" or the "Company") application to charge all customers within the Town of Smyrna (the "Town") a surcharge of \$.0181 per ccf representing a fee that the Town of Smyrna imposed on the Company under a five-year franchise agreement dated October 6, 1997, with such surcharge to be effective on January 1, 1998; and

WHEREAS, the prior franchise agreement ended on December 31, 2002 and Chesapeake stopped billing its Town of Smyrna customers the above surcharge while the Company and the Town of Smyrna negotiated a new franchise agreement; and

WHEREAS, on December 14, 2004, Chesapeake filed an application seeking approval to reinstate the franchise fee surcharge of \$.0181 per ccf to all customers within the Town of Smyrna in light of a new franchise agreement, dated May 5, 2004; and

WHEREAS, the Company requested that the Commission reinstate the tariff rate no later than February 14, 2005; and

WHEREAS, the Commission having determined at its regular meeting on January 11, 2005, to conduct a public evidentiary hearing directly before the Commission at its regularly scheduled meeting on Tuesday, February 8, 2005, and to require the Company to publish notice of the filing; and

WHEREAS, Chesapeake, pursuant to the directive in PSC Order No. 6550 (Jan. 11, 2005), published notices of the proposed surcharge in the Delaware State News, The News Journal, and the Smyrna-Clayton Sun Times newspapers, with such notices announcing that the Commission would conduct a hearing on this proposed surcharge at its regularly scheduled meeting on February 8, 2005, and that interested persons could seek to intervene or file comments; and

WHEREAS, no person or entity has sought to intervene and no person or entity has filed comments concerning the surcharge; and

WHEREAS, the Commission having held the announced public hearing on the Company's application at its regularly scheduled meeting on February 8, 2005; and

WHEREAS, the Commission having heard the presentations and reviewed the exhibits presented by both the Company and the Commission Staff, and having considered Staff's recommendation that the Commission approve the proposed tariff revisions and surcharge of \$0.0181 per ccf for customers located in the Town; and

WHEREAS, under the proposed Smyrna Fee rider, customers of Chesapeake, within the Town of Smyrna municipal boundaries, would pay a surcharge of \$0.0181 per ccf on delivered gas, such charge representing a "pass through" of the volumetric franchise fee the Town

collects under the May 5, 2004 franchise agreement between the Company and the Town; and

WHEREAS, the Commission determines that it is appropriate, in this circumstance, to have the volumetric franchise fee imposed by the Town to be passed through to the customers within the jurisdiction imposing such cost, and not be treated as a general expense possibly to be paid by all the Company's ratepayers; and

WHEREAS, as noted before, the Commission has previously approved a similar surcharge applicable to the Company's customers within the Town of Smyrna arising from a similar franchise fee imposed by that town (PSC Order No. 4671 (Dec. 17, 1997)); and

WHEREAS, by approving the surcharge in this area, the Commission makes no conclusion whether, and to what extent, towns and municipalities may impose franchise fees, and the Commission continues to reserve the power to revisit the appropriate ratemaking treatment arising from this and other municipal franchise fees imposed on this Company and other regulated public utilities; now, therefore,

IT IS ORDERED:

1. That, the application of Chesapeake Utilities Corporation filed on December 14, 2004, to revise its tariff in order to implement a "Town of Smyrna Franchise Fee Rider," calculated at \$0.0181 per ccf of gas delivered to all firm and interruptible delivery service customers of Chesapeake Utilities Corporation (other than those customers from whom Chesapeake Utilities Corporation is prohibited by law from collecting said franchise fee) within the limits of the Town of Smyrna, is hereby approved. The revised tariff sheets submitted by

Chesapeake Utilities Corporation in its application of December 14, 2004 are approved, with such revisions to be effective on February 14, 2005. Chesapeake Utilities Corporation shall separately identify on its billings to its customers within the Town of Smyrna such "Town of Smyrna Franchise Fee Rider" as a separate line item and shall, with its initial billing of such surcharge, note that such surcharge is imposed as a result of the franchise fee imposed by the Town of Smyrna under a franchise agreement.

2. The Commission reserves the jurisdiction and authority to enter such other or further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

/s/ Arnetta McRae
Chair

/s/ Joshua M. Twilley
Vice Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary