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DELAWARE P.S.C.

July 24, 2013

Ms. Alisa Bentley, Secretary  
Delaware Public Service Commission  
861 Silver Lake Boulevard  
Cannon Building, Suite 100  
Dover, Delaware 19904

RE: Chesapeake Utilities Corporation – PSC Docket No. 12-292  
Supplemental Testimony

Dear Ms. Bentley:

Enclosed for filing are an original and ten (10) copies of Chesapeake Utilities Corporation's ("Chesapeake") Supplemental Testimony in the above referenced docket.

Should you have any questions with regard to the submission of this Supplemental Testimony, please contact me at 302.734.6742.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey R. Tietbohl". The signature is written in a cursive style.

Jeffrey R. Tietbohl  
Vice President

Enclosures

Cc: Service List

Chesapeake Utilities Corporation

350 South Queen Street • Dover, Delaware 19904 • 302.734.6797 • 302.735.3061 / fax

[www.chpkgas.com](http://www.chpkgas.com)

BEFORE THE DELAWARE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE

IN THE MATTER OF THE SUPPLEMENTAL	)	
APPLICATION OF CHESAPEAKE UTILITIES	)	
CORPORATION FOR APPROVAL OF NATURAL	)	
GAS EXPANSION SERVICE OFFERINGS	)	P.S.C. DOCKET NO. 12-292
(FILED JUNE 25, 2012)	)	

**CERTIFICATE OF SERVICE**

I, Jeffrey R. Tietbohl, do hereby certify that on July 24, 2013, a copy of the included supplemental testimony that appears as Chesapeake Utilities Corporation – Delaware Division, Supplemental Testimony of Jeffrey R. Tietbohl was issued to the following persons in the manner indicated:

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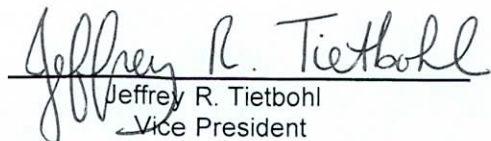
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Jeffrey R. Tietbohl  
Vice President

BEFORE THE DELAWARE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF )  
CHESAPEAKE UTILITIES CORPORATION )  
FOR APPROVAL OF NATURAL GAS ) P.S.C. DOCKET NO. 12-292  
EXPANSION SERVICE OFFERINGS )  
(FILED JUNE 25, 2012) )

SUPPLEMENTAL DIRECT TESTIMONY OF JEFFREY R. TIETBOHL

On Behalf of Chesapeake Utilities Corporation

Delaware Division

Submitted for Filing: July 24, 2013

1 Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS  
2 ADDRESS.

3 A. My name is Jeffrey R. Tietbohl. I am a Vice President of Chesapeake  
4 Utilities Corporation ("Chesapeake" or "the Company"). My business  
5 address is 350 South Queen Street, Dover, Delaware 19904.  
6

7 Q. HAVE YOU PRESENTED PRIOR TESTIMONY IN PSC DOCKET NO. 12-  
8 292?

9 A. Yes. I submitted direct testimony on June 25, 2012 in support of the  
10 Company's original application in the above-captioned docket.  
11

12 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT  
13 TESTIMONY IN THIS PROCEEDING?

14 A. The purpose of my supplemental direct testimony is to offer a revised  
15 proposal ("Revised Proposal") in this proceeding, which is based on  
16 extensive discussions and meetings with all of the respective parties in  
17 this case. Chesapeake believes that this Revised Proposal will serve the  
18 best interests of the public and the Company, while meeting the statutory  
19 requirement that rates are both just and reasonable.  
20

21 Q. PLEASE BRIEFLY DESCRIBE THE ATTACHMENTS INCLUDED AS  
22 PART OF YOUR SUPPLEMENTAL TESTIMONY.

1 A. Attachment JRT-A contains a copy of the Company's Main Extension  
2 Policies and related tariff sheets, which have been updated to reflect the  
3 changes discussed within this Supplemental Testimony. Attachment JRT-  
4 B contains red-lined and clean versions of the Company's tariff sheets  
5 related to the new Infrastructure Expansion Service Rates discussed  
6 within this Supplemental Testimony. Finally, Attachment JRT-C contains a  
7 map of the geographical area referred to herein as the "Expansion Area."

8  
9 Q. PLEASE PROVIDE A SUMMARY OF THE PROCEDURAL STATUS IN  
10 THIS PROCEEDING.

11 A. On June 25, 2012, Chesapeake filed with the Delaware Public Service  
12 Commission (the "Commission") an application (the "Application") seeking  
13 approval of various natural gas expansion service offerings that would  
14 enable it to extend its natural gas distribution facilities in southeastern  
15 Sussex County more efficiently than would otherwise be practical under  
16 current tariff provisions. On the 3rd day of July, 2012, the Commission  
17 entered Order No. 8174 suspending Chesapeake's application pending  
18 the completion of evidentiary hearings into the justness and  
19 reasonableness of the proposed new rates and other related tariff  
20 changes. In August and September 2012, the Division of the Public  
21 Advocate ("DPA"), the Department of Natural Resources and  
22 Environmental Control ("DNREC"), the Delaware Association of  
23 Alternative Energy Providers, Inc. ("DAAEP"), Delmarva Power & Light

1 Company ("DPL") and the Caesar Rodney Institute ("CRI") intervened as  
2 formal parties to the proceeding. After the Public Advocate resigned on or  
3 about March 13, 2013, the Attorney General's Office sought, and was  
4 granted, intervention in this matter to represent the interest of consumers.  
5 On July 2, 2013, the Attorney General's Office withdrew its appearance  
6 from this case. The newly appointed Delaware Public Advocate was  
7 entered into this proceeding in substitution for the Attorney General's  
8 Office.

9 During the course of this docket, the parties have conducted substantial  
10 written discovery in the form of both informal and formal data requests,  
11 and have conducted several informal workshops at the Commission's  
12 office in Dover, Delaware to address the Company's original proposal and  
13 related issues in this docket.

14 Based on these discussions and meetings with all of the respective  
15 parties, Chesapeake now offers, as a compromise position and in an effort  
16 to resolve all of the issues raised in this docket, this Revised Proposal.

17  
18 Q. PLEASE PROVIDE THE TERMS OF THE COMPANY'S REVISED  
19 PROPOSAL.

20 A. In the Application, Chesapeake sought approval to implement two optional  
21 regulated services referred to in the Application as the "Conversion  
22 Finance Service" and "Conversion Management Service". As part of this  
23 Revised Proposal, should Chesapeake decide to offer these optional

1 services in the future, Chesapeake will provide such services on an  
2 unregulated basis, in which case neither the revenues nor expenses  
3 associated with said services will be used in setting Chesapeake's  
4 regulated tariff rates for public utility service provided in Delaware.

5  
6 In the Application, Chesapeake sought approval to implement a  
7 Distribution Expansion Service ("DES") rate in the amount of \$15.00 per  
8 year that would be applicable to all residential customers in Delaware. As  
9 part of this Revised Proposal, and assuming that the other terms and  
10 conditions of this Revised Proposal are agreed to by the parties and  
11 approved by the Commission, Chesapeake will withdraw its request to  
12 implement the DES rate.

13 In the Application, Chesapeake sought approval to implement certain  
14 changes to its Line Extension Policy, including eliminating the 75-foot  
15 exception to the application of the current 6X net revenue test for service  
16 installations. Chesapeake agrees that its request to eliminate the 75-foot  
17 exception shall be deemed withdrawn, upon approval of this Revised  
18 Proposal by the Commission, in which case, Chesapeake's current tariff  
19 language regarding the 75-foot exception will remain in place. Upon  
20 approval of this Revised Proposal by the Commission, the current 100-foot  
21 exception for mainline extensions as described in the original Application  
22 will be eliminated on a prospective basis.

23 Under Chesapeake's current Line Extension Policy, the economics of a  
24 main extension to serve a new development where the mainline extension

1 exceeds 500 feet is evaluated based on the Company's Internal Rate of  
2 Return Model ("IRRM") on file with the Commission. For main extensions  
3 of 500 feet or less to new residential developments, or main extensions to  
4 existing residential developments, under the Company's existing Line  
5 Extension Policy, the Company is required to evaluate the economics of  
6 the extension under the current 6X net revenue test. Upon approval of this  
7 Revised Proposal by the Commission, the IRRM, as modified below, will  
8 be used by the Company in evaluating the economics of all main  
9 extensions to new and existing residential developments.

10 As part of this Revised Proposal, the Company proposes that in the  
11 application of the Company's IRRM, as modified herein, for prospective  
12 customers located within the Eastern Sussex County Expansion Area  
13 ("Expansion Area"), as defined below, the Company will use a debt rate of  
14 3.75% and a rate of return rate of 7.77% in lieu of the Company's rate  
15 case approved debt rate of 6.74% and overall rate of return of 8.91%. The  
16 Company further proposes that with respect to existing residential  
17 developments, in the application of the Company's IRRM, as modified  
18 herein, the Company will base its customer conversion projections used in  
19 the IRRM solely on those customers who have signed applications to  
20 convert their residence to natural gas. Furthermore, the Company  
21 proposes for residential customers and residential developments located  
22 in the Expansion Area, the Company will take into consideration the  
23 seasonal/non-seasonal nature of the customers use in projecting the

1 revenues to be derived from any extension. In addition, if at the time of the  
2 next base rate proceeding, the results of the aggregated IRRM for all  
3 Expansion Area projects indicate that the Company's anticipated rate of  
4 return on the aggregated projects is less than 7.77% over the entire life of  
5 the project, then 50% of the shortfall will be deducted from rate base for  
6 ratemaking purposes. The remaining 50% of the shortfall would be eligible  
7 for recovery in such rate proceeding pursuant to the rules and regulations  
8 of the Commission and applicable law. The amount of the shortfall would  
9 be equal to the amount of the contribution in aid of construction that would  
10 otherwise be necessary in order for the Company to earn a rate of return  
11 of 7.77% on the aggregated projects. Please see Attachment JRT-A which  
12 describes in further detail the Company's Main Extension Policies along  
13 with tariff changes that are necessary due to the Main Extension policy  
14 changes described above.

15 As part of this Revised Proposal, the Company proposes that in the  
16 Expansion Area, the Company will charge an Infrastructure Expansion  
17 Service ("IES") Rate to all Residential, General Service, and Medium  
18 Volume Service customers. Revenues collected through the IES Rates  
19 will be utilized by Chesapeake to enable Chesapeake to extend its natural  
20 gas distribution system in the Expansion Area. Unless provided by further  
21 order of the Commission, the IES Rates will remain in place for a period of  
22 time to ensure an appropriate level of rate and cost recovery related to the  
23 distribution system infrastructure established in the Expansion Area.

1 Nothing contained in the Revised Proposal, however, would preclude the  
2 Company from filing an application with the Commission seeking approval  
3 to change or modify the IES structure or rates. As outlined in the tariff  
4 sheets included as Attachment JRT-B, the IES Rates will be designed to  
5 collect the following additional annual revenues in the customer charge  
6 component of the rate structure: RS-1 customers - \$72.00; RS-2  
7 customers - \$225.00; GS customers - \$360.00; MV customers -  
8 \$1,125.00.

9 As part of this Revised Proposal, the Company proposes that after the first  
10 full year of implementing the IES rates, and each year thereafter, the  
11 Company will submit annual reports to the Commission setting forth the  
12 amounts collected under each IES rate and the capital investments made  
13 by the Company in the Expansion Area. No later than thirty nine (39)  
14 months following the date of the final order in this docket approving this  
15 Revised Proposal, the Company will file with the Commission, on a  
16 confidential basis, a comprehensive report setting forth a summary of the  
17 revenues and associated capital expenditures in the Expansion Area, the  
18 number of new customers added in the Expansion Area, and the IRRM  
19 reports for each expansion into a new or existing residential development.  
20 If requested to do so by the Commission, Chesapeake will open up a  
21 docket for the purpose of reviewing and evaluating the IES rates and  
22 IRRM.

1 As used herein, the "Expansion Area" means the area east of  
2 Chesapeake's district regulator station located on Route 9 in Lewes,  
3 Delaware that is connected to Chesapeake's distribution main *and* any  
4 area that is connected to Chesapeake's distribution main behind the three  
5 (3) Eastern Shore Natural Gas transmission pipeline City Gates located in  
6 Dagsboro, Frankford, and Selbyville, Delaware as proposed in the original  
7 Application. Please see Attachment JRT-C for a map of the geographical  
8 region of southeastern Sussex County, Delaware, defined as the  
9 "Expansion Area".

10 If the Commission approves this Revised Proposal, then the current  
11 Experimental Area Extension tariff provisions set forth in Section 6.4 of the  
12 Company's tariff shall be deleted, as shown on Attachment JRT-A.  
13

14 Q. IN ADDITION TO THE REASONS SET FORTH ABOVE, WHY IS THE  
15 COMPANY SUBMITTING THIS REVISED PROPOSAL AT THIS TIME?

16 A. During the extensive discussions that took place during the workshops,  
17 the Commission Staff, the DPA, the Attorney General's Office, and the  
18 other interveners mentioned earlier, attempted to reach a potential  
19 consensus on a number of issues in this docket. Based on these  
20 discussions and meetings, the Company has been informed that the  
21 Commission Staff, the DPA, the Attorney General's Office, DNREC and  
22 DAAEP are supportive of the terms and conditions of the Revised  
23 Proposal. The other parties to this proceeding, DPL and CRI, have

1 indicated that they do not oppose the terms and conditions of the Revised  
2 Proposal and they will not oppose Commission approval of the Revised  
3 Proposal. Prior to submitting the Revised Proposal under the terms of a  
4 potential Settlement Agreement to the Hearing Examiner and the  
5 Commission, a public comment session will be conducted to provide  
6 members of the public with an opportunity to comment on the Revised  
7 Proposal.

8

9 Q. WILL THE REVISED PROPOSAL FACILITATE THE ABILITY OF THE  
10 COMPANY TO PROVIDE NATURAL GAS SERVICE TO CUSTOMERS  
11 LOCATED WITHIN THE EXPANSION AREA?

12 A. The new IES rates will enable the Company to extend its natural gas  
13 mains further and in a more timely fashion, thereby benefitting more  
14 potential customers than otherwise under the Company's current rate  
15 structure. The revisions to the economic tests used by the Company to  
16 evaluate new extensions will, in the Company's opinion, provide a more  
17 accurate indication of the economics of any extension. Providing more  
18 residents and businesses in the Expansion Area with the option to use  
19 natural gas will provide an opportunity for energy savings and benefits to  
20 the environment.

21

22 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

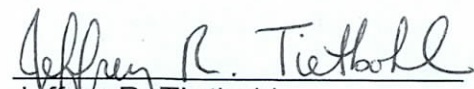
23 A. Yes, it does.

DATED: July 24, 2013

STATE OF DELAWARE     )  
                                      )  
COUNTY OF KENT        )

AFFIDAVIT OF JEFFREY R. TIETBOHL

JEFFREY R. TIETBOHL, being first duly sworn according to law, on oath deposes and says that he is the witness whose testimony appears as "Chesapeake Utilities Corporation, Delaware Division, Supplemental Testimony of Jeffrey R. Tietbohl;" that, if asked the questions which appear in the text of the rebuttal testimony, he would give the answers that are therein set forth; and that he adopts this testimony as his sworn rebuttal testimony in these proceedings.

  
Jeffrey R. Tietbohl

Then personally appeared this 24<sup>th</sup> day of July, 2013 the above-named Jeffrey R. Tietbohl and acknowledged the foregoing Testimony to be his free act and deed. Before me,



  
Notary Public  
My Commission Expires: 8.07.14

**PSC DKT NO. 12-292**

**JRT-A**

CHESAPEAKE UTILITIES CORPORATION  
DELAWARE DIVISION  
PSC DOCKET NO. 12-292

MAIN EXTENSION POLICIES

1. Type of Economic Analysis

The Company will utilize a six times net revenue test (annual base tariff revenue excluding fuel costs) in the economic analysis of commercial and industrial main extensions. The Company will utilize an Internal Rate of Return Model ("IRRM") in the economic analysis of main extensions to serve both new and existing residential developments.

2. Parameters of the Net Revenue Test

A. Number of Customers

For main extensions to serve commercial and industrial customers, the number of customers to be included in the economic analysis is the number of customers estimated to be connected during the first year.

3. Parameters of the IRRM

A. Number of Customers

For existing customer developments, the estimated number of residential heating customers will be based on the number of customers intending to convert to natural gas service who have signed an application for natural gas service with the Company.

For new residential developments, the estimated number of residential heating customers will be based on the number of lots in a new residential subdivision that have been approved for development by the appropriate local, county, or state government authority responsible for approving such residential subdivision projects. At its discretion, the Company may include more conservative estimates by including in the model less than the total number of approved lots in such residential subdivision. The estimated number of customers will be phased-in over periods of no less than the following:

Potential Customers	Buildout Period
0 – 50	1 year
51 – 100	2 years

CHESAPEAKE UTILITIES CORPORATION  
DELAWARE DIVISION  
PSC DOCKET NO. 12-292

MAIN EXTENSION POLICIES

101 – 200	3 years
201 – 400	4 years
401 – 800	5 years
801 +	6 years

When more than one residential subdivision has been approved for development and can be reached by the Company through a common distribution approach main installation, the Company shall perform a separate analysis for each subdivision. However, under such circumstances, the cost of the distribution approach main installation shall be allocated, for IRRM purposes, to each subdivision based on the size of the subdivision.

B. Annual Non-Fuel Revenue Per Customer

- (a) **Customers located in the southeastern Sussex County, Delaware, expansion area:** The estimated annual non-fuel revenue per residential customer will be based upon the potential customer's consumption, on a case-by-case basis, in addition to the estimated rate schedule for the customers in the residential subdivision(s). In evaluating a potential customer's consumption, the Company will take into consideration whether or not the customer is or will be a seasonal customer.
- (b) **For all other customers:** The estimated annual average non-fuel revenue per residential customer will be based on the margin per customer approved by the Commission in PSC Docket No. 07-186, depending upon the estimated rate schedule for the customers in the residential subdivision(s).

C. Distribution Main Installation

The estimated construction costs relative to the distribution main line extension and the new residential development main will be determined based upon the specific cost estimates for these particular mains on a project-by-project basis. The entire cost of the distribution approach main for a project will be included in the first year of the project; however the development main for a given residential subdivision(s) will be included consistent with the Company's estimate of the timing of the expense.

D. Service Installation and Meter Installation

CHESAPEAKE UTILITIES CORPORATION  
DELAWARE DIVISION  
PSC DOCKET NO. 12-292

MAIN EXTENSION POLICIES

The estimated construction costs relative to the installation of the service line and the meter set will be established based upon the Company's current cost of an average size service line and meter set for a typical residential service. The Company will provide the Commission Staff with any updated cost information relative to a typical service installation and meter installation to be used in the IRRM by March 1 of each year.

E. Operations and Maintenance Expenses

The estimated operations and maintenance expenses contained in the IRRM for a particular main line extension project will be based on a 3-year average of variable costs on a per customer basis for the most recent three calendar years unless the 3-year average is inconsistent with the particular extension project, in which case the most current year variable cost per customer will be utilized. The Company will provide the Commission Staff with any updated cost information relative to the operations and maintenance expenses per customer to be used in the IRRM by March 1 of each year.

F. Book Depreciation Life for Mains

The book depreciation life for mains for proposes of the IRRM will be based on the most recent Commission approved depreciation rate at the time of the economic analysis.

G. Capital Structure

- (a) **Customers located in the southeastern Sussex County, Delaware, expansion area:** The capital structure and associated rate of return for a given capital project will be based on the Company's capital structure and cost of equity capital approved in the Company's most recent base rate proceeding before the Commission. The cost of long term debt will be set at 3.75%.
- (b) **For all other customers:** The capital structure and associated rate of return for a given capital project will be based on the Company's capital structure, cost of equity capital, and the cost of long term debt approved in the Company's most recent base rate proceeding before the Commission.

## RULES AND REGULATIONS

### SECTION VI – SERVICE INSTALLATIONS AND MAIN EXTENSIONS

#### 6.1 SERVICE INSTALLATIONS

The Company will install the service line from its existing distribution main to the Customer's meter location at its expense. However, if the service line exceeds seventy-five (75) feet in length, the Company's initial investment in the entire service installation shall be limited to six (6) times the related estimated annual base tariff revenue excluding all fuel costs ("net revenue") from the Customer. The amount of the investment that exceeds the six (6) times net revenue test for the service installation shall be paid by the Customer in accordance with the terms of Section 6.3.

Service Installations, as used in this section for purposes of the six (6) times net revenue test, refers to the costs associated with the service line piping, meter installation and associated materials from the tap on the Company's gas distribution main system up to and including the Customer's meter.

#### 6.2 MAIN EXTENSIONS

Main extensions to the Company's gas system shall be provided, owned and maintained under the terms and conditions stated herein. Main extensions, as used in this section for purposes of the economic evaluation criteria, refers to the cost of gas distribution mains and associated materials that must be constructed along public streets, roads and highways, or on private property from the Company's existing gas distribution main system to the initiation of the service line. ~~The Company will make extensions to existing mains of one hundred (100) feet per Customer without charge.~~ Main extensions ~~beyond one hundred (100) feet per Customer from existing mains~~ are limited to the extent of new investment warranted by the anticipated revenues as stated in this Section VI.

#### ~~New Residential Development – Main Extensions Less Than 500 Feet~~

~~If a main extension to serve a new residential development is less than 500 feet in length, the Company will construct the facilities at no charge if the Company's estimated investment in both the main extension and service installation is equal to, or less than six (6) times the annual base tariff revenue, excluding all fuel costs ("net revenue") from Customers to be initially served from the main extension during the first year of the development. If the estimated investment exceeds the six (6) times net revenue test, the Customer(s) shall provide a financial guarantee in accordance with the terms of Section 6.3.~~

Issue Date:

Effective Date:

Authorization:

## RULES AND REGULATIONS

### SECTION VI – SERVICE INSTALLATIONS AND MAIN EXTENSIONS (Continued)

#### 6.2 MAIN EXTENSIONS (Continued)

##### New Residential Development – ~~Main Extensions Over 500 Feet~~

~~If a main extension to serve a new residential development is greater than 500 feet in length, the~~<sup>The</sup> economic evaluation criteria for installing natural gas service to the new residential development will be based on an Internal Rate of Return Model ("IRRM") with certain predetermined conditions and guidelines. The applicable procedures and guidelines in the implementation of the IRRM are on file with and have been approved by the Delaware Public Service Commission. The procedure used to determine whether a financial guarantee will be required from a Customer(s) is part of the IRRM methodology on file with the Commission.

##### Existing Residential Developments

~~The economic evaluation criteria for installing natural gas service to an existing residential development will be based on an Internal Rate of Return Model ("IRRM") with certain predetermined conditions and guidelines. The applicable procedures and guidelines in the implementation of the IRRM are on file with and have been approved by the Delaware Public Service Commission. The procedure used to determine whether a financial guarantee will be required from a Customer(s) is part of the IRRM methodology on file with the Commission. If the estimated investment in the facilities necessary to provide gas service to existing residential developments exceeds six (6) times the related annual net revenue from the respective Customer(s), the Customer(s) shall provide a financial guarantee in accordance with the terms of Section 6.3.~~

~~For purposes of existing residential developments, the number of customers to be used in the evaluation criteria will be based on the actual number of customers intending to convert to natural gas service within ninety (90) days and who have signed an application for natural gas service with the Company.~~

##### Commercial and Industrial Main Extensions

The economic evaluation criteria for installing natural gas service to commercial and industrial customers, including transportation and non-firm customers, will be the six (6) times net revenue test based on the commercial and industrial customers' estimated level of annual non-fuel revenue. The estimated annual non-fuel revenue is defined as the estimated annual base tariff revenue or delivery service revenue excluding all fuel related costs for the respective customer. If the estimated investment in the facilities necessary to provide gas service exceeds six (6) times the related annual non-fuel revenue from the respective Customer(s), the Customer(s) shall provide a financial guarantee in accordance with the terms of Section 6.3.

---

**Issue Date:**  
**Effective Date:**  
**Authorization:**

## RULES AND REGULATIONS

### SECTION VI – SERVICE INSTALLATIONS AND MAIN EXTENSIONS (Continued)

#### 6.3 FINANCIAL GUARANTEES

Financial Guarantees may be made by a Contribution in Aid of Construction ("CIAC"), a Customer Advance, a Letter of Credit, or other financial guarantee at the Company's discretion.

Should the Customer provide a Customer Advance, the Company will provide, in a written agreement with the Customer, for refunds (without interest) of all, or part, of the monies advanced by the Customer in connection with the extension and the applicable economic evaluation criteria. Refunds to the Customer shall extend over a term of years, not to exceed six years, upon such basis or conditions as may be mutually agreeable to the Company and the Customer, and specified in the written agreement. In no case shall the total refund be greater than the Customer's deposit. Any portion of the deposit remaining after the expiration of the term as specified in the written agreement shall be retained by the Company and credited as a Contribution In Aid of Construction.

Should the Customer provide a Letter of Credit or other financial guarantee, the estimated revenue attributable to the extension shall be examined prior to the expiration of the Letter of Credit or other financial guarantee. The Company may either draw on the Letter of Credit or other financial guarantee or require that it be renewed, where a continued financial guarantee is still required.

#### ~~6.4 EXPERIMENTAL AREA EXTENSION PROGRAM~~

~~For residential facilities that are to be extended to one discrete geographic area and require a CIAC, the Company may establish an Area Extension Program ("AEP") on an experimental basis to recover these costs plus interest at a rate equal to the Company's cost of capital. The AEP amount will be billed to customers served by the extension providing that the CIAC can reasonably be expected to be collected over an amortization period not to exceed ten years.~~

~~The AEP, which shall be stated on a per Ccf basis, shall apply with respect to all natural gas sold or transported to Company customers located within the applicable discrete geographic area during the amortization period.~~

#### 6.4 RIGHT TO DETERMINATION

In each and every situation where the Company and the prospective Customer cannot agree as to the necessity for a financial guarantee to be borne by the prospective Customer, the prospective Customer will be advised by the Company of the right to have the matter determined by the Public Service Commission under 26 Del Code, Section 203.

Issue Date:

Effective Date:

Authorization:

## RULES AND REGULATIONS

### SECTION VI – SERVICE INSTALLATIONS AND MAIN EXTENSIONS (Continued)

#### ~~6.4 EXPERIMENTAL AREA EXTENSION PROGRAM (Continued)~~

~~The AEP rate will be calculated by dividing (1) the amount of additional revenue required in excess of the Company's applicable tariff rates, including any taxes calculated on gross revenue, by (2) the volume of gas reasonably forecast to be sold or transported to customers within the applicable discrete geographic area during the amortization period. The additional revenue required is the amount determined necessary to recover the excess cost of the facilities, including the Company's allowed cost of capital as determined in accordance with the Company's internal rate of return model on file with the Public Service Commission.~~

~~AEP amounts collected shall be used specifically to amortize the cost of the project facilities within the applicable discrete geographic area requiring a CIAC. If the AEP collected is sufficient before the expiration of the amortization period to fully amortize the excess costs, including the provision for the accumulated cost of capital, the AEP for said discrete geographic area shall terminate immediately, and the Company shall promptly credit the affected customers for amounts over collected, if any. The Company will absorb any under recovery in existence at the end of the amortization period.~~

~~The Company shall have the right to reassess the amount of revenue available to recover the unamortized excess cost of the facilities on an ongoing basis and recalculate the AEP rate as needed, provided however, to the extent that any change in the AEP rate is required, the Company shall only have the right to change the rate once during the amortization period, subject to the maximum rate limitations set forth above.~~

~~The initial AEP rate computation and any further change to the established rate will be submitted to the Public Service Commission for review and approval prior to the effective date of the surcharge. The AEP rate will then appear on Rate Schedule "AEP" in the Company's tariff. The Experimental Area Extension Program will be evaluated by the Commission at the expiration of 18 months after the filing of the one trial AEP application.~~

#### ~~6.5 RIGHT TO DETERMINATION~~

~~In each and every situation where the Company and the prospective Customer cannot agree as to the necessity for a financial guarantee to be borne by the prospective Customer, the prospective Customer will be advised by the Company of the right to have the matter determined by the Public Service Commission under 26 Del Code, Section 203.~~

#### 6.6 OWNERSHIP AND MAINTENANCE

The Company shall own, maintain and renew all its equipment, between the main and the outlet side of the meter connection.

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**Issue Date:**

**Effective Date:**

**Authorization:**

**RULES AND REGULATIONS**

**SECTION VI – SERVICE INSTALLATIONS AND MAIN EXTENSIONS**  
(Continued)

**6.6 OWNERSHIP AND MAINTENANCE**

~~The Company shall own, maintain and renew all its equipment, between the main and the outlet side of the meter connection.~~

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Issue Date:  
Effective Date:  
Authorization:

**PSC DKT NO. 12-292**

**JRT-B**

RATE SCHEDULE "ERS-1"

EXPANSION AREA RESIDENTIAL SERVICE – 1

AVAILABILITY

This rate schedule is available to any individually metered customer within the southeastern Sussex County, Delaware, expansion area using gas in a residential dwelling or unit for space heating, cooking, water heating, or other domestic purpose with an annual consumption of 240 Ccf or less. The southeastern Sussex County, Delaware, expansion area is defined as the area east of Chesapeake's district regulator station located on Route 9 in Lewes, Delaware, that is connected to Chesapeake's distribution main and any area that is connected to Chesapeake's distribution main behind the three Eastern Shore Natural Gas transmission pipeline City Gates located in Dagsboro, Frankford, and Selbyville, Delaware. The Company will annually review those customers receiving service under this rate schedule in order to determine the appropriate firm residential rate schedule should their annual consumption warrant such a change. This annual review process will be based on the twelve months ended August. Customers will not be shifted between rate schedules due to changes in annual consumption other than at the annual review time.

DELIVERY SERVICE RATES

The following rates for delivering gas to the customer's location apply to all customers served under this rate schedule.

<u>Customer Charge:</u>	<u>\$16.50 per month</u>
<u>First 20 Ccf</u>	<u>\$0.607 per Ccf</u>
<u>Next 30 Ccf</u>	<u>\$0.280 per Ccf</u>
<u>Over 50 Ccf</u>	<u>\$0.170 per Ccf</u>

GAS SALES SERVICE

In addition to the above Delivery Service rates, customers served under this rate schedule are subject to the gas cost rate applicable to Rate Schedule "RS" provided on Sheet No. 42.

PAYMENT TERMS

Bills are due within ten (10) days of their date.

Issue Date:  
Effective Date:  
Authorization:

RATE SCHEDULE "ERS-1"

EXPANSION AREA RESIDENTIAL SERVICE — 1  
(Continued)

MINIMUM BILL

The minimum monthly bill under this rate schedule is the customer charge.

SPECIAL TERMS AND CONDITIONS OF SERVICE

- (1) Service under this rate schedule is subject to the standard terms and conditions of service as in effect from time to time under authority of the Public Service Commission of Delaware. It is also subject to the limitations stated under the "Availability" clause above.
- (2) Natural gas purchased hereunder is for the use of the customer in one location only and is not to be shared or sold to others.
- (3) In addition to the above Delivery Service rates, customers served under this rate schedule may be subject to one or more riders containing additional charges applicable to the service received, such as ER and any applicable franchise fees.

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Issue Date:  
Effective Date:  
Authorization:

RATE SCHEDULE "ERS-2"

EXPANSION AREA RESIDENTIAL SERVICE – 2

AVAILABILITY

This rate schedule is available to any individually metered customer within the southeastern Sussex County, Delaware, expansion area using gas in a residential dwelling or unit for space heating, cooking, water heating, or other domestic purpose with annual consumption of greater than 240 Ccf. The southeastern Sussex County, Delaware, expansion area is defined as the area east of Chesapeake's district regulator station located on Route 9 in Lewes, Delaware, that is connected to Chesapeake's distribution main and any area that is connected to Chesapeake's distribution main behind the three Eastern Shore Natural Gas transmission pipeline City Gates located in Dagsboro, Frankford, and Selbyville, Delaware. The Company will annually review those customers receiving service under this rate schedule in order to determine the appropriate firm residential rate schedule should their annual consumptions warrant such a change. A Customer on ERS-1 Service will be moved to this rate schedule with annual consumption equal to or greater than 264 Ccf. A Customer on this rate schedule will be moved to ERS-1 Service with annual consumption less than 216 Ccf. This annual review process will be based on the twelve months ended August. Customers will not be shifted between rate schedules due to changes in annual consumption other than at the annual review time.

DELIVERY SERVICE RATES

The following rates for delivering gas to the customer's location apply to all customers served under this rate schedule.

<u>Customer Charge:</u>	<u>\$31.75 per month</u>
<u>First 20 Ccf</u>	<u>\$0.578 per Ccf</u>
<u>Next 30 Ccf</u>	<u>\$0.319 per Ccf</u>
<u>Over 50 Ccf</u>	<u>\$0.132 per Ccf</u>

GAS SALES SERVICE

In addition to the above Delivery Service rates, customers served under this rate schedule are subject to the gas cost rate applicable to Rate Schedule "RS" provided on Sheet No. 42.

PAYMENT TERMS

Bills are due within ten (10) days of their date.

Issue Date:  
Effective Date:  
Authorization:

RATE SCHEDULE "ERS-2"

EXPANSION AREA RESIDENTIAL SERVICE — 2  
(Continued)

MINIMUM BILL

The minimum monthly bill under this rate schedule is the customer charge.

SPECIAL TERMS AND CONDITIONS OF SERVICE

- (1) Service under this rate schedule is subject to the standard terms and conditions of service as in effect from time to time under authority of the Public Service Commission of Delaware. It is also subject to the limitations stated under the "Availability" clause above.
- (2) Natural gas purchased hereunder is for the use of the customer in one location only and is not to be shared or sold to others.
- (3) In addition to the above Delivery Service rates, customers served under this rate schedule may be subject to one or more riders containing additional charges applicable to the service received, such as ER and any applicable franchise fees.

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Issue Date:  
Effective Date:  
Authorization:

RATE SCHEDULE "EGS"

EXPANSION AREA GENERAL SERVICE

AVAILABILITY

This rate schedule is available to any customer within the southeastern Sussex County, Delaware, expansion area using gas for commercial and/or industrial purposes with an annual consumption of less than 4,000 Ccf. The southeastern Sussex County, Delaware, expansion area is defined as the area east of Chesapeake's district regulator station located on Route 9 in Lewes, Delaware, that is connected to Chesapeake's distribution main and any area that is connected to Chesapeake's distribution main behind the three Eastern Shore Natural Gas transmission pipeline City Gates located in Dagsboro, Frankford, and Selbyville, Delaware. The Company will annually review those customers receiving service under this rate schedule in order to determine the appropriate firm commercial and/or industrial rate schedule should their annual consumption warrant such a change. This annual review process will be based on the twelve months ended August. Customers will not be shifted between rate schedules due to changes in annual consumption other than at the annual review time.

DELIVERY SERVICE RATES

The following rates for delivering gas to the customer's location apply to all customers served under this rate schedule.

<u>Customer Charge:</u>	<u>\$56.00 per month</u>
<u>First 20 Ccf</u>	<u>\$0.447 per Ccf</u>
<u>Next 30 Ccf</u>	<u>\$0.278 per Ccf</u>
<u>Over 50 Ccf</u>	<u>\$0.140 per Ccf</u>

GAS SALES SERVICE

In addition to the above Delivery Service rates, customers served under this rate schedule are subject to the gas cost rate applicable to Rate Schedule "GS" provided on Sheet No. 42.

PUBLIC UTILITIES TAX

The Delivery Service, Gas Sales Service, and any other applicable rates or charges are subject to the Delaware Public Utilities Tax unless the customer is exempt from such tax.

PAYMENT TERMS

Bills are due within ten (10) days of their date.

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Issue Date:

Effective Date: For

Authorization:

RATE SCHEDULE "EGS"

EXPANSION AREA GENERAL SERVICE  
(Continued)

MINIMUM BILL

The minimum monthly bill under this rate schedule is the customer charge.

SPECIAL TERMS AND CONDITIONS OF SERVICE

- (1) Service under this rate schedule is subject to the standard terms and conditions of service as in effect from time to time under authority of the Public Service Commission of Delaware. It is also subject to the limitations stated under the "Availability" clause above.
- (2) Natural gas purchased hereunder is for the use of the customer in one location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles.
- (3) A firm customer that transfers from Gas Sales Service to Transportation and Balancing Service or to Interruptible Sales Service, as authorized under the Company's tariff, will be billed for or receive credit for any under or over collection of gas costs from prior periods.
- (3) In addition to the above Delivery Service rates, customers served under this rate schedule may be subject to one or more riders containing additional charges applicable to the service received, such as ER and any applicable franchise fees.

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Issue Date:  
Effective Date:  
Authorization:

RATE SCHEDULE "EMVS"

EXPANSION AREA MEDIUM VOLUME SERVICE

AVAILABILITY

This rate schedule is available to any customer within the southeastern Sussex County, Delaware, expansion area using gas for commercial and/or industrial purposes with an annual consumption generally equal to or greater than 4,000 Ccf and less than 15,000 Ccf. The southeastern Sussex County, Delaware, expansion area is defined as the area east of Chesapeake's district regulator station located on Route 9 in Lewes, Delaware, that is connected to Chesapeake's distribution main and any area that is connected to Chesapeake's distribution main behind the three Eastern Shore Natural Gas transmission pipeline City Gates located in Dagsboro, Frankford, and Selbyville, Delaware. The Company will annually review those Customers receiving service under this rate schedule in order to determine the appropriate firm commercial and/or industrial rate schedule should their annual consumption warrant such a change. A Customer on Rate Schedule EGS will be moved to this rate schedule with annual consumption equal to or greater than 4,400 Ccf. A Customer on this rate schedule will be moved to rate schedule EGS with annual consumption less than 3,600 Ccf. The annual review process will be based on the twelve months ended August. Customers will not be shifted between rate schedules due to changes in annual consumption other than at the annual review time.

DELIVERY SERVICE RATES

The following rates for delivering gas to the customer's location apply to all customers served under this rate schedule.

<u>Customer Charge:</u>	<u>\$158.75 per month</u>
<u>First 200 Ccf</u>	<u>\$0.227 per Ccf</u>
<u>Over 200 Ccf</u>	<u>\$0.115 per Ccf</u>

GAS SALES SERVICE

In addition to the above Delivery Service rates, customers served under this rate schedule are subject to the gas cost rate applicable to Rate Schedule "MVS" provided on Sheet No. 42.

PUBLIC UTILITIES TAX

The Delivery Service, Gas Sales Service, and any other applicable rates or charges are subject to the Delaware Public Utilities Tax unless the customer is exempt from such tax.

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Issue Date:

Effective Date:

Authorization:

RATE SCHEDULE "EMVS"

EXPANSION AREA MEDIUM VOLUME SERVICE  
(Continued)

PAYMENT TERMS

Bills are due within ten (10) days of their date.

MINIMUM BILL

The minimum monthly bill under this rate schedule is the customer charge.

SPECIAL TERMS AND CONDITIONS OF SERVICE

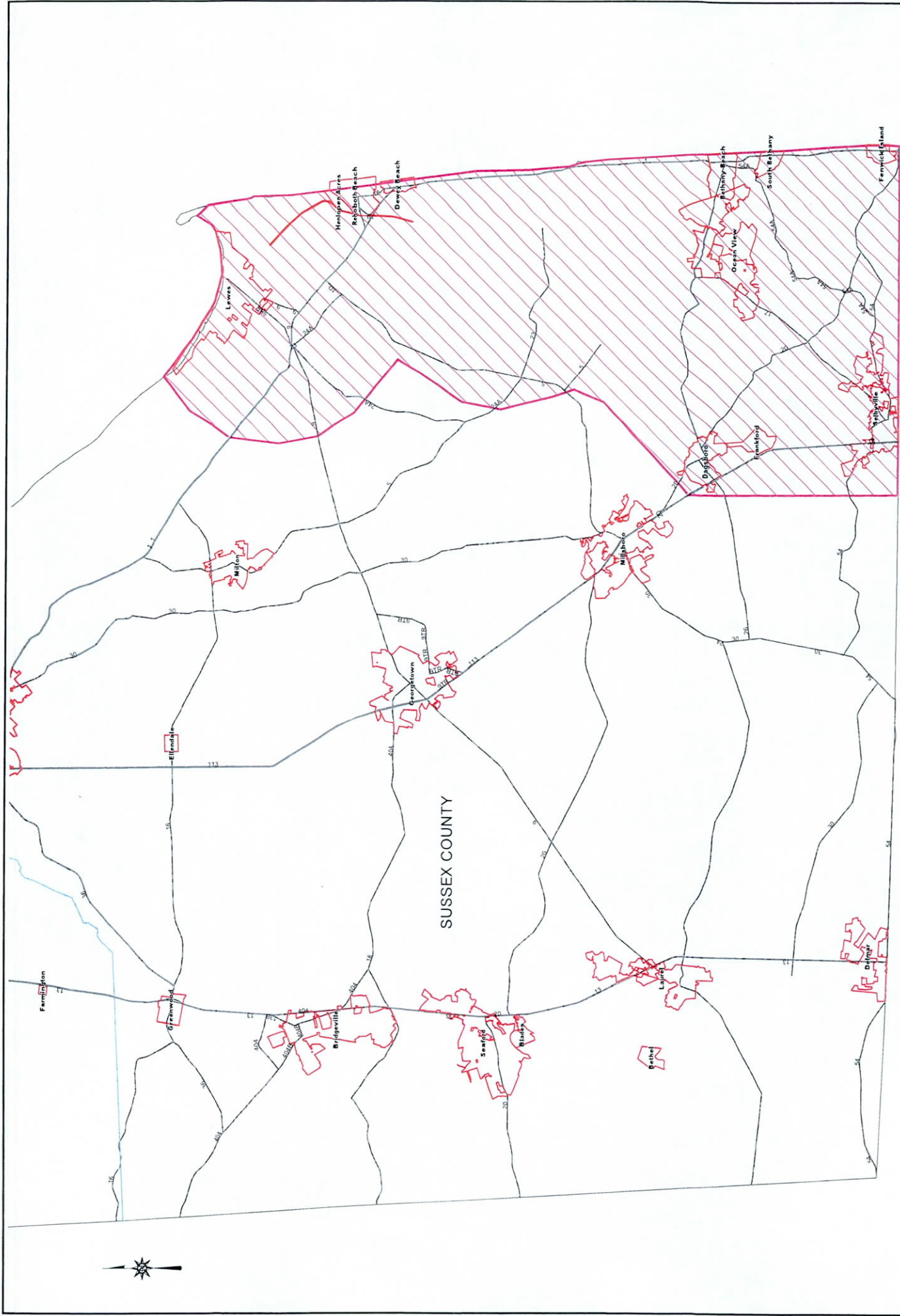
- (1) Service under this rate schedule is subject to the standard terms and conditions of service as in effect from time to time under authority of the Public Service Commission of Delaware. It is also subject to the limitations stated under the "Availability" clause above.
- (2) Natural gas purchased hereunder is for the use of the customer in one location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles.
- (3) A firm customer that transfers from Gas Sales Service to Transportation and Balancing Service or Interruptible Sales Service, as authorized under the Company's tariff, will be billed for or receive credit for any under or over collection of gas costs from prior periods.
- (4) In addition to the above Delivery Service rates, customers served under this rate schedule may be subject to one or more riders containing additional charges applicable to the service received, such as ER and any applicable franchise fees.

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Issue Date:  
Effective Date:  
Authorization:

**PSC DKT NO. 12-292**

**JRT-C**



DRAWN BY	MMK	07-06-12
APPROVED		
DRAWING No.		
SC-12		
SHEET 1 OF 1		

SUSSEX COUNTY



350 SOUTH QUEEN ST • DOVER, DE 19904

SCALE: 1" = 10,000'

