

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

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

ORDER NO. 8174

AND NOW, this 3rd day of July, 2012:

WHEREAS, on June 25, 2012, Chesapeake Utilities Corporation ("Chesapeake" or the "Company") filed with the Delaware Public Service Commission (the "Commission") an application (the "Application"), pursuant to 26 *Del. C.* §201, §301, and §304, seeking approval of various natural gas expansion service offerings that, according to Chesapeake, would enable it to extend its natural gas distribution facilities in southeastern Sussex County more efficiently than would otherwise be practical under current tariff provisions; and

WHEREAS, the proposed expansion service offerings provide for higher rates in the designated expansion area and modified line extension policies because, according to Chesapeake, under existing rates and line extension policies, service cannot be provided to many customers without the customer paying a substantial up-front contribution or advance; and

WHEREAS, the proposed expansion service offerings include: (a) a new Infrastructure Expansion Service ("IES") Rate, applicable only to customers within the proposed expansion area, at \$8.00 per month for Expansion Area Residential Service - 1, \$25.00 per month for Expansion

Area Residential Service - 2, \$40.00 per month for Expansion Area General Service, and \$125.00 per month for Expansion Area Medium Volume Service; (b) a new Distribution Expansion Service ("DES") Rate, applicable to all customers, at \$1.25 per month; (c) a new Conversion Finance Service option to provide financing for new customers who wish to convert from another fuel to natural gas and a new Conversion Management Service option to assist with coordination of the conversion work; and (d) other tariff changes dealing with main extensions and the economic analysis of customer additions for existing residential developments; and

WHEREAS, Chesapeake seeks an effective date of all changes for bills rendered on and after September 1, 2012; and

WHEREAS, the Commission having determined that, pursuant to the authority granted to it by 26 Del. C. §306(a)(1), Chesapeake's Application shall be suspended pending the completion of evidentiary hearings into the justness and reasonableness of the proposed new rates and tariff changes.

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

1. That the rates and revised tariff sheets filed by Chesapeake Utilities Corporation on June 25, 2012, are hereby suspended pursuant to 26 Del. C. §306(a)(1) and shall not be placed into force or effect except pursuant to law or further Order of the Commission, and then only to the extent such law or further Commission Order may permit or allow.

2. That the proposed non-rate modifications to its tariffs be suspended until such time as a final Order in this proceeding is issued.

3. That Chesapeake Utilities Corporation shall give public notice of the filing of this application with the proposed rate changes and this action by the Commission, by publishing notice in the form attached hereto as Exhibit "A" in two-column format, outlined in black, in the legal classified section of The News Journal and The Delaware State News newspapers on **July 10 and 11, 2012**, and in the Cape Gazette newspaper on **July 10, 2012**. Chesapeake Utilities Corporation shall submit proof of such publication as soon as possible, but no later than the commencement of the evidentiary hearings concerning this matter. The Commission Secretary shall serve, by U.S. Mail, the attached notice on the intervening parties to the last base rate case filed by Chesapeake Utilities Corporation, PSC Docket No. 07-186, and on the Sussex County Administrator.

4. That Mark Lawrence is designated as Hearing Examiner for this matter pursuant to the terms of 26 *Del. C.* §502 and 29 *Del. C.* ch. 101 to schedule and conduct, upon due notice, such public comment sessions and evidentiary hearings, as may be necessary, to have a full and complete record concerning the justness and reasonableness of the proposed rates and tariff modifications. Hearing Examiner Lawrence, in setting a schedule for the proceedings, shall have the authority to deny Chesapeake's request for an effective date of September 1, 2012, if that date will not allow for the development of a full and complete

record and subsequent Commission action. After conducting evidentiary hearings, Hearing Examiner Lawrence shall file with the Commission his proposed findings and recommendations. Pursuant to Rule 21 of the Commission's Rules of Practice and Procedure, Hearing Examiner Lawrence is specifically delegated the authority to grant or deny petitions seeking leave to intervene and for admission of counsel *pro hac vice*. In addition, Hearing Examiner Lawrence is delegated the authority, under 26 Del. C. §102(A), to determine the form and manner of any further public notice in this matter.

5. That James McC. Geddes is designated as rate counsel in this matter.

6. That the deadline for filing petitions to intervene pursuant to Rule 21 of the Commission's Rules of Practice and Procedure shall be **Friday, August 10, 2012**. Late-filed petitions to intervene will not be granted unless good cause is shown.

7. Chesapeake Utilities Corporation is hereby placed on notice that the costs of the proceedings will be charged to it under the provisions of 26 Del. C. §114(b)(1).

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

BY ORDER OF THE COMMISSION:

Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary

E X H I B I T "A"

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APPROVAL OF NATURAL GAS EXPANSION) PSC DOCKET NO. 12-292
SERVICE OFFERINGS)
(FILED JUNE 25, 2012))

**PUBLIC NOTICE OF THE APPLICATION OF CHESAPEAKE UTILITIES CORPORATION
FOR NEW NATURAL GAS EXPANSION RATES FOR SOUTHEASTERN SUSSEX COUNTY AND
FOR AN INCREASE TO ITS CUSTOMER CHARGE FOR ALL CUSTOMERS AND OTHER
TARIFF CHANGES**

**TO: ALL NATURAL GAS CUSTOMERS OF CHESAPEAKE UTILITIES CORPORATION AND
OTHER INTERESTED PERSONS:**

On June 25, 2012, pursuant to 26 Del. C. §201, §301, and §304, Chesapeake Utilities Corporation ("Chesapeake") filed with the Delaware Public Service Commission ("the Commission") an application proposing natural gas expansion service offerings to expand the availability of service to residents, communities, and businesses throughout its service territory, and specifically in areas of southeastern Sussex County, Delaware, where natural gas service is not widely available.

In its application, Chesapeake has requested approval of a proposed Infrastructure Expansion Service Rate that, according to Chesapeake, would allow it to extend its distribution system further than it would otherwise be able to, by lowering the amount of the up-front contribution required from new customers within certain areas of southeastern Sussex County, in order to provide service to a greater number of residents and businesses. The proposed Infrastructure

Expansion Service Rate would only apply to customers within the designated expansion area in Sussex County. Chesapeake has also requested approval of a Distribution Expansion Service Rate of \$1.25 per month, applicable to all customers, which would be used to cover the additional expenses incurred by the Company in expanding its distribution system. Chesapeake is proposing that these rates be collected through the monthly customer charge effective with bills rendered on and after September 1, 2012. The effect on the monthly charges is outlined below for current customer classifications (*i.e.*, RS-1, RS-2, GS, MVS, LVS and HLFS) and proposed expansion classifications (*i.e.*, ERS-1, ERS-2, EGS and EMVS):

Rate Schedule	Current Monthly Customer Charge	Proposed Monthly Customer Charge
RS-1	\$10.50	\$11.75
RS-2	\$13.00	\$14.25
GS	\$26.00	\$27.25
MVS	\$65.00	\$66.25
LVS	\$125.00	\$126.25
HLFS	\$75.00	\$76.25
ERS-1	n/a	\$19.75
ERS-2	n/a	\$39.25
EGS	n/a	\$67.25
EMVS	n/a	\$191.25

Also contained in the application is a proposed optional service that would allow Chesapeake to provide financing for customers to assist with the cost of converting to natural gas and a service whereby Chesapeake would coordinate with any outside vendors to implement the physical conversion. Finally, Chesapeake has proposed changes to the economic tests outlined in Chesapeake's natural gas tariff that would reduce the level of contribution required from new

customers seeking to obtain natural gas service.

At its meeting on July 3, 2012, the Commission suspended the proposed changes and determined to open a proceeding to investigate the application. The Commission will render a decision after holding public evidentiary hearings, which will be conducted upon due public notice.

If you wish to formally participate as a party in this matter, with the right to present evidence and be represented by counsel, you must file with the Commission a written petition asking for leave to intervene in accordance with the requirements of the Commission's Rules of Practice and Procedure (26 Del. Admin. C. §1001-2.9) **on or before August 10, 2012**. All such petitions should be sent to the Commission, at 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover, Delaware 19904, with attention to "PSC Docket No. 12-292." Petitions filed after the deadline of August 10, 2012, will not be considered except for good cause shown.

You are invited to review Chesapeake's application and supporting documents to determine how your interest may be affected. You may review documents posted on the Commission's website at <http://dep.sc.delaware.gov/default.shtml>. If you would like to review documents at the Commission's offices, please contact Monica Hall at monica.hall@state.de.us to arrange a time for your review. You may also review copies of Chesapeake's application and supporting documents at the office of the Division of the Public Advocate located at the Carvel State Office Building, 4th Floor, 820 North French

Street, Wilmington, Delaware 19801. Please call (302) 577-5077 to arrange for a time to review the documents at that location.

If you wish to request copies of documents in this matter, please submit a Freedom of Information Act Request Form. This form may be found at <http://smu.portal.delaware.gov/cgi-bin/mail.php?foia-request&subj=DOS>. There is also a link to the Freedom of Information Act Request Form on the Commission's website, <http://dep.sc.delaware.gov/default.shtml>. The Commission will respond to your request in accordance with the Delaware Freedom of Information Act, 29 Del. C. ch. 100.

If you have a disability and wish to participate or to review the materials in this matter, please contact the Commission to discuss any auxiliary aids or services you might need to help you. You may contact the Commission in person, by writing, by telephone (including text telephone), by Internet e-mail, or other means. If you have questions about this matter, you may call the Commission at 1-800-282-8574 (toll-free in Delaware) or (302) 736-7500 (voice and text telephone). You may also send questions regarding this matter by Internet e-mail addressed to psc@state.de.us.