



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

July 17, 2020

Re: PSC Docket No. 19-0529 – Tariff Filing

Dear Ms. Nickerson:

In compliance with the requirements of Ordering Paragraph 2 and Attachment B, Paragraph 14 of Order No. 9594 in the above-referenced docket, attached please find Chesapeake Utilities Corporation's ("Chesapeake" or the "Company") proposed Tariff Sheet No. 45.5.

On June 17, 2020, by Order No. 9594, the Commission approved the uncontested Settlement Agreement in the above-referenced docket entered into by Chesapeake, Commission Staff, the Division of the Public Advocate, and intervener Board of Directors of Hart's Landing (the "Settlement Agreement"), providing for regulatory accounting treatment and replacement value methodology for Chesapeake's acquisition of propane community gas systems ("CGSs") from the Company's affiliate, Sharp Energy, Inc. ("Sharp") and the conversion of the Sharp-owned CGSs to natural gas service.

Hart's Landing Development, located at Spencer Lane & DE Rt. 24 (John J. Williams Hwy), Lewes, DE 19958, is a community in Sussex County, Delaware that is currently served by propane via a CGS owned by Sharp. Chesapeake intends to acquire the Hart's Landing CGS for purposes of converting the community to natural gas. The community is 100% developed and consists of 143 single family dwellings and one clubhouse.

In 2017, the Board of Directors of the Hart's Landing Homeowner's Association made a request for natural gas service to Chesapeake Utilities. At that time, communications began to address the propane to natural gas conversion. In the second quarter of 2017, the Board of Directors solicited input from the community. Approximately 78% of the community responded to the solicitation, with 96% of the responses affirmative to convert. The Board of Directors again solicited the residents of Hart's Landing in June 2020 for confirmation to convert the 143 residences, and 142 (or 99% of the residents) have committed to converting to natural gas.

The Company has run an Internal Rate of Return Model ("IRRM") as adjusted by PSC Order No. 9594, which is attached hereto as Exhibit A (Confidential). The estimated conversion costs are \$701,052. The estimated transfer valuation is \$ [REDACTED]. The full cost of conversion (replacement cost plus behind the meter and system conversion costs) for the Hart's Landing community meets the Company's internal rate of return model, thus ensuring no subsidization is required from existing customers.



In compliance with the provisions of the Settlement Agreement approved in PSC Order No. 9594, the Company has calculated the levelized 5-Year surcharge for the Hart's Landing Community to be \$0.2205 per CCF, as shown on Exhibit B (Confidential) hereto (the "CGS Surcharge").

Attached hereto as Exhibit C are the "clean" and red-lined versions of the Company's tariff, as well as the new tariff page for the CGS Surcharge, with an effective date of September 1, 2020.

One year after all conversions are completed in the Hart's Landing community, the Company will adjust the surcharge based on actual conversion costs. After the expiration of the 5-year period, the CGS Surcharge will be removed during the Company's annual rate class review period.

For the reasons set forth in Order No. 9594, Chesapeake respectfully requests that the Public Service Commission approve the establishment of the CGS Surcharge for Hart's Landing Community of \$0.2205 per CCF, with an effective date of September 1, 2020. We ask that the Commission Staff treat this letter as Chesapeake's application for such approval.

Pursuant to 26 Del. Admin. C. § 1001-1.11.1, I hereby attest that the information contained herein is not subject to inspection by either the public or by other parties unless an appropriate proprietary agreement is executed.

Please feel free to contact me at the number or email provided below, if you have any questions, or should you need any further information. Thank you for your time and consideration.

/s/ Lindsay B. Orr

Lindsay B. Orr, Associate General Counsel
Chesapeake Utilities Corporation
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Attachments

CC: Andrew C. Slater, Delaware Public Advocate (Electronic Delivery)
Regina Iorii, Esquire (Electronic Delivery)
Rajnish Barua, Ph.D. (Electronic Delivery)
Jim Geddes, Esquire (Electronic Delivery)
Matt Everngam, Manager, Pricing & Regulatory Affairs (Electronic Delivery)

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CHESAPEAKE UTILITIES
CORPORATION DELAWARE DIVISION

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"USA-R"	UNDERSERVED AREA RESIDENTIAL SERVICE	29.8
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Issue Date: December 20, 2017

Effective Date: August 1, 2018

Authorization: Order No. 9246 dated June 20, 2018 in Docket No. 17-1224

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"CHFF"	CITY OF HARRINGTON FRANCHISE FEE RIDER	58
"MVFF"	TOWN OF MILLVILLE FRANCHISE FEE RIDER	59

Issue Date: September 18, 2019

Effective Date: November 5, 2019

Authorization: Order No. 9493 dated November 5, 2019 in Docket No. 19-0604

P.S.C. Del. No. 4

Chesapeake Utilities Corporation

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Issue Date: July 15, 2020

Effective Date: _____

Authorization: _____

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RATE SCHEDULE "CGS"

Community Gas System (CGS) Charge

PURPOSE

The purpose of this rider is to recover the cost of investments to convert a Community Gas System (CGS) from propane to natural gas.

APPLICABILITY

The CGS will be applicable to all Delivery Service customers served in each specific CGS. After the expiration of a 5-year period, surcharge will be removed during Chesapeake's annual rate class review period.

OPERATION OF THE RIDER

Utilizing the Company's IRRM, a surcharge will be established that is applicable to all premises served by Chesapeake in each specific CGS community during a 5-year period. After the expiration of the 5-year period, the surcharge will be removed during Chesapeake's annual rate class review period.

Chesapeake will include the costs for approach main, distribution main, and service installation into its IRRM and the estimated customer counts and customer volumes. These inputs will provide the Company's anticipated Margin Revenue (prior to surcharge) and the necessary Ratemaking Revenue Requirement by year. The Company's Margin Revenue will be netted against the Ratemaking Revenue Requirement by year to calculate the Revenue Excess/ (Deficiency) annually which will then be divided by the annual CCF to show the Annual Calculated Surcharge. The Annual Calculated Surcharge will then be multiplied by a present value factor to establish the Present Value Surcharge each year. For the first 10 years of the project, the annual Present Value Surcharges will be summed and a total Accumulated Present Value Surcharge established. Finally, the Accumulated Present Value Surcharge will be evenly spread over 5 years.

CGS rates shall be adjusted one year after all conversions are completed in a CGS community.

RATE

Effective Date	Community	Rate
September 1, 2020	Hart's Landing	\$0.2205

Issue Date: July 17, 2020

Effective Date: For bills rendered on and after September 1, 2020

Authorization: