

MEMORANDUM

May 16, 2003

To: Commission Clerk

Fr: Wayne L. Schiefelbein
Of Counsel



030452-61W

RECEIVED FPSC
MAY 16 AM 11:34
COMMISSION CLERK

Re: In re: Petition of the Florida Division of Chesapeake Utilities Corporation to Establish New Small Volume Customer Classifications and Rates for Experimental Transitional Transportation Service Program

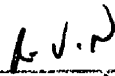
Attached are an original and fifteen (15) copies of the above-referenced petition.

PLEASE OPEN UP A DOCKET FOR ITS CONSIDERATION.

Please confirm your receipt of the foregoing by stamping the extra copy of the petition and returning to our courier.

Thank you for your attention.

RECEIVED & FILED



FPSC BUREAU OF RECORDS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of the Florida Division of
Chesapeake Utilities Corporation to
Establish New Small Volume
Customer Classifications and Rates
for Experimental Transitional
Transportation Service Program.

030452-614

**PETITION FOR AUTHORIZATION TO ESTABLISH NEW SMALL VOLUME
CUSTOMER CLASSIFICATIONS AND RATES FOR EXPERIMENTAL
TRANSITIONAL TRANSPORTATION SERVICE PROGRAM**

The Florida Division of Chesapeake Utilities Corporation (the Company), by and through its undersigned counsel, petitions for authorization to adjust the experimental transitional transportation service program by establishing new small volume customer classifications and rates and for approval of proposed revised tariff sheets, and in support hereof states as follows.

1. The name and address of the petitioner are:

Chesapeake Utilities Corporation
Florida Division
P.O. Box 960
Winter Haven, FL 33882

2. The name, address, and telephone and fax numbers of the person authorized to receive notices and communications with respect to this petition are:

Wayne L. Schiefelbein
Of Counsel
Rose, Sundstrom and Bentley, LLP
2548 Blainstone Pines Drive
Tallahassee, FL 32301
(850) 877-6555 (telephone)
(850) 656-4029 (fax)

Attorneys for the Florida Division of
Chesapeake Utilities Corporation

DOCUMENT NUMBER-DATE

04412 MAY 16 8

3. The Company is a natural gas distribution utility subject to the regulatory jurisdiction of this Commission as prescribed in Chapter 366, Florida Statutes. Its substantial interests will be affected by the Commission's disposition of this petition in that the Company's authority to establish new small volume customer classifications and rates, under terms and conditions agreeable to the Company, will be thereby determined.
4. On March 28, 2002, the Company filed a petition with the Commission to establish a Transitional Transportation Service (TTS) program. The proposed TTS program was designed to convert all remaining sales customers to transportation service and enable Chesapeake to exit its traditional gas sales merchant function. The Company proposed a three-phased program that, over several years, would transition all customers to a fully competitive marketplace where they would be free to negotiate with any approved marketer. In Phase One, all remaining sales customers were to be transferred to transportation service and assigned to one TTS program Pool Manager (gas marketer) selected by the Company through a Request for Proposals (RFP) process. In the proposed subsequent phases, customers were to receive expanded choices of suppliers and pricing options, ultimately transitioning to a fully competitive marketplace with the ability to negotiate price and terms for gas with any approved gas marketer.
5. In its TTS Petition, the Company also proposed to provide a Customer Account Administration Service (CAAS) to the TTS Pool Manager. This service included billing, collection services, payment tracking, non-pay disconnects, various accounting reports and related administrative activities. The Company's petition proposed such a service to simplify the transition for customers, to virtually eliminate the potential for slamming and to ensure that the fuel rates billed to TTS customers would comply with the Company's Pool Manager Agreement. The Company proposed to reduce its existing \$5.00 per bill tariff fee for marketer billing services. A tariff CAAS fee of \$2.00 per month for all TTS accounts was to be billed to the TTS Pool Manager. The Company's TTS petition proposed to defer all revenues generated by the CAAS charge during the Phase One and Phase Two transition period, for offset against the costs needed to obtain the computer system capabilities necessary to accommodate a robust and mobile customer transportation service environment.
6. By Order No. PSC-02-1646-TRF-GU, issued on November 25, 2002, the Commission approved only Phase One of the Company's proposed three phase transitional program, effective November 5, 2002. The TTS program was approved as an experimental pilot program pursuant to Section 366.075, Florida Statutes. The Company

is required to provide a status report to the Commission within 90 days of the end of the first year and again at the end of the second year of the program. The Commission ordered that no substantive change to the program could occur without an affirmative action on its part. The Commission also modified the Company's proposal related to the accounting treatment for the \$2.00 CAAS charge to Pool Managers. The Commission ordered that all expenses and revenues related to the program be accounted for above the line, in a "business as usual" manner. No deferral treatment was authorized.

7. The Company implemented its PSC approved experimental TTS program on November 5, 2002. Over the subsequent months the Company has worked diligently to complete the tasks required to transition out of the gas sales merchant function. Substantial revisions to traditional billing, account administration, payment tracking and reporting procedures were required. Additional adjustments to gas management and accounting systems and procedures have been put in place. A complex process to reallocate and relinquish interstate pipeline capacity has been implemented. These actions, and numerous other related activities, have resulted in a transition process that has been very successful. Customer acceptance is high. Less than 5% of the approximately 10,000 affected customers have contacted the Company about the program. The majority of the customer contacts have been related to the format of the customer's monthly bill statement (the Company is currently working to improve the CIS bill presentation).
8. The Company's TTS customers are experiencing lower fuel costs than the Company projects would have billed through its sales service had it remained the fuel supplier. Customers are realizing reduced fuel costs due to the Company's pipeline capacity reallocation and relinquishment efforts and the enhanced commodity buying capabilities of the TTS Pool Manager. However, while customer fuel costs have been reduced, a number of small volume customers have contacted the Company regarding their overall bill and questioned the benefits to them of the TTS Program. It appears that the transfer from sales to transportation service may not be achieving the intended overall savings for certain small volume customers.
9. In the Company's most recent request for a general rate increase, filed on May 15, 2000, the Company proposed a rate design that included separate transportation service and sales service rate schedules for each volumetric customer class. The monthly Customer Charge for each transportation rate schedule was proposed at a higher rate level than that established for sales rate schedules. The Commission approved the Company's rate design by Order No. PSC-00-2263-FOF-

GU, issued on December 7, 2000. When the TTS program was implemented, all remaining sales customers transferred to a transportation service rate schedule and began paying an increased customer charge. The fuel and tax savings are being offset by the increase in the monthly customer charges for certain small volume customers. The Company has worked with customers and Commission staff to evaluate both current and projected savings for small volume customers. It appears that customers with one or two low use appliances are receiving a lower percentage of overall savings than higher use customers. Most of these customers are residential water heating or cooking accounts using less than 130 therms per year.

10. The Company has long been concerned that its customer classifications were not sufficiently stratified to appropriately categorize homogeneous customer groups. During its 2000 rate case the Company took steps to begin addressing this issue. All customer classes were established on the basis of volume and service cost without regard to the traditional residential, commercial, industrial designators. The Company received approval for nine separate volumetric classes. The approved rate design established the Company's smallest volume customer class at 0-500 annual therms (class TS-1). Most of the Company's residential customers and several hundred commercial customers are currently assigned to this class.
11. Through its analysis of bill frequencies, appliance mix, seasonal usage patterns and related data the Company has determined that there is a need to establish a greater stratification of its smallest volume customer class. The current volume range of 0 to 500 annual therms in the TS-1 class is insufficient to homogeneously represent the group of customers currently assigned to the class. The Company proposes to restructure the existing TS-1 class. Three new customer classes are proposed. Class TS-1A would be established at an annual volume range of 0 to 130 therms, TS-1B at 130 to 250 therms and TS-1C at 250 to 500 therms. Customers that would fall within the TS-1A classification are generally those customers who have one or two appliances in their home. The typical TS-1B customer would generally have two or three appliances, which may include heat, in a small to medium sized home or business. The typical TS-1C customer would generally have three or more appliances in a medium or large sized home, or a water heater or seasonal heating in a business.
12. The Company further proposes a reduction in its base rates for certain customers. The Company proposes to reduce the customer charge for the proposed TS-1A class from \$15.00 to \$10.00. The proposed TS-1B class customer charge would be reduced from \$15.00 to \$12.50. The

customer charge for proposed TS-1C class would remain at the current \$15.00 rate. Such changes to customer classifications and rates would result in reasonable rates to customers and ensure that participation in the TTS program is cost beneficial for all customers, regardless of level of usage.

13. The Company's proposal would also realign projected rate revenues with its revised projected TTS program development and implementation costs. The Company's original TTS petition proposed a three phase permanent program to transition all customers to a fully competitive gas supply marketplace. To complete such a permanent transition the Company projected that a major upgrade of its existing Customer Information System (CIS) and related computerized systems would be required. The cost estimates for such a major overhaul of systems ranged from \$1,400,000 to well over \$2,000,000. These cost estimates were similar to transportation related computer system costs actually incurred by Peoples Gas and forecast by Florida Public Utilities in their respective TCR filings for non-residential programs.
14. The TTS program was authorized only on an experimental pilot basis, with the Company having no authorization to proceed beyond Phase One. The Company has worked with its Information Services staff to reevaluate the projected CIS and related system costs of the TTS program, as approved, and concluded that limiting the program to Phase One would enable the Company to avoid a major upgrade of its computer systems. Limiting computer system modifications to only those required for Phase One would significantly reduce program costs. Current CIS cost projections for Phase One are estimated at \$452,331 compared to the original \$1,400,000 to \$2,000,000 estimated to implement all Phases. At such time as Phase Two and Three may be authorized, the Company would revisit the need to proceed with a total system upgrade or replacement.
15. The Company's actual costs for developing the TTS program and its current cost projections to administer Phase One, previously provided to staff under separate cover, are included in Exhibit A of this petition. The Company incurred \$362,292 in TTS program development costs related to the preparation, filing, and initial implementation of the TTS program over the period January 2002 through December 2002. Included in these costs were relatively minor computer software modifications to support basic billing and program administration, consultant fees for program development and CIS review, legal fees and customer education expenses. The Company has not requested a TCR treatment of these costs. The annual costs of administering Phase One of the TTS program as authorized are estimated at \$425,000 per year. The bulk of the annual costs are for incremental

personnel expenses and the costs of completing the additional limited CIS modifications described above. Combining the actual and projected costs for recovery over the approximate two-year program period would result in total estimated annualized costs of \$606,146.

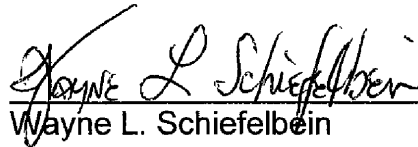
16. The Company's approved TTS program transferred 9538 residential and 552 non-residential customers from an existing sales rate schedule to an existing transportation service rate schedule. Annual Customer Charge revenues, at current rates, from customers transferred from sales service to transportation service are projected to be \$666,480. In addition, the projected revenues from the CAAS charge to Pool Managers would result in an estimated \$240,000 per year. Total annual projected revenues are currently estimated at \$906,480. At present, the TTS related transportation service revenues (\$906,480) potentially "over-recover" the revised projected program costs (\$606,146) by approximately \$300,000 per year.
17. As noted above, the Company had originally proposed a deferred revenue treatment to match these revenues against computer system costs. The Company strongly believes that the CAAS services are a very critical program control. The CAAS services provide the Company a direct means to ensure that customers are protected from slamming. It also allows the Pool Manager to focus its efforts on gas supply procurement, without the financial and administrative burdens of maintaining a customer data base, a billing system and a customer service support staff. The potential for errors and customer confusion are significantly minimized by the CAAS. In view of the foregoing, although the revenues generated by the CAAS charge approximate the projected "over-recovery" of program costs, it is clearly inappropriate to eliminate the CAAS services and charges.
18. Authorization of the Company's proposed new customer charge rates would achieve an annual projected revenue decrease of approximately \$298,000, (\$110,000 from class TS-1A and \$188,000 from class TS-1B), closely approximating the estimated \$300,000 over recovery. The proposed new customer classifications and rates will achieve an appropriate overall balance of projected program revenues with costs, and ensure that all customers receive proportionate and immediate benefits from the program.
19. The Company is submitting with this petition the following proposed new and revised tariff sheets for its Natural Gas Tariff, Original Volume No. 3:
 - i. Second Revised Sheet No. 28, Classification of Service
 - ii. Original Sheet No. 28.1, Classification of Service

- iii. First Revised Sheet No. 37, Index of Rate Schedules
- iv. Second Revised Sheet No. 40, Transportation Service – 1A
- v. Original Sheet No. 40.1, Transportation Service – 1B
- vi. Original Sheet No. 40.2, Transportation Service – 1C

The proposed tariff sheets are attached as Exhibit B.

WHEREFORE, the Florida Division of Chesapeake Utilities Corporation requests that: a) the Commission grant this petition; b) authorize the Company to establish the proposed new small volume customer classification and rates effective the first day of the subsequent month after Commission approval; and, c) approve the accompanying new and proposed revised tariff sheets, to become effective the first day of the subsequent month after Commission approval.

Respectfully submitted,



Wayne L. Schiefelbein
Of Counsel

Rose, Sundstrom and Bentley, LLP
2548 Blirstone Pines Drive
Tallahassee, FL 32301
(850) 877-6555 (telephone)
(850) 656-4029 (fax)

Attorneys for the Florida Division of
Chesapeake Utilities Corporation

EXHIBIT A

**TRANSITIONAL TRANSPORTATION SERVICE
PROGRAM**

PROJECTED EXPENSES

**Chesapeake Utilities Corporation – Florida Division
Transitional Transportation Service Program
Actual Costs Incurred – January 2002 through December 2002**

<u>Description of Actual Costs</u>	<u>Amount</u>
Incremental Personnel Expenses	\$ 45,833
Capitalized Computer Costs	\$152,331
Consultant Fees and Expenses	\$100,874
Legal Fees and Expenses	\$ 26,441
Customer Informational and Educational Expenses	\$ 22,608
Computer System Evaluation Team Expenses	\$ 14,205
Miscellaneous Expenses	<u>\$ 0</u>
Total Actual Costs Incurred	<u>\$362,292</u>
Annualized Actual Costs	<u>\$181,146</u>

Chesapeake Utilities Corporation – Florida Division
Transitional Transportation Service Program
Actual Costs Incurred – January 2002 through December 2002

Description of Expenses

Incremental Personnel Expenses - \$45,833

The Company hired a Customer Service Representative (CSR) near the end of January 2002 so that adequately trained and knowledgeable customer service coverage would be in place at the time of customer conversion to the TTS program. At the time the Company filed its petition, March 28, 2002, the expected approval date was during June or July 2002. This timing provided the Company with 5 to 6 months for training of its existing CSR's as well as the incremental position. During the interval between the filing of the petition and the actual implementation date in November 2002, the Company sent out three notices to customers and held four customer meetings. All of these activities generated significant inquiries from our customers and required the incremental CSR and the aforementioned training of all CSR personnel. The incremental CSR position has the on-going responsibility to perform the following functions: administration of the TTS pool customers, handling customer inquiries and providing additional educational information, processing requests for fixed price versus index price selections by customers, processing commercial customer migration related to the TTS pool, ensuring that the correct gas supply pricing is applied to each customer, tracking customer payments according to the established hierarchy of payments, and remitting collections from customers to the TTS Pool Manager.

Capitalized Computer Costs - \$152,331

The Company's proposed Transitional Transportation Service (TTS) program was designed as a three-phase process to move all remaining sales customers to a fully open-market transportation service program. To date, the Commission has approved the first phase only of the program, on an experimental and pilot program basis. Many new CIS functional features were required for proper implementation of Phase One including the following: 1) implementing changes in prescribed hierarchy of customer payments; 2) ability to bill and track TTS Pool Manager's charges; 3) remitting payment to TTS Pool Manager, net of non-payments; 4) producing statistical reports for TTS Pool Manager; 5) testing and implementing the changes to the computer software; and, 6) providing training to users of the new transportation functions of the software.

Consultant Fees and Expenses - \$100,874

The Company entered into an agreement for consulting services to perform the following tasks: 1) assist in the preparation of the program to completely exit the merchant

function and convert all remaining sales customers to transportation service; 2) prepare support documentation that demonstrates the cost effectiveness of the program; 3) assist in the review of the existing CIS software to determine the scope of work required to modify the software to accommodate the exiting of the merchant function and conversion of all remaining customers to transportation service; 4) assist in the activities required to gain Commission approval; 5) assist Company personnel with implementation issues, including evaluation of the Request for Proposals, development of the TTS Pool Manager Agreement, evaluation and implementation of changes to CIS system, development of internal procedures and other related activities; and, 6) develop and administer employee training requirements related to the implementation of the program.

Legal Fees and Expenses - \$26,441

Legal expenses were incurred to assist in the development of the TTS program, including assisting in the preparation of the Petition for Authority to Convert All Remaining Sales Customers to Transportation Service and to Exit Merchant Function and support documentation, review of the Request for Proposals and development of the TTS Pool Manager Agreement, and review of the customer informational and educational material distributed to customers.

Customer Informational and Educational Expenses - \$22,608

The expenses incurred include four (4) notices prepared and separately mailed to every remaining sales customer on the Company's system, updates to the Company's web sites and costs associated with meeting with and developing agreements for potential TTS Pool Managers.

Computer System Evaluation Team Expenses - \$14,205

The Company incurred incremental costs associated with evaluating its then-current CIS program for deficiencies in the ability to implement the program, and evaluating other companies' systems which had implemented software designed for transportation service, inclusive of travel and associated expenses.

**Chesapeake Utilities Corporation – Florida Division
Transitional Transportation Service Program
Projected Annual Costs – January 2003 through January 2005**

<u>Description of Projected Annual Costs</u>	<u>Amount</u>
Incremental Personnel Expenses	\$155,000
Capitalized Computer Costs	\$150,000
Consultant Fees and Expenses	\$ 87,500
Legal Fees and Expenses	\$ 20,000
Customer Informational and Educational Expenses	\$ 7,500
Computer System Evaluation Team Expenses	\$ 0
Miscellaneous Expenses	<u>\$ 5,000</u>
Total Projected Annual Costs	<u>\$425,000</u>

**Chesapeake Utilities Corporation – Florida Division
Transitional Transportation Service Program
Projected Annual Costs – January 2003 through January 2005**

Description of Expenses

Incremental Personnel Expenses - \$155,000

The Company has determined that it will incur incremental costs associated with three positions in order to administer the implementation of the transitional transportation service program and to exit the merchant function. The positions are one Customer Service Representative (discussed above in the Actual Cost Incurred section), one Gas Administration Analyst (½ Full Time Equivalent), and one Accountant. The fully loaded incremental annual expenses for the above positions are projected to be \$50,000, \$35,000 and \$70,000, respectively. The Company has historically incurred regulated expenses for the Gas Administration Analyst position at a ½ Full Time Equivalent (FTE) basis to perform the duties associated with its Individual and Aggregated Transportation Services functions. As a result of the TTS program, the Company requires a full FTE position to perform the following functions for the TTS pool: tracking scheduled and delivered gas supply quantities, monthly imbalance resolutions, interstate pipeline operational order administration, supplier of last resort functions and other related duties. The incremental Accountant position is a new position and will be responsible for the proper accounting of all TTS pool activities, including tracking of revenues and expenses, upstream and downstream monthly imbalance charge allocations, upstream and downstream alert day and operational order allocations and related transactions.

Capitalized Computer Costs - \$150,000

The Company now has four months of actual experience administering the TTS Program. Based on this experience, the Company has begun the process of identifying enhancements and modifications to its existing computer systems that would support the administration of Phase One of the TTS program. The projected expenses would assist the Company in its efforts to efficiently operate Phase One of the TTS program, absent the originally proposed overhaul of its existing CIS. Among the potential modifications are enhancements already identified are: modification of the payment processing routines to correctly handle prepayments and past due balances, the production of a duplicate corrected bill, the write-off of TTS pool charges, and other administrative functions and accounting reports. Additional application enhancements have been identified that would assist Company personnel administer the delivery point operator functions and would include the following tasks: the monthly imbalance process for both FGT and Gulfstream pipelines, alert day and operational flow orders on each system, and matching of scheduled volumes with actual usage for the TTS pool and other associated functions.

Consultant Fees and Expenses - \$87,500

The Company projects the continuing need for outside consultant services to assist in many functions related to the exiting of the gas sales merchant function and the implementation of the TTS program. The Company has defined at least eight (8) distinct actions related to the exiting of the gas sales merchant function, including: 1) termination of all gas commodity purchases; 2) discontinuing the regulated utility's retail sale of fuel; 3) offering all TTS commercial customers an "open enrollment" period; 4) allocation of interstate pipeline capacity to all shippers; 5) reconcile and book all pipeline charges or credits to the PGA during the transition period; 6) establishment of the administrative and accounting procedures for the Company's authorized Operational Balancing Account (OBA); 7) activation of the OBA mechanism; and, 8) disposition of the remaining PGA balance. The implementation of the Commission-approved TTS program requires that certain procedural issues need to be defined and implemented, such as delivery point operator functions, inclusive of monthly imbalance, alert day and other pipeline operational order procedures, temporary emergency services, and supplier of last resort procedures. The Commission also required that the Company seek favorable indications from the State legislative leadership regarding the Commission's statutory authority to approve the Company's TTS program. The Company plans to utilize consultant services, assisted by legal counsel, to obtain said favorable indications.

Legal Fees and Expenses - \$20,000

Projected legal expenses to be incurred relate to counsel on and assistance in preparation of the forthcoming report on the status of the Company's exiting the retail gas merchant function and the subsequent petition for final disposition of the PGA balance, and counsel on several other legal issues regarding the Company's ongoing implementation of the TTS program, including but not limited to issues relating to temporary emergency procedures and/or supplier of last resort, contract modifications, and periodic reports to the Commission. Legal counsel will also be utilized in the Company's efforts to secure the appropriate legislative authorizations noted above.

Customer Informational and Educational Expenses - \$7,500

The Company plans to continue providing educational materials to customers with the intent of expanding awareness and enhancing customer knowledge of the Company's transportation service. In addition, Phase One requires that certain "open enrollment" periods be established for commercial customers so that they may elect to migrate to Aggregation Pools in lieu of remaining in the TTS pool. All TTS pool customers will also be provided the choice of selecting a fixed price option for the remainder of the first year of the program, as well as, a separate opportunity to select this option for the second year of the pilot program. The primary means of disseminating these materials will be through bill stuffers and direct mail.

Miscellaneous Expense - \$5,000

Projected incremental expenses for postage, supplies, minor equipment and other materials related to the administration of the TTS program.

**Chesapeake Utilities Corporation – Florida Division
Transitional Transportation Service Program
Total Actual and Projected Annual Costs
January 2002 through January 2005**

<u>Description of Total Actual and Projected Annual Costs</u>	<u>Amount</u>
Incremental Personnel Expenses	\$177,916
Capitalized Computer Costs	\$226,166
Consultant Fees and Expenses	\$137,937
Legal Fees and Expenses	\$ 33,220
Customer Informational and Educational Expenses	\$ 18,804
Computer System Evaluation Team Expenses	\$ 7,103
Miscellaneous Expenses	<u>\$ 5,000</u>
Total Actual and Projected Annual Costs	<u>\$606,146</u>

EXHIBIT B

**PROPOSED TARIFF SHEETS
REDLINED AND FINAL FORMAT VERSIONS**

PROPOSED TARIFF SHEETS

REDLINED VERSION

CLASSIFICATION OF SERVICE

Service Classification: 0 – 130500 Annual Therms

Applicability

Residential, Commercial or Industrial customers whose metered consumption is 130500 therms per year or less.

Service Options

- | | |
|---|-----------------------------|
| 1. General Sales Service: | Rate Schedule GS-1 |
| 2. Aggregated Transportation Service: | Rate Schedule TS-1 <u>A</u> |
| 3. Transitional Transportation Service: | Rate Schedule TS-1 <u>A</u> |

Terms and Conditions of Service

1. Gas service provided to customers in this Class of Service shall be subject to the General Terms and Conditions set forth in this tariff, and other approved rules or regulations of the Company as applicable.

Service Classification: 130 – 250 Annual Therms

Applicability

Residential, Commercial or Industrial customers whose metered consumption is greater than 130 therms per year up to 250 therms per year.

Service Options

- | | |
|--|----------------------------|
| <u>1. General Sales Service:</u> | <u>Rate Schedule GS-1</u> |
| <u>2. Aggregated Transportation Service:</u> | <u>Rate Schedule TS-1B</u> |
| <u>3. Transitional Transportation Service:</u> | <u>Rate Schedule TS-1B</u> |

Terms and Conditions of Service

1. Gas service provided to customers in this Class of Service shall be subject to the General Terms and Conditions set forth in this tariff, and other approved rules or regulations of the Company as applicable.

CLASSIFICATION OF SERVICE
(Continued)

Service Classification: 250 – 500 Annual Therms

Applicability

Residential, Commercial or Industrial customers whose metered consumption is greater than 250 therms per year up to 500 therms per year.

Service Options

- | | |
|---|---------------------|
| 1. General Sales Service: | Rate Schedule GS-1 |
| 2. Aggregated Transportation Service: | Rate Schedule TS-1C |
| 3. Transitional Transportation Service: | Rate Schedule TS-1C |

Terms and Conditions of Service

1. Gas service provided to customers in this Class of Service shall be subject to the General Terms and Conditions set forth in this tariff, and other approved rules or regulations of the Company as applicable.

Service Classification: 500 – 3,000 Annual Therms

Applicability

Residential, Commercial or Industrial customers whose metered consumption is greater than 500 therms per year up to 3,000 therms per year.

Service Options

- | | |
|---|--------------------|
| 1. General Sales Service: | Rate Schedule GS-2 |
| 2. Aggregated Transportation Service: | Rate Schedule TS-2 |
| 3. Transitional Transportation Service: | Rate Schedule TS-2 |

Terms and Conditions of Service

1. Gas service provided to customers in this Class of Service shall be subject to the General Terms and Conditions set forth in this tariff, and other approved rules or regulations of the Company as applicable.

INDEX OF RATE SCHEDULES

<u>Title</u>	<u>Symbol</u>	<u>Sheet No.</u>
General Sales Service - 1	GS-1	39
Transportation Service - 1A	TS-1A	40
<u>Transportation Service - 1B</u>	<u>TS-1B</u>	<u>40.1</u>
<u>Transportation Service - 1C</u>	<u>TS-1C</u>	<u>40.2</u>
General Sales Service - 2	GS-2	41
Transportation Service - 2	TS-2	42
General Sales Service - 3	GS-3	43
Transportation Service - 3	TS-3	44
General Sales Service - 4	GS-4	45
Transportation Service - 4	TS-4	46
General Sales Service - 5	GS-5	47
Transportation Service - 5	TS-5	48
General Sales Service - 6	GS-6	49
Transportation Service - 6	TS-6	50
General Sales Service - 7	GS-7	51
Transportation Service - 7	TS-7	52
General Sales Service - 8	GS-8	53
Transportation Service - 8	TS-8	54
General Sales Service - 9	GS-9	55

TRANSPORTATION SERVICE-1A
Rate Schedule TS-1A

Availability:

Throughout the service area of the Company.

Applicability:

Transportation Aggregation Service and Transitional Transportation Service available to, where applicable, Residential, Commercial and Industrial customers whose annual metered transportation volume is 0 therms up to 130500 therms.

Monthly Rate:

Customer Charge:	\$ <u>105.00</u>
Energy Charge:	\$0.44073 per therm
Minimum Bill:	The Customer Charge.

Billing Adjustments:

1. The above rates shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 74 – 79.
2. If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the customer may be entered into and the initial contract term of transportation service shall at a minimum be the same as the period of recovery stated in the agreement. Further, the rates established in the Monthly Rate section, may be adjusted to provide for recovery by the Company of the costs incurred including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

TRANSPORTATION SERVICE-1B
Rate Schedule TS-1B

Availability:

Throughout the service area of the Company.

Applicability:

Transportation Aggregation Service and Transitional Transportation Service available to, where applicable, Residential, Commercial and Industrial customers whose annual metered transportation volume is greater than 130 therms up to 250 therms.

Monthly Rate:

Customer Charge: \$12.50

Energy Charge: \$0.44073 per therm

Minimum Bill: The Customer Charge.

Billing Adjustments:

1. The above rates shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 74 – 79.
2. If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the customer may be entered into and the initial contract term of transportation service shall at a minimum be the same as the period of recovery stated in the agreement. Further, the rates established in the Monthly Rate section, may be adjusted to provide for recovery by the Company of the costs incurred including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

TRANSPORTATION SERVICE-1C
Rate Schedule TS-1C

Availability:

Throughout the service area of the Company.

Applicability:

Transportation Aggregation Service and Transitional Transportation Service available to, where applicable, Residential, Commercial and Industrial customers whose annual metered transportation volume is greater than 250 therms up to 500 therms.

Monthly Rate:

Customer Charge: \$15.00

Energy Charge: \$0.44073 per therm

Minimum Bill: The Customer Charge.

Billing Adjustments:

1. The above rates shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 74 – 79.
2. If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the customer may be entered into and the initial contract term of transportation service shall at a minimum be the same as the period of recovery stated in the agreement. Further, the rates established in the Monthly Rate section, may be adjusted to provide for recovery by the Company of the costs incurred including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

PROPOSED TARIFF SHEETS

FINAL FORMAT VERSION

CLASSIFICATION OF SERVICE

Service Classification: 0 – 130 Annual Therms

Applicability

- Residential, Commercial or Industrial customers whose metered consumption is 130 therms per year or less.

Service Options

- 1. General Sales Service: Rate Schedule GS-1
- 2. Aggregated Transportation Service: Rate Schedule TS-1A
- 3. Transitional Transportation Service: Rate Schedule TS-1A

Terms and Conditions of Service

- 1. Gas service provided to customers in this Class of Service shall be subject to the General Terms and Conditions set forth in this tariff, and other approved rules or regulations of the Company as applicable.

Service Classification: 130 – 250 Annual Therms

Applicability

- Residential, Commercial or Industrial customers whose metered consumption is greater than 130 therms per year up to 250 therms per year.

Service Options

- 1. General Sales Service: Rate Schedule GS-1
- 2. Aggregated Transportation Service: Rate Schedule TS-1B
- 3. Transitional Transportation Service: Rate Schedule TS-1B

Terms and Conditions of Service

- 1. Gas service provided to customers in this Class of Service shall be subject to the General Terms and Conditions set forth in this tariff, and other approved rules or regulations of the Company as applicable.

CLASSIFICATION OF SERVICE
(Continued)

Service Classification: 250 – 500 Annual Therms

Applicability

Residential, Commercial or Industrial customers whose metered consumption is greater than 250 therms per year up to 500 therms per year.

Service Options

- | | |
|---|---------------------|
| 1. General Sales Service: | Rate Schedule GS-1 |
| 2. Aggregated Transportation Service: | Rate Schedule TS-1C |
| 3. Transitional Transportation Service: | Rate Schedule TS-1C |

Terms and Conditions of Service

1. Gas service provided to customers in this Class of Service shall be subject to the General Terms and Conditions set forth in this tariff, and other approved rules or regulations of the Company as applicable.

Service Classification: 500 – 3,000 Annual Therms

Applicability

Residential, Commercial or Industrial customers whose metered consumption is greater than 500 therms per year up to 3,000 therms per year.

Service Options

- | | |
|---|--------------------|
| 1. General Sales Service: | Rate Schedule GS-2 |
| 2. Aggregated Transportation Service: | Rate Schedule TS-2 |
| 3. Transitional Transportation Service: | Rate Schedule TS-2 |

Terms and Conditions of Service

1. Gas service provided to customers in this Class of Service shall be subject to the General Terms and Conditions set forth in this tariff, and other approved rules or regulations of the Company as applicable.

INDEX OF RATE SCHEDULES

<u>Title</u>	<u>Symbol</u>	<u>Sheet No.</u>
General Sales Service - 1	GS-1	39
Transportation Service - 1A	TS-1A	40
Transportation Service - 1B	TS-1B	40.1
Transportation Service - 1C	TS-1C	40.2
General Sales Service - 2	GS-2	41
Transportation Service - 2	TS-2	42
General Sales Service - 3	GS-3	43
Transportation Service - 3	TS-3	44
General Sales Service - 4	GS-4	45
Transportation Service - 4	TS-4	46
General Sales Service - 5	GS-5	47
Transportation Service - 5	TS-5	48
General Sales Service - 6	GS-6	49
Transportation Service - 6	TS-6	50
General Sales Service - 7	GS-7	51
Transportation Service - 7	TS-7	52
General Sales Service - 8	GS-8	53
Transportation Service - 8	TS-8	54
General Sales Service - 9	GS-9	55

Issued by: John R. Schimkaitis, President
Chesapeake Utilities Corporation

Effective:

TRANSPORTATION SERVICE-1A
Rate Schedule TS-1A

Availability:

Throughout the service area of the Company.

Applicability:

Transportation Aggregation Service and Transitional Transportation Service available to, where applicable, Residential, Commercial and Industrial customers whose annual metered transportation volume is 0 therms up to 130 therms.

Monthly Rate:

Customer Charge:	\$10.00
Energy Charge:	\$0.44073 per therm
Minimum Bill:	The Customer Charge.

Billing Adjustments:

1. The above rates shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 74 – 79.
2. If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the customer may be entered into and the initial contract term of transportation service shall at a minimum be the same as the period of recovery stated in the agreement. Further, the rates established in the Monthly Rate section, may be adjusted to provide for recovery by the Company of the costs incurred including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

TRANSPORTATION SERVICE-1B
Rate Schedule TS-1B

Availability:

Throughout the service area of the Company.

Applicability:

Transportation Aggregation Service and Transitional Transportation Service available to, where applicable, Residential, Commercial and Industrial customers whose annual metered transportation volume is greater than 130 therms up to 250 therms.

Monthly Rate:

Customer Charge:	\$12.50
Energy Charge:	\$0.44073 per therm
Minimum Bill:	The Customer Charge.

Billing Adjustments:

1. The above rates shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 74 – 79.
2. If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the customer may be entered into and the initial contract term of transportation service shall at a minimum be the same as the period of recovery stated in the agreement. Further, the rates established in the Monthly Rate section, may be adjusted to provide for recovery by the Company of the costs incurred including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

TRANSPORTATION SERVICE-1C
Rate Schedule TS-1C

Availability:

Throughout the service area of the Company.

Applicability:

Transportation Aggregation Service and Transitional Transportation Service available to, where applicable, Residential, Commercial and Industrial customers whose annual metered transportation volume is greater than 250 therms up to 500 therms.

Monthly Rate:

Customer Charge:	\$15.00
Energy Charge:	\$0.44073 per therm
Minimum Bill:	The Customer Charge.

Billing Adjustments:

1. The above rates shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 74 – 79.
2. If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the customer may be entered into and the initial contract term of transportation service shall at a minimum be the same as the period of recovery stated in the agreement. Further, the rates established in the Monthly Rate section, may be adjusted to provide for recovery by the Company of the costs incurred including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.