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MEMORANDUM

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TO: PSC Clerk

FROM: Wayne L. Schiefelbein
Of Counsel *WLS*

RE: Chesapeake Utilities Corporation
Our File No. 37019.01

DATE: September 30, 2003

COMMISSION
CLERK

On behalf of the Florida Division of Chesapeake Utilities Corporation, enclosed for filing are an original and 15 copies of a Petition for Authorization of Methodology for Final Disposition of the Purchased Gas Adjustment and for Approval of Proposed Revised Tariff Sheets. I have also included one copy to be date stamped and returned to me.

PLEASE OPEN A NEW DOCKET TO PROCESS THE PETITION.

If you have any questions, please feel free to call.

WLS/dcr
Enclosures

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DOCUMENT NUMBER-DATE

09371 SEP 30 03

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of the Florida Division of
Chesapeake Utilities Corporation for
Authorization of Methodology for Final
Disposition of the Purchased Gas Adjustment
and for Approval of Proposed Revised Tariff
Sheets.

**PETITION FOR AUTHORIZATION OF METHODOLOGY FOR FINAL
DISPOSITION OF THE PURCHASED GAS ADJUSTMENT AND FOR
APPROVAL OF PROPOSED REVISED TARIFF SHEETS**

The Florida Division of Chesapeake Utilities Corporation (the Company), by and through its undersigned counsel, petitions for authorization of the Company's methodology for the final disposition of its Purchased Gas Adjustment, for other relief, and for approval of proposed revised tariff sheets pertinent to the Transitional Transportation Service (TTS) and Transportation Aggregation (TA) programs, 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 Blairstone Pines Drive
Tallahassee, FL 32301
(850) 877-6555 (telephone)
(850) 656-4029 (fax)

Attorneys for the Florida Division of
Chesapeake Utilities Corporation

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

DOCUMENT NUMBER-DATE

09371 SEP 30 8

FPSC-COMMISSION CLERK

Commission's disposition of this petition in that the Company's methodology for the final disposition of its Purchased Gas Adjustment (PGA), under terms and conditions agreeable to the Company, will be thereby determined.

TTS PROGRAM BACKGROUND

4. On March 28, 2002 the Company filed a petition with the Commission to establish a TTS program that would convert all remaining sales customers to transportation service and allow the Company to exit the merchant function. The Company proposed a three-stage, phased-in implementation to be completed over several years. At the end of the proposed implementation period, all customers would have access to a marketplace where they would be free to negotiate price and terms for gas with any approved gas marketer.
5. By Order No. PSC-02-1646-TRF-GU, issued on November 25, 2002, the Commission approved Phase One of the Company's proposal as an experimental and transitional pilot program pursuant to Section 366.075, Florida Statutes, effective on November 5, 2002. The Commission further ordered that the Company, in a subsequent filing, address the appropriate disposition of any over- or under-recovery in the PGA following its exit of the gas sales merchant function. The Consummating Order was issued on December 19, 2002.
6. The Company believes that customer acceptance of and satisfaction with the experimental, pilot TTS program are high and that the initial implementation has proceeded well. The Company will provide the Commission with a complete status report within 90 days after the end of the first year of the program, as directed by the Commission.

TRANSITION OUT OF MERCHANT FUNCTION

7. The Company identified the following eight substantive actions required to complete its exit of the gas sales merchant function:
 - (1) discontinue all gas commodity purchases;
 - (2) discontinue the regulated utility's retail sale of fuel;
 - (3) offer all non-residential customers assigned to the TTS pool an open enrollment period to opt out of the TTS pool and select Transportation Aggregation Service under the provisions of Section 17.2 of the Company's approved tariff, prior to the allocation of interstate pipeline capacity;

- (4) allocate to customers, customer's agents or pool managers (collectively, the shippers) all of the interstate pipeline capacity quantities held under contract by the Company to provide reliable service to customers, including the Company's receipt and delivery points;
 - (5) establish the administrative and accounting procedures for the Company's Operational Balancing Account (OBA);
 - (6) reconcile and book to the PGA known pipeline charges or credits (capacity, imbalance resolution, alert days, etc.) from periods prior to program implementation up to the activation of the approved OBA mechanism;
 - (7) discontinue the existing PGA mechanism and activate the approved OBA mechanism on a date certain; and,
 - (8) dispose of any over- or under-recovery of the PGA.
8. In exiting the gas sales merchant function, the Company immediately accomplished certain key substantive actions. For example, on November 5, 2002, the Company assigned all residential and non-transporting small commercial customers to Infinite Energy, Inc. (Infinite), the gas marketer selected to manage the TTS customer pool during Phase One. The Company, as a result of a Request for Proposals process, selected Infinite as the TTS Pool Manager. The Company executed a TTS Pool Manager Agreement with Infinite that defines the services to be provided to the TTS customer pool. Infinite Energy, headquartered in Gainesville, Florida, is a major regional marketer serving over sixty thousand customers in the southeastern United States. Following customer transitioning to the TTS customer pool, other key substantive actions, such as the full allocation of the Company's interstate pipeline capacity to the gas marketers serving its customers, required more time to complete.
9. As of August 31, 2003, the Company has now completed the first seven transitional activities described above. One item remains to be implemented: the final disposition of any over- or under-recovery in the PGA.
10. Although the Company has established procedures for administering the OBA account, the Company continued to use its traditional PGA mechanism to record typical transactions related to interstate pipeline capacity (until such capacity was fully allocated to shippers) and the Company's Delivery Point Operator (DPO) functions (imbalance

resolution, pipeline operator orders, no-notice capacity charges, other charges or credits historically recorded in the PGA).

11. The intent of the Company's OBA, as defined in its tariff, is to "recover or refund such charges or credits... as have historically been recovered from or allocated to customers pursuant to the Commission's Purchased Gas Adjustment cost recovery proceedings." The OBA is structured along the same lines as the interstate pipeline accounts established by their FERC tariffs to facilitate pipeline imbalance resolution. In an unbundled environment, the Company continues to perform all duties required of the pipeline DPO, that is, the manager of the interconnections between the Company's distribution facilities and the interstate pipeline(s) that provide service to such facilities. As the DPO, the Company would continue to bear full responsibility for all imbalance charges and credits and operator order charges. The Company's tariff authorizes that any net over or under-recoveries of costs associated with its performance of the DPO function would be periodically refunded or collected from each shipper on its system through its approved OBA mechanism.
12. Establishing a date certain (September 1, 2003) for discontinuing the PGA and activating the OBA ensured an orderly transition between the two mechanisms. A date certain transition enables both the Company and the Commission to clearly differentiate PGA and OBA activity for audit purposes, and, most importantly, establishes a final PGA balance to be refunded to the appropriate TTS pool customers.
13. Discontinuing the PGA and activating the OBA was planned to occur several months earlier than the August 31, 2003 actual transition date. However, a Florida Gas Transmission (FGT) measurement problem was identified that required resolution prior to discontinuing the PGA. At the end of its February billing month the Company discovered a significant over-recording of gas volumes delivered to the Company at one of its interconnect points with FGT. FGT measurement technicians derived an over-billed gas quantity that was virtually identical to the Company's independent measurement records. The Company received a refund payment, on September 19, 2003 from FGT for approximately 385,000 dekatherms of gas totaling \$2,143,188. This refund was accrued in the Company's PGA account for the month of August 2003. The PGA account was thereupon discontinued for all transactions subsequent to the August accounting month and the Company is currently recording all DPO-related activity to the approved OBA account.

PGA DISPOSITION AND PROPOSED METHODOLOGY

14. The Commission conducted a Purchased Gas Cost Recovery True-up audit for the period January 2002 through October 2002 (Docket No. 020003-GU). At the time the Company initiated the TTS program in November 2002, its PGA account exhibited an over-recovery of \$542,539. However, due in large part to the magnitude of the overcharges from the FGT measurement error, the Company's PGA balance subsequently became significantly distorted. It was not practicable to dispose of the PGA in advance of the FGT refund. The Company did not want to pursue an under-recovery billing to customers, and then turn around and issue a customer refund after the FGT payment was received. Following consultations with PSC Staff, the Company elected to continue the PGA until the refund from FGT could be applied to the PGA account and a final balance established.
15. The Company's records indicate a current PGA over-recovery (unaudited) of approximately \$244,000, following the application of the FGT refund payment. The final step in the transition out of the gas sales merchant function is the disposition of the remaining PGA balance. The November 25, 2002 Commission Order directed that the Company should submit a proposal to address the methodology for the final disposition of the PGA.
16. Pursuant to the Order, the Company proposes the following process and methodology: submission to the Commission of its final PGA true-up computation by October 15, 2003. The Company would utilize the Commission's standard A-2 schedule, "Calculation of True-up and Interest Provision" to summarize all recorded PGA transactions. A-2 schedules for each month during the transitional period (November 2002 – August 2003) would be submitted, along with all pertinent invoices, re-market capacity statements, imbalance resolution charges and credits and related documents. The Commission would thereafter conduct a final audit of the PGA account. Subsequent to the Commission audit and the determination of a final balance, the Company would dispose of any such balance beginning the following month. Any customer active in the TTS customer pool on the first day of the month subsequent to the receipt by the Company of a Commission Order approving the methodology to dispose of the PGA balance would participate in the refund. The Company would determine the eligible customers' therm consumption for the period November 1, 2002 through October 31, 2003. Any remaining PGA balance would be allocated to each customer pro rata, based on the above determination of therm consumption. The Company would

include a non-volumetric, fixed-dollar amount on each customer's respective billing statement during the month of the refund.

CLARIFICATION OF TARIFF: CAPACITY RELEASE

17. The capacity allocation methodology for Transportation Aggregation Service (TAS) customers included in Section 17.2, Capacity Release requires clarification. The current language indicates that TAS customers shall receive an allocation of the Company's pipeline capacity, "...based upon the peak capacity needs for a customer at the maximum consumption level for the rate class. The Company shall allocate a blend of Florida Gas Transmission and Gulfstream Natural Gas interstate pipeline capacity for each rate classification at, or below, TS-6." The majority of the Company's industrial and large volume commercial customers elected TAS and is being served by one of the four authorized TAS Pool Managers. The current TAS tariff language that allocates capacity based on the maximum rate class volume makes little sense for these large customers. For example, the Company's rate class TS-9 has no maximum volume limit. The Company's intent was to allocate capacity to any TAS customer in rate classes TS-7, TS-8 and TS-9 based on their historic peak month requirements as recorded in calendar year 2001. Additionally, the allocation of Gulfstream capacity was intended to apply to all rate classes, not just the TS-1 through TS-6 rate classes. The Company's current FGT capacity contracts are not in sufficient quantity to meet the capacity needs of all TAS customers without allocating Gulfstream capacity. The Company proposes to clarify the allocation language through the proposed revision shown on Second Revised Sheet No. 108.

ELIMINATION OF MINIMUM CUSTOMER REQUIREMENT

18. The Company is also proposing to eliminate the TAS requirement that a valid pool must contain a minimum of ten (10) customers. This requirement poses a barrier to new pool managers that want to do business on the Company's system. All customers are now transportation customers and are either in the TTS pool, with limited "open enrollment" periods or under contract with another TAS pool manager. Therefore, the requirement of a new or existing pool manager to have a minimum of ten customers to be eligible to do business on the Company's system is no longer necessary. The Company believes that all customers benefit when there are increased pool manager options to promote competition and choice.

CLOSURE OF SALES SCHEDULES

19. The Company's current tariff includes both sales and transportation service rate schedules. Implementation of the Company's unbundling program shifted all remaining sales customers to transportation service. No customers are currently served under the existing sales rate schedules. All new customers are served under the transportation rate schedules. The Company proposes to close all sales service options and rate schedules retroactively to November 5, 2002. The closed schedules would remain in the tariff in the event the Commission orders a restoration of sales service in the future.

REVISED TARIFF SHEETS

20. The Company is submitting with this petition the following proposed tariff revisions:
 - Second Revised Sheet Nos. 19 and 22, Technical Terms and Abbreviations, Original Volume No. 3, which redefines "Customer Pool" and eliminates redundant language within "Operational Balancing Account" and "Rate Schedule."
 - First Revised Sheet Nos. 26 and 27, Classification of Customers – Residential Customers, Original Volume No. 3, which eliminates references to the "sale" of gas by the Company to a residential customer and an alternate fuel customer.
 - Third Revised Sheet No. 28, First Revised Sheet No. 28.1, and Second Revised Sheet Nos. 29, 30, 31, 32, 33 and 34, Classification of Service, and Service Options, Original Volume No. 3, which close the General Sales Service and Contract Sales Service options.
 - First Revised Sheet Nos. 39, 41, 43, 45, 47, 49, 51, 53, 55 General Sales Service Rate Schedules, Original Volume No. 3, which closes the GS rate schedules.
 - First Revised Sheet No. 59, Contract Sales Service, Original Volume No. 3, which closes the CSS rate schedule.
 - Fourth Revised Sheet No. 74, Billing Adjustments – BA, Purchased Gas Cost Recovery Factor, Original Volume No. 3, which closes the current tariff sheet effective after August 31, 2003.

- Second Revised Sheet Nos. 106, 107 and 108, General Terms and Conditions, Original Volume No. 3, which eliminates language related to the minimum number of customers in an aggregated pool and clarifies the capacity allocation method to aggregated pool customers.

WHEREFORE, the Florida Division of Chesapeake Utilities Corporation requests that: a) the Commission grant this petition; b) approve the proposed methodology for the disposition of any final PGA balance; c) approve the accompanying proposed revised tariff sheets, to become effective as of the date of the Commission's vote; d) and grant such other relief as the Commission deems appropriate.

Respectfully submitted,


Wayne L. Schiefelbein

Of Counsel

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Attorneys for the Florida Division of
Chesapeake Utilities Corporation

PROPOSED TARIFF SHEETS
REDLINED AND FINAL FORMAT VERSIONS

PROPOSED TARIFF SHEETS

REDLINED VERSION

TECHNICAL TERMS AND ABBREVIATIONS
(Continued)

21. CURTAILMENT
Temporary discontinuance of gas service in accordance with the provisions of the Company's end use curtailment or interruption plan.
22. CUSTOMER
Any individual, firm or organization receiving gas service at one location under this tariff and provisions thereof.
23. CUSTOMER FACILITIES CHARGE - MINIMUM BILL
That cost billed to a Customer each billing period that reflects the amount of facilities and service cost used during the billing period.
24. CUSTOMER'S INSTALLATION
All pipe and fittings, regulators, cocks, valves, vents, circulating pipes, connections, appliances and apparatus of every kind and nature used in connection with or forming a part of an installation for utilizing gas for any purpose located on the outlet side of the Company's meter located on Customer's premises.
25. CUSTOMER POOL
A group of ~~not less than ten~~ (10) customers that either 1) elect, in accordance with the applicable transportation provisions, Transportation Aggregation Service with an approved Pool Manager, or 2) are assigned to the Transitional Transportation Service Pool Manager.
26. DEKATHERM
1,000,000 BTU's (1 MMBTU) or ten (10) therms.
27. DELIVERY GAS DAY
A period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time.
28. DELIVERY POINT or POINT OF DELIVERY
(a) The point at the connection of the facilities of Transporter and of a downstream third party at which the gas leaves the outlet side of Transporter's measuring equipment and enters the downstream party's facilities, OR

TECHNICAL TERMS AND ABBREVIATIONS
(Continued)

45. MONTH
The period between any two (2) regular readings of Company's meters at approximately thirty (30) day intervals.
46. NOMINATION
A request by a party to a producer, pipeline or local distribution company for receipt or delivery of a physical quantity of gas pursuant to a Transportation Service or Transportation Aggregation Agreement. A nomination specifies (1) the quantity of gas per day, measured in Dekatherms, to be received or delivered on behalf of the nominating party; (2) the point(s) at which the gas is to be received and delivered; and, (3) the period of time in which the delivery is to take place.
47. OPERATIONAL FLOW ORDER
Is an order issued to alleviate conditions, which threaten or could threaten the safe operations or system integrity of the Transporter or to maintain operations required to provide efficient and reliable firm service.
48. OPERATIONAL BALANCING ACCOUNT
The account in which a Shipper's daily imbalances between receipts and deliveries are recorded. ~~Shippers on the Company's distribution system will be required to cashout the net imbalances in their operational balancing account at the end of each month.~~
49. POOL MANAGER
An entity that provides gas supply and interstate pipeline capacity management for an aggregated number of customers on the Company's distribution system, as further defined in the General Terms and Conditions for Transportation Aggregation Service or Transitional Transportation Service.
50. RATE SCHEDULE
A statement of the Company's rates or charges for a specific classification of service, ~~both sales and transportation.~~
51. RECEIPT GAS DAY
A period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time.

CLASSIFICATION OF CUSTOMERS

1. RESIDENTIAL CUSTOMERS

Applies to customers ~~consuming~~ purchasing natural gas from the Company for use in a single family dwelling or building, or in an individual flat, apartment or condominium unit in a multiple family dwelling or building or portion thereof occupied as the home, residence or sleeping place of one or more persons. Also applies to natural gas used in commonly owned facilities of condominium associations, cooperative apartments and homeowner associations subject to the following criteria:

1. 100% of the natural gas is used exclusively for the co-owners benefit.
2. None of the natural gas is used in any endeavor which sells or rents a commodity or provides a service for a fee or otherwise engages in a commercial or industrial enterprise.
3. Each point of delivery is separately metered and billed.
4. A responsible legal entity is established as the customer to whom the Company can render its bills for said service.

2. COMMERCIAL CUSTOMERS

Applies to customers engaged in selling, warehousing or distributing a commodity, product or service in some business activity or in a profession, or in some other form of economic or social activity (offices, stores, clubs, hotels, etc.) and to service that does not directly fall under one of the other customer types.

3. INDUSTRIAL CUSTOMERS

Applies to customers engaged in a process which creates a product or changes raw or unfinished materials into another form of product, or which involves the extraction of a raw material from the earth (factories, mills, distilleries, machine shops, wells, refineries, plants, etc.).

CLASSIFICATION OF CUSTOMERS
(Continued)

4. ALTERNATE FUEL CUSTOMERS

Applies to any Commercial or Industrial Customer whose annual metered gas volume exceeds 100,000 therms, and who has the continuing capability to utilize an alternate fuel which displaces natural gas sold or transported by the Company. Alternate Fuel Customers shall, by a contract in writing, provide from time to time, sufficient evidence of the alternate fuel price to warrant an adjustment in the Company's base ~~energy~~ transportation charge for the Rate Schedule under which the customer receives natural gas service. In all cases where continuous operation of a customer's facilities is necessary, the Alternate Fuel Customer shall, continuously maintain the capability to utilize a supply of alternate fuel of sufficient capability to allow the curtailment of natural gas without adversely impacting the customer's operation.

5. INTERRUPTIBLE CUSTOMERS

At the sole option of the Company, a customer without alternate fuel capabilities whose annual metered gas volume exceeds 100,000 therms, and who, by a contract in writing, agrees to interrupt their natural gas supply and discontinue operations to the benefit of other distribution system customers in the event a curtailment is required, may be designated an Interruptible Customer. Such customers may be deemed eligible to receive service under the Company's Special Contract provisions.

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 (<u>Closed</u>) |
| 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 (<u>Closed</u>) |
| 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 (<u>Closed</u>) |
| 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 (<u>Closed</u>) |
| 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.

CLASSIFICATION OF SERVICE

(Continued)

Service Classification: 3,000 – 10,000 Annual Therms

Applicability

Residential, Commercial or Industrial customers whose metered consumption is greater than 3,000 therms up to 10,000 therms per year.

Service Options

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

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: 10,000 – 25,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 10,000 therms up to 25,000 therms per year.

Service Options

- | | |
|---|--------------------------------------|
| 1. General Sales Service: | Rate Schedule GS-4 (<u>Closed</u>) |
| 2. Aggregated Transportation Service: | Rate Schedule TS-4 |
| 3. Transitional Transportation Service: | Rate Schedule TS-4 |

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: 25,000 – 50,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 25,000 therms up to 50,000 therms per year.

Service Options

- | | |
|---|--------------------------------------|
| 1. General Sales Service: | Rate Schedule GS-5 (<u>Closed</u>) |
| 2. Aggregated Transportation Service: | Rate Schedule TS-5 |
| 3. Transitional Transportation Service: | Rate Schedule TS-5 |

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: 50,000 – 100,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 50,000 therms up to 100,000 therms per year.

Service Options

- | | |
|---|--------------------------------------|
| 1. General Sales Service: | Rate Schedule GS-6 (<u>Closed</u>) |
| 2. Aggregated Transportation Service: | Rate Schedule TS-6 |
| 3. Transitional Transportation Service: | Rate Schedule TS-6 |

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: 100,000 – 500,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 100,000 therms up to 500,000 therms per year.

Service Options

- | | |
|---|------------------------------------|
| 1. General Sales Service: | Rate Schedule GS-7 <u>(Closed)</u> |
| 2. Contract Sales Service: | Rider CSS <u>(Closed)</u> |
| 3. Aggregated Transportation Service: | Rate Schedule TS-7 |
| 4. Transitional Transportation Service: | Rate Schedule TS-7 |
| 5. Transportation Service: | Rate Schedule TS-7 |
| 6. Contract Transportation Service: | Rider CTS |

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: 500,000 – 1,000,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 500,000 therms up to 1,000,000 therms per year.

Service Options

- | | |
|---|------------------------------------|
| 1. General Sales Service: | Rate Schedule GS-8 <u>(Closed)</u> |
| 2. Contract Sales Service: | Rider CSS <u>(Closed)</u> |
| 3. Aggregated Transportation Service: | Rate Schedule TS-8 |
| 4. Transitional Transportation Service: | Rate Schedule TS-8 |
| 5. Transportation Service: | Rate Schedule TS-8 |
| 6. Contract Transportation Service: | Rider CTS |

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: Greater than 1,000,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 1,000,000 therms per year.

Service Options

- | | |
|---|------------------------------------|
| 1. General Sales Service: | Rate Schedule GS-9 <u>(Closed)</u> |
| 2. Contract Sales Service: | Rider CSS <u>(Closed)</u> |
| 3. Aggregated Transportation Service: | Rate Schedule TS-9 |
| 4. Transitional Transportation Service: | Rate Schedule TS-9 |
| 5. Transportation Service: | Rate Schedule TS-9 |
| 6. Contract Transportation Service: | Rider CTS |

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)

1. GENERAL SALES SERVICE (Closed)

All Customer Classifications at all Service Classification levels may elect the General Sales Service option. Customer's served under a General Sales Service (GS) Rate Schedule will purchase natural gas directly from the Company.

2. CONTRACT SALES SERVICE (Closed)

Alternate Fuel Customers (metered gas volume over 100,000 annual therms) may elect to enter into a contract to purchase natural gas directly from the Company for a period of not less than one-year. The energy charge for this service option shall be subject to the Company's flexible pricing mechanism. It is the intention of the Company that the energy charge be determined based upon the competitive pricing of the customer's alternate fuel. In establishing the customer's energy charge, the Company may analyze: the cost of gas available to the customer; the delivered price of the customer's alternate fuel; the availability of such fuel; and the nature of the customers operations. The Company may from time to time increase or reduce the energy charge as it deems necessary or appropriate to compete with alternate fuel, but shall have no obligation to do so. Contract Sales Service shall be provided in accordance with the terms and conditions contained in Rider CSS, Sheet Nos. 59 to 61.

3. AGGREGATED TRANSPORTATION SERVICE

All Customer Classifications in all Service Classifications, except Residential customers and customers served under the Flexible Gas Service rate schedules or under a Special Contract, may elect to transport customer owned gas on the Company's distribution system as part of an aggregated Customer Pool. Transportation Aggregation Service is available to all Commercial and Industrial Customers ~~whose annual metered gas volume is less than 100,000 therms~~. This service shall be provided in accordance with Section 17.2, Transportation Aggregation Service, Sheet Nos. 105 to 112.

GENERAL SALES SERVICE-1
Rate Schedule GS-1

Availability:

Throughout the service area of the Company.

Applicability:

Residential, commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is 0 therms up to 500 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

GENERAL SALES SERVICE-2
Rate Schedule GS-2

Availability:

Throughout the service area of the Company.

Applicability:

Residential, commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 500 therms up to 3,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$17.50 |
| Energy Charge: | \$0.29356 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

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

Effective:

GENERAL SALES SERVICE-3
Rate Schedule GS-3

Availability:

Throughout the service area of the Company.

Applicability:

Residential, commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 3,000 therms up to 10,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$32.50 |
| Energy Charge: | \$0.25285 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

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

Effective:

GENERAL SALES SERVICE-4
Rate Schedule GS-4

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 10,000 therms up to 25,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$40.00 |
| Energy Charge: | \$0.22132 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

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

Effective:

GENERAL SALES SERVICE-5
Rate Schedule GS-5

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 25,000 therms up to 50,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$100.00 |
| Energy Charge: | \$0.18802 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

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

Effective:

GENERAL SALES SERVICE-6
Rate Schedule GS-6

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 50,000 therms up to 100,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$175.00 |
| Energy Charge: | \$0.14709 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 gas 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 sales under this rate schedule shall be billed at rates stated herein.

GENERAL SALES SERVICE-7
Rate Schedule GS-7

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 100,000 therms up to 500,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$250.00 |
| Energy Charge: | \$0.09774 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

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

Effective:

GENERAL SALES SERVICE-8
Rate Schedule GS-8

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 500,000 therms up to 1,000,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$350.00 |
| Energy Charge: | \$0.08723 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

GENERAL SALES SERVICE-9
Rate Schedule GS-9

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 1,000,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$500.00 |
| Energy Charge: | \$0.07892 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

CONTRACT SALES SERVICE
Rider CSS

Availability:

In all of the Company's service area.

Applicability:

To any alternate fuel sales customer who would otherwise qualify for service under Rate Schedule GS-7, GS-8 or GS-9, who contracts for service under this Rate Schedule for a minimum period of one year, provided that the Company has delivery capacity in excess of the then existing requirements of other customers receiving gas service and provided the Company has available from its supplier a quantity of gas to meet such customer's requirements. This rate schedule is closed to all existing and new customers after November 5, 2002.

Rates:

Customer Charge:

The monthly customer charge for contract sales service shall be the monthly customer charge applicable to the GS-7, GS-8 or GS-9 rate schedule under which the customer would otherwise qualify for service.

Energy Charge:

The energy charge for service hereunder shall be subject to a flexible pricing mechanism. It is the intention of Company that this charge shall be determined based upon competition with Customer's alternate fuel.

The energy charge to customer shall be determined by Company based upon Company's evaluation of competitive conditions. Such conditions may include, but are not necessarily limited to: the cost of gas which is available to serve customer; the delivered price of customer's designated alternate fuel; the availability of such fuel; and the nature of customer's operations. Company may from time to time increase or reduce the energy charge as it deems necessary or appropriate to compete with alternate fuel, but shall have no obligation to do so.

Unless changed by Company pursuant to this Rate Schedule, the base charge shall be the current applicable rate. The "currently applicable non-adjusted rate" as used herein means the energy charge prescribed in the GS-7, GS-8 or GS-9 rate schedule for which the customer would otherwise qualify for service.

BILLING ADJUSTMENTS – BA

(1) PURCHASED GAS COST RECOVERY FACTOR:

Applicable: This rate schedule is closed to all existing and new customers after August 31, 2003.

~~To the Rate per Month provision in each of the Company's general sales service rate schedules.~~

~~The energy charge of the Monthly Rate for gas supplied in any billing period shall be adjusted by the Company's expected weighted average cost of gas (WACOG). The WACOG may not exceed the Commission approved purchased gas cost recovery factor based on estimated gas purchases for the twelve-month period of January through December, in accordance with the methodology adopted by the Commission on June 1, 1993, in Order No. PSC-93-0708-FOF-GU, Docket No. 930003-GU, or as such methodology may be amended from time to time by further order of the Commission. The factor determined as set forth above shall be multiplied by 1.00503 for regulatory fees, and rounded to the nearest \$.00001 per therm, to be applied to the total number of therms consumed by the customer during the billing period.~~

~~The purchased gas cost recovery factor approved by the Commission for the billing months of January 2002 through December 2002 is \$1.09142 cents per therm.~~

~~The purchased gas cost recovery factor shall serve as a cap or maximum recovery factor. If re-projected expenses for the remaining period exceed projected recoveries by at least 10% for the six-month period, a mid-course correction may be formally requested by the Company. For changes in market conditions and costs, the Company, upon one day's notice to the Commission, shall have the option of flexing downward (reducing the WACOG) or upward (increasing the WACOG) to the extent that the increase does not exceed the authorized cap.~~

~~The current month WACOG may be adjusted for prior months' differences between projected and actual costs of gas purchased, but may not exceed the approved cap for the period.~~

GENERAL TERMS AND CONDITIONS
(Continued)

(b) Aggregation Pool

- (1) Each Aggregation Pool shall consist of a minimum of ~~ten~~one (10) individual customers.
- (2) Each Customer shall execute a Letter of Authorization (see Sheet No. 152), in order to become a member of the Aggregation Pool that it chooses. Upon receipt of the Letter of Authorization, the Company shall have 30 days to process the request.
- (3) A Customer shall be added to an Aggregation Pool on the first day of the Month after the 30-day processing period has expired.
- (4) An authorized Pool Manager shall manage each Aggregation Pool.
- (5) Each individual Customer may change Transportation Services with 30 days notice to Company, specifying the new Transportation Service requested and the name of the Pool Manager, if switching to a new Aggregation Pool. The requested change, upon approval of the Company, shall take effect on the first day of the month following the expiration of the 30-day notice requirement. There shall be no charge by Company to Customer for the first such change of Pool Managers for an account within a 12-month period. A Customer shall pay to Company for each subsequent requested change in Pool Managers for any account an administrative fee of \$25.00.
- (6) Upon election of the TA Service, the Customer shall automatically remain a Customer of this service until a request to change to another service is received by the Company. There shall be no charge by Company to Customer for the first such requested change within a 12-month period. A Customer shall pay to Company for each subsequent requested change an administrative fee of \$25.00. All requested changes shall be effective on the first day of the first month following

GENERAL TERMS AND CONDITIONS

(Continued)

completion of all required administrative activities by the Customer and the Company.

~~(7) If, for whatever reason, an Aggregation Pool falls below the required 10 individual customers, then the pool shall be declared invalid and the Pool's Customers shall be reallocated on a pro-rata basis to the other valid Aggregation Pool Managers. Such reallocation shall occur on the first day of the month subsequent to the declaration and each Customer's capacity, as determined in accordance with the provisions in 17.2 (e), shall be reallocated to each individual Customer's new Aggregation Pool.~~

- (c) A "Pool Manager" is an entity that provides gas supply and interstate pipeline capacity management for an aggregated number of customers on the Company's distribution system which has:
- (1) been duly approved as a Shipper on the interstate pipeline systems upstream of the Company City Gate Stations used as the points of entry onto Company's distribution system;
 - (2) entered into Letters of Authorization to sell Gas to, or procure Gas for, Customer accounts desiring to receive service pursuant to the TA Service; and
 - (3) executed and delivered to Company an Aggregated Transportation Service Agreement (see Sheet No. 153 through 179), that is inclusive of Capacity Release and Operating Balancing sections, and provides for the temporary release of Company's primary firm interstate pipeline transportation capacity to be used for the transportation and delivery to Company of Gas purchased.
- (d) The Company's rate for transportation service applicable to each individually billed Customer's Account shall be pursuant to the Rate Schedule for such Customer Account as determined by the Classification of Service section of this tariff.

GENERAL TERMS AND CONDITIONS
(Continued)

(e) Capacity Release

The Company shall release on behalf of an Existing Customer (defined as a Customer who has received natural gas service from the Company prior to the effective date of the Transitional Transportation Service section of the tariff) to its chosen Pool Manager, interstate pipeline capacity based upon the peak capacity needs of a customer allocation method as further defined herein. For all rate classes up to and including the TS-6 rate class, capacity shall be allocated at the maximum consumption level for the said rate class. For TS-7 through TS-9 customers, capacity shall be allocated to each specific customer based on their actual peak month usage quantity in calendar year 2001. The Company shall allocate a blend of Florida Gas Transmission and Gulfstream Natural Gas interstate pipeline capacity for each rate classification at, or below, TS-6. All Pool Managers shall receive the same per customer capacity allocation from each pipeline, based on the rate class capacity methodology described above. Capacity release will be made on a temporary basis, in accordance with applicable FERC rules and regulations, as they may change from time to time.

The interstate pipeline Receipt Points, Delivery Points and the Maximum Daily Transportation Quantities (MDTQ) that the Company shall relinquish hereunder during each individual month of the year shall be as set forth in the executed Aggregated Transportation Services Agreement between the Pool Manager and the Company.

The Pool Manager shall diligently and in a timely manner take all actions required under the approved tariff of the interstate pipeline to acquire the firm capacity rights to be relinquished. Upon completion of the above actions, the Pool Manager shall accept the temporary pipeline capacity relinquishment from the Company.

New Customers (defined as a Customer who has not received natural gas service from the Company prior the effective date of the Transitional Transportation Service section of the tariff) shall not be required to take interstate pipeline capacity from the Company.

PROPOSED TARIFF SHEETS
FINAL FORMAT VERSION

TECHNICAL TERMS AND ABBREVIATIONS
(Continued)

21. CURTAILMENT
Temporary discontinuance of gas service in accordance with the provisions of the Company's end use curtailment or interruption plan.
22. CUSTOMER
Any individual, firm or organization receiving gas service at one location under this tariff and provisions thereof.
23. CUSTOMER FACILITIES CHARGE - MINIMUM BILL
That cost billed to a Customer each billing period that reflects the amount of facilities and service cost used during the billing period.
24. CUSTOMER'S INSTALLATION
All pipe and fittings, regulators, cocks, valves, vents, circulating pipes, connections, appliances and apparatus of every kind and nature used in connection with or forming a part of an installation for utilizing gas for any purpose located on the outlet side of the Company's meter located on Customer's premises.
25. CUSTOMER POOL
A group of customers that either 1) elect, in accordance with the applicable transportation provisions, Transportation Aggregation Service with an approved Pool Manager, or 2) are assigned to the Transitional Transportation Service Pool Manager.
26. DEKATHERM
1,000,000 BTU's (1 MMBTU) or ten (10) therms.
27. DELIVERY GAS DAY
A period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time.
28. DELIVERY POINT or POINT OF DELIVERY
 - (a) The point at the connection of the facilities of Transporter and of a downstream third party at which the gas leaves the outlet side of Transporter's measuring equipment and enters the downstream party's facilities, OR

TECHNICAL TERMS AND ABBREVIATIONS
(Continued)

45. MONTH
The period between any two (2) regular readings of Company's meters at approximately thirty (30) day intervals.
46. NOMINATION
A request by a party to a producer, pipeline or local distribution company for receipt or delivery of a physical quantity of gas pursuant to a Transportation Service or Transportation Aggregation Agreement. A nomination specifies (1) the quantity of gas per day, measured in Dekatherms, to be received or delivered on behalf of the nominating party; (2) the point(s) at which the gas is to be received and delivered; and, (3) the period of time in which the delivery is to take place.
47. OPERATIONAL FLOW ORDER
Is an order issued to alleviate conditions, which threaten or could threaten the safe operations or system integrity of the Transporter or to maintain operations required to provide efficient and reliable firm service.
48. OPERATIONAL BALANCING ACCOUNT
The account in which a Shipper's daily imbalances between receipts and deliveries are recorded.
49. POOL MANAGER
An entity that provides gas supply and interstate pipeline capacity management for an aggregated number of customers on the Company's distribution system, as further defined in the General Terms and Conditions for Transportation Aggregation Service or Transitional Transportation Service.
50. RATE SCHEDULE
A statement of the Company's rates or charges for a specific classification of service.
51. RECEIPT GAS DAY
A period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time.

CLASSIFICATION OF CUSTOMERS

1. RESIDENTIAL CUSTOMERS

Applies to customers consuming natural gas in a single family dwelling or building, or in an individual flat, apartment or condominium unit in a multiple family dwelling or building or portion thereof occupied as the home, residence or sleeping place of one or more persons. Also applies to natural gas used in commonly owned facilities of condominium associations, cooperative apartments and homeowner associations subject to the following criteria:

1. 100% of the natural gas is used exclusively for the co-owners benefit.
2. None of the natural gas is used in any endeavor which sells or rents a commodity or provides a service for a fee or otherwise engages in a commercial or industrial enterprise.
3. Each point of delivery is separately metered and billed.
4. A responsible legal entity is established as the customer to whom the Company can render its bills for said service.

2. COMMERCIAL CUSTOMERS

Applies to customers engaged in selling, warehousing or distributing a commodity, product or service in some business activity or in a profession, or in some other form of economic or social activity (offices, stores, clubs, hotels, etc.) and to service that does not directly fall under one of the other customer types.

3. INDUSTRIAL CUSTOMERS

Applies to customers engaged in a process which creates a product or changes raw or unfinished materials into another form of product, or which involves the extraction of a raw material from the earth (factories, mills, distilleries, machine shops, wells, refineries, plants, etc.).

CLASSIFICATION OF CUSTOMERS
(Continued)

4. ALTERNATE FUEL CUSTOMERS

Applies to any Commercial or Industrial Customer whose annual metered gas volume exceeds 100,000 therms, and who has the continuing capability to utilize an alternate fuel which displaces natural gas transported by the Company. Alternate Fuel Customers shall, by a contract in writing, provide from time to time, sufficient evidence of the alternate fuel price to warrant an adjustment in the Company's base transportation charge for the Rate Schedule under which the customer receives natural gas service. In all cases where continuous operation of a customer's facilities is necessary, the Alternate Fuel Customer shall, continuously maintain the capability to utilize a supply of alternate fuel of sufficient capability to allow the curtailment of natural gas without adversely impacting the customer's operation.

5. INTERRUPTIBLE CUSTOMERS

At the sole option of the Company, a customer without alternate fuel capabilities whose annual metered gas volume exceeds 100,000 therms, and who, by a contract in writing, agrees to interrupt their natural gas supply and discontinue operations to the benefit of other distribution system customers in the event a curtailment is required, may be designated an Interruptible Customer. Such customers may be deemed eligible to receive service under the Company's Special Contract provisions.

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 (Closed) |
| 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 (Closed) |
| 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 (Closed) |
| 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 (Closed) |
| 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.

CLASSIFICATION OF SERVICE

(Continued)

Service Classification: 3,000 – 10,000 Annual Therms

Applicability

Residential, Commercial or Industrial customers whose metered consumption is greater than 3,000 therms up to 10,000 therms per year.

Service Options

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

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: 10,000 – 25,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 10,000 therms up to 25,000 therms per year.

Service Options

- | | |
|---|-----------------------------|
| 1. General Sales Service: | Rate Schedule GS-4 (Closed) |
| 2. Aggregated Transportation Service: | Rate Schedule TS-4 |
| 3. Transitional Transportation Service: | Rate Schedule TS-4 |

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: 25,000 – 50,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 25,000 therms up to 50,000 therms per year.

Service Options

- | | |
|---|-----------------------------|
| 1. General Sales Service: | Rate Schedule GS-5 (Closed) |
| 2. Aggregated Transportation Service: | Rate Schedule TS-5 |
| 3. Transitional Transportation Service: | Rate Schedule TS-5 |

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: 50,000 – 100,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 50,000 therms up to 100,000 therms per year.

Service Options

- | | |
|---|-----------------------------|
| 1. General Sales Service: | Rate Schedule GS-6 (Closed) |
| 2. Aggregated Transportation Service: | Rate Schedule TS-6 |
| 3. Transitional Transportation Service: | Rate Schedule TS-6 |

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: 100,000 – 500,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 100,000 therms up to 500,000 therms per year.

Service Options

- | | |
|---|-----------------------------|
| 1. General Sales Service: | Rate Schedule GS-7 (Closed) |
| 2. Contract Sales Service: | Rider CSS (Closed) |
| 3. Aggregated Transportation Service: | Rate Schedule TS-7 |
| 4. Transitional Transportation Service: | Rate Schedule TS-7 |
| 5. Transportation Service: | Rate Schedule TS-7 |
| 6. Contract Transportation Service: | Rider CTS |

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: 500,000 – 1,000,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 500,000 therms up to 1,000,000 therms per year.

Service Options

- | | |
|---|-----------------------------|
| 1. General Sales Service: | Rate Schedule GS-8 (Closed) |
| 2. Contract Sales Service: | Rider CSS (Closed) |
| 3. Aggregated Transportation Service: | Rate Schedule TS-8 |
| 4. Transitional Transportation Service: | Rate Schedule TS-8 |
| 5. Transportation Service: | Rate Schedule TS-8 |
| 6. Contract Transportation Service: | Rider CTS |

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: Greater than 1,000,000 Annual Therms

Applicability

Commercial or Industrial customers whose metered consumption is greater than 1,000,000 therms per year.

Service Options

- | | |
|---|-----------------------------|
| 1. General Sales Service: | Rate Schedule GS-9 (Closed) |
| 2. Contract Sales Service: | Rider CSS (Closed) |
| 3. Aggregated Transportation Service: | Rate Schedule TS-9 |
| 4. Transitional Transportation Service: | Rate Schedule TS-9 |
| 5. Transportation Service: | Rate Schedule TS-9 |
| 6. Contract Transportation Service: | Rider CTS |

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)

1. GENERAL SALES SERVICE (Closed)

All Customer Classifications at all Service Classification levels may elect the General Sales Service option. Customer's served under a General Sales Service (GS) Rate Schedule will purchase natural gas directly from the Company.

2. CONTRACT SALES SERVICE (Closed)

Alternate Fuel Customers (metered gas volume over 100,000 annual therms) may elect to enter into a contract to purchase natural gas directly from the Company for a period of not less than one-year. The energy charge for this service option shall be subject to the Company's flexible pricing mechanism. It is the intention of the Company that the energy charge be determined based upon the competitive pricing of the customer's alternate fuel. In establishing the customer's energy charge, the Company may analyze: the cost of gas available to the customer; the delivered price of the customer's alternate fuel; the availability of such fuel; and the nature of the customers operations. The Company may from time to time increase or reduce the energy charge as it deems necessary or appropriate to compete with alternate fuel, but shall have no obligation to do so. Contract Sales Service shall be provided in accordance with the terms and conditions contained in Rider CSS, Sheet Nos. 59 to 61.

3. AGGREGATED TRANSPORTATION SERVICE

All Customer Classifications in all Service Classifications, except Residential customers and customers served under the Flexible Gas Service rate schedules or under a Special Contract, may elect to transport customer owned gas on the Company's distribution system as part of an aggregated Customer Pool. Transportation Aggregation Service is available to all Commercial and Industrial Customers. This service shall be provided in accordance with Section 17.2, Transportation Aggregation Service, Sheet Nos. 105 to 112.

GENERAL SALES SERVICE-1
Rate Schedule GS-1

Availability:

Throughout the service area of the Company.

Applicability:

Residential, commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is 0 therms up to 500 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

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

Effective:

GENERAL SALES SERVICE-2
Rate Schedule GS-2

Availability:

Throughout the service area of the Company.

Applicability:

Residential, commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 500 therms up to 3,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$17.50 |
| Energy Charge: | \$0.29356 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

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

Effective:

GENERAL SALES SERVICE-3
Rate Schedule GS-3

Availability:

Throughout the service area of the Company.

Applicability:

Residential, commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 3,000 therms up to 10,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$32.50 |
| Energy Charge: | \$0.25285 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

GENERAL SALES SERVICE-4
Rate Schedule GS-4

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 10,000 therms up to 25,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$40.00 |
| Energy Charge: | \$0.22132 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

GENERAL SALES SERVICE-5
Rate Schedule GS-5

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 25,000 therms up to 50,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$100.00 |
| Energy Charge: | \$0.18802 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

GENERAL SALES SERVICE-6
Rate Schedule GS-6

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 50,000 therms up to 100,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$175.00 |
| Energy Charge: | \$0.14709 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 gas 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 sales under this rate schedule shall be billed at rates stated herein.

GENERAL SALES SERVICE-7
Rate Schedule GS-7

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 100,000 therms up to 500,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$250.00 |
| Energy Charge: | \$0.09774 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

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

Effective:

GENERAL SALES SERVICE-8
Rate Schedule GS-8

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 500,000 therms up to 1,000,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$350.00 |
| Energy Charge: | \$0.08723 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

GENERAL SALES SERVICE-9
Rate Schedule GS-9

Availability:

Throughout the service area of the Company.

Applicability:

Commercial or industrial customers purchasing natural gas directly from the Company whose annual metered gas volume is greater than 1,000,000 therms. This rate schedule is closed to all existing and new customers after November 5, 2002.

Monthly Rate:

| | |
|------------------|----------------------|
| Customer Charge: | \$500.00 |
| Energy Charge: | \$0.07892 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 gas 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, sales under this rate schedule shall be billed at rates stated herein.

CONTRACT SALES SERVICE
Rider CSS

Availability:

In all of the Company's service area.

Applicability:

To any alternate fuel sales customer who would otherwise qualify for service under Rate Schedule GS-7, GS-8 or GS-9, who contracts for service under this Rate Schedule for a minimum period of one year, provided that the Company has delivery capacity in excess of the then existing requirements of other customers receiving gas service and provided the Company has available from its supplier a quantity of gas to meet such customer's requirements. This rate schedule is closed to all existing and new customers after November 5, 2002.

Rates:

Customer Charge:

The monthly customer charge for contract sales service shall be the monthly customer charge applicable to the GS-7, GS-8 or GS-9 rate schedule under which the customer would otherwise qualify for service.

Energy Charge:

The energy charge for service hereunder shall be subject to a flexible pricing mechanism. It is the intention of Company that this charge shall be determined based upon competition with Customer's alternate fuel.

The energy charge to customer shall be determined by Company based upon Company's evaluation of competitive conditions. Such conditions may include, but are not necessarily limited to: the cost of gas which is available to serve customer; the delivered price of customer's designated alternate fuel; the availability of such fuel; and the nature of customer's operations. Company may from time to time increase or reduce the energy charge as it deems necessary or appropriate to compete with alternate fuel, but shall have no obligation to do so.

Unless changed by Company pursuant to this Rate Schedule, the base charge shall be the current applicable rate. The "currently applicable non-adjusted rate" as used herein means the energy charge prescribed in the GS-7, GS-8 or GS-9 rate schedule for which the customer would otherwise qualify for service.

Florida Division
Original Volume No. 3

Fourth Revised Sheet No. 74
Cancels Third Revised Sheet No. 74

BILLING ADJUSTMENTS – BA

(1) PURCHASED GAS COST RECOVERY FACTOR:

Applicable: This rate schedule is closed to all existing and new customers after August 31, 2003.

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

Effective:

GENERAL TERMS AND CONDITIONS
(Continued)

(b) Aggregation Pool

- (1) Each Aggregation Pool shall consist of a minimum of one (1) customer.
- (2) Each Customer shall execute a Letter of Authorization (see Sheet No. 152), in order to become a member of the Aggregation Pool that it chooses. Upon receipt of the Letter of Authorization, the Company shall have 30 days to process the request.
- (3) A Customer shall be added to an Aggregation Pool on the first day of the Month after the 30-day processing period has expired.
- (4) An authorized Pool Manager shall manage each Aggregation Pool.
- (5) Each individual Customer may change Transportation Services with 30 days notice to Company, specifying the new Transportation Service requested and the name of the Pool Manager, if switching to a new Aggregation Pool. The requested change, upon approval of the Company, shall take effect on the first day of the month following the expiration of the 30-day notice requirement. There shall be no charge by Company to Customer for the first such change of Pool Managers for an account within a 12-month period. A Customer shall pay to Company for each subsequent requested change in Pool Managers for any account an administrative fee of \$25.00.
- (6) Upon election of the TA Service, the Customer shall automatically remain a Customer of this service until a request to change to another service is received by the Company. There shall be no charge by Company to Customer for the first such requested change within a 12-month period. A Customer shall pay to Company for each subsequent requested change an administrative fee of \$25.00. All requested changes shall be effective on the first day of the first month following

GENERAL TERMS AND CONDITIONS

(Continued)

completion of all required administrative activities by the Customer and the Company.

- (c) A "Pool Manager" is an entity that provides gas supply and interstate pipeline capacity management for an aggregated number of customers on the Company's distribution system which has:
- (1) been duly approved as a Shipper on the interstate pipeline systems upstream of the Company City Gate Stations used as the points of entry onto Company's distribution system;
 - (2) entered into Letters of Authorization to sell Gas to, or procure Gas for, Customer accounts desiring to receive service pursuant to the TA Service; and
 - (3) executed and delivered to Company an Aggregated Transportation Service Agreement (see Sheet No. 153 through 179), that is inclusive of Capacity Release and Operating Balancing sections, and provides for the temporary release of Company's primary firm interstate pipeline transportation capacity to be used for the transportation and delivery to Company of Gas purchased.
- (d) The Company's rate for transportation service applicable to each individually billed Customer's Account shall be pursuant to the Rate Schedule for such Customer Account as determined by the Classification of Service section of this tariff.

GENERAL TERMS AND CONDITIONS
(Continued)

(e) Capacity Release

The Company shall release on behalf of an Existing Customer (defined as a Customer who has received natural gas service from the Company prior to the effective date of the Transitional Transportation Service section of the tariff) to its chosen Pool Manager, interstate pipeline capacity based upon the peak capacity allocation method as further defined herein. For all rate classes up to and including the TS-6 rate class, capacity shall be allocated at the maximum consumption level for said rate class. For TS-7 through TS-9 customers, capacity shall be allocated to each specific customer based on their actual peak month usage quantity in calendar year 2001. The Company shall allocate a blend of Florida Gas Transmission and Gulfstream Natural Gas interstate pipeline capacity for each rate classification. All Pool Managers shall receive the same per customer capacity allocation from each pipeline, based on the rate class capacity methodology described above. Capacity release will be made on a temporary basis, in accordance with applicable FERC rules and regulations, as they may change from time to time.

The interstate pipeline Receipt Points, Delivery Points and the Maximum Daily Transportation Quantities (MDTQ) that the Company shall relinquish hereunder during each individual month of the year shall be as set forth in the executed Aggregated Transportation Services Agreement between the Pool Manager and the Company.

The Pool Manager shall diligently and in a timely manner take all actions required under the approved tariff of the interstate pipeline to acquire the firm capacity rights to be relinquished. Upon completion of the above actions, the Pool Manager shall accept the temporary pipeline capacity relinquishment from the Company.

New Customers (defined as a Customer who has not received natural gas service from the Company prior the effective date of the Transitional Transportation Service section of the tariff) shall not be required to take interstate pipeline capacity from the Company.