

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **DIRECT TESTIMONY OF**

3                                   **JEFF HOUSEHOLDER**

4                   **ON BEHALF OF FLORIDA DIVISION OF CHESAPEAKE UTILITIES**

5                                   **DOCKET NO. 090125-GU**

6

7   **Q.   PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS**  
8                   **ADDRESS.**

9   A.   My name is Jeff Householder. I am President of the Jeff Householder and  
10                   Company, Inc., consulting firm. My business address is 2333 West 33<sup>rd</sup>  
11                   Street, Panama City, Florida, 32405.

12   **Q.   PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**  
13                   **EDUCATIONAL BACKGROUND.**

14   A.   Over the past nine years, I have provided energy consulting, regulatory affairs  
15                   and business development services primarily to natural gas utilities, natural  
16                   gas marketing companies, propane gas retailers, government agencies and  
17                   industrial and commercial clients. I have participated in numerous regulatory  
18                   filings before the Florida Public Service Commission, including several rate  
19                   proceedings. Prior to beginning my consulting business in January 2000, I  
20                   spent sixteen years in the gas and electric utility industry in the following  
21                   positions: Vice President of Marketing and Sales for TECO Peoples Gas; Vice  
22                   President of Regulatory Affairs and Gas Management for West Florida  
23                   Natural Gas Company; Vice President of Marketing and Sales at City Gas

1 Company and Utility Administrative Officer for Tallahassee Utilities. In each of  
2 the above positions, I had either direct responsibility for or substantive input  
3 into the rates and regulations under which the utility operated, including  
4 development of each utility's embedded cost studies and rate designs. Early  
5 in my career I was a Section Manager with the Florida Department of  
6 Community Affairs, responsible for administering the Florida Energy Code  
7 and related construction industry regulatory standards, and an Energy Analyst  
8 in the Florida Governor's Energy Office. I received a Bachelor of Science  
9 Degree in 1978 from Florida State University with an interdisciplinary major in  
10 Social Science (principally Economics and Business), and additional majors  
11 in Government and International Relations.

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

14 A. My testimony describes and supports the Company's proposed interim and  
15 permanent rates. I will describe a proposed reclassification of Consumers in  
16 two of the Company's current small volume rate classifications through the  
17 adoption of new classes with revised annual consumption thresholds. I  
18 prepared and will support the Company's allocated cost of service study by  
19 customer class for the Projected Test Year ended December 31, 2010. I will  
20 describe how the results of the cost of service study, market influences and  
21 other rate design principals were considered in designing the Company's  
22 proposed rates. Finally, my testimony provides an overview of the  
23 modifications proposed to the Company's tariff.

1 Q. ARE YOU SPONSORING ANY EXHIBITS TO YOUR TESTIMONY?

2 A. Yes. Exhibit No. \_\_\_\_ (JMH-1) is a list of MFR schedules I am sponsoring.  
3 Exhibit No. \_\_ (JMH-2) is a copy of the Cost-of-Service Study (MFR Schedule  
4 H) prior to the Company's market based cost adjustments which were used to  
5 design final proposed rates in the filed version of MFR Schedule H. Exhibit  
6 No. \_\_ (JMH-3) is a comparison of revenues by class for the Projected Test  
7 Year under current and proposed rates, and the proposed percentage  
8 increase in revenues for each class. Exhibit No. \_\_ (JMH-4) is a comparison  
9 of the rates of return by class for the Projected Test Year under current and  
10 proposed rates. Exhibit No. \_\_\_\_ (JMH-5) is a comparison of fixed rate  
11 revenues by class under the Company's present and proposed rates. Exhibit  
12 No. \_\_ (JMH-6) provides the Company's proposed Environmental Surcharge  
13 rates. Exhibit No. \_\_ (JMH-7) is a comparison of the Company's present and  
14 proposed Miscellaneous Charges (Connection Fees, etc). Exhibit  
15 No. \_\_ (JMH-8) is a comparison of present and proposed permanent rates by  
16 rate classification. Exhibit No. \_\_ (JMH-9) includes the Company's proposed  
17 tariff revisions in both legislative and final formats. The referenced MFR  
18 Schedules and exhibits were prepared under my direction, supervision and  
19 control.

20 **Interim Rate Increase**

21 Q. ON WHAT HISTORICAL PERIOD IS THE COMPANY'S REQUEST FOR AN  
22 INTERIM INCREASE BASED?

23 A. The historical period is the 12-month period ended December 31, 2008.

1 Q. WHAT IS THE AMOUNT OF THE INTERIM INCREASE THE COMPANY IS  
2 REQUESTING IN THIS PROCEEDING?

3 A. The Company requests that annual revenues be increased by \$417,555 on  
4 an interim basis. This amount represents a 4.08% increase to base rates.

5 Q. HAS THE INTERIM REQUEST BEEN CALCULATED IN ACCORDANCE  
6 WITH THE COMMISSION'S REQUIREMENTS?

7 A. Yes. In my opinion, the requested interim increase is consistent with Rule 25-  
8 7.040, Florida Administrative Code, and Section 366.071, Florida Statutes,  
9 regarding interim awards.

10 Q. PLEASE DESCRIBE THE METHOD USED TO PROPOSE INTERIM RATE  
11 RELIEF.

12 A. The Company followed the methodology provided in MFR Schedule F for  
13 calculating and allocating appropriate interim rates.

14 Q. PLEASE DESCRIBE THE CALCULATION OF THE PROPOSED INTERIM  
15 RATE RELIEF?

16 A. The Revenue Deficiency for the interim rate increase is calculated on MFR  
17 Schedule F-7. It was derived based on an Adjusted Rate Base of  
18 \$37,868,590 and a Requested Rate of Return of 6.88%, yielding a net  
19 operating income (NOI) requirement of \$2,605,610. The Adjusted Rate Base  
20 is calculated on MFR Schedule F-1, and the Requested Rate of Return is  
21 calculated on MFR Schedule F-8. As required by Florida Statute 366.071 (5)  
22 (b) 3, the Company used the bottom of the range (10.5%) of its most recent  
23 authorized return on equity (Order No. PSC-01-1274-PAA-GU, issued

1 November 27, 2000) to determine the weighted cost of capital. The  
2 Company's Adjusted NOI for 2008 is (\$2,346,483), which has been calculated  
3 on MFR Schedule F-4. An NOI Deficiency of \$259,127 was determined by  
4 subtracting the Company's Adjusted NOI from the NOI Requirement on MFR  
5 Schedule F-7. The requested interim rate increase of \$417,555 equals the  
6 NOI Deficiency grossed up by the Revenue Expansion Factor (1.6114)  
7 calculated on MFR Schedule F-6.

8 **Q. HAS THE COMPANY APPROPRIATELY REFLECTED ALL**  
9 **ADJUSTMENTS REQUIRED BY THE COMMISSION IN ITS LAST RATE**  
10 **CASE?**

11 A. Yes.

12 **Q. HOW WAS THE INTERIM RATE INCREASE ALLOCATED AMONG**  
13 **CUSTOMER CLASSES?**

14 A. The revenue deficiency calculated on MFR Schedule F-7 was allocated on an  
15 equal percentage basis (4.08%) to each of the Company's existing customer  
16 classifications. The Company's approved tariff includes customer  
17 classifications, and rate schedules, for Consumers (end-users) and Shippers  
18 (entities delivering gas to the Company's distribution system for transportation  
19 to Consumers). For Consumer rate classes, the Usage Charge (the  
20 Company's variable rate component) for each respective class was adjusted  
21 by the above percentage to achieve an overall revenue increase equal to the  
22 revenue deficiency on MFR Schedule F-7. For the Shipper Administrative and  
23 Billing Service class the "Consumer Charge" (the charge per Consumer billed

1 by the Company on behalf of the Shipper) was adjusted. The Shipper  
2 Administration Charge was adjusted for the Shipper Administrative Service  
3 class. The Company is proposing no interim rate adjustment to its approved  
4 fixed charge experimental rates authorized by the Commission in 2007 for  
5 several small volume rate classes. Rates established through a Special  
6 Contract approved by the Commission were not adjusted. In addition, rates  
7 for Consumers served through a Flexible Gas Service Agreement were not  
8 adjusted.

9 **Q. WHY DO THE PROPOSED INTERIM RATES ADJUST THE COMPANY'S**  
10 **EXISTING RATES FOR SERVICES PROVIDED TO SHIPPERS (THIRD**  
11 **PARTY MARKETERS)?**

12 A. By Order No. PSC-05-0208-PAA-GU, issued on February 22, 2005, the  
13 Commission approved the Company's request to classify Shipper's as  
14 customers. The Company allocated certain transportation administration  
15 service costs to Shippers and designed tariff rates to recover the allocated  
16 costs. The revenues from such rates are recorded as base rate revenues.  
17 Commission Rule No. 25.040, F.A.C., requires that, "Interim rates shall apply  
18 across the board based on base rate revenues for the test period less base  
19 gas revenue by rate schedule."

20 **Q. WHY IS THE COMPANY PROPOSING NO ADJUSTMENT TO ITS**  
21 **EXPERIMENTAL RATES?**

22 A. The Company's experimental rates were authorized by the Commission by  
23 Order No. PSC-07-0427-TRF-GU, issued May 15, 2007 and are applicable to

1 rate classes FTS-A, FTS-B, FTS-1, FTS-2 and FTS-3 (annual usage up to  
2 10,000 therms). The experimental rates provide an optional fixed charge per  
3 month for each respective rate class regardless of a Consumer's monthly gas  
4 transportation quantity. The experimental fixed rates are elected by  
5 Consumers during an annual Open Enrollment period (see Consumer Rules  
6 and Regulations Section D, of the Company's approved tariff). The Company  
7 currently provides service to 734 Consumers under the experimental fixed  
8 rate options. These Consumers selected the experimental rate during the  
9 Open Enrollment period with the expectation that the fixed rates would not  
10 change for a period of one year. The Company is proposing to retain the  
11 existing experimental rates and make no interim rate adjustment. As  
12 described later in my testimony, the Company is proposing to adjust the  
13 permanent experimental rates, although it is recommending a delay in the  
14 effective date of such rates to coincide with the expiration of the current Open  
15 Enrollment annual period (April 1, 2010).

16 **Q. EARLIER YOU INDICATED THAT SPECIAL CONTRACT CONSUMERS**  
17 **WERE NOT INCLUDED IN THE INTERIM RATE ADJUSTMENT. PLEASE**  
18 **EXPLAIN.**

19 A. The Company serves eight (8) Consumers under Special Contracts as  
20 authorized by Commission Rule No. 25-9.034, F.A.C. The Special Contract  
21 Consumers are all industrial or large commercial accounts. The sale of  
22 transportation service to these Consumers required that the Company deviate  
23 from its standard rates and/or terms of service. There are no rate schedules

1 for Special Contract accounts in the Company's tariff. Each Special Contract,  
2 including the rate for service, has been approved by the Commission. Given  
3 that the Special Contract rates were negotiated in good faith by the Company  
4 and the Consumer to be in effect for a specific term and the rate and term  
5 were approved by the Commission, in the Company's view, it is not  
6 appropriate to adjust such rates during a base rate proceeding. The  
7 Commission has historically excluded Special Contract rates from interim  
8 (and permanent) rate adjustments. The proposed treatment of Special  
9 Contract accounts in this proceeding is consistent with the Commission's  
10 actions with respect to the Company's 2000 rate case. The interim rates  
11 approved in Commission Order No. PSC-00-1416-PCO-GU, issued  
12 November 28, 2000, and the permanent rates approved in Commission Order  
13 No. PSC-00-2263-FOF-GU, issued August 3, 2000 made no adjustments to  
14 the Company's Special Contract rates. The negotiated Special Contract rates  
15 should not be subject to interim or permanent rate adjustment in this  
16 proceeding.

17 **Q. YOU ALSO NOTED THAT FGS CONSUMERS WERE ALSO EXCLUDED**  
18 **FROM THE INTERIM RATE ADJUSTMENT. PLEASE EXPLAIN.**

19 A. The Company currently serves two (2) customers under its FGS rate  
20 schedule. The Commission originally authorized the Company to execute  
21 FGS agreements in Order No. PSC-98-1485-FOF-GU, issued November 5,  
22 1998. The FGS agreements are designed to enable the Company to compete  
23 for customers that have viable fuel options or other service alternatives while

1 ensuring that other ratepayers are not adversely impacted if the Company  
2 elects to serve such customers. At the Company's option, it may negotiate  
3 rates and service terms, and enter into a FGS transportation agreement with  
4 a customer. The Company assumes the full risk associated with serving an  
5 FGS customer. None of the investment cost to provide service is included in  
6 the Company's rate base, and all O&M and related expenses are recorded as  
7 shareholder costs. As directed in the above Order, "... all capital costs,  
8 expenses and revenues ... are placed below-the-line for earnings surveillance  
9 report purposes." In the event the FGS customer discontinues service, the  
10 Company bears the cost of any stranded investment or uncollected  
11 receivables. FGS Consumers are similarly situated to the Special Contract  
12 Consumers described above. The Company and the Consumer negotiated  
13 the rate and service terms in good faith. The negotiated FGS rates should not  
14 be subject to interim or permanent rate adjustment in this proceeding.

15 **Customer Rate Classifications**

16 **Q. PLEASE DESCRIBE THE RATE CLASSIFICATIONS IN THE COMPANY'S**  
17 **CURRENT TARIFF.**

18 A. The Company provides service to two (2) types of customers: Consumers  
19 (end-users) and Shippers (entities delivering gas to the Company's  
20 distribution system for transportation to Consumers). As more fully described  
21 in Tom Geoffroy's testimony, the Company transitioned out of the retail  
22 merchant gas sales function in 2002 as authorized by Commission Order No.  
23 PSC-02-1646-TRF-GU, issued November 25, 2002. Under its current tariff,

1 the Company offers unbundled Firm Transportation Service (FTS) to  
2 Consumers in fifteen (15) approved volumetric rate classes (FTS-A through  
3 FTS-13). The applicability section of each FTS rate class is based on annual  
4 therm usage – there are no customer type (residential, commercial, industrial)  
5 or service character (firm vs. interruptible) distinctions. If requested, the  
6 Company would offer interruptible service through a Special Contract rather  
7 than a tariff rate schedule. As noted above, the Company also offers  
8 experimental rates in five (5) small volume rate classes (FTS-A through FTS-  
9 3) enabling Consumers to elect a fixed monthly charge rate option rather than  
10 the two part (fixed and variable) standard rates. The Company is authorized  
11 to adjust its base rates for Consumers using greater than 50,000 therms  
12 annually to reflect competitive pricing from alternate fuels or the threat of by-  
13 pass under its Contract Firm Transportation Service Rider. Rate adjustments  
14 are similarly authorized to recover investment costs that exceed the  
15 Company's tariff Maximum Allowable Construction Cost through an Area  
16 Extension Program Rider. In addition to the above Consumer rates, the  
17 Company offers certain administrative and billing services to Shippers  
18 through two (2) rate classes: Shipper Administrative Service and Shipper  
19 Administrative and Billing Service. The Company also offers to provide certain  
20 administrative services to gas marketers at interstate pipeline delivery points  
21 not interconnected to the Company's distribution system through an Off-  
22 System Delivery Point Operator Service. As noted previously, the Company  
23 provides gas delivery service to certain large volume Consumers under a

1 Flexible Gas Service Agreement or Special Contract. These rates are  
2 negotiated and there are no tariff rate schedules.

3 The Company's current tariff includes the following approved rate  
4 schedules:

| 5  | <u>Existing Rate Schedule</u>                          | <u>Applicability (annual therms)</u> |
|----|--|--------------------------------------|
| 6  | Firm Transportation Service-A (FTS-A)                  | 0 - 130 (closed)                     |
| 7  | Firm Transportation Service-A Experimental (FTS-A Exp) | 0 - 130 (closed)                     |
| 8  | Firm Transportation Service (FTS)-B                    | >130 - 250 (closed)                  |
| 9  | Firm Transportation Service-B Experimental (FTS-B Exp) | >130 - 250 (closed)                  |
| 10 | Firm Transportation Service (FTS)-1                    | 0 - 500                              |
| 11 | Firm Transportation Service-1 Experimental (FTS-1 Exp) | 0 - 500                              |
| 12 | Firm Transportation Service-2 (FTS-2)                  | >500 - 3,000                         |
| 13 | Firm Transportation Service-2 Experimental (FTS-2 Exp) | >500 - 3,000                         |
| 14 | Firm Transportation Service-3 (FTS-3)                  | >3,000 - 10,000                      |
| 15 | Firm Transportation Service-3 Experimental (FTS-3 Exp) | >3,000 - 10,000                      |
| 16 | Firm Transportation Service-4 (FTS-4)                  | >10,000 - 25,000                     |
| 17 | Firm Transportation Service-5 (FTS-5)                  | >25,000 - 50,000                     |
| 18 | Firm Transportation Service-6 (FTS-6)                  | >50,000 - 100,000                    |
| 19 | Firm Transportation Service-7 (FTS-7)                  | >100,000 - 200,000                   |
| 20 | Firm Transportation Service-8 (FTS-8)                  | >200,000 - 400,000                   |
| 21 | Firm Transportation Service-9 (FTS-9)                  | >400,000 - 700,000                   |
| 22 | Firm Transportation Service-10 (FTS-10)                | >700,000 - 1,000,000                 |
| 23 | Firm Transportation Service-11 (FTS-11)                | >1,000,000 - 2,500,000               |
| 24 | Firm Transportation Service-12 (FTS-12)                | >2,500,000-10,000,000                |
| 25 | Firm Transportation Service-13 (FTS-13)                | >10,000,000                          |

- 1 Contract Firm Transportation Service Rider (CFTS-Rider) >50,000
- 2 Area Expansion Program Rider (AEP-Rider)
- 3 Shipper Administration Service (SAS)
- 4 Shipper Administrative and Billing Service (SABS)
- 5 Off-System Delivery Point Operator Service (OS-DPO)

6 **Q. WHY ARE THE FTS-A AND FTS-B CLASSES CLOSED TO NEW**  
7 **CONSUMERS?**

8 A. Historically, the rates of return applicable to small volume residential  
9 Consumers have been set at levels that do not recover the Company's cost to  
10 serve. The returns for these Consumers are typically subsidized by larger  
11 volume Consumers. The subsidization affects the Company's competitive  
12 position since rates for larger Consumers are increased to support the  
13 subsidy. Additionally, setting rates for small use residential Consumers at  
14 levels that do not recover the Company's cost to serve ultimately constrains  
15 the Company's ability to grow its distribution system to the benefit of all  
16 Consumers. Closing the FTS-A and FTS-B rate classes was an important  
17 step toward ensuring that all future small volume Consumer additions provide  
18 an appropriate recovery of costs, without unduly impacting existing  
19 ratepayers. The Company received authorization from the Commission in  
20 Order No. PSC-05-0208-PAA-GU, issued on February 22, 2005, to close the  
21 FTS-A and FTS-B classes to new premises.

22 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY'S**  
23 **ADMINISTRATION OF ITS CLOSED FTS-A AND FTS-B CLASSES.**

1 A. The FTS-A and FTS-B rate classes are administered at the premise, not the  
2 Consumer, level. As noted above, no new premises are assigned to the FTS-  
3 A or FTS-B classes. All new premises added to the Company's distribution  
4 system are served under rate class FTS-1. In the event a Consumer  
5 occupying an existing premise assigned to an FTS-A or FTS-B rate class  
6 terminates service, the new Consumer moving into the premise would be  
7 served under the rate class associated with that premise. A premise originally  
8 assigned to a FTS-A or FTS-B class are subject, as is normal practice, to  
9 annual reclassification. In the event the annual therm usage for a FTS-A or  
10 FTS-B premise increases or decreases outside of the annual therm limits  
11 applicable to the respective class, the premise would be reclassified. No  
12 Consumer currently assigned to a FTS-1 or above rate class is eligible for  
13 reclassification to either of the closed classes.

14 **Q. IS THE COMPANY PROPOSING TO MODIFY THE EXISTING**  
15 **APPLICABILITY PROVISIONS FOR THE FTS-A AND FTS-B CLASSES?**

16 A. Yes. The Company proposes to discontinue its current practice that allows  
17 Consumers to move between the FTS-A and FTS-B classes as their annual  
18 therm usage changes. Under the Company's proposal, a FTS-A or FTS-B  
19 premise that is reclassified to a higher rate class during the Company's  
20 annual rate class review process (tariff Section II. F. 2. – Original Sheet No.  
21 30) would not be eligible to return to a lower classification in a subsequent  
22 annual review.

1 Q. IS THE COMPANY PROPOSING TO MODIFY ITS EXISTING RATE  
2 CLASSIFICATIONS?

3 A. Yes. The Company is proposing the following rate class modifications:

4 ● The existing FTS-2 class (>500 - 3,000 annual therms) and FTS-3 class  
5 (>3,000 – 10,000 annual therms) would be divided into four (4) classes:  
6 FTS-2, FTS-2.1, FTS-3 and FTS-3.1.

7 ● Four (4) experimental rate classes are proposed that parallel the above  
8 FTS-2, FTS-2.1, FTS-3 and FTS-3.1 permanent rate classes. The  
9 experimental classes would offer optional fixed charge rates of the type  
10 currently approved in the Company's tariff for Consumers in the applicable  
11 classes.

12 ● The existing annual therm range for the FTS-12 and FTS-13 rate class  
13 would be modified. The current FTS-12 range is proposed to expand from  
14 >2.5 million to 10 million therms to >2.5 million to 12.5 million therms. The  
15 current FTS-13 class therm range (>10,000,000 million) would be modified  
16 to begin at 12.5 million. There is no upper range on the FTS-13 class.

17 ● The Company is also seeking authorization to establish an experimental  
18 third party billing service rate to promote the installation of combination  
19 thermal solar and natural gas water heating systems.

20 The remaining rate classes listed earlier in my testimony would remain  
21 unchanged. The proposed new or revised classes would be as follows:

| <u>Proposed Rate Schedule</u>                          | <u>Applicability (annual therms)</u> |
|--|--------------------------------------|
| Firm Transportation Service-2 (FTS-2)                  | >500 - 1,000                         |
| Firm Transportation Service-2 Experimental (FTS-2 Exp) | >500 - 1,000                         |

|   |  |                 |
|---|--|-----------------|
| 1 | Firm Transportation Service-2.1 (FTS-2.1)                                  | >1,000 - 2,500  |
| 2 | Firm Transportation Service-2.1 Experimental (FTS-2.1 Exp)                 | >1,000 - 2,500  |
| 3 | Firm Transportation Service-3 (FTS-3)                                      | >2,500 - 5,000  |
| 4 | Firm Transportation Service-3 Experimental (FTS-3 Exp)                     | >2,500 - 5,000  |
| 5 | Firm Transportation Service-3.1 (FTS-3.1)                                  | >5,000 - 10,000 |
| 6 | Firm Transportation Service-3.1 Experimental (FTS-3.1 Exp)                 | >5,000 - 10,000 |
| 7 | Firm Transportation Service-12 (FTS-12)                                    | >2.5M - 12.5M   |
| 8 | Firm Transportation Service-13 (FTS-13)                                    | >12.5M          |
| 9 | Solar Water-Heating Administrative and Billing Service Experimental (SWHS) |                 |

10 **Q. WHY IS THE COMPANY SEEKING GREATER VOLUME BASED**  
11 **STRATIFICATION IN ITS FTS-2 AND FTS-3 RATE CLASSES?**

12 **A.** Greater volumetric stratification of the existing FTS-2 and FTS-3 classes is  
13 warranted for several reasons.

14 1. From a rate design perspective, the primary reason to divide any  
15 volumetric rate class is to achieve a greater degree of uniformity or  
16 homogeneity among the Consumers assigned to the class. Volumetric rates  
17 are typically established based on average gas usage for Consumers  
18 assigned to a given class. Since the unit cost per therm is based on average  
19 usage, a level of subsidization exists within virtually all volumetric classes. To  
20 the extent the therm range for a given volumetric class is reduced (the class  
21 becomes more homogeneous), intra-class subsidization is reduced.  
22 Increasing class homogeneity contributes to pricing fairness and mitigates  
23 both cross-class and intra-class subsidization.

1           2.     There are discernable cost of service levels that can be identified  
2           within the existing FTS-2 and FTS-3 classes. To guide the development of the  
3           proposed rate classifications the Company reviewed the cost of providing  
4           service to Consumers of varying sizes and usage characteristics. Meter and  
5           regulator type and size, service line size, and on-going maintenance costs are  
6           among the cost items that typically distinguish one service class from another.  
7           There are also cost differences related to the Automated Meter Reading  
8           (AMR) device installations discussed in greater detail in Jeffrey Sylvester's  
9           testimony. The Company's analysis of the facility costs by Consumer rate  
10          class is included in MFR Schedule E-7.

11          3.     Fixed rate components (such as the Firm Transportation Charge in the  
12          Company's tariff) exhibit different subsidization concerns. As therm usage for  
13          Consumers within a given class increases, the fixed charge decreases on a  
14          unit cost basis. Greater class stratification allows more opportunity to design  
15          rates that recover a higher percentage of the Company's fixed costs from  
16          fixed rates. Volume based rate classes with large annual therm ranges make  
17          it difficult to significantly increase the fixed charge rate component.  
18          Consumers at the low end of the class volume range will pay more on a unit  
19          cost basis than higher volume Consumers in the same class. Narrowing the  
20          class therm ranges through stratification helps to minimize these inequities.  
21          Over the past several years, the Company has received approval from the  
22          Commission in several proceedings to gradually collect a greater percentage  
23          of its fixed costs from fixed charges. Increasing the stratification of rate

1 classes greatly reduces issues of rate equity within a class, especially when  
2 fixed charge rate components are increasing.

3 4. The proposed rate classes and the applicable rates were developed  
4 with consideration of the competitive factors that influence and affect the  
5 markets in which the Company conducts its business. Splitting the FTS-2 and  
6 FTS-3 classes and developing new rates for the proposed classes will enable  
7 the Company to more effectively compete in both the residential and  
8 commercial markets with propane and electricity.

9 5. The Company is urging Consumers to add gas appliances through a  
10 series of Consumer education and conservation programs. State policy  
11 enumerated in FEECA, the Governor's Executive Order 07-127, and action by  
12 the 2008 Florida Legislature (Chapter No. 2008-227, Laws of Florida) require  
13 reductions in the growth of electric demand and greenhouse gas emissions.  
14 The installation of gas appliances can play a significant role in facilitating such  
15 reductions. Providing additional stratification in the FTS-2 and FTS-3 classes  
16 will enable the Company to design competitive rates that encourage  
17 Consumers to install additional gas appliances.

18 **Q. HOW MANY CONSUMERS ARE AFFECTED BY THE PROPOSED FTS-2**  
19 **AND FTS-3 RECLASSIFICATION?**

20 A. The Projected Test Year (2010) average Consumer totals by class include  
21 1,983 Consumers in the current FTS-2 and FTS-3 classes. The proposed  
22 reclassification would assign 950 Consumers to the modified FTS-2 class  
23 (>500 – 1,000); 561 Consumers would be assigned to the new FTS-2.1 class

1 (>1,000 – 2,500); 224 would be assigned to the modified FTS-3 class (>2,500  
2 – 5,000) and approximately 223 would be assigned to the new FTS – 3.  
3 class (>5,000 – 10,000).

4 **Q. WHY IS THE COMPANY PROPOSING TO RESTRUCTURE THE ANNUAL**  
5 **THERM APPLICABILITY RANGES IN ITS FTS-12 AND FTS-13 RATE**  
6 **CLASSES?**

7 A. The Company's FTS-13 rate class includes only one Consumer: the Mosaic  
8 phosphate company. The rates established for Mosaic are specific to their  
9 unique circumstance. Mosaic's rate design is based on their cost to by-pass  
10 the Company's distribution system. The FGT transmission pipeline traverses  
11 Mosaics property. The rates included in the FTS 13 rate class recover the  
12 Company's cost to provide service to Mosaic, but would likely not be  
13 appropriate for other Consumers. An increase in the annual therm range  
14 required to access the FTS-13 rate class would virtually ensure that no other  
15 Consumers would receive service under a rate that was not designed to  
16 accommodate such service.

17 **Q. PLEASE OUTLINE THE PROPOSED EXPERIMENTAL SOLAR WATER-**  
18 **HEATING ADMINISTRATIVE AND BILLING SERVICE.**

19 A. Over the past several years it has become increasingly evident that many  
20 builders, homeowners and businesses are looking for ways to participate in  
21 the "green building" movement and incorporate renewable energy  
22 technologies in their construction or remodeling projects. The recent actions  
23 of the Governor and Legislature mandating reduced carbon emissions related

1 to building energy use have provided an impetus for gas utilities to seek  
2 innovative methods for providing space conditioning and water heating in  
3 Florida buildings. The Company has been exploring the feasibility of installing  
4 thermal solar water heating systems in combination with high efficiency gas-  
5 fired water heaters. The technology for both the solar and gas water heating  
6 systems is readily available. The installation techniques to combine the units  
7 into an integrated system is straight-forward. Such a combination system  
8 would rely on the solar system for the majority (approximately 70%) of the hot  
9 water produced, with the gas unit(s) proving the backup heating  
10 requirements. These systems would improve energy efficiency and  
11 significantly reduce total fuel cycle carbon emissions.

12 The Company, in conjunction with the Florida Natural Gas Association,  
13 has worked with the Florida Solar Energy Center (FSEC) to evaluate the  
14 feasibility of combining solar thermal technology with a high efficiency gas-  
15 fired water heater. The May 2008 FSEC Report, *An Economic Assessment of*  
16 *Central Thermal Solar and Gas Tankless Water Heating Systems in Florida*,  
17 indicates that such combination systems can be technically and economically  
18 installed in Florida residences. The report notes that such systems are  
19 commonly installed in Europe and Asia. Over the past five years Lakeland  
20 Electric has been operating a program installing solar systems with an electric  
21 water heater backup.

22 After decades of solar tax credits, various rebates and other incentive  
23 programs, the installation of thermal solar water heating systems represents

1 approximately .001% of total water heating units sold in the U.S. each year.  
2 Data from the Department of Energy and solar equipment manufacturers  
3 indicates the annual number of solar water heating units installed nationally is  
4 less than 20,000 with an estimated 50% of these units installed in Hawaii.  
5 Comparatively, there are over 18,000,000 electric and gas water heaters  
6 installed in the U.S market each year (approximately 9,000,000 units for each  
7 fuel type). There are a number of factors that contribute to the minimal  
8 number of solar water heating systems installed in the United States. The  
9 available technologies for residential and small commercial solar water  
10 heating typically have higher initial costs compared to traditional systems.  
11 While the life cycle costs for solar thermal technologies may provide positive  
12 overall cost benefits, it is frequently difficult for Consumers to overcome the  
13 higher first cost. In addition, most solar thermal systems require regular levels  
14 of maintenance that exceed the level to which Consumers are willing to  
15 commit. Finally, the solar industry in many locations is not well supported by  
16 local vendors.

17 The Company is interested in exploring an opportunity to increase  
18 thermal solar installations by removing the principal market barriers that  
19 currently exist. The Company has identified at least two non-affiliated third  
20 parties that are interested in financing, installing and maintaining the  
21 combination systems. Consumers would avoid the up front expense of  
22 purchasing and installing the system. The third party would be responsible for  
23 on-going maintenance. The Company would have no investment in the

1 Consumer's system. However, the Company would provide marketing and  
2 Consumer education services, primarily through its existing energy  
3 conservation program activities, a Consumer billing service and a general  
4 oversight of the customer service practices of the third parties. The  
5 Company's billing service would be similar to the tariff service currently  
6 provided to Shippers in the Transitional Transportation Service Program  
7 through the SABS rate schedule. The monthly fee for the system would be  
8 listed as separate charge on the Company's utility statement. The Company  
9 would retain a portion of the revenue for the billing and administrative  
10 services provided and remit the remaining portion to the third party installer.  
11 Any Consumer education or water heater rebate payments related to the  
12 promotion or installation of combination solar/gas water heaters would be  
13 recovered through the usual ECCR process, not as part of the proposed  
14 billing service fee.

15 The program design is intended to remove the traditional barriers to  
16 solar installation. By associating a public utility with the installations through  
17 its marketing and incentive programs, we hope to encourage Consumer  
18 participation. The third party financing, installation and maintenance  
19 responsibilities limit the Company's (and its ratepayers') financial risk. If the  
20 program is successful the Company may be able to add or retain customers it  
21 otherwise would have lost, expand to serve new areas, and meet the "green"  
22 expectations of existing and potential Consumers. The installation of 1,000  
23 combination solar/gas water heating systems has the potential to reduce

1 electric demand by approximately 2.0 MW and eliminate 100,000 pounds of  
2 carbon emissions. The proposed billing service rate class would enable the  
3 Company to initiate, on an experimental basis, a pilot program to encourage  
4 the installation of renewable energy water heating systems.

5 **Q. DOES THE COMPANY'S CUSTOMER, SALES AND REVENUE**  
6 **FORECAST ACCOUNT FOR THE PROPOSED REVISIONS TO ITS**  
7 **EXISTING CUSTOMER CLASSIFICATIONS?**

8 A. Yes. The forecasts of customers, sales and revenues presented in the MFRs  
9 filed in this rate proceeding, and discussed in Jeff Sylvester's testimony, are  
10 consistent with the Company's proposed customer classifications and their  
11 respective rate schedules.

12 **Q. HAS THE COMPANY PROVIDED BILLING DETERMINANT INFORMATION**  
13 **THAT WILL ALLOW THE COMMISSION TO COMPARE THE EXISTING**  
14 **CLASSIFICATIONS TO THE PROPOSED CLASSIFICATIONS?**

15 A. Yes. MFR Schedules E-1 and E-5 have been prepared to enable the  
16 Commission to compare bills, terms and revenues under the existing  
17 volumetric classes to the proposed volumetric classes.

18 **Q. DOES THE COMPANY INTEND TO MAINTAIN CONSUMER**  
19 **INFORMATION THAT WILL ENABLE IT TO CONTINUE TO PROVIDE**  
20 **DATA TO THE COMMISSION BY TRADITIONAL CUSTOMER TYPE?**

21 A. Yes. The Company's current Customer Information System is capable of  
22 maintaining account records by customer type (residential, commercial and  
23 industrial). In addition, such information is necessary for the Company to

1 apply the appropriate tax factors and certain billing adjustments that currently  
2 are based on the existing customer classes.

3

4 **Cost of Service Study and Rate Design**

5 **Q. DID YOU PERFORM A COST OF SERVICE STUDY?**

6 A. Yes. I performed a fully embedded allocated cost-of-service study utilizing  
7 the Commission Staff's Cost of Service Model which is included as Schedule  
8 H in the prescribed MFR forms. The cost study utilized information from all  
9 areas of the Company's operations, including customer billing and  
10 consumption records, engineering studies, cost data from accounting records  
11 and the Company's forecasts of sales, customers and revenue. All of the  
12 revenue, sales, cost and operational data used in the study is consistent with  
13 the data provided in the Company's MFR's, and other documents filed in  
14 support of the rate request.

15 **Q. WHAT IS THE PURPOSE OF THE COST STUDY?**

16 A. Cost studies provide information on the appropriateness of existing rates and  
17 help guide the design of prospective rates. The primary objective in cost of  
18 service analysis is to establish a relationship between the Company's costs to  
19 provide service and the customers who cause such costs to be incurred.  
20 When possible such costs should be directly assigned to the customer  
21 responsible for causing the cost (customers served through dedicated  
22 facilities, for example). In most cases it is impractical to identify cost causation  
23 at the individual customer level. The majority of a utility's costs result from

1 investments and expenses intended to serve in common multiple customers;  
2 across the utility's service area. Cost studies provide an analytical means of  
3 allocating portions of the utility's total unassigned common costs to groups or  
4 classes of similarly situated customers who collectively "cause the cost". The  
5 direct cost assignments and cost allocations in the study are used to  
6 determine the revenue requirements of each customer class and to calculate  
7 a rate of return for each class based on present (and proposed) rates. The  
8 determination of cost causality developed in the cost study provides guidance  
9 in designing fair and equitable rates by class that recover the Company's cost  
10 to serve. The total cost of service was assigned or allocated to determine the  
11 revenue requirements of each class of customers. The results of my analysis  
12 provided the principal basis for the Company's proposed rate design.

13 **Q. HOW WAS THE ALLOCATED COST OF SERVICE STUDY PERFORMED?**

14 A. The Commission staff's Cost of Service Model employs a two step process  
15 wherein costs are classified and the classified costs are allocated among the  
16 rate classes.

17 1. Classification: Cost classification provides guidance in identifying the  
18 "cause of the cost" and is used to select appropriate allocation  
19 methods for assigning costs to rate classes. The Company maintains  
20 its accounting records in accordance with the FERC Uniform System of  
21 Accounts. Each of the Company's principal plant and expense  
22 accounts is classified. Typically, there are four categories used to

1 classify costs: capacity or demand costs, commodity costs, customer  
2 costs and revenue costs.

3 a. Capacity or demand costs are those costs incurred by the utility  
4 to meet the on-demand service requirements of the total  
5 customer base. Capacity costs are related to the peak or  
6 maximum demand requirements placed on the system by its  
7 customers. Capacity costs are incurred to ensure that the  
8 system is ready to serve customers at peak requirements levels.  
9 These costs are generally considered to be "fixed", and are  
10 incurred whether or not a customer uses any gas.

11 b. Commodity costs are variable and relate to the quantitative units  
12 of product consumed. Costs which can be linked to the volume  
13 of gas sold or transported fit into this category.

14 c. Customer costs are those costs incurred to connect a customer  
15 to the distribution system, meter their usage and maintain their  
16 account. In addition, other costs such as meter reading, which  
17 are a function of the number of customers served, should be  
18 included in this category. Customer costs continue to be  
19 incurred without regard to a customer's level of consumption.

20 d. Revenue costs are related to those cost items which can be  
21 assigned based on the percentage of total revenue received  
22 from each class of customer. These costs vary with the amount

1 of sales revenue collected by the Company. Gross receipts  
2 taxes and regulatory assessment fees fall into this category.

3 I utilized the cost classification methodology contained in the Staff Cost  
4 of Service Model (MFR Schedule H). The classification of each FERC  
5 account cost component is contained in MFR schedule H-1, pages 1-5.

6 2. Allocation: The second step in the cost of service process is the  
7 allocation of costs to customer classes. Allocation involves the  
8 distribution or assignment of the classified costs to the Company's  
9 customer classes. Those costs which can be directly attributable to a  
10 specific customer or class of customers (such as the Company's  
11 Special Contract Consumers) are assigned to that customer or class.  
12 The remaining costs are distributed between the rate classes by  
13 applying a series of allocation factors. The allocation factors attempt to  
14 apportion costs based on the causal relationships between the  
15 respective customer classes and the classified costs. The development  
16 and application of the allocation factors and direct assignment of costs  
17 is the final step in a cost of service study. MFR Schedule H-2, pages 1-  
18 2, details the development of allocation factors by class of service.

19 **Q. HOW DOES THE COST STUDY ALLOCATE CUSTOMER CLASSIFIED**  
20 **COSTS?**

21 A. Customer related rate base and expense costs are allocated using a  
22 "weighted number of customers" allocator. The weighting factor in the  
23 allocator was based on the Company's relative average cost to install a

1 meter, regulator and service line to serve a representative Consumer in each  
2 rate class. The weighting factors for each class are "indexed" to the  
3 comparable cost for the small volume FTS-A, FTS-B and FTS-1 rate classes  
4 (these classes exhibit the same facility investment costs for services, meters,  
5 regulators and related installation). The weighting "index" can be found on  
6 MFR Schedule E-7. The Projected Test Year forecast of Consumers in the  
7 respective FTS-A through FTS-13 classes was multiplied by the weighting  
8 factor to derive a customer allocation factor.

9 **Q. HOW DOES THE COST STUDY ALLOCATE CAPACITY COSTS?**

10 A. Capacity related rate base and expense costs were allocated on the basis of  
11 "peak and average" monthly transportation volume for the FTS-A through  
12 FTS-13 Consumer classes. The principle underlying the peak and average  
13 allocator is that fixed capacity or demand costs should be apportioned to rate  
14 classes in a manner that reflects both the average actual utilization of the  
15 distribution system's capacity as well as the class responsibility for the system  
16 capacity required to meet peak system loads. MFR Schedule E-5 includes the  
17 term data used in computing the peak and average allocators for each class.

18 **Q. HOW WERE COMMODITY COSTS ALLOCATED?**

19 A. An allocator was developed based on the ratio of total annual transportation  
20 term volumes by class to the system total transportation volumes minus the  
21 annual volumes associated with Special Contract and FGS Consumers.

22 **Q. HOW WERE REVENUE COSTS ALLOCATED?**

1 A. The only item allocated based on revenue are the Company's Regulatory  
2 Assessment Fees. Revenue costs are allocated based on a ratio of revenues  
3 by rate class to total revenue for the FTS-A through FTS-12 classes.

4 **Q. DID YOU DIRECTLY ASSIGN COSTS TO ANY OF THE COMPANY'S**  
5 **RATE CLASSES?**

6 A. Yes. I conducted a separate cost analysis for the Shipper rate classes (SABS  
7 and SAS), the Special Contract Consumers, and the FTS-13 rate class. I also  
8 assumed the Company's costs to serve the off-system Delivery Point  
9 Operator rate class equaled the current rate revenue from this class (one  
10 customer – approximately \$500 annual revenue). In addition to the above rate  
11 class cost evaluations, I analyzed certain Administrative and General  
12 expenses related to customer service and made direct adjustments to the  
13 allocated customer classified costs. Finally, I directly re-assigned certain  
14 mains-related rate base allocations based on my Special Contract cost study.  
15 I modified Staff's Cost of Service Model to subtract the costs associated with  
16 Shipper service and Special Contracts identified in the separate cost studies  
17 for these customers, along with the DPO service costs, from the total cost to  
18 serve. The Company's remaining cost of service was allocated among the  
19 FTS-A through FTS-12 Consumer rate classes.

20 **Q. YOU INDICATED THAT SPECIAL CONTRACT COSTS WERE DIRECTLY**  
21 **ASSIGNED. HOW DID YOU DETERMINE THE COST ASSIGNMENTS FOR**  
22 **EACH SPECIAL CONTRACT CONSUMER?**

1 A. I conducted an individual cost study for each of the eight (8) Special Contract  
2 Consumers. I obtained the original facility investment cost (mains, service  
3 lines, meters, regulators, etc.) and facility in-service date related to each  
4 account. I also worked with the Company's Operations and Engineering  
5 Department to determine additional plant investments that have been  
6 undertaken subsequent to the original Special Contract investments that  
7 support certain of these Consumers. For example, the Company's Gulfstream  
8 Pipeline interconnection provides significant pressure support to several  
9 Special Contract Consumers. Approximately \$1,650,000 of such plant  
10 investments were identified and assigned to the Special Contract "rate class".  
11 Accumulated depreciation for plant investments was calculated based on the  
12 Company's historic approved depreciation rates. The allocation of rate base  
13 to Consumer classes on MFR Schedule H-2, page 4 for the Special Contracts  
14 was directly assigned based on the above cost analysis.

15 The Company's Operations and Engineering Department also  
16 provided current O&M costs for each Special Contract account. Other cost  
17 components (interest, taxes, return, etc.) were calculated using the  
18 appropriate applicable rates. These cost studies identified the rate base and  
19 expense costs by FERC account associated with each Special Contract  
20 Consumer. Next, I determined the 2010 forecast revenue for each Special  
21 Contract Consumer at the current contract rates and calculated a rate of  
22 return for each account. The rates of return for each Special Contract account  
23 were significantly above the Company's proposed 2010 overall rate of return

1 of 7.15%. I adjusted (increased) the aggregate Special Contract "rate class"  
2 cost assignments in the Operations and Maintenance Direct and Special  
3 Assignment section of Staff's Cost of Service Model (MFR Schedule H-2,  
4 page 6) to equal the forecast revenue. The Company's filed cost of service  
5 study reflects my direct assignment of the costs derived from the individual  
6 cost studies for Special Contract accounts. These adjustments had the effect  
7 of reducing the revenue requirements of the other rate classes.

8 In addition, a separate cost analysis was also performed for the  
9 Company's Flexible Gas Service (FGS) Consumers. All investment and  
10 expense costs and revenues related to the FGS Consumers were eliminated  
11 entirely from the Company's filed cost of service study.

12 **Q. YOU ALSO INDICATED THAT A SEPARATE METHODOLOGY WAS**  
13 **EMPLOYED TO ASSIGN SHIPPER COSTS IN THE COMPANY'S COST**  
14 **STUDY. PLEASE EXPLAIN.**

15 **A.** Beginning with the Company's original unbundling proceeding in 2002  
16 (Commission Order No. PSC-02-1646-TRF-GU, issued November 25, 2002)  
17 the Commission authorized the Company to recover certain costs from  
18 Shippers. In that proceeding, the Company established a fee for providing  
19 billing and payment agent services (Customer Account Administration  
20 Charge) to the initial TTS Shipper. The Commission expanded Shipper  
21 charges in the Company's 2005 rate restructuring (Commission Order No.  
22 PSC-05-0208-PAA-GU, issued February 22, 2005). In 2007, the Commission  
23 approved the Company's request to recognize Shipper's as customers and

1 reaffirmed the Company's Shipper charges through its approval of the  
2 existing rate classes (Commission Order No. 07-0427-TRF-GU, issued May  
3 15, 2007). The cost studies approved by the Commission in the 2002 and  
4 2005 proceedings directly assigned certain embedded costs (meter reading,  
5 CIS, record keeping) to the Company's Shipper rate classes. This cost  
6 assignment provided the basis for the revenue requirement used to develop  
7 the current Shipper rates. I followed a similar path in this proceeding.

8 The Shipper cost study assigns a portion of the Company's meter  
9 investment (rate base) to Shippers. The Company is also proposing to  
10 recover the initial capital investment costs for the Company's AMR program  
11 from Shipper's. I assigned the entire plant investment in AMR technology  
12 forecast through 2010 to the Shipper rate classes in the cost study. Total net  
13 plant assigned to the Shipper rate classes in 2010 totals \$4,011,173. Plant  
14 costs were divided between the SASB and SAS classes based on a ratio of  
15 the number of customers served by Shippers in each class (96.1% SABS and  
16 3.9% SAS).

17 The Shipper cost study also identified certain expenses that I directly  
18 assigned to the SABS and SAS classes. A total of \$333,196 in various meter  
19 maintenance, meter reading and customer record and collections expenses  
20 were assigned, including the total annual depreciation expense for AMR  
21 equipment of approximately \$150,000 in 2010. The calculation formulas used  
22 to allocate costs to each rate class in Staff's Cost of Service Model (MFR  
23 Schedule H-2) exclude the costs directly assigned to shippers from the

1 allocation of costs to the volumetric FTS-A through FTS-13 rate classes.  
2 These adjustments had the effect of reducing the revenue requirements of the  
3 FTS-A through FTS-13 rate classes.

4 **Q. HOW DID YOU DETERMINE THE DIRECT ASSIGNMENT OF COSTS TO**  
5 **THE FTS-13 RATE CLASS?**

6 A. I utilized a cost assignment method accepted by the Commission in several  
7 previous rate proceedings (for example, the Company's 2005 rate  
8 restructuring, Order No. PSC-05-0208-PAA-GU, issued February 22, 2005;  
9 the 2004 Florida City Gas rate case, Order No. PSC-04-0128-PAA-GU; the  
10 St. Joe Natural Gas 2008 rate case, Order No. PSC-08-0436-PAA-GU,  
11 issued July 8, 2008). The Staff's Cost of Service Model allocates Capacity  
12 classified costs on the basis of peak and average monthly sales volumes.  
13 However, for the FTS-13 class (Mosaic phosphate is the sole Consumer) the  
14 peak and average allocation method resulted in uneconomical rates and a  
15 separate allocation method was employed. Mosaic has several alternate fuel  
16 options, including #6 fuel oil and the potential bypass of the Company's  
17 distribution system. The Mosaic plant served by the Company is  
18 approximately 500 feet from an existing FGT transmission pipeline. I worked  
19 with the Company's Operations and Engineering Department to calculate the  
20 cost of physical bypass for Mosaic. Based on this analysis, I adjusted the  
21 Capacity classified rate base and Capacity classified expenses on MFR  
22 Schedule H-2, Page 4, for the FTS-13 rate class. The Customer classified

1 rate base and expenses was allocated using the allocation factors applied to  
2 the remaining FTS-A through FTS-12 Consumers.

3 The cost assignments resulted in an aggregate target annual revenue  
4 amount approximately equal to Mosaic's incremental cost to bypass the  
5 distribution system. Without this adjustment the rates resulting from the larger  
6 cost allocation provide a potential incentive for Mosaic to leave the system.  
7 The by-pass cost assignment results in a rate increase to Mosaic. The  
8 revenue requirement collected from Mosaic through the proposed rate is  
9 sufficient to recover the Company's cost to provide service. No other  
10 Consumers are subsidizing the Mosaic service.

11 **Q. PLEASE DESCRIBE THE DIRECT ASSIGNMENT OF CERTAIN RATE**  
12 **BASE MAINS COSTS IN THE COST STUDY.**

13 A. The peak and average allocation method allocates certain plant and plant  
14 related Capacity classified expenses by assessing system-wide monthly  
15 demand by customer class. It is not sophisticated enough to account for peak  
16 hour demand, system load diversity or demand requirements on particular  
17 segments of the distribution system. Gas distribution systems are designed to  
18 meet peak hour requirements. Employing a capacity cost allocator based on  
19 peak and average monthly data typically results in poor load factor  
20 Consumers receiving a lower than appropriate allocation of capacity costs.  
21 Conversely, Consumers with higher load factors (usually the large volume  
22 classes) usually receive a higher allocation of costs than is reasonable. In a

1 competitive environment, recovering costs from Consumer who are not  
2 causing the costs may result in lost accounts.

3 As noted above, I identified \$1,650,000 of additional mains rate base  
4 that I directly assigned to the Special Contract Consumers. I directly removed  
5 these mains costs from the FTS-7 through FTS-12 classes based on the ratio  
6 of unadjusted mains rate base to total mains rate base for the respective  
7 classes.

8 **Q. PLEASE DESCRIBE THE COST ANALYSIS EMPLOYED TO ASSIGN**  
9 **CERTAIN ADMINISTRATIVE AND GENERAL EXPENSES.**

10 A. The Company's cost study includes \$6,487,175 in total O&M expenses (MFR  
11 Schedule H-1, page 3, line 38). My evaluation was limited to the O&M costs  
12 included in accounts 903 - Records and Collection Expense, 920 -  
13 Administrative and General Salaries, 923 - Outside Services and 926 -  
14 Benefits. The costs represented by these accounts in the Projected Test Year  
15 total \$2,554,442 (MFR Schedule G-2, pages 14-22). I removed \$208,113  
16 from account 903 that was already assigned to the Shipper classes and  
17 limited the Outside Service to the Company's recurring regulatory expense.  
18 Total expenses subject to the A&G study were \$2,346,329. I divided this  
19 amount based on the Customer and Capacity classification of expenses in  
20 MFR Schedule H-1, page 3 (68% Customer and 32% Capacity). The  
21 classification resulted in a total of \$1,595,504 Customer classified expenses.

22 As described above, the Customer allocation factor is based on the  
23 number of Consumers in a class weighted by the service, meter and regulator

1 facility costs for the respective class. In my opinion, this allocation method  
2 would result in an over-allocation of certain of the Company's customer  
3 service costs to the small classes (those with the greatest number of  
4 Consumers) and an under-allocation to the mid volume commercial classes.  
5 In the Company's case, I believe the Customer allocator is also over-  
6 allocating costs to the large volume industrial classes. One significant reason  
7 for such a result is the Company's transition from sales to transportation  
8 service. The Company's transportation service environment has significantly  
9 increased the customer service, collection and billing activities associated  
10 with medium volume (10,000 to 100,000 annual therms) commercial  
11 accounts. In addition, the bulk of the Company's administrative  
12 responsibilities associated with transportation service are related to these  
13 commercial Consumers. I worked with the Company's customer service,  
14 billing and gas control units to identify time requirements and other costs that  
15 could be associated with services provided to specific groups of Consumers.

16 My analysis indicated that absent the direct assignment, 78.7% of the  
17 above costs would be allocated to the FTS-A through FTS-2.1 classes (0 to  
18 1,500 annual therms); 14% to the FTS-3 through FTS-6 classes (3,000 to  
19 100,000 annual therms) and 7.3% to the large volume industrial Consumers  
20 in class FTS-7 through FTS-12. Based on the time and cost estimates noted  
21 above, I determined that the \$1,595,504 should be allocated at approximately  
22 57.7% to the small volume classes, 35% to the mid volume classes and 7.3%  
23 to the large volume classes. This reallocation resulted in an increase of

1       \$335,055 to the FTS-3 through FTS-6 classes. I split the corresponding  
2       reduction in costs, 75% to the FTS-A through FTS 2.1 classes and 25% to the  
3       FTS-7 through FTS-12 classes. The distribution of costs to these classes was  
4       based on the relative number of Consumers in each of the classes. The cost  
5       assignment was made to the Customer classified "All Other" costs in MFR  
6       Schedule H-2, pages 5-6, line 5.

7   **Q.   HOW DID YOU INCORPORATE THE DIRECT ASSIGNMENT OF COSTS**  
8   **INTO THE COST STUDY?**

9   A.   I performed three cost of service studies. An initial study was conducted that  
10   applied the traditional cost allocators described above for the FTS-A through  
11   FTS-13 Consumer rate classes. In the initial study the cost assignments to  
12   the Special Contract "class" did not include the additional \$1,650,000 mains  
13   rate base adjustment. A second cost study was conducted that incorporated  
14   all of the direct cost assignments described earlier in my testimony. The third  
15   cost study was performed for rate design purposes, using the rate calculator  
16   section of Staff's Cost of Service Model. This cost study is included as  
17   Schedule H in the Company's filed MFRs. In this study I modified the cost  
18   allocations among the Consumer rate classes, resulting in adjusted target  
19   revenue requirements by class that produce reasonable rates. The Shipper  
20   and DPO class cost allocations remained the essentially the same in all cost  
21   studies, with some minor modification in the third study to accommodate the  
22   proposed rate design.

23   **Q.   WHAT WERE THE RESULTS OF THE COST OF SERVICE STUDY?**

1 A. The initial cost study resulted in revenue requirement percentage increases  
2 for certain classes that were unreasonable. Such a result was not  
3 unanticipated for the reasons described earlier in my testimony. The second  
4 cost study incorporates the direct cost assignments outlined above which  
5 more appropriately link costs to the classes that cause the cost to be incurred.  
6 The Company's second cost study, with the direct cost assignments, is  
7 included in the copy of MFR Schedule H, submitted as Exhibit No. \_\_ (JMH-2)  
8 to this testimony. With the exception of the direct cost assignments, the  
9 traditional Customer, Capacity, Commodity and Revenue cost allocators  
10 included in Staff's Cost of Service Model were used to allocate costs for the  
11 FTS-A through FTS-13 classes. The allocated cost of service for each of  
12 these Consumer classes is shown on MFR Schedule H-2, pages 7-8, in  
13 Exhibit No. \_\_ (JMH-2). The projected rate of return by class under present  
14 rates is displayed on MFR Schedule H-3, pages 3-4 in Exhibit No. \_\_ (JMH-  
15 2). The Company's overall system average rate of return for the Projected  
16 Test Year at present rates was determined to be 3.21%. I reviewed the target  
17 revenues by class and the calculated percentage revenue increase or  
18 decrease for each class required to achieve a more uniform rate of return  
19 (MFR Schedule H-3, pages 7-8, in Exhibit No. \_\_ (JMH-2). Since the Staff's  
20 Cost of Service Model includes a rate calculation component, I also reviewed  
21 the potential rates generated from the target revenues by class produced in  
22 this cost study (MFR Schedule H-1 pages 9-10, in Exhibit No. \_\_ (JMH-2).  
23 Given the disparities in the returns by class and the percentage revenue

1 increases required to achieve a more uniform return by class, I determined  
2 that adjustments in the revenue requirements for certain classes would be  
3 necessary to establish reasonable rate of return parity between classes and  
4 ultimately produce fair and equitable rates.

5 **Q. WHY ARE THE RATES OF RETURN BETWEEN CLASSES IMPORTANT?**

6 A. Historically, the rates of return for small volume Consumer classes have been  
7 set well below the system average return. Other larger-volume classes  
8 subsidized the small Consumers. There are two significant concerns raised  
9 by this situation. First, as noted above, increasing alternate fuel competition is  
10 making it more difficult to add and retain core commercial and industrial  
11 customers. That difficulty is compounded when rates for those commercial  
12 Consumers are set to subsidize small Consumers, especially residential  
13 classes. Second, setting rates for small, principally low use residential  
14 Consumers at levels that do not produce an appropriate return affects the  
15 Company's ability to invest in facilities to add these Consumers.

16 Gas distribution system expansions are generally dictated by the  
17 typical pattern of development in an area experiencing growth. Residential  
18 housing developments are constructed followed by commercial projects to  
19 provide services to the new residents. Gas utilities make feasibility  
20 assessments for facility extensions to serve the residential developments. If  
21 the residential projects are not feasible, the Company will not be able to  
22 extend its facilities, losing not only the residences, but most likely the  
23 commercial businesses as well. One of the most significant components in

1 the Company's extension of facilities feasibility evaluations is the margin  
2 received from residential Consumers. If the rates for such Consumers are  
3 established at levels that do not recover costs and produce reasonable  
4 returns on investment, the Company may lose opportunities to grow its  
5 distribution system or exacerbate cross class subsidization. Investing in  
6 residential service for returns below the Company's cost of capital ultimately  
7 places additional pressure on highly competitive non-residential rates. Failure  
8 to grow the distribution system and spread the Company's fixed costs over a  
9 larger Consumer base would likely result in future rate increases for all  
10 ratepayers.

11

12

#### Rate Design

13 **Q. YOU NOTED ABOVE THAT THE COST STUDY PROVIDES "THE**  
14 **PRINCIPAL BASIS" FOR DESIGNING RATES. WERE OTHER FACTORS**  
15 **USED TO ESTABLISH THE PROPOSED RATES?**

16 **A.** Yes. Cost studies provide important guidance in designing utility rates.  
17 However, the selection of final rates should represent a balance of many  
18 economic, social and regulatory considerations. Foremost among rate design  
19 objectives is the development of rates that recover the revenue requirement  
20 in a manner that enables the utility to add and retain customers, provide  
21 quality service and attract capital for operations. The price signals that are a  
22 consequence of the rate design will influence Consumer decisions on fuel  
23 type and affect consumption patterns. In today's environment concerns over

1 energy efficiency and carbon emissions abound. Gas rates in general should  
2 promote economic efficiency and not encourage wasteful usage. At the same  
3 time however, gas rates should be set at levels that are sufficiently  
4 competitive to encourage the increased use of clean-burning, domestically  
5 produced gas relative to other fuels. The traditional principals of fairness,  
6 simplicity and gradualism in utility rate design should also be important  
7 considerations in any rate making proceeding. *Appropriate rate design*  
8 *requires a thorough understanding of the utility's business strategy, market*  
9 *area and competitive position.*

10 **Q. PLEASE SUMMARIZE THE PROCESS EMPLOYED TO ADJUST THE**  
11 **REVENUE REQUIREMENT PRODUCED IN THE COST OF SERVICE**  
12 **STUDY FOR THE PURPOSE OF DESIGNING RATES.**

13 A. To design the proposed rates, I used the Staff's Cost of Service Model to re-  
14 allocate certain costs among the classes and produce a third version of the  
15 cost study, which was filed as MFR Schedule H. The cost adjustments I made  
16 produced revised target revenues, revenue deficiencies, and rates of return  
17 for each class. In performing the cost adjustments by class, I considered the  
18 Company's objectives to reduce rate subsidization among and within classes.  
19 I took into account the potential market competition concerns that would arise  
20 in setting rates based on the adjusted cost allocations. I was also sensitive to  
21 the overall percentage increase in revenues per class compared to existing  
22 revenues.

1           The adjusted cost allocations were accomplished through the Direct  
2 and Special Assignment section in Staff's Cost of Service Model. I inserted a  
3 "Special Adjustment" entry for Capacity and Customer classified O&M  
4 expenses on MFR Schedule H-2, pages 5-6, lines 5 and 12). The  
5 adjustments I made shift costs between classes to produce a reasonable  
6 revenue increase percentage for each Consumer class and marketable rates.  
7 While the target revenue requirement for various classes was adjusted, the  
8 total revenue requirement to recover the Company's cost of service and  
9 produce an overall return of 7.15% in the Projected Test Year was not  
10 affected by the rate class adjustments. The proposed allocation of costs by  
11 customer class and the resulting revenue requirement for each class under  
12 proposed rates is presented on MFR Schedule H-3, pages 5-6. The proposed  
13 revenue requirement by class is equal to the cost of service by class. Exhibit  
14 No. \_\_\_ (JMH-3) provides a comparison of the Projected Test Year revenues  
15 by class under present and proposed rates, and indicates the percentage  
16 revenue increase proposed for each class. Exhibit No. \_\_\_ (JMH-4) compares  
17 the rates of return by class under the current and proposed rates.

18 **Q. IS THE COMPANY PROPOSING TO CHANGE ITS CURRENT RATE**  
19 **STRUCTURE FOR THE FTS-A THROUGH FTS-13 VOLUMETRIC**  
20 **CONSUMER CLASSES?**

21 A. No. The basic rate structure proposed for all volumetric rate classes includes  
22 the continuation of the structure approved in the Company's current tariff. A  
23 fixed monthly charge (the Firm Transportation Charge) and a variable charge

1 (the Usage Charge) based on the quantity of gas consumed during a billing  
2 period would be applicable to all FTS-A through FTS-13 rate classes. The  
3 overall proposed rate design does, however, shift toward a greater recovery  
4 of fixed costs through fixed charges. The proposed increase in fixed charges  
5 would not change the overall average cost to Consumers resulting from this  
6 proceeding. Increasing the Company's fixed Firm Transportation Charge for  
7 any rate class will result in a relative decrease in the variable Usage Charge  
8 required to recover the authorized revenue.

9 **Q. PLEASE BRIEFLY DESCRIBE THE RATES RESULTING FROM THIS**  
10 **PROCESS.**

11 A. The rates for the Special Contract Consumers are established by  
12 Commission approved long-term agreements and are not proposed to  
13 change. The revenue requirements for the Shipper SAS and SABS classes  
14 approximately equal the costs produced in the Shipper cost analysis. I am  
15 proposing a monthly Shipper fixed charge (Shipper Administrative Charge) of  
16 \$300 for both the SAS and SABS rate classes. At present, the SAS monthly  
17 charge is \$172.50 and the SABS fixed charge is \$100.00. Each of the CI  
18 Shippers and TTS Shippers would pay monthly Shipper Administrative  
19 Charge. The majority of the Shipper assigned revenue requirement would be  
20 collected through an increase in the SAS or SABS Consumer Charge. The  
21 Company's current tariff provides for a SAS Consumer Charge, although it is  
22 presently set a \$0.00. Given the allocation of AMR and other costs to the SAS  
23 class, the Consumer Charge would increase to \$7.50 per month for each

1 Consumer served in a Shipper's pool. The SABS Consumer Charge would  
2 increase from \$3.00 to \$5.50. The FTS-13 (Mosaic) rate is 100% fixed and is  
3 proposed at \$16,692.25 per month to recover the assigned revenue  
4 requirement based on the by-pass analysis.

5 For the Company's remaining volumetric FTS-A through FTS-12  
6 Consumer rate classes, I evaluated the percentage of revenue recovered  
7 from fixed vs. variable charges in each class and established a proposed  
8 fixed Firm Transportation Charge by class. The fixed charge rate was  
9 designed to recover approximately 70% of the total revenue requirement for  
10 the FTS-A, FTS-B and FTS-1 classes. For each of the remaining classes, I  
11 attempted to recover approximately 50% of the revenue requirement from the  
12 fixed Firm Transportation Charge. The variable Usage Charge was a fall-out  
13 calculation to recover the remaining portion of the proposed target revenues  
14 for the respective FTS-A through FTS-12 classes. The proposed rates when  
15 applied to the Company's forecast billing determinants are designed to  
16 recover the allocated revenue requirement (target revenue) for each  
17 respective class.

18 **Q. WHY IS THE COMPANY INTERESTED IN CONTINUING TO INCREASE**  
19 **THE REVENUE RECEIVED FROM ITS FIXED RATE FIRM**  
20 **TRANSPORTATION CHARGES?**

21 **A.** *There are several reasons why it is important to design rates with increased*  
22 *fixed charge components. First, the monthly Firm Transportation Charge*  
23 *provides a reasonable price signal related to the impact of receiving service*

1 from the Company's distribution system when the charge represents a  
2 significant portion of a Consumer's overall transportation cost. The price  
3 signal Consumers receive from increased fixed charges would encourage  
4 efficient consumption practices. Together gas commodity and interstate  
5 pipeline transportation costs account for 60-75% of the total gas cost for most  
6 Consumers. The Company's gas delivery cost for most Consumers  
7 represents only 25-40% of the total cost of gas. The third party Shippers that  
8 sell gas to all of the Company's Consumers adjust the market price of gas on  
9 a monthly basis (more frequently for large volume Consumers depending on  
10 their supply contract). The commodity price signal provided by the third party  
11 Shippers is in tune with actual market pricing and is billed by Shippers on a  
12 volumetric basis. Reductions in Consumer usage through efficiency  
13 improvements or conservation result in real fuel cost savings for Consumers.

14 When a significant proportion of the Company's fixed costs are  
15 recovered through consumption-based variable charges, there is a greater  
16 risk that intra-class subsidies will exist because larger Consumers will pay a  
17 disproportionate share of such costs. Standard two-part rate structures, with  
18 fixed and variable rate components, usually collect a portion of a LDCs fixed  
19 costs through a variable charge. This approach results in larger users within a  
20 given class making a contribution to fixed cost recovery in an amount that  
21 exceeds the fixed costs they cause. Conversely, smaller volume users within  
22 the same class pay less than their fair share of fixed costs.

1           In addition, increasing the Firm Transportation Charge for each rate  
2 class provides a greater degree of revenue stability for the Company by  
3 allowing it to recover its fixed costs through fixed charges. Increasing the  
4 revenue collected from fixed charges improves, but does not guarantee, the  
5 Company's chances of actually recovering its Commission approved cost to  
6 serve.

7           Moreover, continuing to tie a significant portion of the Company's  
8 revenue requirement to variable rates dependent on consumption creates  
9 incentives directly at odds with the State's energy conservation and climate  
10 change initiatives. Reducing the Company's dependence on variable rate  
11 revenues would enable the Company to more proactively promote Consumer  
12 conservation activities that encourage less gas use.

13 **Q. PLEASE PROVIDE ADDITIONAL INFORMATION ABOUT THE**  
14 **DEVELOPMENT OF THE COMPANY'S PROPOSED FIXED MONTHLY**  
15 **FIRM TRANSPORTATION CHARGES.**

16 **A.** The Company's proposed fixed Firm Transportation Charges are designed to  
17 recover a greater proportion of the total revenue requirement for each class  
18 than under is produced by current rates. The Company was guided by several  
19 factors in the development of its proposed Firm Transportation Charge rates.  
20 The unit cost data from the cost study (MFR Schedule H-3, page 1-2) was  
21 used in the initial assessment of fixed charge rates by class. The unit cost  
22 data in the cost study divides the total customer classified costs by the  
23 number of customer in each rate class. The fundamental problem with using

1 the unit cost data to set fixed charge rates is that it ignores other cost  
2 components, especially costs related to capacity or demand, that do not vary  
3 with changes in the quantity of gas delivered to Consumers. I also compared  
4 the percentage of revenue produced by fixed charges for each rate class  
5 under present rates. Exhibit No. \_\_\_ (JMH-5) is a comparison of fixed rate  
6 revenues by class under the Company's present and proposed rates. The  
7 Company currently recovers approximately 65% of its total revenues from  
8 small volume FTS-A through FTS-2 classes (primarily residential Consumers)  
9 through the fixed Firm Transportation Charge. The larger volume classes  
10 contribute a significantly lower percentage of total revenue through the fixed  
11 Firm Transportation Charge. As indicated in Exhibit No. \_\_\_ (JMH-5), current  
12 fixed charges from many of the larger volume classes account for only 10% to  
13 20% of total revenue. My proposed rate design results in a modest increase  
14 in the fixed charge for the small volume FTS-A through FTS-3 rate classes,  
15 while the fixed charges for larger volume classes receive larger increases.  
16 The rate design takes a step toward correcting the fixed revenue inequity in  
17 the larger volume classes.

18 **Q. WHAT IS THE RESULT OF THE PROPOSED FIXED FIRM**  
19 **TRANSPORTATION CHARGE INCREASE?**

20 A. Under present rates in the Projected Test Year the Company would collect  
21 approximately 46% of total revenue from the FTS-A through FTS-13 classes  
22 from its fixed rate monthly Firm Transportation Charges. The Company's  
23 proposed rates are designed to recover approximately 59% of the total target

1 revenues for rate classes FTS-A through FTS-13 from the fixed charges in  
2 the Projected Test Year (approximately 66% if the revenue from the SAS and  
3 SABS Consumer Charges is considered fixed).

4 **Q. DO THE COMPANY'S STRATIFIED RATE CLASSES SUPPORT THE**  
5 **PROPOSED RATE DESIGN?**

6 A. Yes. Volumetric rate class stratification establishes classes with more  
7 compact annual therm thresholds. By restricting the class volume size you, by  
8 default, increase the homogeneity of the class. In a narrowly defined  
9 volumetric class the average billing determinants used to set rates that  
10 recover the revenue requirement are more closely aligned with the actual  
11 billing determinants of each Consumer within the class. Greater class  
12 homogeneity reduces the intra-class subsidies created by significant  
13 variances in consumption under virtually any rate design. It is especially  
14 important in classes where a significant portion of the revenue requirement is  
15 recovered through fixed charges. Variations in Consumer consumption within  
16 the therm range of a volumetric class with a fixed charge component will  
17 result in different unit costs for the respective Consumers. As therm usage for  
18 Consumers within a given class increases, the fixed charge decreases on a  
19 unit cost basis. Conversely, smaller volume users will pay a higher unit cost  
20 relative to larger users. As noted above, the opposite is true under rate  
21 designs with substantial variable rate components where larger users over  
22 contribute to the LDCs fixed costs when such costs are recovered through  
23 variable charges. By narrowing the class therm range, a significant

1 percentage of fixed costs can be recovered through fixed charges without  
2 unfairly impacting any given Consumer. The Company's proposed class  
3 stratification ensures that the fixed rate charge for each class results in a fair  
4 and reasonable effective average unit cost per therm for each Consumer.

5 **Q. HAS THE COMMISSION PREVIOUSLY APPROVED OTHER**  
6 **ADJUSTMENTS TO THE COMPANY'S FIXED RATE CHARGES?**

7 A. Yes. The Company has initiated three rate proceedings over the past nine  
8 years (the 2000 base rate case (Order No. PSC-00-2263-FOF-GU, issued on  
9 November 28, 2000), a rate reduction in 2003 (Order No. PSC-03-0890-TRF-  
10 GU, issued on August 4, 2003) and a 2005 revenue-neutral rate restructuring  
11 (Order No. PSC-05-0208-PAA-GU, issued on February 22, 2005). In each of  
12 these proceedings the Company received authorization from the Commission  
13 to gradually increase its fixed rate charges. These prior cases focused on  
14 developing increase fixed rate charges for small volume rate classes, those  
15 classes primarily serving residential Consumers. Although the Commission  
16 approved some increase in the fixed charges for larger volume classes, as  
17 noted above a significant disparity remains in the percentage of revenue  
18 recovered from fixed charges between small volume and larger volume  
19 classes. The Company's rate design in this proceeding would make minor  
20 increases to the current fixed charges in the small volume FTS-A through  
21 FTS-3 classes. The principal intent of the proposed rate design is to take a  
22 step to close the current fixed revenue percentage gap between classes by  
23 increasing the Firm Transportation Charges for larger volume Consumers.

1 **Q. HAVE OTHER GAS UTILITIES IN FLORIDA MOVED TOWARD GREATER**  
2 **RECOVERY OF COSTS THROUGH FIXED CHARGES?**

3 A. Yes. The Commission has approved increases in fixed charge billing  
4 components in virtually every gas rate proceeding over the past decade.  
5 Recently, the Commission approved the recovery of a significant portion of  
6 the approved revenue requirement for St. Joe Natural Gas Company (Order  
7 No. PSC-08-0436-PAA-GU, issued July 8, 2008), Peoples Gas System  
8 (Order No. PSC-09-0411-FOF-GU, issued June 9, 2009) and Florida Public  
9 Utilities Company (Order No. PSC-09-0375-PAA-GU, issued May 27, 2009).  
10 The Commission has also authorized demand rates that effectively establish  
11 a fixed rate component, albeit one that can adjust annually based on the  
12 recorded peak demand recorded in a previous year, for two LDCs (Indiantown  
13 Gas Company; Order No. PSC-04-0565-PAA-GU, issued June 2, 2004 and  
14 Florida City Gas; Order No. PSC-04-0128-PAA-GU, issued February 9,  
15 2004).

16 **Q. DOES IT APPEAR THAT THE FIXED CHARGES APPROVED IN FLORIDA**  
17 **ARE CONSISTENT WITH GAS INDUSTRY RATE DESIGNS APPROVED IN**  
18 **OTHER JURISDICTIONS ACROSS THE U.S.?**

19 A. Yes. Numerous gas utilities across the U.S. have received authorization for  
20 rate designs or rate adjustment mechanisms that have the effect of  
21 decreasing the LDCs reliance on revenue generated from variable rates  
22 based on consumption. Increasing the LDCs fixed customer charge is the  
23 most prevalent method of achieving such an increase. Many LDCs, employ

1 demand charges that provide a known fixed revenue component generally  
2 based on a Consumer's distribution system peak capacity requirements. The  
3 July 2008 *Natural Gas Rate Roundup* report from the American Gas  
4 Association notes that there were approximately 25 states that have approved  
5 various fixed charge rate designs, revenue or weather normalization, or  
6 earnings stabilization mechanisms that have the effect of mitigating the link  
7 between fixed cost recovery and Consumer consumption.

8 The primary fixed revenue model for the gas industry is the rate design  
9 authorized by FERC for interstate pipelines. As the interstate pipelines  
10 unbundled, FERC recognized that few variable cost components remained, in  
11 the absence of commodity sales by the pipelines. The pipelines continued to  
12 have compressor and odorization costs that were dependent on gas  
13 throughput. However, the revenue requirement was largely defined by fixed  
14 plant and expense costs which were unaffected by the volume of gas  
15 transported on the pipeline. The FERC pipeline rate design collects the vast  
16 majority of revenues through fixed demand or capacity reservation charges.  
17 For example, Florida Gas Transmission's rates for reserving capacity  
18 represent approximately 95% of their total charges. These reservation or  
19 demand rates are applied on a take or pay basis, further evidence of FERC's  
20 acknowledgement that fixed costs are more appropriately recovered through  
21 fixed charges.

22 The Company has fewer variable cost elements than the interstate  
23 pipelines. The Company purchases no fuel for sale to Consumers, so it

1 avoids the largest LDC variable cost component. The Company owns no  
2 peak shaving facilities or items of plant whose utilization changes significantly  
3 with Consumer usage. Apart from a *minimal annual cost* for odorant, there  
4 are few expenses that can be directly linked to system throughput. However,  
5 the Company's proposed rate design would not implement the FERC  
6 interstate pipeline rate model nor does it seek to adopt any of the revenue  
7 normalization or decoupling mechanisms. The Company's proposed rates  
8 would make moderate increases in the fixed Firm Transportation Charge for  
9 the FTS-A through FTS-13 rate classes. As noted above, under the proposed  
10 rates, approximately 41% of the Company's Projected Test Year target  
11 revenue from the FTS-A through FTS-13 classes would be produced from the  
12 variable Usage Charges.

13 **Q. HOW WERE THE PROPOSED EXPERIMENTAL RATES FOR THE FTS-A**  
14 **THROUGH FTS-3.1 CLASSES DEVELOPED?**

15 A. The Company's proposed experimental fixed charge rates were developed in  
16 a manner similar to that used to produce the original experimental rates  
17 authorized by the Commission. The Company did not separately identify the  
18 experimental rate classes in its cost study, and did not develop separate  
19 costs or revenue requirements for the experimental classes. The Consumers  
20 and their associated billing determinants were included in the applicable non-  
21 experimental rate class. As with the original experimental rates, the proposed  
22 monthly fixed charge rates are based on the average revenue requirement  
23 produced by each respective class divided by 12.

1 Q. YOU INDICATED EARLIER THAT THE COMPANY IS PROPOSING NO  
2 INTERIM RATE CHANGE FOR CONSUMERS WHO SELECTED AN  
3 EXPERIMENTAL FIXED CHARGE RATE DURING THE COMPANY'S  
4 RECENT OPEN ENROLLMENT PERIOD. IS THE COMPANY PROPOSING  
5 TO CHANGE THE EXPERIMENTAL FIXED RATES BILLED TO THESE  
6 CONSUMERS AS A RESULT OF THE FINAL RATE ADJUSTMENTS IN  
7 THIS PROCEEDING?

8 A. Yes. The However, the Company is proposing to allow any Consumer  
9 selecting an experimental rate during the March 2009 Open Enrollment  
10 (effective for April 2009 bills) to retain the rate until the effective date (April  
11 2010) for rate changes resulting from the 2010 Open Enrollment. The Open  
12 Enrollment material provided to Consumers indicated that the rate selection  
13 was for a one year term. While the company did not specifically guarantee  
14 that no rate change would occur, it is likely that Consumers would react  
15 unfavorably to such an adjustment.

16 Under the Company's proposed reclassification described above, a  
17 number of Consumers currently served under the FTS-2 EXP and FTS-3 EXP  
18 rate schedules would be re-classed into the proposed FTS-2.1 EXP and FTS-  
19 3.1 EXP classes. The Company's filed rate design would revise the fixed  
20 monthly rates for all existing experimental classes and establish new  
21 experimental rates for the proposed FTS-2.1 EXP and FTS-3.1 EXP classes.

22 To avoid unnecessary customer confusion, the Company is proposing  
23 to delay the effective date of the experimental rates authorized in this

1 proceeding until April 1, 2010. Any existing Consumer with an experimental  
2 rate will have the benefit of such rate through the full annual period  
3 represented during the 2009 Open Enrollment period. The experimental rate  
4 schedules are closed to new entrants except those selecting an experimental  
5 rate during an Open Enrollment period. During the March 2010 Open  
6 Enrollment the Company would, as usual, provide information to Consumers  
7 describing the new experimental rate classes and the associated fixed rates  
8 which would be effective on April 1, 2010 for the next annual period.  
9 Consumers would be able to make an informed decision between the new  
10 experimental fixed rates and the Company's traditional tariff rates.

11 **Q. IS THE COMPANY PROPOSING NEW FIXED RATES FOR ITS ENERGY**  
12 **CONSERVATION COST RECOVERY (ECCR) FACTORS?**

13 A. No. The Company is proposing no change to the ECCR factors established in  
14 Order No. PSC-08-0785-FOF-GU, issued January 5, 2009. The current  
15 FTS-2 ECCR factor would be assigned to the proposed FTS-2, FTS-2 EXP,  
16 FTS-2.1, and FTS 2.1 EXP classes. The current FTS-3 ECCR factor would be  
17 assigned to the proposed FTS-3, FTS-3 EXP, FTS-3.1 and FTS-3.1 EXP  
18 classes. Assuming this proceeding concludes within the five-month period  
19 applicable to proposed agency action proceedings, the existing ECCR rate  
20 factors would only be extended for one month (December 2009) following the  
21 effective date (projected for mid-November 2009) of the reclassification and  
22 new base rates proposed in the Company's case. New ECCR factors would

1 be established by the Commission effective for January 2010 bills in Docket  
2 090004-GU.

3 **Q. PLEASE DESCRIBE THE PROPOSED RATE FOR THE EXPERIMENTAL**  
4 **SOLAR WATER-HEATING ADMINISTRATIVE AND BILLING SERVICE.**

5 A. The Company is proposing to establish a Solar Water-Heating Administrative  
6 and Billing Service (SWHS) experimental rate of \$7.50 per month per bill to  
7 provide billing and certain administrative services (collections and remittance  
8 of payments, record keeping, etc.) to the solar providers participating in the  
9 program. The Company's SWHS rate would be applicable to the third party  
10 entity providing the solar/gas water heating system to Consumers. The  
11 service provided by the Company under the SWHS rate schedule would be  
12 similar to the billing and administrative service provided to Shippers under the  
13 Company's approved Shipper Administrative and Billing Service (SABS) rate  
14 schedule. Under the SABS, the Company bills and collects the Shipper's cost  
15 of gas to its gas supply customers. The Company's fee for providing such  
16 service is included in the Shipper's cost of gas. The Company remits the cost  
17 of gas to the respective Shippers and retains its SABS fee. Under the  
18 solar/gas water heater program the Company would bill the installing solar  
19 company's monthly fee for the system. The Company's SWHS fee would be  
20 embedded in the solar contractor's monthly charge to its customers. The  
21 Company would retain its fee prior to remitting the remainder of the payment  
22 to the solar contractor.

1           The Company is proposing to establish the SWHS charge as an  
2           experimental rate. The Company is currently working with solar contractors to  
3           develop the program. It is anticipated that the program could be operational  
4           by the end of 2009. The number of installations for which the SWHS fee may  
5           be collected in the 2010 Projected Test Year is unknown. It is unlikely that the  
6           number of installations in the first year would exceed 25. The Company has  
7           not included any expenses in this filing for modifications to its billing system  
8           and other administrative costs required to set up the SWHS program. Such  
9           costs would be absorbed by the Company. Over time, as it develops more  
10          experience with the program, the Company would be able to better evaluate  
11          its actual costs to provide the proposed service and refine the SWHS rate.

12   **Q.   MR.   GEOFFROY'S   TESTIMONY   DESCRIBES   A   PROPOSED**  
13   **SURCHARGE   TO   RECOVER   COSTS   RELATED   TO   THE**  
14   **ENVIRONMENTAL   REMEDATION   OF   THE   COMPANY'S**  
15   **MANUFACTURED   GAS   PLANT   SITE.   HOW   WOULD   THE   SURCHARGE**  
16   **RATES   BE   ESTABLISHED?**

17   A.   The Company is proposing an Environmental Surcharge that would recover  
18   approximately \$200,000 per year from Consumers in rate classes FT-A  
19   through FTS-12. The Company is proposing to exclude rate class FTS-13 and  
20   its Special Contract Consumers from the surcharge. As noted previously in  
21   my testimony each of the Special Contract accounts have negotiated rates  
22   that would preclude such a surcharge. The rate for the sole Consumer served  
23   in the FTS-13 rate class (Mosaic phosphate) is set at the maximum cost

1 recovery to avoid by-pass. The Company would also exclude the SAS and  
2 SABS Shipper rate schedules and the Off-System delivery Point Operator  
3 Service rate schedule.

4 The Company is requesting authorization to establish a monthly fixed  
5 surcharge rate applicable to each Consumer in the respective rate classes.  
6 The fixed surcharge rate for each rate class is designed to recover a pro-rata  
7 distribution of the annual \$200,000 recovery amount. The 2010 annual therm  
8 quantities for each rate class were divided by the total therm quantities for all  
9 of the applicable classes. The resulting ratios were used to develop a  
10 recovery amount by class. This amount was divided by the 2010 number of  
11 bills for each class to derive a monthly fixed surcharge rate. The Company's  
12 proposed surcharge rates are included in Exhibit No. \_\_ (JMH-6).

13 **Q. IS THE COMPANY PROPOSING CHANGES TO ITS EXISTING**  
14 **MISCELLANEOUS CHARGES?**

15 A. Yes. The Company is proposing increases to each of its existing tariff  
16 Miscellaneous Charges. Exhibit No. \_\_ (JMH-7) provides a comparison of the  
17 Company's current and proposed Miscellaneous Charges. A cost study was  
18 performed using Operations, Customer Service and Accounting data to  
19 determine the Company's cost to provide each service for which a  
20 Miscellaneous Charge is proposed, except the return check charge which is  
21 established by Florida Statute. The results of these cost studies are included  
22 in MFR Schedule E-3.

1           The Company is also proposing to rename certain of its existing  
2 Miscellaneous Charge categories. The Residential and Commercial  
3 Connection and Reconnection Charges would be renamed "Connection  
4 Charge". The Company is proposing to establish Connection Charges for  
5 three (3) groups of Consumer rate schedules: FTS-A through FTS-3; FTS-4  
6 through FTS-6; and FTS-7 and above. The proposed Connection Charges  
7 reflect the different costs incurred to initiate service for different size  
8 Consumers.

9 **Q. IS THE COMPANY PROPOSING ANY NEW MISCELLANEOUS**  
10 **CHARGES?**

11 A. Yes. The Company is proposing to add three (3) new charges: A Temporary  
12 Disconnect Charge, a Failed Trip Charge and an on-site Meter Re-Read at  
13 Consumer Request Charge. The Temporary Disconnect Charge would  
14 enable the Company to recover the cost of temporary service discontinuation  
15 at the request of a Consumer for pest control tenting, remodeling or other  
16 purpose from the Consumer causing the cost. The Failed Trip Charge would  
17 enable the company to recover the cost of dispatching an employee or  
18 contractor to a Consumer location where the Consumer failed to keep the  
19 appointment. The Meter Re-Read Charge is intended to recover the cost of  
20 dispatching an employee or contractor to a Consumer premise to physically  
21 read a meter at a Consumer's request. As described in Jeff Sylvester's  
22 testimony, the Company is in the process of installing Automated Meter  
23 Reading (AMR) technology on each Consumer premise. At the conclusion of

1 the installations, the Company will utilize the electronic reads transmitted to a  
2 central computer via radio and telephone for billing purposes. In the event a  
3 Consumer contests an electronic read and requests a physical re-read, the  
4 Company would levy the Meter Re-Read at Consumer Request Charge if the  
5 electronic reading is correct. If the electronic read is incorrect, no charge  
6 would be assessed. Cost studies for the proposed new charges are included  
7 in MFR Schedule E-3, and are summarized in Exhibit No. \_\_ (JMH-7).

8 **Q. HOW ARE MISCELLANEOUS CHARGE REVENUES ADDRESSED IN THE**  
9 **COST STUDY?**

10 A. The forecast of Miscellaneous Revenue in the Projected Test Year at present  
11 rates is \$149,190 and under proposed rates is \$257,393. The current and  
12 proposed Miscellaneous Revenue charges and revenue are displayed on  
13 MFR Schedule E-1, pages 2-3 and Schedule H-3, page 11, as "Other  
14 Operating Revenues". The Company's cost study submitted as MFR  
15 Schedule H, includes the cost to provide the various Miscellaneous Charge  
16 services in the Total Revenue Requirement. The Projected Test Year  
17 Miscellaneous Charge revenues are adjusted out of the total proposed cost of  
18 service, initially on MFR Schedule H-1, page 4, as Revenue Credited to Cost  
19 of Service. The final target revenues used to develop the proposed base rates  
20 by class exclude the Miscellaneous Charge revenue.

21 **Q. PLEASE COMPARE THE COMPANY'S PROPOSED BASE RATES TO ITS**  
22 **PRESENT RATES.**

1 A. A comparison of present and proposed base rates by customer class is  
2 presented in MFR Schedule H-3, page 5, and is summarized on Exhibit  
3 No. \_\_ (JMH-8).

4 **Q. HOW MUCH REVENUE WILL THE PROPOSED RATES PRODUCE?**

5 A. The rates and charges are designed to produce additional revenues of  
6 \$2,965,398, as indicated on MFR Schedule H-3, pages 1-2. Total target  
7 revenues under the proposed rates are \$14,739,022 as indicated throughout  
8 the cost study.

9

10 **Proposed Revision to the Company's Tariff - Original Volume No. 4**

11 **Q. HAS THE COMPANY REVISED ITS TARIFF CONSISTENT WITH THE**  
12 **RATE DESIGN AND RELATED MODIFICATIONS PROPOSED ABOVE?**

13 A. Yes. The Company is submitting proposed revisions to its tariff as required in  
14 both legislative (red-lined) and final format Exhibit No. \_\_ (JMH-9). The  
15 Company has made several tariff revisions related to the proposed  
16 reclassification and rate adjustments described previously in my testimony. In  
17 addition, minor revisions have been proposed for editorial purposes or to  
18 correct or clarify current language.

19 **Q. PLEASE PROVIDE AN OVERVIEW OF THE SUBSTANTIVE TARIFF**  
20 **MODIFICATIONS PROPOSED IN THIS FILING THAT HAVE NOT BEEN**  
21 **ADDRESSED PREVIOUSLY IN YOUR TESTIMONY.**

22 A. In addition to those tariff revisions described previously, the following  
23 discussion summarizes the Company's tariff revision proposals:

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**Section II. Consumer Rules and Regulations**

1. Assignment of Rate Schedules – Annual Rate Schedule Review (Section II. F. 2. – Original Sheet No. 30)

The current language indicates that the Company shall review the annual term usage of each "Consumer" and assign the "Consumer" to the rate class applicable to the recorded usage. The Company is proposing to modify this section to base the reclassification assessment not on a "Consumer's" usage but on the usage recorded at the "premise". Basing the annual reclassification on premise rather than Consumer usage would eliminate the current problem of multiple tenants occupying the same premise during the year.

2. Consumer's Installation (Section II. G. 5. – Original Sheet No. 31)

Clarifies limits of Company's liability.

3. Deposit Requirements (Section II. I. 1. a. and b. – Original Sheet No. 32)

The Company proposes to establish initial deposit amounts for the reclassified FTS-2, FTS, 2.1, FTS-3 and FTS 3.1 rate classes. The Company is also proposing to discontinue the receipt of cash as a deposit payment method. Payment by check, credit card or debit card would be accepted.

4. Billing (Section II. 1. 2. 4. 5. – Original Sheet No. 34 and 35)

The billing period established in the current tariff assumes that meters will be "read" at monthly intervals. The Company is proposing to modify the current language to reflect the installation of its AMR system. As

1 discussed in Mr. Sylvester's testimony, the Commission granted the  
2 Company a waiver of Commission Rules 25-7.084(2) and 25-2.085(4) and  
3 (5), F.A.C., by Order No. PSC-08-0730-PAA-GU, to the extent that these  
4 rules appear to require physical on-site reads. The proposed language  
5 would clarify the company's intent to bill Consumers based on its  
6 electronic AMR measurement data. The Company is not proposing, at this  
7 time, to change any Consumer's current billing cycle.

8 In paragraph number 4. a., the Company is also clarifying the inclusion  
9 of a BTU and conversion factors required to produce a bill in accordance  
10 with Commission rules. In paragraph number 5., the Company is reserving  
11 the right to send a separate bill to customers of a CI Shipper electing the  
12 SABS billing service.

13 5. Payments (Section II. M. 1. – Original Sheet No. 37)

14 The Company is proposing to discontinue the receipt of cash as a bill  
15 payment method. Payment by check, credit card, debit card, direct debit or  
16 EFT would be accepted.

17 **Section III. Shipper Rules and Regulations**

18 1. Capacity Release (Section III. E. 3. d. – Original Sheet no. 54)

19 The Company is proposing language that would clarify that in the event a  
20 Consumer discontinues service, the capacity quantities allocated to the  
21 Consumer's designated Shipper shall revert to the TTS pool.

22 2. Firm Delivery Requirements (Section III. J. 4. a. – Original Sheet No. 60)

1 Removes the word "all" from the first sentence in the section to clarify that  
2 Shipper's are not required to deliver to each and every Company delivery  
3 point on each day. Shipper's have the ability to deliver to various delivery  
4 points constrained only by the upstream Transporter scheduling limitations  
5 and, potentially, by the Company's physical ability to receive gas at certain  
6 points under certain conditions. If the Company needs to limit delivery at a  
7 given point(s) it has the ability to do so through Force Majeure or other  
8 tariff operational rights.

9 3. Scheduling and Nominations (Section III. L. – Original Sheet No. 62)

10 The current tariff language requires that Shippers communicate daily  
11 scheduled gas quantity volumes to the Company's distribution system for  
12 each individual Consumer with electronic metering equipment whose  
13 annual usage exceeds 100,000 therms. These scheduled quantities have  
14 been used by the Company to directly assign Operational Order penalties  
15 to these Consumers. The following section outlines the Company's  
16 proposal to assign all Operational Control Order penalties to Shippers.  
17 The AMR system will provide daily usage data for all Consumers. The  
18 Company will be able to compare a Shipper's daily scheduled quantity  
19 with the aggregated consumption of its Consumers on the day an  
20 Operational Control Order penalty is assessed. The Company will  
21 apportion any penalty to the Shipper's whose Consumers have caused the  
22 penalty to be incurred. The Shipper would have the responsibility of  
23 collecting such penalty charges from Consumers based on the terms of

1 their gas supply agreement with the Consumer. If the Company's proposal  
2 described in paragraph 4 below is approved, it would no longer need  
3 individual scheduled quantity data on large volume Consumers.

4 4. Operational Controls (Section III. N. - Original Sheet No. 63)

5 The Company serves as the Delivery Point Operator (DPO) at any point  
6 its distribution system is interconnected with an upstream pipeline  
7 (Transporter). Operational Control Orders are issued by Transporters  
8 during periods when the Transporter's pipeline is experiencing operational  
9 difficulties. Compliance with an Operational Control Order requires that  
10 Shippers deliver the gas quantities specified in the Order and that  
11 Consumers served by the Shipper consume gas in the quantities provided  
12 in the Order. The Company, as DPO, is responsible for charges that result  
13 from non-compliance with the Order. Given that the Company operates a  
14 fully unbundled, transportation service only distribution system, all  
15 Transporter charges are passed-through to Shippers.

16 Under its current tariff (Section III. N. 3. 4. and 5., Original Sheet  
17 No. 64) the Company recovers Operational Control Order as follows. First,  
18 the Company reviews applicable usage data for those Consumers with  
19 daily read electronic measurement devices (>100,000 annual therms) to  
20 identify and quantify gas consumption that violates the Transporter's  
21 order. Since the Company also receives a daily scheduled gas quantity for  
22 each large volume Consumer it can identify any large volume Consumer  
23 that fails to comply with an Operational Control Order. To the extent the

1 Operational Control Order charges can be assigned to large volume  
2 Consumers based on actual measurement data, the Company bills the  
3 applicable charges to the Shipper. Second, in the event Transporter  
4 charges are not fully resolved after the direct assignment process  
5 described above, the remaining charges are applied to the Company's  
6 Operational Balancing Account (OBA) (Original Sheet Nos. 67 and 68)  
7 and periodically billed to Shippers.

8 Virtually all Operational Control Order charges are assessed based  
9 on a comparison of the gas nominated or scheduled on a given "gas day"  
10 vs. actual gas use for that day. The Transporter gas day is a twenty-four  
11 hour period beginning at 10:00 a.m. Central Clock Time. At present, the  
12 Company has limited information on daily gas use for the majority of its  
13 Consumers. Other than the large volume Consumers described above, it  
14 is not currently possible to directly assign Operational Control Order  
15 charges to responsible parties. The Company is in the process of installing  
16 AMR devices on each Consumer meter, except the large volume  
17 Consumer meters which already have telemetry capability. When the AMR  
18 installations are completed later this year, the Company will have daily  
19 usage data on each Consumer. When an Operational Control Order is  
20 issued it will be possible to compare scheduled quantities with actual  
21 usage for each Shipper's total Consumer Pool, not just the large volume  
22 Consumers. Operational Order charges can be directly assigned based on  
23 the actual scheduled and measurement data for the respective Shipper's

1 total Consumer Pool. The Company is proposing to modify its tariff to: i)  
2 eliminate the current direct assignment of Operational Control charges to  
3 large volume telemetered Consumers; ii) eliminate the allocation of  
4 remaining Operational Control Order charges through the OBA based on a  
5 Shipper's prorated scheduled quantities; and iii) assign future Operational  
6 Control Order charges to those Shippers whose Consumers actually  
7 caused the cost to be incurred.

8 5. Warranty, Control and Indemnification (Section III. O. 3. – Original Sheet  
9 No. 64)

10 Clarifies limits of Company's liability.

11 6. Operational Balancing Account (Section III. Q. 3. – Original Sheet No. 68)

12 The Company's Operational Balancing Account (OBA) is a Commission  
13 approved mechanism authorizing the recovery or refund of charges and  
14 credits related to the administration of third party gas deliveries to the  
15 Company's distribution system. The majority of OBA transactions are a  
16 result of the resolution of delivery imbalances (cash-out) and the allocation  
17 of transporter penalties to Consumers and Shippers. Operational Control  
18 Order penalties, as noted above, are first assigned to large volume  
19 Consumers based on their scheduled and actual gas quantities on the day  
20 of the Order. Remaining penalty amounts are applied to the OBA. The  
21 Company periodically disposes of any OBA balance by crediting or  
22 charging Shippers. The credits or charges are based on the proportion of

1 scheduled gas quantities by each Shipper to the total system schedule  
2 quantities during the applicable OBA period.

3 The current tariff includes a provision that ensures that the  
4 Company does not allocate any portion of a remaining Operational Order  
5 penalty charge applied to the OBA to a large volume Consumer who has  
6 already been charged during the periodic disposition of the OBA. The  
7 proposed changes to the current OBA language would remove this  
8 provision. As noted above the Company's AMR system will enable the  
9 direct assignment of such penalties to the Shipper serving the  
10 Consumer(s) causing the penalty. There should be no remaining  
11 Operational Control Order penalty balance applied to the OBA. The  
12 current language is no longer applicable.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 **A. Yes.**

**MFR SCHEDULES SPONSORED BY  
JEFF HOUSEHOLDER**

| <b>MFR Schedule<br/>No. (page)</b> | <b>Schedule Title</b>   |
|------------------------------------|---|
| E-2 (1-3)                          | COST OF SERVICE - REVENUES CALCULATED AT PRESENT RATES, PRESENT RATES<br>ADJUSTED FOR GROWTH ONLY AND FINAL RATES AS PROPOSED |
| E-3 (1-8)                          | COST STUDY - MISCELLANEOUS SERVICE CHARGE S   |
| E-4 (1-2)                          | COST OF SERVICE - SYSTEM PEAK AND AVERAGE THERM SALES   |
| E-5 (1-17)                         | COST OF SERVICE - MONTHLY BILL COMPARISONS  |
| E-6 (1-5)                          | DERIVATION OF OVERALL COST OF SERVICE   |
| E-9 (1)                            | TARIFF SHEETS   |
| F-10 (1)                           | CALCULATION OF INTERIM RATE RELIEF - DEFICIENCY ALLOCATION  |
| H-1 (1-5)                          | CLASSIFICATION OF RATE BASE AND EXPENSES  |
| H-2 (1-                            | ALLOCATION OF COST OF SERVICE TO CUSTOMER CLASSES   |
| H-3                                | FULLY ALLOCATED EMBEDDED COST OF SERVICE/ RATE DESIGN   |

SCHEDULE H-1

COST OF SERVICE

PAGE 1 OF 5

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

CLASSIFICATION OF RATE BASE - PLANT

| LINE NO. |                                   | TOTAL               | CUSTOMER            | CAPACITY            | COMMODITY  | REVENUE    | CLASSIFIER    |
|----------|-----------------------------------|---------------------|---------------------|---------------------|------------|------------|---------------|
| 1        | INTANGIBLE PLANT:                 | \$1,289,085         | \$1,289,085         | \$0                 | \$0        | \$0        | 100% customer |
| 2        | DISTRIBUTION PLANT:               |                     |                     |                     |            |            |               |
| 3        | 374 Land and Land Rights          | \$278,278           | \$0                 | \$278,278           | \$0        | \$0        | 100% capacity |
| 4        | 375 Structures and Improvements   | \$340,898           | \$0                 | \$340,898           | \$0        | \$0        | 100% capacity |
| 5        | 376 Mains                         | \$34,804,008        | \$0                 | \$34,804,008        | \$0        | \$0        | 100% capacity |
| 6        | 377 Comp.Sta.Eq.                  | \$0                 | \$0                 | \$0                 | \$0        | \$0        | 100% capacity |
| 7        | 378 Meas. & Reg.Sta.Eq.-Gen       | \$1,030,789         | \$0                 | \$1,030,789         | \$0        | \$0        | 100% capacity |
| 8        | 379 Meas. & Reg.Sta.Eq.-CG        | \$4,612,554         | \$0                 | \$4,612,554         | \$0        | \$0        | 100% capacity |
| 9        | 380 Services                      | \$9,164,459         | \$9,164,459         | \$0                 | \$0        | \$0        | 100% customer |
| 10       | 381-382 Meters                    | \$4,905,954         | \$4,905,954         | \$0                 | \$0        | \$0        | 100% customer |
| 11       | 383-384 House Regulators          | \$1,393,030         | \$1,393,030         | \$0                 | \$0        | \$0        | 100% customer |
| 12       | 385 Industrial Meas. & Reg.Eq.    | \$1,737,311         | \$0                 | \$1,737,311         | \$0        | \$0        | 100% capacity |
| 13       | 386 Property on Customer Premises | \$0                 | \$0                 | \$0                 | \$0        | \$0        | ac 374-385    |
| 14       | 387 Other Equipment               | \$496,152           | \$131,673           | \$364,479           | \$0        | \$0        | ac 374-386    |
| 15       | 397.1 AMR Equipment               | \$2,976,080         | \$2,976,080         | \$0                 | \$0        | \$0        | 100% Customer |
| 16       | Total Distribution Plant          | <u>\$61,739,514</u> | <u>\$18,571,196</u> | <u>\$43,168,318</u> | <u>\$0</u> | <u>\$0</u> |               |
| 17       | GENERAL PLANT:                    | \$4,546,510         | \$1,367,587         | \$3,178,924         | \$0        | \$0        | Dist Plant    |
| 18       | PLANT ACQUISITIONS:               | \$0                 | \$0                 | \$0                 | \$0        | \$0        |               |
| 19       | GAS PLANT FOR FUTURE USE:         | \$0                 | \$0                 | \$0                 | \$0        | \$0        |               |
| 20       | CWP:                              | \$0                 | \$0                 | \$0                 | \$0        | \$0        |               |
| 21       | TOTAL PLANT                       | <u>\$67,575,109</u> | <u>\$21,227,867</u> | <u>\$46,347,242</u> | <u>\$0</u> | <u>\$0</u> |               |

SCHEDULE H-1

COST OF SERVICE

PAGE 2 OF 5

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

CLASSIFICATION OF RATE BASE  
 ACCUMULATED DEPRECIATION

| LINE NO. |                                   | TOTAL          | CUSTOMER      | CAPACITY       | COMMODITY | REVENUE | CLASSIFIER            |
|----------|-----------------------------------|----------------|---------------|----------------|-----------|---------|-----------------------|
| 1        | INTANGIBLE PLANT:                 | (\$1,274,953)  | (\$1,274,953) | \$0            | \$0       | \$0     | Related Plant Acct    |
| 2        | DISTRIBUTION PLANT:               |                |               |                |           |         |                       |
| 3        | 374 Land and Land Rights          |                |               |                |           | \$0     | "                     |
| 4        | 375 Structures and Improvements   | (\$125,816)    | \$0           | (\$125,816)    | \$0       | \$0     | "                     |
| 5        | 376 Mains                         | (\$10,674,009) | \$0           | (\$10,674,009) | \$0       | \$0     | "                     |
| 6        | 377 Compressor Sta. Eq.           | \$0            | \$0           | \$0            | \$0       | \$0     | "                     |
| 7        | 378 Meas.& Reg.Sta. Eq.-Gen       | (\$405,003)    | \$0           | (\$405,003)    | \$0       | \$0     | "                     |
| 8        | 379 Meas.& Reg.Sta. Eq.-CG        | (\$1,085,276)  | \$0           | (\$1,085,276)  | \$0       | \$0     | "                     |
| 9        | 380 Services                      | (\$2,489,159)  | (\$2,489,159) | \$0            | \$0       | \$0     | "                     |
| 10       | 381-382 Meters                    | (\$1,602,053)  | (\$1,602,053) | \$0            | \$0       | \$0     | "                     |
| 11       | 383-384 House Regulators          | (\$557,661)    | (\$557,661)   | \$0            | \$0       | \$0     | "                     |
| 12       | 385 Indust.Meas.& Reg.Sta.Eq.     | (\$517,155)    | \$0           | (\$517,155)    | \$0       | \$0     | "                     |
| 13       | 386 Property on Customer Premises | \$0            | \$0           | \$0            | \$0       | \$0     | "                     |
| 14       | 387 Other Equipment               | (\$244,530)    | (\$64,895)    | (\$179,634)    | \$0       | \$0     | "                     |
| 14       | 397.1 AMR Equipment               | (\$227,626)    | (\$227,626)   | \$0            | \$0       | \$0     | 100% Customer         |
| 15       | Total A.D. on Dist. Plant         | (\$17,928,288) | (\$4,941,394) | (\$12,986,893) | \$0       | \$0     |                       |
| 16       | GENERAL PLANT:                    | (\$2,006,607)  | (\$603,586)   | (\$1,403,021)  | \$0       | \$0     | general plant         |
| 17       | PLANT ACQUISITIONS                |                |               |                |           |         |                       |
| 18       | RETIREMENT WORK IN PROGRESS:      | \$0            | \$0           | \$0            | \$0       | \$0     | a/c 376               |
| 19       | TOTAL ACCUMULATED DEPRECIATION    | (\$21,209,848) | (\$6,819,933) | (\$14,389,915) | \$0       | \$0     |                       |
| 20       | NET PLANT (Plant less Accum.Dep.) | \$46,365,261   | \$14,407,934  | \$31,957,327   | \$0       | \$0     |                       |
| 21       | less: CUSTOMER ADVANCES           | \$0            | \$0           | \$0            | \$0       | \$0     | 50%-50% cust-cap      |
| 22       | plus: WORKING CAPITAL             | \$318,034      | \$217,188     | \$100,846      | \$0       | \$0     | oper. and maint. exp. |
| 23       | equals: TOTAL RATE BASE           | \$46,683,295   | \$14,625,122  | \$32,058,173   | \$0       | \$0     |                       |

SUPPORTING SCHEDULES: G-1 p. 1, 4, 12

RECAP SCHEDULES: H-2 p. 1

SCHEDULE H-1

COST OF SERVICE

PAGE 3 OF 5

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

CLASSIFICATION OF EXPENSES AND  
 DERIVATION OF COST OF SERVICE BY COST CLASSIFICATION

| LINE NO. | TOTAL                                      | CUSTOMER    | CAPACITY    | COMMODITY   | REVENUE | CLASSIFIER                      |
|----------|--|-------------|-------------|-------------|---------|---------------------------------|
| 1        | <u>OPERATIONS AND MAINTENANCE EXPENSES</u> |             |             |             |         |                                 |
| 2        | LOCAL STORAGE PLANT:                       |             |             |             |         |                                 |
| 3        | DISTRIBUTION:                              |             |             |             |         |                                 |
| 4        | 870 Operation Supervision & Eng.           | \$315,369   | \$170,389   | \$144,980   | \$0     | \$0 ac 871-879                  |
| 5        | 871 Dist.Load Dispatch                     | \$0         | \$0         | \$0         | \$0     | \$0                             |
| 6        | 872 Compr.Sta.Lab. & Ex.                   | \$0         | \$0         | \$0         | \$0     | \$0                             |
| 7        | 873 Compr.Sta.Fuel & Power                 | \$0         | \$0         | \$0         | \$0     | \$0                             |
| 8        | 874 Mains and Services                     | \$399,031   | \$83,171    | \$315,860   | \$0     | \$0 ac 376+ac380                |
| 9        | 875 Meas. & Reg. Sta.Eq.-Gen               | \$33,442    | \$0         | \$33,442    | \$0     | \$0 ac 378                      |
| 10       | 876 Meas. & Reg. Sta.Eq.-Ind               | \$60,905    | \$0         | \$60,905    | \$0     | \$0 ac 385                      |
| 11       | 877 Meas. & Reg. Sta.Eq.-CG                | \$21,551    | \$0         | \$21,551    | \$0     | \$0 ac 379                      |
| 12       | 878 Meter and House Reg.                   | \$405,987   | \$405,987   | \$0         | \$0     | \$0 ac 381+ac383                |
| 13       | 879 Customer Instal.                       | \$18,267    | \$18,267    | \$0         | \$0     | \$0 100% customer               |
| 14       | 880 Other Expenses                         | \$108,932   | \$50,484    | \$58,448    | \$0     | \$0 ac 870 - 879 + ac 881 - 894 |
| 15       | 881 Rents                                  | \$16,074    | \$0         | \$16,074    | \$0     | \$0 100% capacity               |
| 16       | 883 Mlca of Mains - Transmission           | \$5,715     | \$0         | \$5,715     | \$0     | \$0 100% capacity               |
| 17       | 885 Mlca of M&R Station - Transmission     | \$1,048     | \$0         | \$1,048     | \$0     | \$0 100% capacity               |
| 18       | 887 Maintenance of Mains                   | \$179,856   | \$0         | \$179,856   | \$0     | \$0 ac 376                      |
| 19       | 888 Maint. of Comp.Sta.Eq.                 | \$0         | \$0         | \$0         | \$0     | \$0                             |
| 20       | 889 Maint. of Meas. & Reg. Sta.Eq.-Gen     | \$23,395    | \$0         | \$23,395    | \$0     | \$0 ac 378                      |
| 21       | 890 Maint. of Meas. & Reg. Sta.Eq.-Ind     | \$44,418    | \$0         | \$44,418    | \$0     | \$0 ac 385                      |
| 22       | 891 Maint. of Meas. & Reg. Sta.Eq.-CG      | \$39,984    | \$0         | \$39,984    | \$0     | \$0 ac 379                      |
| 23       | 892 Maintenance of Services                | \$19,399    | \$19,399    | \$0         | \$0     | \$0 ac 380                      |
| 24       | 893 Maint. of Meters and House Reg.        | \$74,838    | \$74,838    | \$0         | \$0     | \$0 ac 381-383                  |
| 25       | 894 Maint. of Other Equipment              | \$15,489    | \$4,113     | \$11,385    | \$0     | \$0 ac 387                      |
| 26       | Total Distribution Expenses                | \$1,783,711 | \$626,648   | \$957,063   | \$0     | \$0                             |
| 27       | CUSTOMER ACCOUNTS:                         |             |             |             |         |                                 |
| 28       | 901 Supervision                            | \$84,660    | \$84,660    | \$0         | \$0     | \$0 100% customer               |
| 29       | 902 Meter-Reading Expense                  | \$65,748    | \$65,748    | \$0         | \$0     | \$0 100% customer               |
| 30       | 903 Records and Collection Exp.            | \$830,421   | \$830,421   | \$0         | \$0     | \$0 100% customer               |
| 31       | 904 Uncollectible Accounts                 | \$43,301    | \$43,301    | \$0         | \$0     | \$0 100% customer               |
| 32       | 905 Misc. Expenses                         | \$0         | \$0         | \$0         | \$0     | \$0                             |
| 33       | Total Customer Accounts                    | \$1,024,129 | \$1,024,129 | \$0         | \$0     | \$0                             |
| 34       | (907-910) CUSTOMER SERV. & INFO. EXP.      | \$0         | \$0         | \$0         | \$0     | \$0 100% customer               |
| 35       | (911-916) SALES EXPENSE                    | \$225,704   | \$225,704   | \$0         | \$0     | \$0 100% customer               |
| 36       | (932) MAINT. OF GEN. PLANT                 | \$12,690    | \$3,817     | \$8,873     | \$0     | \$0 general plant               |
| 37       | (920-931) ADMINISTRATION AND GENERAL       | \$3,440,941 | \$2,349,847 | \$1,091,094 | \$0     | \$0 O&M excl. A&G               |
| 38       | TOTAL O&M EXPENSE                          | \$6,487,175 | \$4,430,145 | \$2,057,030 | \$0     | \$0                             |

SUPPORTING SCHEDULES: G-2 p. 14-22

RECAP SCHEDULES: H-2 . 1

SCHEDULE H-1

COST OF SERVICE

PAGE 4 OF 5

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO. 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

CLASSIFICATION OF EXPENSES AND DERIVATION  
 OF COST OF SERVICE BY COST CLASSIFICATION

| LINE NO. |  | TOTAL        | CUSTOMER    | CAPACITY    | COMMODITY   | REVENUE  | CLASSIFIER                  |
|----------|--|--------------|-------------|-------------|-------------|----------|-----------------------------|
| 1        | DEPRECIATION AND AMORTIZATION EXPENSE: |              |             |             |             |          |                             |
| 2        | Depreciation Expense                   | \$2,366,297  | \$735,323   | \$1,630,974 | \$0         | \$0      | net plant                   |
| 3        | Amort. of Other Gas Plant              | \$0          | \$0         | \$0         | \$0         | \$0      |                             |
| 4        | Amort. of CIS                          | \$0          | \$0         | \$0         | \$0         | \$0      |                             |
| 5        | Amort. of Limited-term Inv.            | \$0          | \$0         | \$0         | \$0         | \$0      |                             |
| 6        | Amort. of Acquisition Adj.             | \$0          | \$0         | \$0         | \$0         | \$0      |                             |
| 7        | Amort. of Conversion Costs             | \$0          | \$0         | \$0         | \$0         | \$0      |                             |
| 8        | Total Deprec. and Amort. Expense       | \$2,366,297  | \$735,323   | \$1,630,974 | \$0         | \$0      |                             |
| 9        | TAXES OTHER THAN INCOME TAXES:         |              |             |             |             |          |                             |
| 10       | Revenue Related                        | \$58,868     | \$0         | \$0         | \$0         | \$58,868 | 100% revenue                |
| 11       | Other                                  | \$1,046,531  | \$325,208   | \$721,323   | \$0         | \$0      | net plant                   |
| 12       | Total Taxes other than Income Taxes    | \$1,105,399  | \$325,208   | \$721,323   | \$0         | \$58,868 |                             |
| 13       | REV.CRDT TO COS(NEG.OF OTHR.OPR.REV)   | (\$257,393)  | (\$128,697) | \$0         | (\$128,697) | \$0      | 50% customer, 50% commodity |
| 14       | RETURN (REQUIRED NOI)                  | \$3,337,856  | \$1,045,696 | \$2,292,160 | \$0         | \$0      | rate base                   |
| 15       | INCOME TAXES                           | \$1,442,295  | \$451,848   | \$990,447   | \$0         | \$0      | return(noi)                 |
| 16       | OTHER                                  | \$0          | \$0         | \$0         | \$0         | \$0      |                             |
| 17       | OTHER                                  | \$0          | \$0         | \$0         | \$0         | \$0      |                             |
| 18       | TOTAL OVERALL COST OF SERVICE          | \$14,481,629 | \$6,859,524 | \$7,691,934 | (\$128,697) | \$58,868 |                             |

SCHEDULE H-1

COST OF SERVICE

PAGE 5 OF 5

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

SUMMARY

| LINE NO.                            |   | TOTAL        | CUSTOMER     | CAPACITY     | COMMODITY   | REVENUE  |
|-------------------------------------|---|--------------|--------------|--------------|-------------|----------|
| SUMMARY:                            |   |              |              |              |             |          |
| ATTRITION                           |   |              |              |              |             |          |
| 1                                   | O&M   | \$6,487,175  | \$4,430,145  | \$2,057,030  | \$0         | \$0      |
| 2                                   | DEP.  | \$2,386,297  | \$735,323    | \$1,630,974  | \$0         | \$0      |
| 3                                   | AMORTIZATION OF OTHER GAS PLANT             | \$0          | \$0          | \$0          | \$0         | \$0      |
| 4                                   | AMORTIZATION OF CIS                         | \$0          | \$0          | \$0          | \$0         | \$0      |
| 5                                   | AMORTIZATION OF ACQ. ADJUSTMENT             | \$0          | \$0          | \$0          | \$0         | \$0      |
| 6                                   | TOTAL TAXES OTHER THAN INCOME               | \$1,105,399  | \$325,208    | \$721,323    | \$0         | \$58,868 |
| 7                                   | RETURN                                      | \$3,337,856  | \$1,045,696  | \$2,292,160  | \$0         | \$0      |
| 8                                   | INCOME TAXES                                | \$1,442,295  | \$451,848    | \$990,447    | \$0         | \$0      |
| 9                                   | REVENUES CREDITED TO COST OF SERVICE        | (\$257,393)  | (\$128,697)  | \$0          | (\$128,697) | \$0      |
| 10                                  | TOTAL COST                                  | \$14,481,629 | \$6,859,524  | \$7,691,934  | (\$128,697) | \$58,868 |
| 11                                  | RATE BASE                                   | \$46,683,295 | \$14,625,122 | \$32,058,173 | \$0         | \$0      |
| KNOWN DIRECT & SPECIAL ASSIGNMENTS: |   |              |              |              |             |          |
| RATE BASE ITEMS(PLANT-ACC.DEPR):    |   |              |              |              |             |          |
| 12                                  | 381-382 METERS                              | \$3,303,901  | \$3,303,901  | \$0          | \$0         | \$0      |
| 13                                  | 383-384 HOUSE REGULATORS                    | \$835,369    | \$835,369    | \$0          | \$0         | \$0      |
| 14                                  | 385 INDUSTRIAL MEAS. & REG.EQ.              | \$1,220,156  | \$0          | \$1,220,156  | \$0         | \$0      |
| 15                                  | 376 MAINS                                   | \$24,129,999 | \$0          | \$24,129,999 | \$0         | \$0      |
| 16                                  | 380 SERVICES                                | \$6,675,300  | \$6,675,300  | \$0          | \$0         | \$0      |
| 17                                  | 378 MEAS. & REG.STA.EQ.-GEN.<br>O & M ITEMS | \$625,786    | \$0          | \$625,786    | \$0         | \$0      |
| 18                                  | 892 MAINT. OF SERVICES                      | \$19,399     | \$19,399     | \$0          | \$0         | \$0      |
| 19                                  | 876 MEAS. & REG.STA.EQ.-IND.                | \$60,905     | \$0          | \$60,905     | \$0         | \$0      |
| 20                                  | 878 METER & HOUSE REG.                      | \$405,987    | \$405,987    | \$0          | \$0         | \$0      |
| 21                                  | 890 MAINT. OF MEAS. & REG.STA.EQ.-IND.      | \$44,418     | \$0          | \$44,418     | \$0         | \$0      |
| 22                                  | 893 MAINT. OF METERS AND HOUSE REG.         | \$74,838     | \$74,838     | \$0          | \$0         | \$0      |
| 23                                  | 874 MAINS AND SERVICES                      | \$399,031    | \$83,171     | \$315,860    | \$0         | \$0      |
| 24                                  | 887 MAINT. OF MAINS                         | \$179,856    | \$0          | \$179,856    | \$0         | \$0      |

SUPPORTING SCHEDULES: H-3, p. 1-4

RECAP SCHEDULES: H-2, P. 6-7

SCHEDULE H-2

COST OF SERVICE

PAGE 1 OF 10

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

DEVELOPMENT OF ALLOCATION FACTORS

| LINE NO. |  | TOTAL      | FTS-A   | FTS-B   | FTS-1     | FTS-2   | FTS-2.1   | FTS-3   | FTS-3.1   | FTS-4     | FTS-5   | FTS-6     | FTS-7     |
|----------|--|------------|---------|---------|-----------|---------|-----------|---------|-----------|-----------|---------|-----------|-----------|
| 1        | CUSTOMER COSTS                         |            |         |         |           |         |           |         |           |           |         |           |           |
| 2        | No. of Bills (Bills/12 = Consumers)    | 176,695    | 37,304  | 25,334  | 87,069    | 11,400  | 7,032     | 2,688   | 2,676     | 1,696     | 372     | 204       | 276       |
| 3        | Weighting                              | N/A        | 1.00    | 1.00    | 1.00      | 2.89    | 2.89      | 3.80    | 3.80      | 6.00      | 8.68    | 15.98     | 20.74     |
| 4        | Weighted No. of Customers              | 260,057    | 37,304  | 25,334  | 87,069    | 32,999  | 20,355    | 10,214  | 10,168    | 11,376    | 3,230   | 3,260     | 5,723     |
| 5        | Allocation Factors                     | 100.00%    | 14.34%  | 9.74%   | 33.48%    | 12.69%  | 7.83%     | 3.93%   | 3.91%     | 4.37%     | 1.24%   | 1.25%     | 2.20%     |
| 6        | CAPACITY COSTS                         |            |         |         |           |         |           |         |           |           |         |           |           |
| 7        | Peak & Avg. Month Throughput (therms)  | 7,042,701  | 66,950  | 80,439  | 412,806   | 113,467 | 224,844   | 110,342 | 302,448   | 433,997   | 180,995 | 193,641   | 536,273   |
| 8        | Allocation Factors                     | 100.00%    | 0.951%  | 1.142%  | 5.861%    | 1.611%  | 3.193%    | 1.567%  | 4.294%    | 6.162%    | 2.570%  | 2.750%    | 7.615%    |
| 9        | COMMODITY COSTS                        |            |         |         |           |         |           |         |           |           |         |           |           |
| 10       | Annual Throughput (therms)             | 52,958,167 | 322,102 | 371,711 | 1,877,387 | 477,734 | 1,062,805 | 597,141 | 1,686,112 | 2,392,910 | 987,784 | 1,008,729 | 3,172,854 |
| 11       | Allocation Factors                     | 100.00%    | 0.61%   | 0.70%   | 3.55%     | 0.90%   | 2.01%     | 1.13%   | 3.16%     | 4.52%     | 1.87%   | 1.90%     | 5.99%     |
| 12       | REVENUE-RELATED COSTS                  |            |         |         |           |         |           |         |           |           |         |           |           |
| 13       | Tax on Customer, Capacity, & Commodity | \$58,868   | \$3,271 | \$3,052 | \$13,551  | \$2,882 | \$3,210   | \$2,287 | \$3,648   | \$4,709   | \$1,663 | \$1,523   | \$3,066   |
| 14       | Allocation Factors                     | 100.00%    | 5.56%   | 5.18%   | 23.02%    | 4.90%   | 5.45%     | 3.88%   | 6.20%     | 8.00%     | 2.88%   | 2.59%     | 5.21%     |

|   |  |  |
|---|--|--|
| <u>SCHEDULE H-2</u>   | <u>COST OF SERVICE</u>   | <u>PAGE 2 OF 10</u>  |
| FLORIDA PUBLIC SERVICE COMMISSION<br>COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORP<br>DOCKET NO: 090125-GU | EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED<br>COST OF SERVICE STUDY | TYPE OF DATA SHOWN:<br>PROJECTED TEST YEAR: 12/31/10<br>WITNESS: HOUSEHOLDER |

DEVELOPMENT OF ALLOCATION FACTORS

| <u>LINE NO.</u> |  | <u>FTS-8</u> | <u>FTS-9</u> | <u>FTS-10</u> | <u>FTS-11</u> | <u>FTS-12</u> | <u>FTS-13</u> | <u>Special<br/>Contract</u> | <u>SABS</u> | <u>SAS</u> | <u>OS-DPO</u> |
|-----------------|--|--------------|--------------|---------------|---------------|---------------|---------------|-----------------------------|-------------|------------|---------------|
| 1               | CUSTOMER COSTS                         |              |              |               |               |               |               |                             |             |            |               |
| 2               | No. of Bills (Bills/12 = Consumers)    | 192          | 144          | 36            | 36            | 24            | 12            | 96                          | 168,956     | 7,739      | 1             |
| 3               | Weighting                              | 22.01        | 26.78        | 32.30         | 43.72         | 51.42         | 81.09         |                             |             |            |               |
| 4               | Weighted No. of Customers              | 4,226        | 3,857        | 1,163         | 1,574         | 1,234         | 973           | Direct                      | Direct      | Direct     | Direct        |
| 5               | Allocation Factors                     | 1.62%        | 1.48%        | 0.45%         | 0.61%         | 0.47%         | 0.37%         | Assignment                  | Assignment  | Assignment | Assignment    |
| 6               | CAPACITY COSTS                         |              |              |               |               |               |               |                             |             |            |               |
| 7               | Peak & Avg. Month Throughput (therms)  | 754,123      | 1,068,443    | 460,539       | 954,325       | 1,149,068     | Direct        | Direct                      | Direct      | Direct     | Direct        |
| 8               | Allocation Factors                     | 10.708%      | 15.171%      | 6.539%        | 13.551%       | 16.316%       | Assignment    | Assignment                  | Assignment  | Assignment | Assignment    |
| 9               | COMMODITY COSTS                        |              |              |               |               |               |               |                             |             |            |               |
| 10              | Annual Throughput (therms)             | 4,336,209    | 6,121,996    | 2,405,252     | 4,972,443     | 7,164,270     | 14,000,727    | Direct                      | Direct      | Direct     | Direct        |
| 11              | Allocation Factors                     | 8.19%        | 11.56%       | 4.54%         | 9.39%         | 13.53%        | 26.44%        | Assignment                  | Assignment  | Assignment | Assignment    |
| 12              | REVENUE-RELATED COSTS                  |              |              |               |               |               |               |                             |             |            |               |
| 13              | Tax on Customer, Capacity, & Commodity | \$3,733      | \$4,306      | \$1,613       | \$2,855       | \$3,467       | Direct        | Direct                      | Direct      | Direct     | Direct        |
| 14              | Allocation Factors                     | 6.34%        | 7.31%        | 2.74%         | 4.85%         | 5.89%         | Assignment    | Assignment                  | Assignment  | Assignment | Assignment    |

SCHEDULE H-2

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

ALLOCATION OF RATE BASE TO CUSTOMER CLASSES

| LINE NO. | RATE BASE BY CUSTOMER CLASS      | TOTAL        | FTS-A       | FTS-B       | FTS-1       | FTS-2       | FTS-2.1     | FTS-3     | FTS-3.1     | FTS-4       | FTS-5     | FTS-6     | FTS-7       |
|----------|----------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-----------|-------------|-------------|-----------|-----------|-------------|
| 1        | Customer                         |              |             |             |             |             |             |           |             |             |           |           |             |
| 2        | Meters                           | \$3,303,901  | \$331,977   | \$225,453   | \$774,848   | \$293,662   | \$181,143   | \$90,895  | \$90,489    | \$101,238   | \$28,740  | \$29,009  | \$50,933    |
| 3        | House Regulators                 | \$835,369    | \$119,830   | \$81,379    | \$279,687   | \$106,000   | \$65,385    | \$32,809  | \$32,663    | \$36,543    | \$10,374  | \$10,471  | \$18,385    |
| 4        | Services                         | \$6,675,300  | \$957,540   | \$650,288   | \$2,234,937 | \$847,027   | \$522,482   | \$262,173 | \$261,002   | \$292,006   | \$82,897  | \$83,672  | \$146,909   |
| 5        | General Plant                    | \$764,001    | \$109,592   | \$74,427    | \$255,793   | \$96,944    | \$59,799    | \$30,006  | \$29,672    | \$33,421    | \$9,488   | \$9,576   | \$16,814    |
| 6        | All Other                        | \$3,046,551  | \$24,091    | \$16,361    | \$56,229    | \$21,311    | \$13,145    | \$6,596   | \$6,567     | \$7,347     | \$2,086   | \$2,105   | \$3,696     |
|          | Total                            | \$14,625,122 | \$1,543,031 | \$1,047,907 | \$3,601,494 | \$1,364,943 | \$841,954   | \$422,479 | \$420,593   | \$470,553   | \$133,585 | \$134,833 | \$236,736   |
| 7        | Capacity                         |              |             |             |             |             |             |           |             |             |           |           |             |
| 8        | Industrial Meas. & Reg. Sta. Eq. | \$1,220,156  | \$10,083    | \$12,115    | \$62,172    | \$17,089    | \$33,864    | \$16,619  | \$45,551    | \$65,364    | \$27,260  | \$29,164  | \$80,768    |
| 9        | Meas. & Reg. Sta. Eq.-Gen.       | \$625,786    | \$3,514     | \$4,222     | \$21,665    | \$5,955     | \$11,800    | \$5,791   | \$15,873    | \$22,777    | \$9,499   | \$10,163  | \$28,145    |
| 10       | Mains                            | \$24,129,999 | \$195,566   | \$234,968   | \$1,205,835 | \$331,446   | \$656,784   | \$322,318 | \$883,470   | \$1,267,736 | \$528,699 | \$565,638 | \$1,386,744 |
| 11       | General Plant                    | \$1,775,902  | \$13,848    | \$16,638    | \$85,388    | \$23,470    | \$46,508    | \$22,824  | \$62,560    | \$89,771    | \$37,438  | \$40,054  | \$110,926   |
| 12       | All Other                        | \$4,306,329  | \$28,383    | \$34,102    | \$175,006   | \$48,104    | \$95,321    | \$46,779  | \$128,220   | \$183,990   | \$76,731  | \$82,093  | \$227,349   |
|          | Total                            | \$32,058,173 | \$251,395   | \$302,045   | \$1,550,066 | \$426,064   | \$844,277   | \$414,330 | \$1,135,676 | \$1,629,638 | \$679,627 | \$727,111 | \$1,833,931 |
| 13       | Commodity                        | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0         | \$0         | \$0       | \$0       | \$0         |
| 14       |                                  | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0         | \$0         | \$0       | \$0       | \$0         |
| 15       |                                  | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0         | \$0         | \$0       | \$0       | \$0         |
| 16       |                                  | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0         | \$0         | \$0       | \$0       | \$0         |
| 17       | Total                            | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0         | \$0         | \$0       | \$0       | \$0         |
| 18       | TOTAL                            | \$46,683,295 | \$1,794,425 | \$1,349,952 | \$5,151,560 | \$1,791,007 | \$1,686,231 | \$836,809 | \$1,556,269 | \$2,100,191 | \$813,211 | \$861,945 | \$2,070,668 |
|          | Customer Related Rate Base       | 100%         | 10.55%      | 7.17%       | 24.63%      | 9.33%       | 5.76%       | 2.89%     | 2.88%       | 3.22%       | 0.91%     | 0.92%     | 1.62%       |
|          | Capacity Related Rate Base       | 95%          | 0.78%       | 0.94%       | 4.84%       | 1.33%       | 2.63%       | 1.29%     | 3.54%       | 5.08%       | 2.12%     | 2.27%     | 5.72%       |
|          | Commodity Related Rate Base      | 0%           | 0%          | 0%          | 0%          | 0%          | 0%          | 0%        | 0%          | 0%          | 0%        | 0%        | 0%          |

SCHEDULE H-2

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORP  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

ALLOCATION OF RATE BASE TO CUSTOMER CLASSES

| LINE NO. | RATE BASE BY CUSTOMER CLASS      | FTS-8       | FTS-9       | FTS-10      | FTS-11      | FTS-12      | FTS-13    | Special Contract | SABS        | SAS       | OS-DPO |
|----------|----------------------------------|-------------|-------------|-------------|-------------|-------------|-----------|------------------|-------------|-----------|--------|
| 1        | Customer                         |             |             |             |             |             |           |                  |             |           |        |
| 2        | Meters                           | \$37,604    | \$34,321    | \$10,349    | \$14,008    | \$10,983    | \$8,660   | \$16,105         | \$935,945   | \$37,539  | \$0    |
| 3        | House Regulators                 | \$13,574    | \$12,358    | \$3,735     | \$5,056     | \$3,964     | \$3,126   | \$0              | \$0         | \$0       | \$0    |
| 4        | Services                         | \$108,464   | \$98,994    | \$29,849    | \$40,404    | \$31,678    | \$24,978  | \$0              | \$0         | \$0       | \$0    |
| 5        | General Plant                    | \$12,414    | \$11,330    | \$3,416     | \$4,624     | \$3,626     | \$2,859   | \$0              | \$0         | \$0       | \$0    |
| 6        | All Other                        | \$2,729     | \$2,481     | \$751       | \$1,017     | \$797       | \$628     | \$378            | \$2,767,241 | \$110,987 | \$0    |
|          | Total                            | \$174,785   | \$159,525   | \$48,101    | \$65,109    | \$51,048    | \$40,251  | \$16,483         | \$3,703,186 | \$148,526 | \$0    |
| 7        | Capacity                         |             |             |             |             |             |           |                  |             |           |        |
| 8        | Industrial Meas. & Reg. Sta. Eq. | \$113,578   | \$160,917   | \$69,361    | \$143,730   | \$173,060   |           | \$0              | \$0         | \$159,460 | \$0    |
| 9        | Meas. & Reg. Sta. Eq. - Gen.     | \$39,578    | \$56,074    | \$24,170    | \$50,085    | \$60,306    |           | \$256,169        | \$0         | \$0       | \$0    |
| 10       | Mains                            | \$1,950,080 | \$2,762,880 | \$1,190,905 | \$2,467,780 | \$2,971,366 | \$811,936 | \$2,745,851      | \$0         | \$0       | \$0    |
| 11       | General Plant                    | \$155,988   | \$221,004   | \$95,261    | \$197,399   | \$237,681   |           | \$319,144        | \$0         | \$0       | \$0    |
| 12       | All Other                        | \$319,705   | \$452,959   | \$195,242   | \$404,579   | \$487,139   |           | \$1,320,628      | \$0         | \$0       | \$0    |
|          | Total                            | \$2,578,928 | \$3,653,834 | \$1,574,940 | \$3,263,573 | \$3,929,552 | \$811,936 | \$4,641,792      | \$0         | \$159,460 | \$0    |
| 13       | Commodity                        | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0              | \$0         | \$0       | \$0    |
| 14       |                                  | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0              | \$0         | \$0       | \$0    |
| 15       |                                  | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0              | \$0         | \$0       | \$0    |
| 16       |                                  | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0              | \$0         | \$0       | \$0    |
| 17       | Total                            | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0              | \$0         | \$0       | \$0    |
| 18       | TOTAL                            | \$2,753,714 | \$3,813,359 | \$1,623,041 | \$3,328,682 | \$3,980,599 | \$852,187 | \$4,658,275      | \$3,703,186 | \$307,986 | \$0    |
|          | Customer Related Rate Base       | 1.20%       | 1.09%       | 0.33%       | 0.45%       | 0.35%       | 0.28%     | 0.11%            | 25.32%      | 1.02%     | 0.00%  |
|          | Capacity Related Rate Base       | 8.04%       | 11.40%      | 4.91%       | 10.18%      | 12.26%      | 2.53%     | 14.48%           | 0.00%       | 0.50%     | 0.00%  |
|          | Commodity Related Rate Base      | 0%          | 0%          | 0%          | 0%          | 0%          | 0%        | 0%               |             |           |        |

SCHEDULE H-2

COST OF SERVICE

PAGE 5 OF 10

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

ALLOCATION OF COST OF SERVICE  
 TO CUSTOMER CLASSES

| LINE NO.                                   |                                     | TOTAL       | FTS-A     | FTS-B     | FTS-1       | FTS-2     | FTS-2.1   | FTS-3     | FTS-3.1   | FTS-4     | FTS-5     | FTS-6     | FTS-7     |
|--|-------------------------------------|-------------|-----------|-----------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <u>OPERATIONS AND MAINTENANCE EXPENSE:</u> |                                     |             |           |           |             |           |           |           |           |           |           |           |           |
|  | Customer                            |             |           |           |             |           |           |           |           |           |           |           |           |
| 1  | 878 Meters and House Regulators     | \$405,987   | \$55,319  | \$37,569  | \$129,117   | \$48,935  | \$30,185  | \$15,146  | \$15,079  | \$16,870  | \$4,789   | \$4,834   | \$8,487   |
| 2  | 893 Maint. of Meters & House Reg.   | \$74,838    | \$10,735  | \$7,291   | \$25,056    | \$9,496   | \$5,858   | \$2,939   | \$2,926   | \$3,274   | \$929     | \$938     | \$1,647   |
| 3  | 874 Mains & Services                | \$83,171    | \$11,930  | \$8,102   | \$27,846    | \$10,554  | \$6,510   | \$3,267   | \$3,252   | \$3,638   | \$1,033   | \$1,043   | \$1,830   |
| 4  | 892 Maint. of Services              | \$19,399    | \$2,783   | \$1,890   | \$6,465     | \$2,461   | \$1,518   | \$762     | \$758     | \$849     | \$241     | \$243     | \$427     |
| 5  | All Other                           | \$3,846,750 | \$452,036 | \$307,238 | \$1,054,803 | \$431,696 | \$267,087 | \$252,983 | \$252,362 | \$235,301 | \$60,724  | \$54,434  | \$45,257  |
| 6  | Special Assignment                  | \$0         |           |           |             |           |           |           |           |           |           |           |           |
| 7  | Total                               | \$4,430,145 | \$532,804 | \$362,089 | \$1,243,318 | \$503,142 | \$311,158 | \$275,097 | \$274,378 | \$259,932 | \$67,716  | \$61,492  | \$57,648  |
|  | Capacity                            |             |           |           |             |           |           |           |           |           |           |           |           |
| 8  | 876 Measuring & Reg. Sta. Eq.- I    | \$60,905    | \$521     | \$626     | \$3,213     | \$863     | \$1,750   | \$859     | \$2,354   | \$3,378   | \$1,409   | \$1,507   | \$4,174   |
| 9  | 890 Maint. of Meas. & Reg.Sta.Eq.-I | \$44,418    | \$380     | \$457     | \$2,343     | \$644     | \$1,276   | \$626     | \$1,717   | \$2,463   | \$1,027   | \$1,099   | \$3,044   |
| 10   | 874 Mains and Services              | \$315,860   | \$377     | \$453     | \$2,322     | \$638     | \$1,265   | \$621     | \$1,701   | \$2,441   | \$1,018   | \$1,089   | \$3,017   |
| 11   | 887 Maint. of Mains                 | \$179,856   | \$1,710   | \$2,054   | \$10,542    | \$2,898   | \$5,742   | \$2,818   | \$7,724   | \$11,083  | \$4,622   | \$4,945   | \$13,685  |
| 12   | All Other                           | \$1,455,990 | \$13,827  | \$16,613  | \$85,254    | \$23,434  | \$46,436  | \$22,788  | \$62,463  | \$89,631  | \$37,380  | \$39,991  | \$110,753 |
| 13   | Special Assignment                  | \$0         |           |           |             |           |           |           |           |           |           |           |           |
| 14   | Total                               | \$2,057,030 | \$16,814  | \$20,202  | \$103,675   | \$28,497  | \$56,469  | \$27,712  | \$75,959  | \$108,997 | \$45,456  | \$48,632  | \$134,683 |
|  | Commodity                           |             |           |           |             |           |           |           |           |           |           |           |           |
| 15   | Account #                           | \$0         | \$0       | \$0       | \$0         | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| 16   | Account #                           | \$0         | \$0       | \$0       | \$0         | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| 17   | Account #                           | \$0         | \$0       | \$0       | \$0         | \$0       | \$0       | \$0       | \$0       | \$0       | \$2       | \$0       | \$0       |
| 18   | All Other                           | \$0         | \$0       | \$0       | \$0         | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| 18   | Total                               | \$0         | \$0       | \$0       | \$0         | \$0       | \$0       | \$0       | \$0       | \$0       | \$2       | \$0       | \$0       |
| 19   | TOTAL O&M                           | \$6,487,175 | \$549,618 | \$382,291 | \$1,346,992 | \$531,639 | \$367,627 | \$302,809 | \$350,336 | \$368,928 | \$113,175 | \$110,124 | \$192,331 |
| <u>DEPRECIATION EXPENSE:</u>               |                                     |             |           |           |             |           |           |           |           |           |           |           |           |
| 20   | Customer                            | \$735,323   | \$74,163  | \$50,366  | \$173,100   | \$65,604  | \$40,467  | \$20,306  | \$20,215  | \$22,616  | \$6,421   | \$6,481   | \$11,378  |
| 21   | Capacity                            | \$1,630,974 | \$10,763  | \$12,932  | \$66,365    | \$18,242  | \$36,147  | \$17,739  | \$48,623  | \$69,771  | \$29,098  | \$31,131  | \$86,214  |
| 22   | Special Assignment                  | \$0         |           |           |             |           |           |           |           |           |           |           |           |
| 23   | Total                               | \$2,366,297 | \$84,926  | \$63,298  | \$239,465   | \$83,845  | \$76,614  | \$38,045  | \$68,838  | \$92,388  | \$35,518  | \$37,611  | \$97,592  |
| 24   | AMORT. OF GAS PLANT                 |             |           |           |             |           |           |           |           |           |           |           |           |
|  | Capacity                            | \$0         | \$0       | \$0       | \$0         | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| 25   | AMORT. OF CIS:                      |             |           |           |             |           |           |           |           |           |           |           |           |
|  | Customer                            | \$0         | \$0       | \$0       | \$0         | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| 26   | AMORTIZATION OF ACQ. ADJUSTMENT     |             |           |           |             |           |           |           |           |           |           |           |           |
|  | Commodity                           | \$0         | \$0       | \$0       | \$0         | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |

SCHEDULE H-2

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORP.  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

ALLOCATION OF COST OF SERVICE  
 TO CUSTOMER CLASSES

| LINE NO.                                   |                                       | FTS-8     | FTS-9     | FTS-10    | FTS-11    | FTS-12    | FTS-13   | Special Contract | SABS      | SAS      | OS-DPO |
|--|---------------------------------------|-----------|-----------|-----------|-----------|-----------|----------|------------------|-----------|----------|--------|
| <u>OPERATIONS AND MAINTENANCE EXPENSE:</u> |                                       |           |           |           |           |           |          |                  |           |          |        |
|  | Customer                              |           |           |           |           |           |          |                  |           |          |        |
| 1  | 878 Meters and House Regulators       | \$6,266   | \$5,719   | \$1,724   | \$2,334   | \$1,830   | \$1,443  | \$0              | \$19,556  | \$784    | \$0    |
| 2  | 893 Maint. of Meters & House Reg.     | \$1,216   | \$1,110   | \$335     | \$453     | \$355     | \$280    | \$0              | \$0       | \$0      | \$0    |
| 3  | 874 Mains & Services                  | \$1,351   | \$1,233   | \$372     | \$503     | \$395     | \$311    | \$0              | \$0       | \$0      | \$0    |
| 4  | 892 Maint. of Services                | \$315     | \$288     | \$87      | \$117     | \$92      | \$73     | \$0              | \$0       | \$0      | \$0    |
| 5  | All Other                             | \$34,917  | \$35,756  | \$11,645  | \$17,243  | \$14,039  | \$13,249 | \$0              | \$280,611 | \$14,868 | \$500  |
| 6  | Special Assignment                    |           |           |           |           |           |          |                  |           |          | \$0    |
| 7  | Total                                 | \$44,066  | \$44,107  | \$14,163  | \$20,651  | \$16,711  | \$15,356 | \$0              | \$310,167 | \$15,652 | \$500  |
|  | Capacity                              |           |           |           |           |           |          |                  |           |          |        |
| 8  | 876 Measuring & Reg. Sta. Eq.-I       | \$5,869   | \$8,316   | \$3,584   | \$7,428   | \$8,943   | \$0      | \$0              | \$0       | \$6,091  | \$0    |
| 9  | 890 Maint. of Meas. & Reg. Sta. Eq.-I | \$4,281   | \$6,065   | \$2,614   | \$5,417   | \$6,522   | \$0      | \$0              | \$0       | \$4,443  | \$0    |
| 10   | 874 Mains and Services                | \$4,242   | \$6,010   | \$2,591   | \$5,368   | \$6,464   | \$0      | \$276,242        | \$0       | \$0      | \$0    |
| 11   | 887 Maint. of Mains                   | \$19,259  | \$27,286  | \$11,761  | \$24,372  | \$29,345  | \$0      | \$0              | \$0       | \$0      | \$0    |
| 12   | All Other                             | \$155,744 | \$220,659 | \$95,112  | \$197,091 | \$237,310 | \$1,505  | \$0              | \$0       | \$0      | \$0    |
| 13   | Special Assignment                    |           |           |           |           |           |          | \$0              | \$0       | \$0      | \$0    |
| 14   | Total                                 | \$189,395 | \$268,336 | \$115,663 | \$239,675 | \$288,584 | \$1,505  | \$276,242        | \$0       | \$10,534 | \$0    |
|  | Commodity                             |           |           |           |           |           |          |                  |           |          |        |
| 15   | Account #                             | \$0       | \$0       | \$0       | \$0       | \$0       |          |                  |           |          |        |
| 16   | Account #                             | \$0       | \$0       | \$0       | \$0       | \$0       |          |                  |           |          |        |
| 17   | Account #                             | \$0       | \$0       | \$0       | \$0       | \$0       |          |                  |           |          |        |
| 18   | All Other                             | \$0       | \$0       | \$0       | \$0       | \$0       |          |                  |           |          |        |
| 18   | Total                                 | \$0       | \$0       | \$0       | \$0       | \$0       | \$0      | \$0              | \$0       | \$0      | \$0    |
| 19   | TOTAL O&M                             | \$233,461 | \$312,442 | \$129,826 | \$260,327 | \$305,295 | \$16,861 | \$276,242        | \$310,167 | \$26,186 | \$500  |
| <u>DEPRECIATION EXPENSE:</u>               |                                       |           |           |           |           |           |          |                  |           |          |        |
| 20   | Customer                              | \$8,401   | \$7,667   | \$2,312   | \$3,129   | \$2,454   | \$1,935  | \$0              | \$201,547 | \$16,762 | \$0    |
| 21   | Capacity                              | \$121,236 | \$171,768 | \$74,038  | \$153,422 | \$184,730 | \$74,603 | \$424,153        | \$0       | \$0      | \$0    |
| 22   | Special Assignment                    |           |           |           |           |           |          |                  |           | \$0      | \$0    |
| 23   | Total                                 | \$129,637 | \$179,435 | \$76,350  | \$156,551 | \$187,183 | \$76,538 | \$424,153        | \$201,547 | \$16,762 | \$0    |
| <u>AMORT. OF GAS PLANT</u>                 |                                       |           |           |           |           |           |          |                  |           |          |        |
| 24   | Capacity                              | \$0       | \$0       | \$0       | \$0       | \$0       | \$0      | \$0              | \$0       | \$0      | \$0    |
| <u>AMORT. OF CIS:</u>                      |                                       |           |           |           |           |           |          |                  |           |          |        |
| 25   | Customer                              | \$0       | \$0       | \$0       | \$0       | \$0       |          |                  |           |          |        |
| <u>AMORTIZATION OF ACQ. ADJUSTMENT</u>     |                                       |           |           |           |           |           |          |                  |           |          |        |
| 26   | Commodity                             | \$0       | \$0       | \$0       | \$0       | \$0       |          |                  |           |          |        |

SCHEDULE H-2

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

ALLOCATION OF COST OF SERVICE  
 TO CUSTOMER CLASSES

| LINE NO.                                    |           | TOTAL        | FTS-A      | FTS-B      | FTS-1       | FTS-2      | FTS-2.1    | FTS-3     | FTS-3.1   | FTS-4     | FTS-5     | FTS-6     | FTS-7     |
|---|-----------|--------------|------------|------------|-------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| <u>TAXES OTHER THAN INCOME TAXES:</u>       |           |              |            |            |             |            |            |           |           |           |           |           |           |
| 1   | Customer  | \$325,208    | \$35,147   | \$23,869   | \$82,033    | \$31,090   | \$19,178   | \$9,623   | \$9,580   | \$10,718  | \$3,043   | \$3,071   | \$5,392   |
| 2   | Capacity  | \$721,323    | \$5,965    | \$7,167    | \$36,779    | \$10,109   | \$20,033   | \$9,831   | \$26,947  | \$38,667  | \$16,126  | \$17,253  | \$47,780  |
| 4   | Subtotal  | \$1,046,531  | \$41,112   | \$31,036   | \$118,813   | \$41,200   | \$39,210   | \$19,454  | \$36,527  | \$49,385  | \$19,169  | \$20,324  | \$53,172  |
| 5   | Revenue   | \$58,868     | \$3,271    | \$3,052    | \$13,551    | \$2,882    | \$3,210    | \$2,287   | \$3,648   | \$4,709   | \$1,693   | \$1,523   | \$3,068   |
| 6   | Total     | \$1,105,399  | \$44,383   | \$34,088   | \$132,364   | \$44,082   | \$42,420   | \$21,741  | \$40,175  | \$54,094  | \$20,862  | \$21,846  | \$56,240  |
| <u>RETURN (NOI)</u>                         |           |              |            |            |             |            |            |           |           |           |           |           |           |
| 7   | Customer  | \$1,045,696  | \$108,860  | \$73,929   | \$254,084   | \$96,296   | \$59,400   | \$29,806  | \$29,673  | \$33,197  | \$9,424   | \$9,512   | \$16,702  |
| 8   | Capacity  | \$2,292,160  | \$16,384   | \$19,685   | \$101,021   | \$27,767   | \$55,023   | \$27,003  | \$74,014  | \$106,207 | \$44,293  | \$47,387  | \$131,236 |
| 10  | Commodity | \$0          | \$0        | \$0        | \$0         | \$0        | \$0        | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| 11  | Total     | \$3,337,856  | \$125,244  | \$93,614   | \$355,105   | \$124,064  | \$114,423  | \$56,809  | \$103,687 | \$139,404 | \$53,717  | \$56,900  | \$147,937 |
| <u>INCOME TAXES</u>                         |           |              |            |            |             |            |            |           |           |           |           |           |           |
| 12  | Customer  | \$451,848    | \$46,752   | \$31,750   | \$109,121   | \$41,356   | \$25,510   | \$12,801  | \$12,743  | \$14,257  | \$4,047   | \$4,085   | \$7,173   |
| 13  | Capacity  | \$990,447    | \$6,318    | \$7,591    | \$38,956    | \$10,708   | \$21,218   | \$10,413  | \$28,542  | \$40,956  | \$17,080  | \$18,274  | \$50,608  |
| 14  | Commodity | \$0          | \$0        | \$0        | \$0         | \$0        | \$0        | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| 15  | Total     | \$1,442,295  | \$53,070   | \$39,341   | \$148,078   | \$52,064   | \$46,729   | \$23,214  | \$41,285  | \$55,214  | \$21,128  | \$22,359  | \$57,781  |
| <u>REVENUE CREDITED TO COS (PROJECTED):</u> |           |              |            |            |             |            |            |           |           |           |           |           |           |
| 16  | Customer  | (\$257,393)  | (\$51,479) | (\$51,479) | (\$102,957) | (\$25,739) | (\$25,739) | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| <u>TOTAL COST OF SERVICE:</u>               |           |              |            |            |             |            |            |           |           |           |           |           |           |
| 17  | Customer  | \$6,730,827  | \$746,247  | \$490,525  | \$1,758,699 | \$711,749  | \$429,974  | \$347,632 | \$346,589 | \$340,721 | \$90,651  | \$84,641  | \$98,293  |
| 18  | Capacity  | \$7,691,934  | \$56,245   | \$67,577   | \$346,796   | \$95,323   | \$188,890  | \$92,698  | \$254,085 | \$364,599 | \$152,053 | \$162,677 | \$450,520 |
| 19  | Commodity | \$0          | \$0        | \$0        | \$0         | \$0        | \$0        | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| 20  | Subtotal  | \$14,422,761 | \$802,492  | \$558,102  | \$2,105,495 | \$807,073  | \$618,864  | \$440,330 | \$600,674 | \$705,320 | \$242,706 | \$247,318 | \$548,813 |
| 21  | Revenue   | \$58,868     | \$3,271    | \$3,052    | \$13,551    | \$2,882    | \$3,210    | \$2,287   | \$3,648   | \$4,709   | \$1,693   | \$1,523   | \$3,068   |
| 22  | Total     | \$14,481,629 | \$805,763  | \$561,154  | \$2,119,046 | \$809,955  | \$622,074  | \$442,617 | \$604,322 | \$710,028 | \$244,399 | \$248,840 | \$551,882 |

SCHEDULE H-2

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORP  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

ALLOCATION OF COST OF SERVICE  
 TO CUSTOMER CLASSES

| LINE NO.                                    |           | FTS-8     | FTS-9     | FTS-10    | FTS-11    | FTS-12    | FTS-13    | Special<br>Contract | SABS      | SAS      | OS-DPO |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------------|-----------|----------|--------|
| <u>TAXES OTHER THAN INCOME TAXES:</u>       |           |           |           |           |           |           |           |                     |           |          |        |
| 1   | Customer  | \$3,981   | \$3,634   | \$1,086   | \$1,483   | \$1,163   | \$917     | \$0                 | \$74,034  | \$6,157  | \$0    |
| 2   | Capacity  | \$67,189  | \$95,194  | \$41,032  | \$85,026  | \$102,377 | \$8,282   | \$85,566            | \$0       | \$0      | \$0    |
| 4   | Subtotal  | \$71,170  | \$98,827  | \$42,128  | \$86,509  | \$103,540 | \$9,199   | \$85,566            | \$74,034  | \$6,157  | \$0    |
| 5   | Revenue   | \$3,733   | \$4,306   | \$1,613   | \$2,855   | \$3,467   | \$0       | \$0                 | \$0       | \$0      | \$0    |
| 6   | Total     | \$74,903  | \$103,134 | \$43,741  | \$89,364  | \$107,006 | \$9,199   | \$85,566            | \$74,034  | \$6,157  | \$0    |
| <u>RETURN (NOI)</u>                         |           |           |           |           |           |           |           |                     |           |          |        |
| 7   | Customer  | \$12,331  | \$11,254  | \$3,393   | \$4,593   | \$3,601   | \$2,840   | \$0                 | \$264,778 | \$22,021 | \$0    |
| 8   | Capacity  | \$184,547 | \$261,467 | \$112,702 | \$233,540 | \$281,198 | \$58,094  | \$510,590           | \$0       | \$0      | \$0    |
| 10  | Commodity | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0                 | \$0       | \$0      | \$0    |
| 11  | Total     | \$196,878 | \$272,722 | \$116,096 | \$238,134 | \$284,799 | \$60,934  | \$510,590           | \$264,778 | \$22,021 | \$0    |
| <u>INCOME TAXES</u>                         |           |           |           |           |           |           |           |                     |           |          |        |
| 12  | Customer  | \$5,296   | \$4,833   | \$1,457   | \$1,973   | \$1,547   | \$1,220   | \$0                 | \$116,256 | \$9,669  | \$0    |
| 13  | Capacity  | \$71,166  | \$100,829 | \$43,461  | \$90,060  | \$108,437 | \$25,535  | \$300,293           | \$0       | \$0      | \$0    |
| 14  | Commodity | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0                 | \$0       | \$0      | \$0    |
| 15  | Total     | \$76,462  | \$105,662 | \$44,918  | \$92,032  | \$109,984 | \$26,755  | \$300,293           | \$116,256 | \$9,669  | \$0    |
| <u>REVENUE CREDITED TO COS (PROJECTED):</u> |           |           |           |           |           |           |           |                     |           |          |        |
| 16  | Customer  | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0                 | \$0       | \$0      | \$0    |
| <u>TOTAL COST OF SERVICE:</u>               |           |           |           |           |           |           |           |                     |           |          |        |
| 17  | Customer  | \$74,074  | \$71,495  | \$22,421  | \$31,830  | \$25,475  | \$22,267  | \$0                 | \$966,782 | \$70,261 | \$500  |
| 18  | Capacity  | \$633,535 | \$897,594 | \$386,897 | \$801,723 | \$965,326 | \$168,019 | \$1,596,844         | \$0       | \$10,534 | \$0    |
| 19  | Commodity | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0                 | \$0       | \$0      | \$0    |
| 20  | Subtotal  | \$707,609 | \$969,089 | \$409,318 | \$833,553 | \$990,802 | \$190,286 | \$1,596,844         | \$966,782 | \$80,795 | \$500  |
| 21  | Revenue   | \$3,733   | \$4,306   | \$1,613   | \$2,855   | \$3,467   | \$0       | \$0                 | \$0       | \$0      | \$0    |
| 22  | Total     | \$711,342 | \$973,395 | \$410,931 | \$836,408 | \$994,268 | \$190,286 | \$1,596,844         | \$966,782 | \$80,795 | \$500  |

SCHEDULE H-2

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

SUMMARY

| LINE NO. | SUMMARY                                | TOTAL        | FTS-A       | FTS-B       | FTS-1       | FTS-2       | FTS-2.1     | FTS-3     | FTS-3.1     | FTS-4       | FTS-5     | FTS-6     | FTS-7       |
|----------|--|--------------|-------------|-------------|-------------|-------------|-------------|-----------|-------------|-------------|-----------|-----------|-------------|
| 1        | RATE BASE                              | \$46,683,295 | \$1,794,425 | \$1,349,952 | \$5,151,560 | \$1,791,007 | \$1,686,231 | \$836,809 | \$1,556,269 | \$2,100,191 | \$813,211 | \$861,945 | \$2,070,668 |
| 2        | ATTRITION                              | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0         | \$0         | \$0       | \$0       | \$0         |
| 3        | O&M                                    | \$6,487,175  | \$549,618   | \$382,291   | \$1,346,982 | \$531,639   | \$367,627   | \$302,809 | \$350,336   | \$368,928   | \$113,175 | \$110,124 | \$192,331   |
| 4        | DEPRECIATION                           | \$2,366,297  | \$84,926    | \$63,298    | \$239,465   | \$83,845    | \$76,614    | \$38,045  | \$68,838    | \$92,388    | \$35,518  | \$37,611  | \$97,592    |
| 5        | AMORTIZATION EXPENSES AND ADJUSTMENTS  | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0         | \$0         | \$0       | \$0       | \$0         |
| 6        | TAXES OTHER THAN INCOME - OTHER        | \$1,046,531  | \$41,112    | \$31,036    | \$118,813   | \$41,200    | \$39,210    | \$19,454  | \$36,527    | \$49,385    | \$19,169  | \$20,324  | \$53,172    |
| 7        | TAXES OTHER THAN INCOME - REV. RELATED | \$58,868     | \$3,271     | \$3,052     | \$13,551    | \$2,882     | \$3,210     | \$2,287   | \$3,648     | \$4,709     | \$1,693   | \$1,523   | \$3,068     |
| 8        | INCOME TAXES TOTAL                     | \$1,442,295  | \$53,070    | \$39,341    | \$148,078   | \$52,064    | \$46,729    | \$23,214  | \$41,285    | \$55,214    | \$21,128  | \$22,359  | \$57,781    |
| 9        | REVENUE CREDITED TO COS:               | (\$257,393)  | (\$51,479)  | (\$51,479)  | (\$102,957) | (\$25,739)  | (\$25,739)  | \$0       | \$0         | \$0         | \$0       | \$0       | \$0         |
| 10       | TOTAL COST - CUSTOMER                  | \$6,730,827  | \$746,247   | \$490,525   | \$1,758,689 | \$711,749   | \$429,974   | \$347,632 | \$346,589   | \$340,721   | \$90,651  | \$84,641  | \$98,293    |
| 11       | TOTAL COST - CAPACITY                  | \$7,691,934  | \$56,245    | \$67,577    | \$346,796   | \$95,323    | \$188,890   | \$92,698  | \$254,085   | \$364,599   | \$152,053 | \$162,677 | \$450,520   |
| 12       | TOTAL COST - COMMODITY                 | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0         | \$0         | \$2       | \$0       | \$0         |
| 13       | TOTAL COST - REVENUE                   | \$58,868     | \$3,271     | \$3,052     | \$13,551    | \$2,882     | \$3,210     | \$2,287   | \$3,648     | \$4,709     | \$1,693   | \$1,523   | \$3,068     |
| 14       | NO. OF CUSTOMERS (BILLS)               | 176,695      | 37,304      | 25,334      | 87,069      | 11,400      | 7,032       | 2,688     | 2,676       | 1,896       | 372       | 204       | 276         |
| 15       | PEAK MONTH THROUGHPUT                  | 7,042,701    | 66,950      | 80,439      | 412,806     | 113,467     | 224,844     | 110,342   | 302,448     | 433,997     | 180,995   | 183,641   | 536,273     |
| 16       | ANNUAL THROUGHPUT                      | 52,958,167   | 322,102     | 371,711     | 1,877,387   | 477,734     | 1,062,805   | 597,141   | 1,686,112   | 2,392,910   | 987,784   | 1,008,729 | 3,172,854   |

SCHEDULE H-2

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORP.  
 DOCKET NO. 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

SUMMARY

| LINE NO. | SUMMARY                                | FTS-8       | FTS-9       | FTS-10      | FTS-11      | FTS-12      | FTS-13     | Special<br>Contract | SABS        | SAS       | OS-DPO |
|----------|--|-------------|-------------|-------------|-------------|-------------|------------|---------------------|-------------|-----------|--------|
| 1        | RATE BASE                              | \$2,753,714 | \$3,813,359 | \$1,623,041 | \$3,328,682 | \$3,980,599 | \$852,187  | \$4,658,275         | \$3,703,186 | \$307,986 | \$0    |
| 2        | ATTRITION                              | \$0         | \$0         | \$0         | \$0         | \$0         | \$0        | \$0                 | \$0         | \$0       | \$0    |
| 3        | O&M                                    | \$233,461   | \$312,442   | \$129,826   | \$260,327   | \$305,295   | \$16,861   | \$276,242           | \$310,167   | \$26,186  | \$500  |
| 4        | DEPRECIATION                           | \$129,637   | \$179,435   | \$76,350    | \$156,551   | \$187,183   | \$76,538   | \$424,153           | \$201,547   | \$16,762  | \$0    |
| 5        | AMORTIZATION EXPENSES AND ADJUSTMENTS  | \$0         | \$0         | \$0         | \$0         | \$0         | \$0        | \$0                 | \$0         | \$0       | \$0    |
| 6        | TAXES OTHER THAN INCOME - OTHER        | \$71,170    | \$98,827    | \$42,128    | \$86,509    | \$103,540   | \$9,199    | \$85,566            | \$74,034    | \$6,157   | \$0    |
| 7        | TAXES OTHER THAN INCOME - REV. RELATED | \$3,733     | \$4,306     | \$1,613     | \$2,855     | \$3,467     | \$0        | \$0                 | \$0         | \$0       | \$0    |
| 8        | INCOME TAXES TOTAL                     | \$76,462    | \$105,662   | \$44,918    | \$92,032    | \$109,984   | \$26,755   | \$300,293           | \$116,256   | \$9,669   | \$0    |
| 9        | REVENUE CREDITED TO COS:               | \$0         | \$0         | \$0         | \$0         | \$0         | \$0        | \$0                 | \$0         | \$0       | \$0    |
| 10       | TOTAL COST - CUSTOMER                  | \$74,074    | \$71,495    | \$22,421    | \$31,830    | \$25,475    | \$22,267   | \$0                 | \$966,782   | \$70,261  | \$500  |
| 11       | TOTAL COST - CAPACITY                  | \$633,535   | \$897,594   | \$386,897   | \$801,723   | \$965,326   | \$168,019  | \$1,596,844         | \$0         | \$10,534  | \$0    |
| 12       | TOTAL COST - COMMODITY                 | \$0         | \$0         | \$0         | \$0         | \$0         | \$0        | \$0                 | \$0         | \$0       | \$0    |
| 13       | TOTAL COST - REVENUE                   | \$3,733     | \$4,306     | \$1,613     | \$2,855     | \$3,467     | \$0        | \$0                 | \$0         | \$0       | \$0    |
| 14       | NO. OF CUSTOMERS (BILLS)               | 192         | 144         | 36          | 36          | 24          | 12         | 96                  | 168,956     | 7,739     | 1      |
| 15       | PEAK MONTH THROUGHPUT                  | 754,123     | 1,068,443   | 460,539     | 954,325     | 1,149,068   | Direct     | Direct              | N/A         | N/A       | N/A    |
| 16       | ANNUAL THROUGHPUT                      | 4,336,209   | 6,121,996   | 2,405,252   | 4,972,443   | 7,164,270   | 14,000,727 | 71,072,016          | N/A         | N/A       | N/A    |

SCHEDULE H-3

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

DERIVATION OF REVENUE DEFICIENCY

| LINE NO. |  | TOTAL        | FTS-A     | FTS-B     | FTS-1       | FTS-2     | FTS-2.1   | FTS-3     | FTS-3.1   | FTS-4      | FTS-5      | FTS-6     | FTS-7     |
|----------|--|--------------|-----------|-----------|-------------|-----------|-----------|-----------|-----------|------------|------------|-----------|-----------|
| 1        | CUSTOMER COSTS   | \$6,730,827  | \$746,247 | \$490,525 | \$1,758,699 | \$711,749 | \$429,974 | \$347,632 | \$346,589 | \$340,721  | \$90,651   | \$84,641  | \$98,293  |
| 2        | CAPACITY COSTS   | \$7,691,934  | \$56,245  | \$67,577  | \$346,796   | \$95,323  | \$188,890 | \$92,698  | \$254,085 | \$364,599  | \$152,053  | \$162,677 | \$450,520 |
| 3        | COMMODITY COSTS  | \$0          | \$0       | \$0       | \$0         | \$0       | \$0       | \$0       | \$0       | \$0        | \$2        | \$0       | \$0       |
| 4        | REVENUE COSTS  | \$58,868     | \$3,271   | \$3,052   | \$13,551    | \$2,862   | \$3,210   | \$2,287   | \$3,648   | \$4,709    | \$1,693    | \$1,523   | \$3,068   |
| 5        | TOTAL  | \$14,481,629 | \$805,763 | \$561,154 | \$2,119,046 | \$809,955 | \$622,074 | \$442,617 | \$604,322 | \$710,028  | \$244,399  | \$248,640 | \$551,882 |
| 6        | less: REVENUE AT PRESENT TARIFF RATES  | \$11,624,434 | \$515,000 | \$480,499 | \$2,133,456 | \$453,744 | \$505,377 | \$360,041 | \$574,370 | \$741,338  | \$266,539  | \$239,720 | \$483,096 |
| 7        | plus: ENVIRONMENTAL REVENUES IN TARIFF RATES<br>(in the projected test year) | \$0          | \$0       | \$0       | \$0         | \$0       | \$0       | \$0       | \$0       | \$0        | \$0        | \$0       | \$0       |
| 8        | equals: REVENUE DEFICIENCY   | \$2,857,195  | \$290,763 | \$80,655  | (\$14,409)  | \$356,211 | \$116,697 | \$82,577  | \$29,952  | (\$31,310) | (\$22,140) | \$9,120   | \$68,785  |
| 9        | plus: DEFICIENCY IN OTHER OPERATING REV.                                     | \$108,203    | \$14,181  | \$14,181  | \$28,362    | \$25,739  | \$25,739  | \$0       | \$0       | \$0        | \$0        | \$0       | \$0       |
| 10       | equals: TOTAL BASE - REVENUE DEFICIENCY                                      | \$2,965,398  | \$304,944 | \$94,836  | \$13,953    | \$381,950 | \$142,436 | \$82,577  | \$29,952  | (\$31,310) | (\$22,140) | \$9,120   | \$68,785  |
| 11       | UNIT COSTS:  |              |           |           |             |           |           |           |           |            |            |           |           |
| 12       | Customer   | \$38.093     | \$20.004  | \$19.362  | \$20.199    | \$62.434  | \$61.145  | \$129.327 | \$129.518 | \$179.705  | \$243.687  | \$414.907 | \$356.135 |
| 13       | Capacity   | \$0.146      | \$0.175   | \$0.182   | \$0.185     | \$0.200   | \$0.178   | \$0.155   | \$0.151   | \$0.152    | \$0.154    | \$0.161   | \$0.142   |
| 14       | Commodity  | \$0.000      | \$0.000   | \$0.000   | \$0.000     | \$0.000   | \$0.000   | \$0.000   | \$0.000   | \$0.000    | \$0.000    | \$0.000   | \$0.000   |

SCHEDULE H-3

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORP  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

DERIVATION OF REVENUE DEFICIENCY

| LINE NO. |  | FTS-8     | FTS-9     | FTS-10    | FTS-11    | FTS-12      | FTS-13      | Special<br>Contracts | SABS      | SAS      | OS-DPO |
|----------|--|-----------|-----------|-----------|-----------|-------------|-------------|----------------------|-----------|----------|--------|
| 1        | CUSTOMER COSTS   | \$74,074  | \$71,495  | \$22,421  | \$31,830  | \$25,475    | \$22,267    | \$0                  | \$966,782 | \$70,261 | \$500  |
| 2        | CAPACITY COSTS   | \$633,535 | \$897,594 | \$386,897 | \$801,723 | \$965,326   | \$168,019   | \$1,596,844          | \$0       | \$10,534 | \$0    |
| 3        | COMMODITY COSTS  | \$0       | \$0       | \$0       | \$0       | \$0         | \$0         | \$0                  | \$0       | \$0      | \$0    |
| 4        | REVENUE COSTS  | \$3,733   | \$4,306   | \$1,613   | \$2,855   | \$3,467     | \$0         | \$0                  | \$0       | \$0      | \$0    |
| 5        | TOTAL  | \$711,342 | \$973,395 | \$410,931 | \$836,408 | \$994,268   | \$180,286   | \$1,596,844          | \$966,782 | \$80,795 | \$500  |
| 6        | less: REVENUE AT PRESENT TARIFF RATES  | \$587,681 | \$677,947 | \$253,973 | \$449,507 | \$545,773   | \$160,000   | \$1,596,845          | \$582,468 | \$16,560 | \$500  |
| 7        | plus: ENVIRONMENTAL REVENUES IN TARIFF RATES<br>(in the projected test year) | \$0       | \$0       | \$0       | \$0       | \$0         | \$0         | \$0                  | \$0       | \$0      | \$0    |
| 8        | equals: REVENUE DEFICIENCY   | \$123,661 | \$295,448 | \$156,958 | \$386,901 | \$448,495   | \$30,286    | (\$1)                | \$384,314 | \$64,235 | (\$0)  |
| 9        | plus: DEFICIENCY IN OTHER OPERATING REV.                                     | \$0       | \$0       | \$0       | \$0       | \$0         | \$0         | \$0                  | \$0       | \$0      | \$0    |
| 10       | equals: TOTAL BASE - REVENUE DEFICIENCY                                      | \$123,661 | \$295,448 | \$156,958 | \$386,901 | \$448,495   | \$30,286    | (\$1)                | \$384,314 | \$64,235 | (\$0)  |
| 11       | UNIT COSTS:  |           |           |           |           |             |             |                      |           |          |        |
| 12       | Customer   | \$385.804 | \$496.495 | \$622.809 | \$884.159 | \$1,061.470 | \$1,555.546 | N/A                  | N/A       | N/A      | N/A    |
| 13       | Capacity   | \$0.146   | \$0.147   | \$0.161   | \$0.161   | \$0.135     | \$0.012     | N/A                  | N/A       | N/A      | N/A    |
| 14       | Commodity  | \$0.000   | \$0.000   | \$0.000   | \$0.000   | \$0.000     | \$0.000     | N/A                  | N/A       | N/A      | N/A    |

SCHEDULE H-3

COST OF SERVICE

PAGE 3 OF 11

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

RATE OF RETURN BY CUSTOMER CLASS  
 PRESENT RATES

| LINE NO.  | TOTAL                                 | FTS-A        | FTS-B       | FTS-1       | FTS-2       | FTS-2.1     | FTS-3       | FTS-3.1    | FTS-4       | FTS-5       | FTS-6     | FTS-7     |             |
|-----------|---------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|-------------|-----------|-----------|-------------|
| REVENUES: |                                       |              |             |             |             |             |             |            |             |             |           |           |             |
| 1         | Revenues                              | \$11,624,434 | \$515,000   | \$480,499   | \$2,133,456 | \$453,744   | \$505,377   | \$360,041  | \$574,370   | \$741,338   | \$266,539 | \$239,720 | \$483,096   |
| 2         | Other Operating Revenue               | \$149,190    | \$37,298    | \$37,298    | \$74,595    | \$0         | \$0         | \$0        | \$0         | \$0         | \$0       | \$0       |             |
| 3         | Total                                 | \$11,773,624 | \$552,298   | \$517,797   | \$2,208,051 | \$453,744   | \$505,377   | \$360,041  | \$574,370   | \$741,338   | \$266,539 | \$239,720 | \$483,096   |
| EXPENSES: |                                       |              |             |             |             |             |             |            |             |             |           |           |             |
| 4         | Purchased Gas Cost                    | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0        | \$0         | \$0         | \$0       | \$0       |             |
| 5         | O&M Expenses                          | \$6,487,175  | \$549,618   | \$382,291   | \$1,346,992 | \$531,639   | \$367,627   | \$302,809  | \$350,336   | \$368,928   | \$113,175 | \$110,124 | \$192,331   |
| 6         | Depreciation Expenses                 | \$2,366,297  | \$84,926    | \$63,298    | \$239,465   | \$83,845    | \$76,614    | \$38,045   | \$68,838    | \$92,388    | \$35,518  | \$37,611  | \$97,592    |
| 7         | Amortization Expenses and Adjustments | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0        | \$0         | \$0         | \$0       | \$0       |             |
| 8         | Taxes Other Than Income—Fixed         | \$1,046,531  | \$41,112    | \$31,036    | \$118,813   | \$41,200    | \$39,210    | \$19,454   | \$36,527    | \$49,385    | \$19,169  | \$20,324  | \$53,172    |
| 9         | Taxes Other Than Income—Revenue       | \$58,868     | \$3,271     | \$3,052     | \$13,551    | \$2,882     | \$3,210     | \$2,287    | \$3,648     | \$4,709     | \$1,693   | \$1,523   | \$3,068     |
| 10        | Total Exps excl. Income Taxes         | \$9,958,871  | \$678,927   | \$479,677   | \$1,718,821 | \$659,566   | \$486,661   | \$362,595  | \$459,349   | \$515,410   | \$169,554 | \$169,581 | \$346,164   |
| 11        | INCOME TAXES                          | \$311,099    | \$53,070    | \$39,341    | \$148,078   | \$52,064    | \$46,729    | \$23,214   | \$41,285    | \$55,214    | \$21,128  | \$22,359  | \$57,781    |
| 12        | NET OPERATING INCOME:                 | \$1,503,654  | (\$179,700) | (\$1,221)   | \$341,152   | (\$257,887) | (\$28,013)  | (\$25,768) | \$73,735    | \$170,714   | \$75,857  | \$47,780  | \$79,152    |
| 13        | RATE BASE:                            | \$46,683,295 | \$1,794,425 | \$1,349,952 | \$5,151,560 | \$1,791,007 | \$1,686,231 | \$836,809  | \$1,556,269 | \$2,100,191 | \$813,211 | \$861,945 | \$2,070,668 |
| 14        | RATE OF RETURN                        | 3.22%        | -10.01%     | -0.09%      | 6.62%       | -14.40%     | -1.66%      | -3.08%     | 4.74%       | 8.13%       | 9.33%     | 5.54%     | 3.82%       |

SUPPORTING SCHEDULES: E-1 p.2, H-1 p. 7-11

SCHEDULE H-3

COST OF SERVICE

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORP  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

RATE OF RETURN BY CUSTOMER CLASS  
 PRESENT RATES

| LINE NO.  |                                       | FTS-8       | FTS-9       | FTS-10      | FTS-11      | FTS-12      | FTS-13    | Special<br>Contracts | SABS        | SAS        | OS-DPO  |
|-----------|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-----------|----------------------|-------------|------------|---------|
| REVENUES: |                                       |             |             |             |             |             |           |                      |             |            |         |
| 1         | Revenues                              | \$587,681   | \$677,947   | \$253,973   | \$449,507   | \$545,773   | \$160,000 | \$1,596,845          | \$582,468   | \$16,560   | \$500   |
| 2         | Other Operating Revenue               | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0                  | \$0         | \$0        | \$0     |
| 3         | Total                                 | \$587,681   | \$677,947   | \$253,973   | \$449,507   | \$545,773   | \$160,000 | \$1,596,845          | \$582,468   | \$16,560   | \$500   |
| EXPENSES: |                                       |             |             |             |             |             |           |                      |             |            |         |
| 4         | Purchased Gas Cost                    | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0                  | \$0         | \$0        | \$0     |
| 5         | O&M Expenses                          | \$233,461   | \$312,442   | \$129,826   | \$260,327   | \$305,295   | \$16,861  | \$276,242            | \$310,167   | \$26,186   | \$500   |
| 6         | Depreciation Expenses                 | \$129,637   | \$179,435   | \$76,350    | \$156,551   | \$187,183   | \$76,538  | \$424,153            | \$201,547   | \$16,762   | \$0     |
| 7         | Amortization Expenses and Adjustments | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0                  | \$0         | \$0        | \$0     |
| 8         | Taxes Other Than Income—Fixed         | \$71,170    | \$98,827    | \$42,128    | \$86,509    | \$103,540   | \$9,199   | \$85,566             | \$74,034    | \$6,157    | \$0     |
| 9         | Taxes Other Than Income—Revenue       | \$3,733     | \$4,306     | \$1,613     | \$2,855     | \$3,467     | \$0       | \$0                  | \$0         | \$0        | \$0     |
| 10        | Total Expenses excl. Income Taxes     | \$438,001   | \$595,011   | \$249,917   | \$506,242   | \$599,485   | \$102,597 | \$785,961            | \$585,748   | \$49,105   | \$500   |
| 11        | INCOME TAXES:                         | \$76,462    | \$105,662   | \$44,918    | \$92,032    | \$109,984   | \$26,755  | \$300,293            | \$116,256   | \$9,669    | \$0     |
| 12        | NET OPERATING INCOME:                 | \$73,218    | (\$22,726)  | (\$40,863)  | (\$148,767) | (\$163,696) | \$30,648  | \$510,591            | (\$119,536) | (\$42,214) | \$0     |
| 13        | RATE BASE:                            | \$2,753,714 | \$3,813,359 | \$1,623,041 | \$3,328,682 | \$3,980,599 | \$852,187 | \$4,658,275          | \$3,703,186 | \$307,986  | \$0     |
| 14        | RATE OF RETURN                        | 2.66%       | -0.60%      | -2.52%      | -4.47%      | -4.11%      | 3.60%     | 10.96%               | -3.23%      | -13.71%    | #DIV/0! |

SCHEDULE H-3

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

RATE OF RETURN BY CUSTOMER CLASS  
 PROPOSED RATES

| LINE NO.         | TOTAL                                 | FTS-A        | FTS-B       | FTS-1       | FTS-2       | FTS-2.1     | FTS-3       | FTS-3.1   | FTS-4       | FTS-5       | FTS-6     | FTS-7     |             |
|------------------|---------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-----------|-------------|-------------|-----------|-----------|-------------|
| <b>REVENUES:</b> |                                       |              |             |             |             |             |             |           |             |             |           |           |             |
| 1                | Revenues                              | \$14,481,629 | \$805,763   | \$561,154   | \$2,119,046 | \$809,955   | \$622,074   | \$442,617 | \$604,322   | \$710,028   | \$244,399 | \$248,840 | \$551,882   |
| 2                | Other Operating Revenue               | \$257,393    | \$51,479    | \$51,479    | \$102,957   | \$25,739    | \$25,739    | \$0       | \$0         | \$0         | \$0       | \$0       |             |
| 3                | Total                                 | \$14,739,022 | \$857,241   | \$612,633   | \$2,222,004 | \$835,694   | \$647,813   | \$442,617 | \$604,322   | \$710,028   | \$244,399 | \$248,840 | \$551,882   |
| <b>EXPENSES:</b> |                                       |              |             |             |             |             |             |           |             |             |           |           |             |
| 4                | Purchased Gas Cost                    | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0         | \$0         | \$0       | \$0       |             |
| 5                | O&M Expenses                          | \$6,487,175  | \$549,618   | \$382,291   | \$1,346,992 | \$531,639   | \$367,627   | \$302,809 | \$350,336   | \$368,928   | \$113,175 | \$110,124 | \$192,331   |
| 6                | Depreciation Expenses                 | \$2,366,297  | \$84,926    | \$63,298    | \$239,465   | \$83,845    | \$76,614    | \$38,045  | \$68,838    | \$92,388    | \$35,518  | \$37,611  | \$87,592    |
| 7                | Amortization Expenses and Adjustments | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0         | \$0         | \$0       | \$0       |             |
| 8                | Taxes Other Than Income—Fixed         | \$1,046,531  | \$41,112    | \$31,036    | \$118,813   | \$41,200    | \$39,210    | \$19,454  | \$36,527    | \$48,385    | \$19,169  | \$20,324  | \$53,172    |
| 9                | Taxes Other Than Income—Revenue       | \$58,868     | \$3,271     | \$3,052     | \$13,551    | \$2,882     | \$3,210     | \$2,287   | \$3,648     | \$4,709     | \$1,693   | \$1,523   | \$3,068     |
| 10               | Total Expes excl. Income Taxes        | \$9,958,871  | \$678,927   | \$479,677   | \$1,718,821 | \$659,566   | \$486,661   | \$362,595 | \$459,349   | \$515,410   | \$169,554 | \$169,581 | \$346,164   |
| 11               | PRE TAX NOI:                          | \$4,780,151  | \$178,314   | \$132,956   | \$503,183   | \$176,128   | \$161,152   | \$80,022  | \$144,973   | \$194,618   | \$74,845  | \$79,259  | \$205,718   |
| 12               | INCOME TAXES                          | \$1,442,295  | \$53,070    | \$39,341    | \$148,078   | \$52,064    | \$46,728    | \$23,214  | \$41,285    | \$55,214    | \$21,128  | \$22,359  | \$57,781    |
| 13               | NET OPERATING INCOME:                 | \$3,337,856  | \$125,244   | \$93,614    | \$355,105   | \$124,064   | \$114,423   | \$56,809  | \$103,687   | \$139,404   | \$53,717  | \$56,900  | \$147,937   |
| 14               | RATE BASE:                            | \$46,683,295 | \$1,794,425 | \$1,349,952 | \$5,151,560 | \$1,791,007 | \$1,686,231 | \$836,809 | \$1,556,269 | \$2,100,191 | \$813,211 | \$861,945 | \$2,070,668 |
| 15               | RATE OF RETURN                        | 7.15%        | 6.98%       | 6.93%       | 6.89%       | 6.93%       | 6.79%       | 6.79%     | 6.66%       | 6.64%       | 6.61%     | 6.60%     | 7.14%       |

SCHEDULE H-3

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORP.  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

RATE OF RETURN BY CUSTOMER CLASS  
 PROPOSED RATES

| LINE NO.  |                                       | FTS-8       | FTS-9       | FTS-10      | FTS-11      | FTS-12      | FTS-13    | Special<br>Contracts | SABS        | SAS       | OS-DPO |
|-----------|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-----------|----------------------|-------------|-----------|--------|
| REVENUES: |                                       |             |             |             |             |             |           |                      |             |           |        |
| 1         | Revenues                              | \$711,342   | \$973,395   | \$410,931   | \$836,408   | \$994,268   | \$190,286 | \$1,596,845          | \$966,782   | \$80,795  | \$500  |
| 2         | Other Operating Revenue               | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0                  | \$0         | \$0       | \$0    |
| 3         | Total                                 | \$711,342   | \$973,395   | \$410,931   | \$836,408   | \$994,268   | \$190,286 | \$1,596,845          | \$966,782   | \$80,795  | \$500  |
| EXPENSES: |                                       |             |             |             |             |             |           |                      |             |           |        |
| 4         | Purchased Gas Cost                    | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0                  | \$0         | \$0       | \$0    |
| 5         | O&M Expenses                          | \$233,461   | \$312,442   | \$129,826   | \$260,327   | \$305,295   | \$16,861  | \$276,242            | \$310,167   | \$26,186  | \$500  |
| 6         | Depreciation Expenses                 | \$129,637   | \$179,435   | \$76,350    | \$156,551   | \$187,183   | \$76,538  | \$424,153            | \$201,547   | \$16,762  | \$0    |
| 7         | Amortization Expenses and Adjustments | \$0         | \$0         | \$0         | \$0         | \$0         | \$0       | \$0                  | \$0         | \$0       | \$0    |
| 8         | Taxes Other Than Income—Fixed         | \$71,170    | \$98,827    | \$42,128    | \$86,508    | \$103,540   | \$9,199   | \$85,566             | \$74,034    | \$6,157   | \$0    |
| 9         | Taxes Other Than Income—Revenue       | \$3,733     | \$4,306     | \$1,613     | \$2,855     | \$3,467     | \$0       | \$0                  | \$0         | \$0       | \$0    |
| 10        | Total Exps excl. Income Taxes         | \$438,001   | \$595,011   | \$249,917   | \$506,242   | \$599,485   | \$102,597 | \$785,961            | \$585,748   | \$49,105  | \$500  |
| 11        | PRE TAX NOI:                          | \$273,341   | \$378,384   | \$161,014   | \$330,166   | \$394,783   | \$87,688  | \$810,884            | \$381,034   | \$31,690  | \$0    |
| 12        | INCOME TAXES:                         | \$76,462    | \$105,662   | \$44,918    | \$92,032    | \$109,984   | \$26,755  | \$300,293            | \$116,256   | \$9,669   | \$0    |
| 13        | NET OPERATING INCOME:                 | \$196,878   | \$272,722   | \$116,096   | \$238,134   | \$284,799   | \$60,934  | \$510,591            | \$264,778   | \$22,021  | \$0    |
| 14        | RATE BASE:                            | \$2,753,714 | \$3,813,359 | \$1,623,041 | \$3,328,682 | \$3,980,599 | \$852,187 | \$4,658,275          | \$3,703,186 | \$307,986 | \$0    |
| 15        | RATE OF RETURN                        | 7.15%       | 7.15%       | 7.15%       | 7.15%       | 7.15%       | 7.15%     | 10.96%               | 7.15%       | 7.15%     | 0.00%  |

SCHEDULE H-3

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

PROPOSED RATE SUMMARY

| LINE NO.               |                         | TOTAL        | FTS-A     | FTS-B     | FTS-1       | FTS-2     | FTS-2.1   | FTS-3     | FTS-3.1   | FTS-4      | FTS-5      | FTS-6     | FTS-7     |
|------------------------|-------------------------|--------------|-----------|-----------|-------------|-----------|-----------|-----------|-----------|------------|------------|-----------|-----------|
| PRESENT RATES          |                         |              |           |           |             |           |           |           |           |            |            |           |           |
| 1                      | REVENUES                | \$11,624,434 | \$515,000 | \$480,499 | \$2,133,456 | \$453,744 | \$505,377 | \$360,041 | \$574,370 | \$741,338  | \$266,539  | \$239,720 | \$483,096 |
| 2                      | OTHER OPERATING REVENUE | \$149,190    | \$37,298  | \$37,298  | \$74,595    | \$0       | \$0       | \$0       | \$0       | \$0        | \$0        | \$0       | \$0       |
| 3                      | TOTAL                   | \$11,773,624 | \$552,298 | \$517,797 | \$2,208,051 | \$453,744 | \$505,377 | \$360,041 | \$574,370 | \$741,338  | \$266,539  | \$239,720 | \$483,096 |
| 4                      | RATE OF RETURN          | 3.22%        | -10.01%   | -0.09%    | 6.62%       | -14.40%   | -1.66%    | -3.08%    | 4.74%     | 8.13%      | 9.33%      | 5.54%     | 3.82%     |
| 5                      | INDEX                   | 100.00%      | -310.91%  | -2.81%    | 205.60%     | -447.04%  | -51.58%   | -95.60%   | 147.10%   | 252.36%    | 289.60%    | 172.10%   | 118.68%   |
| COMPANY PROPOSED RATES |                         |              |           |           |             |           |           |           |           |            |            |           |           |
| 6                      | REVENUES                | \$14,481,629 | \$805,763 | \$561,154 | \$2,119,046 | \$809,955 | \$622,074 | \$442,617 | \$604,322 | \$710,028  | \$244,399  | \$248,840 | \$551,882 |
| 7                      | OTHER OPERATING REVENUE | \$257,393    | \$51,479  | \$51,479  | \$102,957   | \$25,739  | \$25,739  | \$0       | \$0       | \$0        | \$0        | \$0       | \$0       |
| 8                      | TOTAL                   | \$14,739,022 | \$857,241 | \$612,633 | \$2,222,004 | \$835,694 | \$647,813 | \$442,617 | \$604,322 | \$710,028  | \$244,399  | \$248,840 | \$551,882 |
| 9                      | RATE OF RETURN          | 7.15%        | 6.98%     | 6.93%     | 6.89%       | 6.93%     | 6.79%     | 6.79%     | 6.66%     | 6.64%      | 6.61%      | 6.60%     | 7.14%     |
| 10                     | INDEX                   | 100.00%      | 97.62%    | 96.99%    | 96.41%      | 96.88%    | 94.91%    | 94.95%    | 93.18%    | 92.83%     | 92.39%     | 92.33%    | 99.92%    |
| 11                     | TOTAL REVENUE INCREASE  | \$2,965,398  | \$304,944 | \$94,836  | \$13,953    | \$381,950 | \$142,436 | \$82,577  | \$29,952  | (\$31,310) | (\$22,140) | \$9,120   | \$66,785  |
| 12                     | PERCENT INCREASE        | 25.19%       | 55.21%    | 18.32%    | 0.63%       | 84.18%    | 28.18%    | 22.94%    | 5.21%     | -4.22%     | -8.31%     | 3.80%     | 14.24%    |

SCHEDULE H-3

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORP  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

PROPOSED RATE SUMMARY

| LINE NO.               |                         | FTS-8     | FTS-9     | FTS-10    | FTS-11    | FTS-12    | FTS-13    | Special<br>Contracts | SABS      | SAS      | OS-DPO  |
|------------------------|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------|-----------|----------|---------|
| PRESENT RATES          |                         |           |           |           |           |           |           |                      |           |          |         |
| 1                      | REVENUES                | \$587,681 | \$677,947 | \$253,973 | \$449,507 | \$545,773 | \$160,000 | \$1,596,845          | \$582,468 | \$16,560 | \$500   |
| 2                      | OTHER OPERATING REVENUE | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0                  | \$0       | \$0      | \$0     |
| 3                      | TOTAL                   | \$587,681 | \$677,947 | \$253,973 | \$449,507 | \$545,773 | \$160,000 | \$1,596,845          | \$582,468 | \$16,560 | \$500   |
| 4                      | RATE OF RETURN          | 2.66%     | -0.60%    | -2.52%    | -4.47%    | -4.11%    | 3.60%     | 10.96%               | -3.23%    | -13.71%  | #DIV/0! |
| 5                      | INDEX                   | 82.55%    | -18.50%   | -78.16%   | -138.75%  | -127.67%  | 111.66%   | 340.30%              | -100.22%  | -425.54% | #DIV/0! |
| COMPANY PROPOSED RATES |                         |           |           |           |           |           |           |                      |           |          |         |
| 6                      | REVENUES                | \$711,342 | \$973,395 | \$410,931 | \$836,408 | \$994,268 | \$190,286 | \$1,596,845          | \$966,782 | \$80,795 | \$500   |
| 7                      | OTHER OPERATING REVENUE | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0                  | \$0       | \$0      | \$0     |
| 8                      | TOTAL                   | \$711,342 | \$973,395 | \$410,931 | \$836,408 | \$994,268 | \$190,286 | \$1,596,845          | \$966,782 | \$80,795 | \$500   |
| 9                      | RATE OF RETURN          | 7.15%     | 7.15%     | 7.15%     | 7.15%     | 7.15%     | 7.15%     | 10.96%               | 7.15%     | 7.15%    | 0.00%   |
| 10                     | INDEX                   | 99.99%    | 100.02%   | 100.04%   | 100.06%   | 100.07%   | 100.00%   | 153.30%              | 100.00%   | 100.00%  | 0.00%   |
| 11                     | TOTAL REVENUE INCREASE  | \$123,661 | \$295,448 | \$156,958 | \$386,901 | \$448,495 | \$30,286  | \$0                  | \$384,314 | \$64,235 | (\$0)   |
| 12                     | PERCENT INCREASE        | 21.04%    | 43.58%    | 61.80%    | 86.07%    | 82.18%    | 18.93%    | 0.00%                | 65.98%    | 387.89%  | 0.00%   |

SCHEDULE H-3

COST OF SERVICE

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

PROPOSED RATE DESIGN

| LINE NO. |   | TOTAL        | FTS-A      | FTS-B      | FTS-1       | FTS-2      | FTS-2.1    | FTS-3      | FTS-3.1    | FTS-4      | FTS-5      | FTS-6      | FTS-7      |
|----------|---|--------------|------------|------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 51       | PROPOSED TOTAL TARGET REVENUES            | \$14,739,022 | \$857,241  | \$612,633  | \$2,222,004 | \$835,694  | \$647,813  | \$442,617  | \$604,322  | \$710,028  | \$244,399  | \$248,840  | \$551,882  |
| 2        | LESS: OTHER OPERATING REVENUE             | (\$257,393)  | (\$51,479) | (\$51,479) | (\$102,957) | (\$25,739) | (\$25,739) | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
|          | LESS: FIRM TRANSPORTATION CHARGE REVENUES |              |            |            |             |            |            |            |            |            |            |            |            |
| 3        | PROPOSED FIRM TRANSPORTATION CHARGES      |              | \$10.00    | \$12.50    | \$15.00     | \$27.50    | \$27.50    | \$90.00    | \$90.00    | \$165.00   | \$275.00   | \$450.00   | \$475.00   |
| 4        | NUMBER OF BILLS                           | 176,827      | 37,304     | 25,334     | 87,069      | 11,400     | 7,032      | 2,688      | 2,676      | 1,896      | 372        | 204        | 276        |
| 5        | NUMBER OF SHIPPER CUSTOMERS               |              |            |            |             |            |            |            |            |            |            |            |            |
| 6        | TOTAL FIRM TRANSPORTATION CHARGE REV.     | \$5,942,855  | \$373,040  | \$316,675  | \$1,306,035 | \$313,500  | \$193,380  | \$241,920  | \$240,840  | \$312,840  | \$102,300  | \$91,800   | \$131,100  |
|          | % Firm Charge Revenue                     | 48%          | 46%        | 56%        | 62%         | 39%        | 31%        | 55%        | 40%        | 44%        | 42%        | 37%        | 24%        |
| 7        | LESS: OTHER NON-USAGE RATE REVENUES       | \$0          | \$0        | \$0        | \$0         | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| 8        | EQUALS: USAGE CHARGES TARGET REVENUES     | \$8,538,774  | \$432,723  | \$244,479  | \$813,011   | \$496,455  | \$428,694  | \$200,697  | \$363,482  | \$397,188  | \$142,099  | \$157,040  | \$420,782  |
| 9        | DIVIDED BY: NUMBER OF THERMS              | 52,958,167   | 322,102    | 371,711    | 1,877,387   | 477,734    | 1,062,805  | 597,141    | 1,686,112  | 2,392,910  | 987,784    | 1,008,729  | 3,172,854  |
| 10       | USAGE CHARGES PER-THERM (UNROUNDED)       |              | \$1.343434 | \$0.657713 | \$0.433055  | \$1.039186 | \$0.403361 | \$0.336097 | \$0.215574 | \$0.165985 | \$0.143857 | \$0.155681 | \$0.132619 |
| 11       | USAGE CHARGES PER-THERM (ROUNDED)         |              | \$1.34343  | \$0.65771  | \$0.43305   | \$1.03919  | \$0.40336  | \$0.33610  | \$0.21557  | \$0.16599  | \$0.14386  | \$0.15568  | \$0.13262  |
| 12       | USAGE CHARGE REVENUES (ROUNDED RATES)     | \$8,538,742  | \$432,721  | \$244,478  | \$813,002   | \$496,457  | \$428,693  | \$200,699  | \$363,475  | \$397,199  | \$142,103  | \$157,039  | \$420,784  |
|          | SUMMARY: PROPOSED TARIFF RATES            |              |            |            |             |            |            |            |            |            |            |            |            |
| 13       | FIRM TRANSPORTATION CHARGES               |              | \$10.00    | \$12.50    | \$15.00     | \$27.50    | \$27.50    | \$90.00    | \$90.00    | \$165.00   | \$275.00   | \$450.00   | \$475.00   |
| 14       | USAGE CHARGES (CENTS PER THERM)           |              | 134.343    | 65.771     | 43.305      | 103.919    | 40.336     | 33.610     | 21.557     | 16.599     | 14.386     | 15.568     | 13.262     |
| 15       | SHIPPER ADMINISTRATION CHARGE             |              |            |            |             |            |            |            |            |            |            |            |            |
| 16       | CONSUMER CHARGE                           |              |            |            |             |            |            |            |            |            |            |            |            |
|          | SUMMARY: PRESENT TARIFF RATES             |              |            |            |             |            |            |            |            |            |            |            |            |
| 17       | FIRM TRANSPORTATION CHARGES               |              | \$10.00    | \$12.50    | \$15.00     | \$27.50    | \$27.50    | \$90.00    | \$90.00    | \$165.00   | \$275.00   | \$450.00   | \$475.00   |
| 18       | USAGE CHARGES (CENTS PER THERM)           |              | 44.073     | 44.073     | 44.073      | 29.356     | 29.356     | 19.781     | 19.781     | 17.907     | 16.627     | 14.864     | 11.094     |
| 19       | SHIPPER ADMINISTRATION CHARGE             |              |            |            |             |            |            |            |            |            |            |            |            |
| 20       | CONSUMER CHARGE                           |              |            |            |             |            |            |            |            |            |            |            |            |

SCHEDULE H-3

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORP  
 DOCKET NO. 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

PROPOSED RATE DESIGN

| LINE NO. |  | FTS-8            | FTS-9            | FTS-10          | FTS-11           | FTS-12          | FTS-13           | Special<br>Contracts | SABS           | SAS             | OS-DPO        |
|----------|--|------------------|------------------|-----------------|------------------|-----------------|------------------|----------------------|----------------|-----------------|---------------|
| \$1      | PROPOSED TOTAL TARGET REVENUES                                 | \$711,342        | \$973,395        | \$410,931       | \$836,408        | \$994,268       | \$190,286        | \$1,596,845          | \$966,782      | \$80,795        | \$500         |
| 2        | LESS: OTHER OPERATING REVENUE                                  | \$0              | \$0              | \$0             | \$0              | \$0             | \$0              | \$0                  | \$0            | \$0             | \$0           |
|          | LESS: FIRM TRANSPORTATION CHARGE REVENUES                      |                  |                  |                 |                  |                 |                  |                      |                |                 |               |
| 3        | PROPOSED FIRM TRANSPORTATION CHARGES                           | \$750.00         | \$900.00         | \$1,500.00      | \$3,000.00       | \$4,000.00      | \$13,333.33      | various              | \$300.00       | \$205.00        | \$41.67       |
| 4        | NUMBER OF BILLS  | 192              | 144              | 36              | 36               | 24              | 12               | 96                   | 36             | 96              | 12            |
| 5        | NUMBER OF SHIPPER CUSTOMERS                                    |                  |                  |                 |                  |                 |                  |                      | 192,956        | 7,739           |               |
| 6        | TOTAL FIRM TRANSPORTATION CHARGE REV.<br>% Firm Charge Revenue | \$144,000<br>20% | \$129,600<br>13% | \$54,000<br>13% | \$108,000<br>13% | \$96,000<br>10% | \$160,000<br>84% | \$1,596,845<br>n/a   | \$10,800<br>1% | \$19,680<br>24% | \$500<br>100% |
| 7        | LESS: OTHER NON-USAGE RATE REVENUES                            | \$0              | \$0              | \$0             | \$0              | \$0             | \$0              | \$0                  | \$0            | \$0             | \$0           |
| 8        | EQUALS: USAGE CHARGES TARGET REVENUES                          | \$567,342        | \$843,795        | \$356,931       | \$728,408        | \$698,266       | \$30,286         | \$0                  | \$955,982      | \$61,115        | (\$0)         |
| 9        | DIVIDED BY: NUMBER OF THERMS                                   | 4,336,209        | 6,121,996        | 2,405,252       | 4,972,443        | 7,164,270       | 14,000,727       |                      |                |                 |               |
| 10       | USAGE CHARGES PER-THERM (UNROUNDED)                            | \$0.130838       | \$0.137830       | \$0.148396      | \$0.146489       | \$0.125382      | \$0.002163       |                      | \$4.95         | \$7.90          |               |
| 11       | USAGE CHARGES PER-THERM (ROUNDED)                              | \$0.13084        | \$0.13783        | \$0.14840       | \$0.14649        | \$0.12538       | \$0.00216        |                      | \$4.95         | \$7.90          | \$0.00        |
| 12       | USAGE CHARGE REVENUES (ROUNDED RATES)                          | \$567,350        | \$843,795        | \$356,939       | \$728,413        | \$698,256       | \$30,242         | \$0                  | \$955,982      | \$61,115        | \$0           |
|          | SUMMARY: PROPOSED TARIFF RATES                                 |                  |                  |                 |                  |                 |                  |                      |                |                 |               |
| 13       | FIRM TRANSPORTATION CHARGES                                    | \$750.00         | \$900.00         | \$1,500.00      | \$3,000.00       | \$4,000.00      | \$13,333.33      |                      |                |                 | \$41.67       |
| 14       | USAGE CHARGES (CENTS PER THERM)                                | 13.084           | 13.783           | 14.840          | 14.649           | 12.538          | 0.216            |                      |                |                 |               |
| 15       | SHIPPER ADMINISTRATION CHARGE                                  |                  |                  |                 |                  |                 |                  |                      | \$300.00       | \$205.00        |               |
| 16       | CONSUMER CHARGE  |                  |                  |                 |                  |                 |                  |                      | \$4.95         | \$7.90          |               |
|          | SUMMARY: PRESENT TARIFF RATES                                  |                  |                  |                 |                  |                 |                  |                      |                |                 |               |
| 17       | FIRM TRANSPORTATION CHARGES                                    | \$750.00         | \$900.00         | \$1,500.00      | \$3,000.00       | \$4,000.00      | \$13,333.33      |                      |                |                 | \$41.67       |
| 18       | USAGE CHARGES (CENTS PER THERM)                                | 10.232           | 8.957            | 8.314           | 6.868            | 6.278           | 0.000            |                      |                |                 |               |
| 19       | SHIPPER ADMINISTRATION CHARGE                                  |                  |                  |                 |                  |                 |                  |                      | \$100.00       | \$172.50        |               |
| 20       | CONSUMER CHARGE  |                  |                  |                 |                  |                 |                  |                      | \$3.00         | \$0.00          |               |

SUPPORTING SCHEDULES: H-1 p. 3-6

SCHEDULE H-3

COST OF SERVICE

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FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION  
 DOCKET NO: 090125-GU

EXPLANATION: PROVIDE A FULLY ALLOCATED EMBEDDED  
 COST OF SERVICE STUDY

TYPE OF DATA SHOWN:  
 PROJECTED TEST YEAR: 12/31/10  
 WITNESS: HOUSEHOLDER

OTHER OPERATING REVENUE SUMMARY

| SUMMARY: OTHER OPERATING REVENUE                    | PRESENT REVENUE | PROPOSED REVENUE |
|---|-----------------|------------------|
| 1 Res Connection Charge                             | \$82,080        | \$0              |
| 2 Non-Res Connection Charge                         | \$7,200         | \$0              |
| 3 Res Re-Connection Charge                          | \$33,840        | \$0              |
| 4 Non-Res Re-Connection Charge                      | \$900           | \$0              |
| 5 Connection Charge                                 |                 |                  |
| 6 FTS-A, FTS-B, FTS-1, FTS-2, FTS-3                 | \$0             | \$200,928        |
| 7 FTS-4, FTS-5, FTS-6                               | \$0             | \$10,125         |
| 8 FTS-7 and Above                                   | \$0             | \$0              |
| 9 Subtotal Connection Charges                       | \$124,020       | \$211,053        |
| 10 Collection In Lieu Of Disconnect                 | \$0             | \$0              |
| 11 Change Of Account Charge                         | \$0             | \$0              |
| 12 Return Check Charge                              | \$11,400        | \$11,400         |
| 13 Temporary Disconnect Charge - (New)              | \$0             | \$1,050          |
| 14 Failed Trip Charge - (New)                       | \$0             | \$4,500          |
| 15 Meter Re-Read at Consumer Request Charge - (New) | \$0             | \$5,600          |
| 16 Overtime Charge (1.5 x applicable Misc. Charge)  | \$13,770        | \$23,790         |
| 17  | \$149,190       | \$257,393        |

**Florida Division of Chesapeake Utilities Corporation  
 PTY Revenues at Present and Proposed Rates**

| <u>Line No.</u> | <u>Rate Class</u>          | <u>PTY Revenue at Present Rates</u> | <u>PTY Revenue at Proposed Rates</u> | <u>Proposed Revenue Increase (%)</u> |
|-----------------|----------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1               | FTS-A (0 - 130) Therms     | \$515,000                           | \$665,736                            | 29.3%                                |
| 2               | FTS-B (>130 - 250)         | \$480,499                           | \$598,226                            | 24.5%                                |
| 3               | FTS-1 (>250 - 500)         | \$2,133,456                         | \$2,604,390                          | 22.1%                                |
| 4               | FTS-2 (>500 - 1,000)       | \$453,744                           | \$569,916                            | 25.6%                                |
| 5               | FTS-2.1 (>1,000 - 2,500)   | \$505,377                           | \$632,005                            | 25.1%                                |
| 6               | FTS-3 (>2,500 - 5,000)     | \$360,041                           | \$445,584                            | 23.8%                                |
| 7               | FTS-3.1 (>5,000 - 10,000)  | \$574,370                           | \$719,640                            | 25.3%                                |
| 8               | FTS-4 (>10,000 - 25,000)   | \$741,338                           | \$872,902                            | 17.7%                                |
| 9               | FTS-5 (>25,000 - 50,000)   | \$266,539                           | \$313,347                            | 17.6%                                |
| 10              | FTS-6 (>50,000 - 100,000)  | \$239,720                           | \$283,784                            | 18.4%                                |
| 11              | FTS-7 (>100,000 - 200,000) | \$483,096                           | \$605,139                            | 25.3%                                |
| 12              | FTS-8 (>200,000 - 400,000) | \$587,681                           | \$735,977                            | 25.2%                                |
| 13              | FTS-9 (>400,000 - 750,000) | \$677,947                           | \$884,639                            | 30.5%                                |
| 14              | FTS-10 (>750,000 - 1M)     | \$253,973                           | \$323,883                            | 27.5%                                |
| 15              | FTS-11 (>1M - 2.5M)        | \$449,507                           | \$577,136                            | 28.4%                                |
| 16              | FTS-12 (>2.5M - 10M)       | \$545,773                           | \$692,940                            | 27.0%                                |
| 17              | FTS-13 (>10M)              | \$160,000                           | \$200,363                            | 25.2%                                |
| 18              | Special Contracts          | \$1,596,845                         | \$1,596,845                          | 0.0%                                 |
| 19              | SAS                        | \$16,560                            | \$86,645                             | 423.2%                               |
| 20              | SABS                       | \$582,468                           | \$1,071,835                          | 84.0%                                |
| 21              | OS-DPO                     | \$500                               | \$500                                | 0.0%                                 |
| 22              | Misc. Service Charges      | \$149,190                           | \$257,393                            | 72.5%                                |
| 23              | Total Company              | \$11,773,624                        | \$14,738,825                         | 25.19%                               |

\* Experimental rate classes FTS-A through FTS-3 included in permanent class

**Florida Division of Chesapeake Utilities Corporation  
 Comparison of PTY Rate of Return at Present and Proposed Rates by Class**

| Line No. | Rate Class                 | Present Rates  | Proposed Rates |         |
|----------|----------------------------|----------------|----------------|---------|
|          |                            | Rate of Return | Rate of Return | Index   |
| 1        | FTS-A (0 - 130) Therms     | -2.21%         | 6.98%          | 97.62%  |
| 2        | FTS-B (>130 - 250)         | -2.84%         | 6.93%          | 96.99%  |
| 3        | FTS-1 (>250 - 500)         | -2.80%         | 6.89%          | 96.41%  |
| 4        | FTS-2 (>500 - 1,000)       | -1.00%         | 6.93%          | 96.88%  |
| 5        | FTS-2.1 (>1,000 - 2,500)   | -2.25%         | 6.79%          | 94.91%  |
| 6        | FTS-3 (>2,500 - 5,000)     | -3.43%         | 6.79%          | 94.95%  |
| 7        | FTS-3.1 (>5,000 - 10,000)  | -2.47%         | 6.66%          | 93.18%  |
| 8        | FTS-4 (>10,000 - 25,000)   | 0.37%          | 6.64%          | 92.83%  |
| 9        | FTS-5 (>25,000 - 50,000)   | 0.85%          | 6.61%          | 92.39%  |
| 10       | FTS-6 (>50,000 - 100,000)  | 1.49%          | 6.60%          | 92.33%  |
| 11       | FTS-7 (>100,000 - 200,000) | 1.25%          | 7.14%          | 99.92%  |
| 12       | FTS-8 (>200,000 - 400,000) | 1.76%          | 7.15%          | 99.99%  |
| 13       | FTS-9 (>400,000 - 750,000) | 1.73%          | 7.15%          | 100.02% |
| 14       | FTS-10 (>750,000 - 1M)     | 2.85%          | 7.15%          | 100.04% |
| 15       | FTS-11 (>1M - 2.5M)        | 3.32%          | 7.15%          | 100.06% |
| 16       | FTS-12 (>2.5M - 10M)       | 3.46%          | 7.15%          | 100.07% |
| 17       | FTS-13 (>10M)              | 2.41%          | 7.15%          | 100.00% |
| 18       | Special Contracts          | 10.96%         | 10.96%         | 153.30% |
| 19       | SAS                        | -15.67%        | 7.15%          | 100.00% |
| 20       | SABS                       | -6.06%         | 7.15%          | 100.00% |
| 23       | Total Company              | 3.22%          | 7.15%          |         |

\* Relative to Proposed System Average Return of 7.15%.

\*\* Experimental rate classes FTS-A through FTS-3 included in permanent class

**Florida Division of Chesapeake Utilities Corporation  
 Comparison of PTY Revenues from Fixed FTS Charges at Present and Proposed Rates by Class**

| Line No. | Rate Class                 | Present Rate Revenues |                    |                    |              | Proposed Rate Revenues |                    |                     |              |
|----------|----------------------------|-----------------------|--------------------|--------------------|--------------|------------------------|--------------------|---------------------|--------------|
|          |                            | FTS Charge            | Usage Charge       | Total Revenue      | % Fixed      | FTS Charge             | Usage Charge       | Total Revenue       | % Fixed      |
| 1        | FTS-A (0 - 130) Therms     | \$373,040             | \$141,960          | \$515,000          | 72.4%        | \$484,952              | \$180,783          | \$665,735           | 72.8%        |
| 2        | FTS-B (>130 - 250)         | \$316,675             | \$163,824          | \$480,499          | 65.9%        | \$418,011              | \$180,217          | \$598,228           | 69.9%        |
| 3        | FTS-1 (>250 - 500)         | \$1,306,035           | \$827,421          | \$2,133,456        | 61.2%        | \$1,828,449            | \$775,943          | \$2,604,392         | 70.2%        |
| 4        | FTS-2 (>500 - 1,000)       | \$313,500             | \$140,244          | \$453,744          | 69.1%        | \$399,000              | \$170,914          | \$569,914           | 70.0%        |
| 5        | FTS-2.1 (>1,000 - 2,500)   | \$193,380             | \$311,997          | \$505,377          | 38.3%        | \$316,440              | \$315,568          | \$632,008           | 50.1%        |
| 6        | FTS-3 (>2,500 - 5,000)     | \$241,920             | \$118,121          | \$360,041          | 67.2%        | \$290,304              | \$155,281          | \$445,585           | 65.2%        |
| 7        | FTS-3.1 (>5,000 - 10,000)  | \$240,840             | \$333,530          | \$574,370          | 41.9%        | \$358,584              | \$361,064          | \$719,648           | 49.8%        |
| 9        | FTS-4 (>10,000 - 25,000)   | \$312,840             | \$428,498          | \$741,338          | 42.2%        | \$436,080              | \$436,826          | \$872,906           | 50.0%        |
| 10       | FTS-5 (>25,000 - 50,000)   | \$102,300             | \$164,239          | \$266,539          | 38.4%        | \$158,100              | \$155,250          | \$313,350           | 50.5%        |
| 11       | FTS-6 (>50,000 - 100,000)  | \$91,800              | \$147,920          | \$239,720          | 38.3%        | \$142,800              | \$140,980          | \$283,780           | 50.3%        |
| 12       | FTS-7 (>100,000 - 200,000) | \$131,100             | \$351,996          | \$483,096          | 27.1%        | \$269,100              | \$336,037          | \$605,137           | 44.5%        |
| 13       | FTS-8 (>200,000 - 400,000) | \$144,000             | \$443,681          | \$587,681          | 24.5%        | \$345,600              | \$380,389          | \$735,989           | 47.0%        |
| 14       | FTS-9 (>400,000 - 750,000) | \$129,600             | \$548,347          | \$677,947          | 19.1%        | \$399,600              | \$485,046          | \$884,646           | 45.2%        |
| 15       | FTS-10 (>750,000 - 1M)     | \$54,000              | \$199,973          | \$253,973          | 21.3%        | \$158,400              | \$165,481          | \$323,881           | 48.9%        |
| 16       | FTS-11 (>1M - 2.5M)        | \$108,000             | \$341,507          | \$449,507          | 24.0%        | \$288,000              | \$289,148          | \$577,148           | 49.9%        |
| 17       | FTS-12 (>2.5M - 10M)       | \$96,000              | \$449,773          | \$545,773          | 17.6%        | \$345,600              | \$347,324          | \$692,924           | 49.9%        |
| 18       | FTS-13 (>10M)              | \$160,000             | \$0                | \$160,000          | 100.0%       | \$200,307              | \$0                | \$200,307           | 100.0%       |
| 19       | SPECIAL CONTRACT           | \$1,596,835           | \$0                | \$1,596,835        | 100.0%       | \$1,596,835            | \$0                | \$1,596,835         | 100.0%       |
| 20       | SAS                        | \$16,560              | \$0                | \$16,560           | 100.0%       | \$86,845               | \$0                | \$86,845            | 100.0%       |
| 21       | SABS                       | \$582,468             | \$0                | \$582,468          | 100.0%       | \$1,071,835            | \$0                | \$1,071,835         | 100.0%       |
| 22       | OSDPO                      | \$500                 | \$0                | \$500              | 100.0%       | \$500                  | \$0                | \$500               | 100.0%       |
| 23       | MISC REVENUES              | \$149,190             | \$0                | \$149,190          | 100.0%       | \$257,393              | \$0                | \$257,393           | 100.0%       |
| 24       | <b>Total Company</b>       | <b>\$4,315,030</b>    | <b>\$5,113,031</b> | <b>\$9,428,061</b> | <b>45.8%</b> | <b>\$9,852,735</b>     | <b>\$4,886,249</b> | <b>\$14,738,984</b> | <b>66.8%</b> |

\* Experimental rate classes FTS-A through FTS-3 included in permanent class

PROPOSED ENVIRONMENTAL SURCHARGE - RATE DERIVATION  
 YEAR ENDED 12/31/10

| (1)      | (2)           | (3)     | (4)         | (5)             | (6)           | (7)          | (8)             | (9)        |                           |
|----------|---------------|---------|-------------|-----------------|---------------|--------------|-----------------|------------|---------------------------|
| LINE NO. | RATE SCHEDULE | BILLS   | THERM SALES | CUSTOMER CHARGE | ENERGY CHARGE | TOTAL (4+5)  | DOLLAR INCREASE | % INCREASE | INCREASE DOLLARS PER BILL |
| 1        | FTS-A         | 37,304  | 322,102     | \$484,952       | \$180,783     | \$665,735    | \$11,553        | 1.74%      | \$0.31                    |
| 2        | FTS-B         | 25,334  | 371,711     | \$418,011       | \$180,217     | \$598,228    | \$10,381        | 1.74%      | \$0.41                    |
| 3        | FTS-1         | 87,069  | 1,877,387   | \$1,828,449     | \$775,943     | \$2,604,392  | \$45,194        | 1.74%      | \$0.52                    |
| 4        | FTS-2         | 11,400  | 477,734     | \$399,000       | \$170,914     | \$569,914    | \$9,890         | 1.74%      | \$0.87                    |
| 5        | FTS-2.1       | 7,032   | 1,062,805   | \$316,440       | \$315,568     | \$632,008    | \$10,967        | 1.74%      | \$1.56                    |
| 6        | FTS-3         | 2,688   | 597,141     | \$290,304       | \$155,281     | \$445,585    | \$7,732         | 1.74%      | \$2.88                    |
| 7        | FTS-3.1       | 2,676   | 1,666,112   | \$358,584       | \$361,064     | \$719,648    | \$12,488        | 1.74%      | \$4.67                    |
| 8        | FTS-4         | 1,896   | 2,392,910   | \$436,080       | \$436,826     | \$872,906    | \$15,148        | 1.74%      | \$7.99                    |
| 9        | FTS-5         | 372     | 987,784     | \$158,100       | \$155,250     | \$313,350    | \$5,438         | 1.74%      | \$14.62                   |
| 10       | FTS-6         | 204     | 1,008,729   | \$142,800       | \$140,980     | \$283,780    | \$4,924         | 1.74%      | \$24.14                   |
| 11       | FTS-7         | 276     | 3,172,854   | \$269,100       | \$336,037     | \$605,137    | \$10,501        | 1.74%      | \$38.05                   |
| 12       | FTS-8         | 192     | 4,336,209   | \$345,600       | \$390,389     | \$735,989    | \$12,772        | 1.74%      | \$66.52                   |
| 13       | FTS-9         | 144     | 6,121,996   | \$399,600       | \$485,046     | \$884,646    | \$15,351        | 1.74%      | \$106.61                  |
| 14       | FTS-10        | 36      | 2,405,252   | \$158,400       | \$165,481     | \$323,881    | \$5,620         | 1.74%      | \$156.12                  |
| 15       | FTS-11        | 36      | 4,972,443   | \$288,000       | \$289,148     | \$577,148    | \$10,015        | 1.74%      | \$278.20                  |
| 16       | FTS-12        | 24      | 7,164,270   | \$345,600       | \$347,324     | \$692,924    | \$12,024        | 1.74%      | \$501.02                  |
| 1        | TOTAL         | 176,683 | 38,957,440  | \$6,639,020     | \$4,886,249   | \$11,525,269 | \$200,000       | 1.74%      |                           |

**Florida Division of Chesapeake Utilities Corporation  
 Comparison of Present and Proposed Miscellaneous Revenue Charges**

| <u>Line No.</u> | <u>Misc Revenue Charge</u>  | <u>Present Rates</u>              | <u>Proposed Rates</u>             |
|-----------------|---|-----------------------------------|-----------------------------------|
| 1               | Connection Charge<br>FTS-A through FTS-3.1                              | \$30.00                           | \$52.00                           |
| 2               | Connection Charge<br>FTS-4 through FTS-6                                | \$60.00                           | \$75.00                           |
| 3               | Connection Charge<br>FTS-7 and above                                    | \$60.00                           | \$220.00                          |
| 5               | Reconnection Charge<br>Residential                                      | \$30.00                           | none                              |
| 6               | Reconnection Charge<br>Commercial                                       | \$60.00                           | none                              |
| 8               | Change of Account Charge<br>AMR Electronic Read Only                    | \$15.00                           | \$13.00                           |
| 6               | Return Check Charge<br>Florida statutory limits                         | Greater of \$25<br>or 5% of check | Greater of \$25<br>or 5% of check |
| 7               | Collection in Lieu of Discontinuance Charge<br>For non-payment of bills | \$20.00                           | \$40.00                           |
| 9               | Temporary Disconnect Charge<br>Consumer requested or for cause          | New                               | \$21.00                           |
| 8               | Failed Trip Charge<br>Consumer fails to keep scheduled appointment      | New                               | \$20.00                           |
| 10              | Meter Re-Read at Consumer Request<br>Physical read at consumer premises | New                               | \$28.00                           |
| 11              | Other than regular business hours                                       | Applicable fee X 1.5              | Applicable fee X 1.5              |

**Note:** Current Connection Charge is designated "Residential" or "Commercial" without regard to rate class.

**Florida Division of Chesapeake Utilities Corporation  
 Comparison of Present and Proposed Rates by Class**

| <u>Line No.</u> | <u>Proposed Rate Class</u>  | <u>Present Rates</u> | <u>Proposed Rates</u> |
|-----------------|---|----------------------|-----------------------|
| 1               | <b>FTS-A (0 - 130 Therms/yr)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm        | \$10.00<br>\$0.44073 | \$13.00<br>\$0.56126  |
| 2               | <b>FTS-A EXP (0 - 130 therm/yr)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm     | \$15.20<br>n/a       | \$18.05<br>n/a        |
| 3               | <b>FTS-B (&gt;130 - 250)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm            | \$12.50<br>\$0.44073 | \$16.50<br>\$0.48483  |
| 4               | <b>FTS-B EXP (&gt;130 - 250)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm        | \$20.40<br>n/a       | \$24.00<br>n/a        |
| 5               | <b>FTS-1 (0 - 500)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm                  | \$15.00<br>\$0.44073 | \$21.00<br>\$0.41483  |
| 6               | <b>FTS-1 EXP (0 - 500)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm              | \$28.00<br>n/a       | \$30.00<br>n/a        |
| 7               | <b>FTS-2 (&gt;500 - 1,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm          | \$27.50<br>\$0.29356 | \$35.00<br>\$0.35776  |
| 8               | <b>FTS-2 EXP (&gt;500 - 1,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm      | \$55.25<br>n/a       | \$50.00<br>n/a        |
| 9               | <b>FTS-2.1 (&gt;1,000 - 2,500)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm      | \$27.50<br>\$0.29356 | \$45.00<br>\$0.29692  |
| 10              | <b>FTS-2.1 EXP (&gt;1,000 - 2,500)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm  | \$55.25<br>n/a       | \$90.00<br>n/a        |
| 11              | <b>FTS-3 (&gt;2,500 - 5,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm        | \$90.00<br>\$0.19781 | \$108.00<br>\$0.26004 |
| 12              | <b>FTS-3 EXP (&gt;2,500 - 5,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm    | \$189.00<br>n/a      | \$166.00<br>n/a       |
| 13              | <b>FTS-3.1 (&gt;5,000 - 10,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm     | \$90.00<br>\$0.19781 | \$134.00<br>\$0.21414 |
| 14              | <b>FTS-3.1 EXP (&gt;5,000 - 10,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm | \$189.00<br>n/a      | \$269.00<br>n/a       |

| <u>Line No.</u> | <u>Proposed Rate Class</u>   | <u>Present Rates</u>   | <u>Proposed Rates</u>  |
|-----------------|--|--|--|
| 15              | <b>FTS-4 (&gt;10,000 - 25,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm   | \$165.00<br>\$0.17907  | \$230.00<br>\$0.18255  |
| 16              | <b>FTS-5 (&gt;25,000 - 50,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm   | \$275.00<br>\$0.16627  | \$425.00<br>\$0.15717  |
| 17              | <b>FTS-6 (&gt;50,000 - 100,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm  | \$450.00<br>\$0.14664  | \$700.00<br>\$0.13976  |
| 18              | <b>FTS-7 (&gt;100,000 - 200,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm   | \$475.00<br>\$0.11094  | \$975.00<br>\$0.10591  |
| 19              | <b>FTS-8 (&gt;200,000 - 400,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm   | \$750.00<br>\$0.10232  | \$1,800.00<br>\$0.09003  |
| 20              | <b>FTS-9 (&gt;400,000 - 750,000)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm   | \$900.00<br>\$0.08957  | \$2,775.00<br>\$0.07923  |
| 21              | <b>FTS-10 (&gt;750,000 - 1M)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm   | \$1,500.00<br>\$0.08314  | \$4,400.00<br>\$0.06880  |
| 22              | <b>FTS-11 (&gt;1M - 2.5M)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm  | \$3,000.00<br>\$0.06868  | \$8,000.00<br>\$0.05815  |
| 23              | <b>FTS-12 (&gt;2.5M - 12.5M)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm   | \$4,000.00<br>\$0.06278  | \$14,400.00<br>\$0.04848   |
| 24              | <b>FTS-13 (&gt;12.5M)</b><br>Firm Transportation Charge per Month<br>Usage Charge per therm  | \$13,333.33<br>n/a   | \$16,692.25<br>\$0.00  |
| 26              | <b>SAS</b><br>Shipper Administrative Charge<br>Consumer Charge per bill  | \$172.50<br>\$0.00   | \$300.00<br>\$5.50   |
| 27              | <b>SABS</b><br>Shipper Administrative Charge<br>Consumer Charge per bill   | \$100.00<br>\$3.00   | \$300.00<br>\$7.50   |
| 28              | <b>OSDPO Service</b><br>Up to 500 Dt<br>501 - 1,000 Dt<br>1,001 - 2500 Dt<br>2,501 - 5,000 Dt<br>5,001 - 10,000 Dt<br>10,001 - 25,000 Dt<br>Over 25,000 Dt | \$41.67<br>\$83.34<br>\$208.34<br>\$416.67<br>\$833.34<br>\$1,250.00<br>\$1,666.67 | \$41.67<br>\$83.34<br>\$208.34<br>\$416.67<br>\$833.34<br>\$1,250.00<br>\$1,666.67 |

Note: FTS-A , FTS-A EXP, FTS-B and FTS-B EXP are closed to new service additions.

EXHIBIT NO. \_\_\_\_\_ (JMH-9)

DOCKET No. 090125-GU

TARIFF OF FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORP.

A.- TARIFF CHANGES IN LEGISLATIVE FORMAT

B. – FINAL VERSION OF PROPOSED TARIFF

TARIFF VOLUME No. 4

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Original Sheet No. 10

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d. Shipper of Last Resort (SOLR) Service

In the event all TTS Shippers are terminated as provided in the Termination of Shipper Status (Section III.B) of this tariff, the Company shall become the Shipper Of Last Resort. The Company shall perform all TTS Shipper functions as defined within this tariff. The SOLR service shall be provided in accordance with the Rules and Regulations set forth in this tariff, the terms and conditions of the TTS Shipper Agreement, and other approved rules or regulations of the Company, as applicable. Monthly Rate Adjustments and Taxes and Fees, as set forth on Sheet Nos. 98 – 106, may also apply. The Company shall provide this service to Consumers until a replacement TTS Shipper is selected as provided in Section III.A.3. of the Rules and Regulations of this tariff and initiates service.

e. Flexible Gas Service (FGS)

Transportation Service provided to a Consumer, at the sole option of the Company, where rates, terms and/or conditions of service other than those provided in this tariff are required to add or retain a Consumer on the Company's distribution system. The negotiated rates and terms provided in a FGS Agreement are subject to the conditions set forth in Commission Order PSC-98-1485-FOF-GU and other approved rules or regulations of the Company, as applicable. All FGS Consumers must demonstrate a viable Alternate Fuel option and shall enter into a written FGS Agreement with the Company.

2. SHIPPER SERVICES:

a. Shipper Administrative and Billing Service (SABS)

Administrative and billing service provided to a Shipper under the SABS rate schedule, in accordance with the Rules and Regulations set forth in this tariff, as applicable. The Company shall provide the following services to Shippers under the SABS: 1) presentment of Automated Meter Reading (AMR) daily readings of applicable Consumer's meters; 2) provision of Consumer projected monthly usage information, along with Transporter capacity quantity to be released to Shipper; 3) provision of Consumer historical usage information to Shipper each month; 4) retention of Consumer's historical usage information; 5) LOA retention and administration; 6) receipt and administration of Shipper's Gas rates for Consumer billing; 7) calculation and presentation of Shipper's Gas billing

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charges on Company's monthly bill or, at Company's sole option, on a separate bill to Consumers; 8) collection and application of Consumer payments for Shipper's Gas billing charges; 9) remittance of Consumer payments for Shipper's Gas billing charges to Shipper, net of Shipper's billing charges that are bad debt write-offs and recovery of said bad debts, the SABS tariff-approved charges and other applicable charges and adjustments; and 10) other services as the Company may determine necessary to administer Gas deliveries by Shipper's to Consumers. This service is required for TTS Shippers and is optional for CI Shippers. Monthly Rate Adjustments and Taxes and Fees, as set forth on Sheet Nos. 98 – 106, may also apply.

b. Shipper Administrative Service (SAS)

Administrative service provided to a Shipper under the SAS rate schedule, in accordance with the Rules and Regulations set forth in this tariff, as applicable. The Company shall provide the following services to Shippers under the SAS: 1) presentment of AMR daily readings of applicable Consumer's meters; 2) provision of Consumer projected monthly usage information, along with Transporter capacity quantity to be released to Shipper; 3) provision of Consumer historical usage information to Shipper each month; 4) retention of Consumer's historical usage information; 5) LOA retention and administration; and 6) other services as the Company may determine necessary to administer Gas deliveries by Shippers to Consumers. This service is required for CI Shippers, unless CI Shipper selects the SABS or has executed a FGS or Special Contract Agreement; and is not available to TTS Shippers. Monthly Rate Adjustments and Taxes and Fees, as set forth on Sheet Nos. 98 – 106, may also apply.

c. Delivery Point Operator (DPO) Service

Administrative service provided to a Shipper by Company, or Company's agent acting as DPO, in accordance with the Rules and Regulations set forth in this tariff, as applicable. Company shall provide the following services to Shippers under the DPO Service: 1) receipt and administration of scheduled Gas quantities for Shipper's Consumer Pool; 2) compilation of measured Gas quantities for Shipper's Consumer Pool; 3) resolution of monthly imbalances with Transporter (difference between scheduled Gas quantities for all Shippers and measured Gas quantities at the Delivery Point(s) of Company), using approved book-out and/or cash-out processes of Transporter; 4) resolution of monthly imbalances with Shipper (difference between scheduled

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Gas quantities and measured Gas quantities for Shipper's Consumer Pool), in accordance with this tariff; 5) administration of the OBA

account, in accordance with this tariff; 6) administration of Transporter Operational Orders, including financial transactions, if any, in accordance with this tariff; and 7) other services as Company may determine necessary to administer Gas deliveries by Shippers to Consumers. All Shippers shall receive this service from Company. Company costs for this service are recovered through the Monthly Rates for all other rate schedules, as approved in Company previous rate proceeding.

d. Off-System Delivery Point Operator (OS-DPO) Service

Administrative service, in accordance with an executed Off-System Delivery Point Operator Agreement (Sheet Nos. 139 to 148), provided at Transporter delivery point(s) to a Shipper by Company, or Company's agent acting as DPO, in accordance with the Rules and Regulations set forth in this tariff, as applicable. Company shall provide the following services to Shippers under the OS-DPO Service: 1) receipt and administration of scheduled Gas quantities for Shipper's Consumer Pool; 2) compilation of measured Gas quantities for Shipper's Consumer Pool; 3) resolution of monthly imbalances with Transporter (difference between scheduled Gas quantities for all Shippers and measured Gas quantities at the Delivery Point(s) of Company), using approved book-out and/or cash-out processes of Transporter; 4) resolution of monthly imbalances with Shipper (difference between scheduled Gas quantities and measured Gas quantities for Shipper's Consumer Pool), in accordance with this tariff; 5) administration of the OBA account, in accordance with this tariff; 6) administration of Transporter Operational Orders, including financial transactions, if any, in accordance with this tariff; and 7) other services as Company may determine necessary to administer Gas deliveries by Shippers to Consumers. Monthly Rate Adjustments and Taxes and Fees, as set forth on Sheet Nos. 98 – 106, may also apply.

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option to Company in accordance with the terms and conditions of the open enrollment process. Residential Consumers not designating, in writing, their selection of a Company rate schedule, TTS Shipper or TTS Shipper pricing option, shall retain their existing Company rate schedule, TTS Shipper and TTS Shipper pricing option. In the event Residential Consumers' existing TTS Shipper no longer offers their existing pricing option, and the Residential Consumer does not select an offered pricing option, the Company shall assign such Residential Consumer to their existing TTS Shipper at the standard pricing option as identified in Company's TTS Shipper Agreement with each TTS Shipper. Company does not assume any liability related to the selections made by each Residential Consumer and does not warrant that each Residential Consumer will select the Company rate schedule, TTS Shipper and/or TTS Shipper pricing option that is most advantageous.

2. Non-Residential Consumers

a. Selection of CI Shipper

Non-Residential Consumers in a TTS Consumer Pool may select any approved CI Shipper at any time in accordance with Section II.B.3.a.v.

b. Selection of TTS Shipper

Non-Residential Consumers in a TTS Consumer Pool may change their TTS Shipper and pricing option or existing TTS Shipper's pricing option only during open enrollment periods as defined in Section II.D.1.

E. MISCELLANEOUS CHARGES

The Company shall charge the Consumer the following amounts, as applicable:

| <u>Description of Charge</u>  | <u>Amount</u>     |
|---|-------------------|
| <del>Residential Consumer</del> Connection Charge – FTS-A through FTS-3.1:            | \$ <u>3052.00</u> |
| <del>Non-Residential Consumer</del> Connection Charge – FTS-4 through FTS-6:          | \$ <u>6075.00</u> |
| <del>Residential Consumer</del> Re-Connection Charge – FTS-7 and above:               | \$ <u>3220.00</u> |
| <del>Non-Residential Consumer</del> Re-Connection <u>Temporary Disconnect</u> Charge: | \$ <u>6021.00</u> |
| Collection in Lieu of Discontinuance Charge:  | \$ <u>240.00</u>  |
| Change of <del>Occupancy</del> <u>Account</u> Charge:                                 | \$ <u>153.00</u>  |
| <u>Failed Trip</u> Charge:  | \$ <u>20.00</u>   |

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|   |  |
|---|--|
| <u>Meter Re-Read at Consumer Request Charge:</u>  | <u>\$28.00</u>   |
| Return Check Charge:                              | \$25.00 or 5% of the face value of the check, which ever is greater. |
| Service Extension Charge (Any size service line): | Actual installed cost  |

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(Continued)

Where above services are provided outside of normal business hours, by special appointment, or same day service the charges set forth above shall be multiplied by 1.5.

**F. ASSIGNMENT OF RATE SCHEDULES**

**1. Initial Rate Schedule Assignment**

At the time of meter activation, Company shall estimate the annual therm usage of premise occupied by Consumer (based upon the connected gas consuming appliances or equipment) and shall assign Consumer's premise to the applicable rate schedule. Company shall not be required to make any refunds to Consumers if actual annual usage is below the minimum usage level of the rate schedule assigned.

**2. Annual Rate Schedule Review**

Company shall review the annual therm usage of each ~~Consumer-premise~~ at calendar year end and shall assign each ~~Consumer-premise~~ to the rate schedule that corresponds to ~~Consumer's~~ it's respective annual therm usage. Such rate schedule assignments shall be effective on January 1 of each calendar year. Company shall not be required to make any refunds to Consumers if actual annual usage is below the minimum usage level of the rate schedule assigned.

**G. CONSUMER'S INSTALLATION**

**1. Type and Maintenance**

The Consumer's Installation shall be constructed and maintained in accordance with the Consumer Rules and Regulations of the Company and all governmental regulations applicable to Consumer's Installation. The Consumer shall not utilize any apparatus or device which is not properly constructed, controlled, or protected, or which may adversely affect Transportation Service; and the Company reserves the right to discontinue or withhold Transportation Service to any Consumer on account of any defect in Consumer's Installation.

**2. Change of Consumer's Installation**

No changes in Consumer's Installation that will affect the operation of any portion of the distribution system of the Company shall be made without

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Effective:

Florida Division of Chesapeake Utilities Corporation ~~Original~~ First Revised Sheet No. 30  
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(Continued)

written consent of the Company. The Consumer will be liable for any damage to the Company resulting from a violation of this provision.

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(Continued)

3. Inspection of Consumer's Installation

If municipal or other governmental inspection is required, the Company shall not be required to render Transportation Service until such inspection has been made and the Company has received approval from the inspecting authority. The Company reserves the right to inspect Consumer's Installation prior to rendering Transportation Service and from time to time thereafter, but assumes no responsibility whatsoever on account of having made such inspection.

4. Investigation of Suspected Gas Leak on Consumer's Installation

Company, upon request from Consumer, shall investigate a suspected Gas leak on the Consumer's Installation at no charge to the Consumer. If a leak is detected on Consumer's Installation, Company shall turn off the meter until appropriate repairs are affected. Upon Consumer request to reactivate the meter, Company shall determine if appropriate repairs have been made and, if so, turn the meter on. The approved Re-Connection Charge (Section II.E.) shall apply.

5. Indemnity to Company

The Consumer shall indemnify, hold harmless, and defend the Company from and against any and all liability, proceedings, suits, costs or expenses for loss, damage or injury to persons or property in any manner directly or indirectly connected with or growing out of the transportation and use of Gas by the Consumer downstream of the Point of Delivery.

The Consumer shall also indemnify, hold harmless, and defend the Company from and against any and all liability, proceedings, suits, costs or expenses for loss, economic damage, damage or injury to persons or property and attorneys' fees, in any manner directly or indirectly connected with or arising out of the acts, omissions, or negligence of the Company, its employees or agents in the transportation and use of Gas by the Consumer.

H. CREDITWORTHINESS

The Company may require a prospective Consumer to satisfactorily establish credit before Transportation Service will be initiated, but such establishment of credit shall not relieve the prospective Consumer from complying with the Company's provisions herein for prompt payment of bills. Credit will be deemed so established if any one of the following criteria is satisfied:

1. The prospective Residential Consumer furnishes a satisfactory guarantor to secure payment of bills. A satisfactory guarantor shall, at the minimum, be a Consumer of the Company with a satisfactory payment record. A

**RULES AND REGULATIONS**

(Continued)

guarantor's liability shall be terminated when a Residential Consumer whose payment of bills is secured by the guarantor meets the requirements of Section II.K.1. of this tariff.

2. The prospective Residential Consumer furnishes a letter from another utility showing the prospective Residential Consumers' satisfactory payment record for the preceding 23 months. Satisfactory payment record will be deemed to be established if the applicant meets the criteria stated below in Section II.K.1.
3. The prospective non-Residential Consumer has an Intelliscore of 60 or above from Experian (credit rating agency for commercial and industrial accounts) or furnishes an irrevocable letter of credit from a bank or a surety bond for the amount shown for the prospective Consumer's projected rate classification in Section II.I.1. below.

**I. DEPOSIT REQUIREMENTS**

If a prospective Consumer does not satisfy one of the creditworthiness criteria defined in Section H, then payment of an initial deposit shall be required according to the following criteria:

1. **Initial Deposit**

a. **Amount**

The amount of the initial deposit shall be determined by the following schedule:

| <u>Rate Classification</u> | <u>Initial Deposit Amount</u> |
|----------------------------|-------------------------------|
| FTS-1                      | \$ <u>55.00</u>               |
| FTS-2                      | \$ <u>+750.00</u>             |
| <u>FTS-2.1</u>             | <u>\$ 150.00</u>              |
| <u>FTS-3</u>               | <u>\$ 300.00</u>              |
| <u>FTS-3.1</u>             | <u>\$ 46500.00</u>            |
| FTS-4                      | \$ <u>1,000.00</u>            |
| FTS-5                      | \$ <u>1,850.00</u>            |
| FTS-6                      | \$ <u>3,200.00</u>            |
| FTS-7                      | \$ <u>4,300.00</u>            |
| FTS-8                      | \$ <u>7,650.00</u>            |
| FTS-9                      | \$ <u>11,500.00</u>           |
| FTS-10                     | \$ <u>17,000.00</u>           |
| FTS-11                     | \$ <u>30,500.00</u>           |
| FTS-12                     | \$ <u>86,500.00</u>           |

b. **Payment Method**

The prospective Consumer shall pay a deposit by ~~cash~~, check, credit card, or

## RULES AND REGULATIONS

(Continued)

debit card prior to the initiation of Transportation Service. A receipt for any deposit made by a prospective Consumer shall be given to prospective Consumer. Such receipt is not negotiable or transferable.

c. Request for Billing of Initial Deposit Amount

Prospective Residential Consumers may request to be billed for the amount of the initial deposit. A bill for prospective Residential Consumer's initial deposit is due upon receipt and shall be considered delinquent by the Company at the expiration of seven (7) days from the date of mailing by the Company. Delinquent accounts are subject to Section R, Discontinuance of Transportation Service.

2. New or Additional Deposits

The Company may require, upon reasonable written notice of not less than thirty (30) days, such request or notice being separate and apart from any bill for Transportation Service, a new deposit where previously waived or returned, or an additional deposit, in order to secure payment of current bills; provided, however, that the total amount of the required new or additional deposit shall not exceed an amount equal to the average actual charges for Transportation Service for two (2) billing periods during the twelve (12) month period immediately prior to the date of notice. In the event the Consumer has had service less than twelve (12) months, then the utility shall base its new or additional deposit upon the average actual monthly billing available.

### J. INTEREST ON DEPOSITS

Six percent (6%) per annum interest will be credited to Residential Consumer's account annually in accordance with the current effective rules and regulations of the Commission. Seven percent (7%) per annum will be credited annually on deposits of Residential Consumers qualifying under Section II.K.1. when the Company elects not to refund such a deposit after twenty-three (23) months. The Company shall credit annually seven percent (7%) per annum on deposits of non-Residential Consumers qualifying for refund under Section II.K.1. until the Commission sets a new interest rate applicable to the Company.

### K. REFUND OF DEPOSITS

1. With Satisfactory Payment Record

After a Residential Consumer has established a satisfactory payment record and has had continuous service for a period of not less than 23 months, \_\_\_\_\_ the \_\_\_\_\_ Company







RULES AND REGULATIONS  
(Continued)

3. OS-DPO Rate Schedule

Upon initiation of service, any TTS Shipper or CI Shipper who has executed an Off-System Delivery Point Operator Agreement with Company shall be assigned to the OS-DPO rate schedule.

D. TERMINATION OF CONSUMER

Any CI Shipper may terminate service for any reason to a non-Residential Consumer upon written ~~notice~~ submittal to Company ten (10) days prior to the first day of the month of the CI Shipper Consumer Termination Form included in the Standard Forms section of this tariff. Unless Company receives a valid LOA requesting service from a CI Shipper, said non-Residential Consumer shall be assigned to a TTS Shipper in accordance with Section II.B.3.b.

E. CAPACITY RELEASE

1. Intent of Capacity Release

Company, through its Service Agreements with Transporters, has contracted for firm capacity rights on Transporters' pipeline systems. Company can either: 1) temporarily release to Shippers each month, utilizing the methodology described below, all Transporter capacity for Shippers' use in transporting Gas to its Consumer Pool; or, 2) retain sufficient capacity for the provision of the SOLR Service, in accordance with the applicable provisions of this tariff and release the remainder of Transporter capacity to Shippers' as described herein.

2. Capacity Release Methodology

The Company shall, to the extent Transporter capacity is available, release Transporter capacity for each Existing Consumer (defined as a non-Residential Consumer who was receiving Transportation Service from the Company on or before November 5, 2002) to its selected CI Shipper or its assigned TTS Shipper. The Company shall temporarily release all quantities of such Transporter capacity to Shippers each month in accordance with the Transporter capacity allocation method approved by the Commission in Order No. PSC-02-1646-TRF-GU and as further clarified herein.

3. Quantity of Capacity For Release

Each month, Company shall determine the DCQ to be released to each Shipper using the following methodology:

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(Continued)

- a. For an Existing Consumer whose annual Gas usage exceeded 100,000 Therms in calendar year 2001:
    - i. the DCQ shall be the daily quantity of Transporter capacity as exhibited in an executed capacity release agreement in effect on November 5, 2002 ("Capacity Agreement"). At the expiration or termination of the Capacity Agreement, Company shall continue to allocate Transporter capacity to the Existing Consumer in the same quantity as exhibited in the executed capacity release agreement; or
    - ii. the DCQ shall be the actual peak month Gas usage quantity in calendar year 2001 divided by the number of days in such peak month, rounded up to the next whole dekatherm.
  - b. For each Existing Consumer whose annual Gas usage was 100,000 Therms or less in calendar year 2001, the DCQ shall be determined by dividing the maximum usage quantity for Existing Consumer's rate classification in calendar year 2001 by 365 days; then dividing the result of this calculation (Therms per Gas Day) by 10 (to convert Therms to Dekatherms); and then rounding up to the next whole Dekatherm.
  - c. The remaining capacity quantity after the allocations resulting from Subsections 3a. and 3b. shall be the DCQ for all Residential Consumers. Company shall determine the ratio of active Residential Consumers in each TTS Shipper's Consumer Pool to the total number of active Residential Consumers on the Company's distribution system. The Residential Consumer DCQ shall be proportionately allocated to TTS Shippers based on the ratio described herein.
  - d. Each month, the Company shall determine the total DCQ for each Shipper, in accordance with the methodology described herein. Adjustments to Shipper's DCQ may occur from time to time to reflect changes in Shipper's Consumer Pool, resulting from the submission of LOAs to the Company from Consumers. In the event a Consumer discontinues Transportation Service, all quantities of capacity allocated to such Consumer and released to the Consumer's designated Shipper as provided in this tariff shall revert to the TTS Pool and be allocated as identified in paragraph c. above.
4. Allocation Of Capacity From Multiple Transporters  
Company has contracted for capacity on two (2) Transporter's pipelines, Florida Gas Transmission (FGT) and Gulfstream Natural Gas System (GNGS). Company shall allocate Transporter capacity, inclusive of Receipt and Delivery



RULES AND REGULATIONS  
 (Continued)

quantities and either Transporter's pipeline capacity. Terms and conditions of such transactions shall be agreed upon at the time of the transaction and shall be recorded and confirmed in writing within two business days after the transaction.

L. SCHEDULING AND NOMINATING

Each Shipper shall submit to Company all scheduling and nominating information simultaneously with its submission to Transporters. ~~In addition, each Shipper shall submit to Company each day, scheduled volumes for each individual Consumer that has electronic telemetering equipment installed and annual usage of equal to or greater than 100,000 therms ("Telemetered Consumer").~~

M. GAS MONTHLY BALANCING

The balancing of the quantity of Gas scheduled and nominated for each Shipper, at all Transporter delivery points for which Company, or Company's agent, is the DPO, and the actual Gas Month usage by the sum of all individual Consumers served by each Shipper shall be done on a monthly basis. The Company and Shipper shall resolve all ~~m~~Gas Monthly imbalance quantities at the end of each Month, as follows:

1. If the ~~m~~Gas Monthly imbalance quantity is positive (amount of Gas scheduled is greater than aggregated actual Gas Month usage by Consumers), the Company shall purchase from Shipper such ~~m~~Gas Monthly imbalance quantity at a price per therm (the "Unit Price") calculated by taking: (i) the lowest weekly average (weeks where Friday is within the ~~calendar~~Gas mMonth) of the "Daily price survey" for Gas under the "Midpoint" column for "Florida Gas, zone 1", "Florida Gas, zone 2" or "Florida Gas, zone 3", as reported in *Platts Gas Daily*, for the Gas Month in which the positive ~~m~~Gas Monthly imbalance quantity was incurred, multiplied by the applicable factor set forth below:

| <u>Imbalance Level</u> | <u>Factor</u> |
|------------------------|---------------|
| 0% to 5%               | 1.00          |
| Greater than 5% to 20% | 0.90          |
| Greater than 20%       | 0.80          |

and subtracting: (ii) the monthly per therm charge billed to Company from DPO agent (if any), as such DPO agent charges are specifically approved by the Commission. This charge is calculated by dividing the billed DPO charges by the sum of the absolute value of all Shippers positive ~~m~~Gas Monthly imbalance quantities



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(Continued)

Shipper or Shipper's Designee. Company shall have no obligation to provide Transporter ~~Operational~~ ~~Control~~ notices to Shippers or Shipper's Designees.

2. Shipper Obligations

Shipper or Shipper's Designee shall be responsible for complying with Transporter's ~~Operational~~ ~~Control~~ notices and/or orders from Transporter.

3. Operational Control Orders (OCO)~~Flow Order (FO)~~

If Company as the DPO (or Company's agent acting in such capacity under contract with Company), incurs ~~FO~~ ~~OCO~~ (however denominated by Transporter) penalties from Transporter, the Company and Shipper(s) shall resolve all OCO penalties at the end of each Month, as follows:~~Company shall~~

a. Overage OCO Penalties

For each Gas Day where an overage OCO penalty is incurred, the Company shall determine the Shipper(s) that have a Gas Day positive imbalance (aggregated actual Gas Day usage by Consumers is greater than amount of Gas scheduled). ~~identify all Telemetered Consumers~~ ~~The that exceeded the FO tolerances.~~ Company shall charge the responsible Telemetered Consumer's Shipper(s), at Transporter's FO rate, for all measured quantities at each responsible Telemetered Consumer's premise that deviate from scheduled quantities the Gas Day positive imbalance quantity multiplied by the Transporter's OCO rate. If the sum of the overage OCO charges to Shipper(s) exceed the charges incurred by Company, then the OCO charges incurred by Company shall be prorated, based on scheduled Gas quantities, to the Shipper(s).

b. Underage OCO Penalties

For each Gas Day where an underage OCO penalty is incurred, the Company shall determine the Shipper(s) that have a Gas Day negative imbalance (amount of Gas scheduled is greater than aggregated actual Gas Day usage by Consumers). The Company shall credit Shipper(s) for the Gas Day negative imbalance quantity multiplied by the Transporter's OCO rate. If the sum of the underage OCO credits to Shipper(s) exceed the credits received by



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incurred OCO amounts remain, such amounts shall be applied to the Operating Balancing Account ("OBA") and disposed of in accordance with the terms and conditions of the OBA mechanism.

All OCO charges amounts that Company either pays to or receives from Transporters and Shippers ~~collected by the Company under this Section~~ shall be applied to the OBA. Company shall not, under any circumstances, retain any of the OCO amount ~~charges~~ collected from either Transporters or Shippers resulting from the application of the OCO provisions of this tariff ~~operational controls~~.

### O. WARRANTY, CONTROL AND INDEMNIFICATION

#### 1. Warranty

Shipper warrants that it will have good and merchantable title to, or that it has good right to deliver, all Gas delivered by Transporter to Company for Shipper's account at the Delivery Point(s), and that such Gas will be free and clear of all liens, encumbrances, and claims whatsoever. In the event any adverse claim in respect to said Gas is asserted, or Shipper breaches its warranty herein, Company shall not be required to perform its obligations to transport and deliver said Gas to Consumer accounts in Shipper's Consumer Pool or, subject to receipt of any necessary regulatory authorization, to continue service hereunder for Shipper until such claim has been finally determined; provided, however, that Shipper may receive service if (i) in the case of an adverse claim, Shipper furnishes a bond to Company, conditioned for the protection of Company with respect to such claim; or (ii) in the case of a breach of warranty, Shipper promptly furnishes evidence, satisfactory to Company, of Shipper's title to said Gas.

#### 2. Control and Possession

Shipper shall be deemed to be in control and possession of Gas prior to delivery to the Delivery Point(s); and Company shall be deemed to be in control and possession of the Gas to be transported by it upon delivery of such Gas by Transporter to the Delivery Point(s), and until it shall have been delivered to Company's Point(s) of Delivery. Each party, while deemed to be in control and possession of such Gas, shall be responsible for, and shall indemnify and hold the other harmless from any and all claims, actions, suits, including attorney's fees, arising out of or relating in any way to custody and control of such Gas

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3. Indemnification

The Shipper shall indemnify, hold harmless, and defend the Company from and against any and all liability, proceedings, suits, costs or expenses for loss, damage or injury to persons or property in any manner directly or indirectly connected with or growing out of the transportation of Gas by the Shipper, as such may be defined in the CI Shipper and TTS Shipper Agreements.

The Shipper shall also indemnify, hold harmless, and defend the Company from and against any and all liability, proceedings, suits, costs or expenses for loss, economic damage, damage or injury to persons or property and attorneys' fees, in any manner directly or indirectly connected with or arising out of the acts, omissions, or negligence of the Company, its employees or agents in the transportation of Gas by the Shipper.

P. FORCE MAJEURE

1. In the event either Company or Shipper is unable wholly or in part by Force Majeure to carry out its obligations under this tariff other than to make payments due thereunder, it is agreed that on such party giving notice and full particulars of such Force Majeure to the other party as soon as possible after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch.
2. The term "Force Majeure", as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, hurricanes or evacuation orders due to hurricanes, floods, washouts, arrests and restraints of government and people, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, the necessity for making repairs or alterations to machinery or lines of pipe, freezing of well or lines of pipe, partial or entire failure of source of supply, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; such term shall likewise include (a) in those instances where either party is required to obtain servitudes, rights of

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way grants, permits, or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitude, rights of way grants, permits, or licenses; and (b) in those instances where either party is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure grants or permissions from any governmental agency to enable such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions.

3. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of an opposing party when such course is inadvisable in the discretion of the party having the difficulty.

### Q. OPERATIONAL BALANCING ACCOUNT

1. Authorization for Recovery or Refund

It is the intent of this Section that the Company shall be authorized to recover or refund any and all charges or credits related to the provision of Transportation Service, as have historically been recovered from or allocated to Consumers pursuant to the Commission's ongoing Purchased Gas Adjustment cost recovery proceedings.

2. Charges or Credits

The OBA provides the mechanism by which the Company accumulates and allocates the following charges or credits, which include but are not limited to:

- a. Charges or credits associated with balancing, on a monthly basis, the measured Gas quantities at the Company's Delivery Points with Transporters with the scheduled quantities of Gas on Transporter's system.
- b. Charges or credits associated with the Gas Monthly Balancing provisions defined in Section III.M.

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

Effective:

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- c. Charges or credits associated with the Operational Controls provisions defined in Section III.N. Such charges or credits associated with the Operational Controls shall be recorded in a separate sub-account of the OBA.
- d. Charges or credits associated with any unreleased Transporter capacity.
- e. Other charges or credits related to the provision of Transportation Service that have historically been recovered from or allocated to ~~Consumers~~ customers pursuant to the Commission's ongoing Purchased Gas Adjustment cost recovery proceedings.

3. Disposition of OBA Balance

The Company shall, within 30 days after calendar quarter end, dispose of any OBA balance with Shippers, if such balance is at least \$100,000 (debit or credit balance). If the OBA balance at calendar quarter end is below \$100,000 (debit or credit balance), then the Company shall not dispose of the OBA balance until such time that the OBA balance is at least \$100,000 (debit or credit balance) at any subsequent calendar quarter. The Company shall, within 45 days after calendar year end, dispose of the OBA balance, regardless of balance amount, with Shippers. Each Shipper's refund or charge shall be based upon the proportion of scheduled Gas of each Shipper to the total amount of scheduled Gas by all Shippers during the corresponding OBA refund or charge period.

The Company shall track each Operational Control Order event that results in charges or credits to Company to ensure that the responsible ~~Telemetered Consumers~~ Shippers that have already been charged or credited for the Operational Control Order event do not receive any residual charges or credits, if any, from each Operational Control Order event upon disposition of the OBA.

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Effective:

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Effective:

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RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - A  
Rate Schedule FTS-A

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is 0 therms up to 130 therms. This rate schedule is closed to all Consumers, except those receiving service under rate schedules FTS-A or ~~FTS-B~~ as of ~~March~~ December 31, 2005. In addition, Consumers who restore service or apply for new service at a premise where the Company provided service under Rate Schedule FTS-A at the time service was terminated shall receive service at such premise under this Rate Schedule.

Monthly Rate:

Firm Transportation Charge: \$103.00  
Usage Charge: \$0.4407356126 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

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RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – A (Experimental)  
Rate Schedule FTS-A (Exp)

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is 0 therms up to 130 therms. This rate schedule is closed to all Consumers, except those receiving service under rate schedules FTS-A or ~~FTS-B~~ as of ~~March~~ December 31, 2005. In addition, Consumers who restore service or apply for new service at a premise where the Company provided service under Rate Schedule FTS-A at the time service was terminated shall receive service at such premise under this Rate Schedule.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$ <u>158.2005</u>  |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised ~~Original~~ Sheet No. 73  
Original Volume No. 4 Cancels Original Sheet No. 73

## RATE SCHEDULES

### FIRM TRANSPORTATION SERVICE - B Rate Schedule FTS-B

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 130 therms up to 250 therms. This rate schedule is closed to all Consumers, except those receiving service under rate schedules FTS-A or FTS-B as of March 3, 2005. In addition, Consumers who restore service or apply for new service at a premise where the Company provided service under Rate Schedule FTS-B at the time service was terminated shall receive service at such premise under this Rate Schedule.

Monthly Rate:

|                             |                         |
|-----------------------------|-------------------------|
| Firm Transportation Charge: | \$162.50                |
| Usage Charge:               | \$0.440738483 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 74  
Original Volume No. 4 Cancels Original Sheet No. 74

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – B (Experimental)  
Rate Schedule FTS-B (Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 130 therms up to 250 therms. This rate schedule is closed to all Consumers, except those receiving service under rate schedules FTS-A or FTS-B as of March 3, 2005. In addition, Consumers who restore service or apply for new service at a premise where the Company provided service under Rate Schedule FTS-B at the time service was terminated shall receive service at such premise under this Rate Schedule.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$204.400           |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised ~~Original~~ Sheet No. 75  
Original Volume No. 4 Cancels Original Sheet No. 75

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 1  
Rate Schedule FTS-1

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is 0 therms up to 500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or five (5) p.s.i.g.

Monthly Rate:

|                             |                         |
|-----------------------------|-------------------------|
| Firm Transportation Charge: | \$215.00                |
| Usage Charge:               | \$0.440731483 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 76  
Original Volume No. 4 Cancels Original Sheet No. 76

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 1 (Experimental)  
Rate Schedule FTS-1 (Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is 0 therms up to 500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or five (5) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$28 <u>30</u> .00  |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 77  
Original Volume No. 4 Cancels Original Sheet No. 77

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 2  
Rate Schedule FTS-2

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 500 therms up to 31,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                                      |
|-----------------------------|--------------------------------------|
| Firm Transportation Charge: | \$ <del>327.500</del>                |
| Usage Charge:               | \$ <del>0.3577629356</del> per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Original~~First Revised Sheet No. 78  
Original Volume No. 4 Cancels Original Sheet No. 78

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 2 (Experimental)  
Rate Schedule FTS-2 (Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 500 therms up to 13,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                                  |
|-----------------------------|----------------------------------|
| Firm Transportation Charge: | \$ <del>55</del> <u>50.25</u> 00 |
| Usage Charge:               | \$0.00000 per therm              |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

Original Sheet No. 78.1

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 2.1  
Rate Schedule FTS-2.1

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 1,000 therms up to 2,500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

Firm Transportation Charge: \$45.00

Usage Charge: \$0.29692 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

Original Sheet No. 78.2

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 2.1 (Experimental)  
Rate Schedule FTS-2.1(Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 1,000 therms up to 2,500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

Firm Transportation Charge: \$90.00  
Usage Charge: \$0.00000 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 79  
Original Volume No. 4 Cancels Original Sheet No. 79

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 3  
Rate Schedule FTS-3

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 2,500 therms up to 5,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

Firm Transportation Charge: \$~~9~~108.00

Usage Charge: \$~~0.4978~~26004 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 80  
Original Volume No. 4 Cancels Original Sheet No. 80

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 3 (Experimental)  
Rate Schedule FTS-3 (Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 2,500 therms up to 5,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$189 <u>66</u> .00 |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

Original Sheet No. 80.1

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE -- 3.1  
Rate Schedule FTS-3.1

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 5,000 therms up to 10,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

Firm Transportation Charge: \$134.00

Usage Charge: \$0.21414 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

Original Sheet No. 80.2

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 3.1 (Experimental)  
Rate Schedule FTS-3.1 (Exp)

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 5,000 therms up to 10,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

Firm Transportation Charge: \$269.00

Usage Charge: \$0.00000 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 81  
Original Volume No. 4 Cancels Original Sheet No. 81

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 4  
Rate Schedule FTS-4

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 10,000 therms up to 25,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                                 |
|-----------------------------|---------------------------------|
| Firm Transportation Charge: | \$ <u>165230.00</u>             |
| Usage Charge:               | \$ <u>0.179078255</u> per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised ~~Original~~ Sheet No. 82  
Original Volume No. 4 Cancels Original Sheet No. 82

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 5  
Rate Schedule FTS-5

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 25,000 therms up to 50,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                         |
|-----------------------------|-------------------------|
| Firm Transportation Charge: | \$4275.00               |
| Usage Charge:               | \$0.166275717 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 83  
Original Volume No. 4 Cancels Original Sheet No. 83

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 6  
Rate Schedule FTS-6

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 50,000 therms up to 100,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                                 |
|-----------------------------|---------------------------------|
| Firm Transportation Charge: | \$45 <u>700.00</u>              |
| Usage Charge:               | \$0.14664 <u>3976</u> per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised~~Original~~ Sheet No. 84  
Original Volume No. 4 Cancels Original Sheet No. 84

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 7  
Rate Schedule FTS-7

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 100,000 therms up to 200,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |   |
|-----------------------------|---|
| Firm Transportation Charge: | \$ <del>9</del> 475.00                      |
| Usage Charge:               | \$0.14 <del>09</del> <u>40591</u> per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised ~~Original~~ Sheet No. 85  
Original Volume No. 4 Cancels Original Sheet No. 85

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 8  
Rate Schedule FTS-8

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 200,000 therms up to 400,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                          |
|-----------------------------|--------------------------|
| Firm Transportation Charge: | \$751,800.00             |
| Usage Charge:               | \$0.4023209003 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 86  
Original Volume No. 4 Cancels Original Sheet No. 86

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 9  
Rate Schedule FTS-9

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 400,000 therms up to 700,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |  |
|-----------------------------|--|
| Firm Transportation Charge: | <del>\$900</del> <u>2,775.00</u>           |
| Usage Charge:               | <del>\$0.0895</del> <u>77923</u> per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 87  
Original Volume No. 4 Cancels Original Sheet No. 87

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 10  
Rate Schedule FTS-10

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 700,000 therms up to 1,000,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                         |
|-----------------------------|-------------------------|
| Firm Transportation Charge: | \$14,5400.00            |
| Usage Charge:               | \$0.083146880 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 88  
Original Volume No. 4 Cancels Original Sheet No. 88

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 11  
Rate Schedule FTS-11

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 1,000,000 therms up to 2,500,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                         |
|-----------------------------|-------------------------|
| Firm Transportation Charge: | \$38,000.00             |
| Usage Charge:               | \$0.068685815 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised ~~Original~~ Sheet No. 89  
Original Volume No. 4 Cancels Original Sheet No. 89

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 12  
Rate Schedule FTS-12

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 2,500,000 therms up to 102,050,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                         |
|-----------------------------|-------------------------|
| Firm Transportation Charge: | \$14,0400.00            |
| Usage Charge:               | \$0.062784848 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 90  
Original Volume No. 4 Cancels Original Sheet No. 90

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 13  
Rate Schedule FTS-13

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 102,050,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$136,333,692.3325  |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 94  
Original Volume No. 4 Cancels Original Sheet No. 94

RATE SCHEDULES  
~~CONTRACT FIRM TRANSPORTATION SERVICE RIDER~~  
Rate Schedule ~~CFTS Rider~~

Availability:

~~Throughout the service areas of the Company.~~

Applicability:

~~Consumers with Alternate Fuel capabilities who execute a CFTS Form (Sheet Nos. 120 and 121), which is accepted by Company, for a minimum term of one year, and who would otherwise qualify for service under Rate Schedule FTS 6 or above.~~

Monthly Rate:

~~Consumer may at any time request a reduction in the applicable FTS rate schedule Monthly Rate by completing, and submitting to the Company, Form CFTS that appears on Sheet Nos. 120 and 121. Determination of Consumer's cost of Alternate Fuel shall be based on information set forth in Company's Form CFTS. Consumer shall certify that its cost of Alternate Fuel is less than the delivered cost of Gas transported by Company. Once a Consumer has submitted and Company has accepted Form CFTS, the Consumer shall resubmit such form, with then current information, on or before the first day of each Month thereafter, and at any time there is any change in any information contained in a form previously submitted. The Monthly Rate for a Consumer, who does not submit a properly completed Form CFTS as required hereunder, or if Company does not accept the completed form, shall be the currently applicable tariff rate for the Consumer.~~

~~The Monthly Rate to Consumer 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 Consumer; the delivered price of Consumer's designated Alternate Fuel; the availability of such Alternate Fuel; and the nature of Consumer's operations. Company may from time to time increase or reduce the Monthly Rate as it deems necessary or appropriate to compete with Alternate Fuel, but shall have no obligation to do so.~~

~~Company will notify Consumer immediately by telephone or electronic communication to be followed by written notification within 24 hours of any change in the Monthly Rate. The noticed change in the Monthly Rate shall~~

Issued by: John R. Schimkaitis, President  
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Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 94  
Original Volume No. 4 Cancels Original Sheet No. 94

RATE SCHEDULES  
~~CONTRACT FIRM TRANSPORTATION SERVICE RIDER~~  
~~Rate Schedule CFTS Rider~~  
(Continued)

~~specify that the new Monthly Rate shall be effective beginning either the subsequent Gas Month or the subsequent Gas Day, as specified in the notice.~~

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Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 94  
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RATE SCHEDULES  
AREA EXPANSION PROGRAM RIDER  
Rate Schedule AEP Rider

Availability:

~~Throughout the service areas of the Company.~~

Applicability:

~~Consumers receiving Transportation Service at a premise that has been activated within the first five (5) years of the in-service date of an extension of facilities for which an AEP Charge has been established, in accordance with Section II.O.3.e.~~

Monthly Rate:

~~The AEP monthly rate shall be calculated by dividing (1) the estimated amount of additional revenue required (inclusive of the Company's estimated allowed cost of capital) in excess of the MACC by (2) the number of Consumer premises projected to be served at the end of year five (5) following the in-service date of the extension. The result of said calculation shall be divided by the number of months in the amortization period. The AEP Rider charge shall be stated as a fixed dollar amount per Consumer premise per Month and added to the applicable Firm Transportation Charge of the Monthly Rate for each respective Consumer to which the AEP Rider is applicable.~~

~~Each applicable Consumer premise shall be charged or credited with the "true-up" as calculated in accordance with Section II.O.3.e.~~

Existing Areas Subject to AEP Charge ~~Annual AEP Charge/Customer~~

None

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Effective:

Florida Division of Chesapeake Utilities Corporation First Revised ~~Original~~ Sheet No. 94  
Original Volume No. 4 Cancels Original Sheet No. 94

RATE SCHEDULES  
SHIPPER ADMINISTRATIVE AND BILLING SERVICE  
Rate Schedule SABS

Availability:

Throughout the service areas of the Company.

Applicability:

Service under this Rate Schedule is mandatory for all TTS Shippers and may be elected by CI Shippers delivering, or causing to be delivered, Gas to the Company's distribution system for transportation to Consumers and who utilize the Company for billing Gas costs to Consumers.

Monthly Rate:

Shipper Administration Charge: \$300.00

Consumer Charge: \$35.050 per Consumer

Minimum Charge:

The Shipper Administration Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

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Chesapeake Utilities Corporation

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Original Sheet No. 95  
Original Volume No. 4 Cancel Original Sheet No. 95

RATE SCHEDULES  
SHIPPER ADMINISTRATIVE SERVICE  
Rate Schedule SAS

Availability:

Throughout the service areas of the Company.

Applicability:

Service under this Rate Schedule is mandatory for all CI Shippers, except those CI Shippers who are also Consumers receiving service through the Special Contract Service or Flexible Gas Service, delivering, or causing to be delivered, Gas to the Company's distribution system for transportation to Consumers, and who have not selected the Company's SABS rate schedule.

Monthly Rate:

|                                |                               |
|--------------------------------|-------------------------------|
| Shipper Administration Charge: | \$172 <u>300.500</u>          |
| Consumer Charge:               | \$70. <u>500</u> per Consumer |

Minimum Charge:

The Shipper Administration Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

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

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Original~~ First Revised Sheet No. 98  
Original Volume No. 4 \_\_\_\_\_ Cancels Original Sheet No. 98

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA  
~~RESERVED FOR FUTURE USE~~  
SOLAR WATER-HEATING ADMINISTRATIVE  
AND BILLING SERVICE – (Experimental)  
Rate Schedule SWHS (Exp)

Availability:

Throughout the service areas of the Company.

Applicability:

Service under this Rate Schedule is mandatory for any third party entity (the "SWHS Contractor") installing residential combination thermal solar and natural gas water heating systems on the Company's gas distribution system that have entered into an SWHS agreement with the Company. The Company shall provide a payment agent/collection service for authorized SWHS Contractors. Each month, the Company shall bill applicable Consumers the SWHS Contractor's charge for installing and maintaining the combination solar/gas water heating system. The Company shall remit such funds collected from Consumers, less the SWHS Consumer Charge, to the applicable SWHS Contractors. The Company shall have no obligation to the SWHS Contractor for any charges that are not collected from Consumers.

Monthly Rate:

Consumer Charge: \$7.50 per bill

Minimum Charge:

The Consumer Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

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

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Original-First Revised~~ Sheet No. 98  
Original Volume No. 4 \_\_\_\_\_ Cancels Original Sheet No. 98

**RATE SCHEDULES**  
**MONTHLY RATE ADJUSTMENTS**  
**Rate Schedule MRA**

**1. ENERGY CONSERVATION COST RECOVERY ADJUSTMENT:**

**Applicability:**

All Consumers receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A, FTS-B, FTS-1, FTS-2, FTS-2.1, FTS-3, FTS-3.1, FTS-4, FTS-5, FTS-6, FTS-7, FTS-8, FTS-9, FTS-10, FTS-11, and FTS-12.

The bill for Firm Transportation Service to a Consumer in any billing period shall be adjusted as follows: the Usage Charge shall be increased or decreased to the nearest .001 cent multiplied by the tax factor of 1.00503 for each Therm to recover the conservation related expenditures by the Company. The Company shall record both projected and actual expenses and revenues associated with the implementation of the Company's energy conservation plan as authorized by the Commission. The procedure for the review, approval, recovery and recording of such costs and revenues is set forth in the Commission Rule 25-17.015, F.A.C.

The cost recovery factor for the period from January 1, 2009 through December 31, 2009 for each rate schedule is as follows:

| <u>Rate Schedule</u> | <u>Classification of Service</u>                 | <u>Dollars per therm</u> |
|----------------------|--|--------------------------|
| FTS-A                | < 130 therms                                     | \$0.11835                |
| FTS-B                | > 130 up to 250 therms                           | \$0.09247                |
| FTS-1                | > 0 up to 500 therms                             | \$0.08372                |
| FTS-2                | >500 up to <del>31,000</del> therms              | \$0.04271                |
| <u>FTS-2.1</u>       | <u>&gt;1,000 up to 2,500 therms</u>              | <u>\$0.04271</u>         |
| FTS-3                | >2,500 up to 5,000 therms                        | \$0.02590                |
| <u>FTS-3.1</u>       | <u>&gt;<del>35,000</del> up to 10,000 therms</u> | <u>\$0.02590</u>         |
| FTS-4                | >10,000 up to 25,000 therms                      | \$0.02107                |
| FTS-5                | >25,000 up to 50,000 therms                      | \$0.01802                |
| FTS-6                | >50,000 up to 100,000 therms                     | \$0.01605                |
| FTS-7                | >100,000 up to 200,000 therms                    | \$0.00965                |
| FTS-8                | >200,000 up to 400,000 therms                    | \$0.00933                |
| FTS-9                | >400,000 up to 700,000 therms                    | \$0.00740                |
| FTS-10               | >700,000 up to 1,000,000 therms                  | \$0.00739                |
| FTS-11               | _____ >1,000,000 up to 2,500,000 therms          | \$0.00615                |
| FTS-12               | _____ >2,500,000 up to 10,000,000 therms         | \$0.00511                |

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

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Original~~ First Revised Sheet No. 99  
Original Volume No. 4 Cancels Original Sheet No. 99

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

2. ENERGY CONSERVATION COST RECOVERY ADJUSTMENT (Experimental):

Applicability:

All Consumers, assigned to a TTS Shipper, receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A (Exp), FTS-B (Exp), FTS-1 (Exp), FTS-2 (Exp), FTS-2.1 (Exp.), FTS-3 (Exp), and FTS-3.1 (Exp.).

The bill for Firm Transportation Service to a Consumer in any billing period shall be adjusted as follows: the Firm Transportation Charge shall be increased or decreased to the nearest .01 cent multiplied by the tax factor of 1.00503 for each Consumer bill. The Company shall record both projected and actual expenses and revenues associated with the Company's Energy Conservation Program as authorized by the Commission. The procedure for the review, approval, recovery and recording of such costs and revenues is set forth in the Commission Rule 25-17.015, F.A.C.

The Energy Conservation Cost Recovery Adjustment factor for the period from January 1, 2009 through December 31, 2009 for each rate schedule is as follows:

| <u>Consumer<br/>Rate Schedule</u> | <u>\$ per bill</u> |
|-----------------------------------|--------------------|
| FTS-A (Exp)                       | \$ 0.90            |
| FTS-B (Exp)                       | \$ 1.24            |
| FTS-1 (Exp)                       | \$ 1.57            |
| FTS-2 (Exp)                       | \$ 3.46            |
| <u>FTS-2.1 (Exp)</u>              | <u>\$ 3.46</u>     |
| <u>FTS-3 (Exp)</u>                | <u>\$ 12.53</u>    |
| FTS-3.1 (Exp)                     | \$ 12.53           |

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

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Original~~ First Revised Sheet No. 100  
Original Volume No. 4 \_\_\_\_\_ Cancels Original Sheet No. 100

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

3. ENVIRONMENTAL SURCHARGE:

Applicability:

All Consumers receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A, FTS-B, FTS-1, FTS-2, FTS-2.1, FTS-3, FTS-3.1, FTS-4, FTS-5, FTS-6, FTS-7, FTS-8, FTS-9, FTS-10, FTS-11, and FTS-12.

The monthly Firm Transportation Service to a Consumer in any billing period shall be adjusted as follows to recover the Company's cost related to the environmental remediation of its manufactured gas plant site.

The cost recovery factor for the period from January 1, 2010 through December 31, 2010 for each rate schedule is as follows:

| Rate Schedule | Classification of Service          | Dollars per bill |
|---------------|------------------------------------|------------------|
| FTS-A         | < 130 therms                       | \$0.31           |
| FTS-B         | > 130 up to 250 therms             | \$0.41           |
| FTS-1         | > 0 up to 500 therms               | \$0.52           |
| FTS-2         | >500 up to 1,000 therms            | \$0.87           |
| FTS-2.1       | >1,000 up to 2,500 therms          | \$1.56           |
| FTS-3         | >2,500 up to 5,000 therms          | \$2.88           |
| FTS-3.1       | >5,000 up to 10,000 therms         | \$4.67           |
| FTS-4         | >10,000 up to 25,000 therms        | \$7.99           |
| FTS-5         | >25,000 up to 50,000 therms        | \$14.62          |
| FTS-6         | >50,000 up to 100,000 therms       | \$24.14          |
| FTS-7         | >100,000 up to 200,000 therms      | \$38.05          |
| FTS-8         | >200,000 up to 400,000 therms      | \$66.52          |
| FTS-9         | >400,000 up to 700,000 therms      | \$106.51         |
| FTS-10        | >700,000 up to 1,000,000 therms    | \$156.12         |
| FTS-11        | >1,000,000 up to 2,500,000 therms  | \$278.20         |
| FTS-12        | >2,500,000 up to 10,000,000 therms | \$501.02         |

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

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Original~~ First Revised Sheet No. 101  
Original Volume No. 4 Cancels Original Sheet No. 101

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

4. COMPETITIVE FIRM TRANSPORTATION SERVICE ADJUSTMENT:

Applicability:

All Consumers receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A, FTS-B, FTS-1, FTS-2, FTS-2.1, FTS-3, FTS-3.1, FTS-4, FTS-5, FTS-6, FTS-7, FTS-8, FTS-9, FTS-10, FTS-11, and FTS-12.

The Monthly Rate is subject to adjustment in accordance with the following provisions for prior Shortfalls or Surpluses in the Company's revenues resulting from service provided under the CFTS.

a. For the purposes of this clause, the following definitions shall apply:

1. "Actual Revenue" means Company's actual Monthly Rate revenue derived from service provided to CFTS Consumers during a Determination Period.
2. "Tariff Revenue" means the Monthly Rate revenue which Company would have derived had all gas transported to Consumers, during a Determination Period, been billed at the applicable Firm Transportation Service rate schedule.
3. "Surplus" means the amount, if any, by which Company's Actual Revenue exceeds its Tariff Revenue for a Determination Period.
4. "Shortfall" means the amount, if any, by which the Company's Tariff Revenue exceeds its Actual Revenue for a Determination Period.

b. The existence of a Shortfall or Surplus shall be determined by comparing Florida Division's Actual Revenue with its Tariff Revenue. This determination shall be made each year for the twelve months ending December 31 ("Determination Period").

c. Adjustments to firm rates pursuant to this clause shall be implemented during an "Adjustment Period," which shall be the twelve months immediately following the Determination Period in the event of a Surplus. In the event of a Shortfall, any twelve successive months ending on a December 31 within five years following the Determination Period may be an Adjustment Period.

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

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Original~~ First Revised Sheet No. 102  
Original Volume No. 4 Cancels Original Sheet No. 102

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

- d. In the event of a Surplus, Company shall reduce rates to Consumers to credit them with revenues equal to one-half the Surplus. In the event of a Shortfall, Company may increase rates to Consumers to recover an amount not to exceed one-half the Shortfall. The amount of any credit or recovery is governed by the following:

Surplus credit = (Actual Revenue - Tariff Revenue) ~~× 0.5~~

Shortfall recovery = (Tariff Revenue - Actual Revenue) ~~× 0.5~~

- e. A Surplus credit or Shortfall recovery shall be implemented during an adjustment period by reducing or increasing the Usage Charge prescribed in each Firm Transportation Service rate schedule of this tariff. An adjustment factor shall be computed for each applicable rate schedule. The computation of adjustment factors for each rate schedule shall conform to the methodology approved by the Commission for use in determining cost recovery factors by rate schedule in the Company's Energy Conservation Cost Recovery Adjustment.
- f. Any variation between the actual credit to Firm Transportation Service Customers and the amount calculated pursuant to the preceding paragraph, or between the Actual Shortfall recovery and the amount that the Company elected to recover in an Adjustment Period, shall be "trued-up" during the succeeding twelve months pursuant to methodology approved by the Commission.
- g. Company may defer all or a portion of a Shortfall recovery to a subsequent Adjustment Period or portion thereof.

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

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Original~~ First Revised Sheet No. 103  
Original Volume No. 4 Cancels Original Sheet No. 103

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

5. COMPETITIVE FIRM TRANSPORTATION SERVICE ADJUSTMENT (Experimental):

Applicability:

All Consumers, assigned to a TTS Shipper, receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A (Exp), FTS-B (Exp), FTS-1 (Exp), FTS-2 (Exp), FTS-2.1 (Exp), FTS-3 (Exp), and FTS-3.1 (Exp).

The Monthly Rate is subject to adjustment in accordance with the following provisions for prior Shortfalls or Surpluses in the Company's revenues resulting from service provided under the CFTS.

a. For the purposes of this clause, the following definitions shall apply:

1. "Actual Revenue" means Company's actual Monthly Rate revenue derived from service provided to CFTS Consumers during a Determination Period.
2. "Tariff Revenue" means the Monthly Rate revenue which Company would have derived had all gas transported to Consumers, during a Determination Period, been billed at the applicable Firm Transportation Service rate schedule.
3. "Surplus" means the amount, if any, by which Company's Actual Revenue exceeds its Tariff Revenue for a Determination Period.
4. "Shortfall" means the amount, if any, by which the Company's Tariff Revenue exceeds its Actual Revenue for a Determination Period.

b. The existence of a Shortfall or Surplus shall be determined by comparing Florida Division's Actual Revenue with its Tariff Revenue. This determination shall be made each year for the twelve months ending December 31 ("Determination Period").

c. Adjustments to firm rates pursuant to this clause shall be implemented during an "Adjustment Period," which shall be the twelve months immediately following the Determination Period in the event of a Surplus. In the event of a Shortfall, any twelve successive months ending on a December 31 within five years following the Determination Period may be an Adjustment Period.

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

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Original~~ First Revised Sheet No. 104  
Original Volume No. 4 Cancels Original Sheet No. 104

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

- d. In the event of a Surplus, Company shall reduce rates to Consumers to credit them with revenues equal to one-half the Surplus. In the event of a Shortfall, Company may increase rates to Consumers to recover an amount not to exceed one-half the Shortfall. The amount of any credit or recovery is governed by the following:

Surplus credit = (Actual Revenue - Tariff Revenue) ~~X 0.5~~

Shortfall recovery = (Tariff Revenue - Actual Revenue) ~~X 0.5~~

- e. A Surplus credit or Shortfall recovery shall be implemented during an adjustment period by reducing or increasing the Firm Transportation Charge prescribed in each Firm Transportation Service rate schedule of this tariff. An adjustment factor shall be computed for each applicable rate schedule. The computation of adjustment factors for each rate schedule shall conform to the methodology approved by the Commission for use in determining cost recovery factors by rate schedule in the Company's Energy Conservation Cost Recovery Adjustment (Experimental).
- f. Any variation between the actual credit to Firm Transportation Service Customers and the amount calculated pursuant to the preceding paragraph, or between the Actual Shortfall recovery and the amount that the Company elected to recover in an Adjustment Period, shall be "trued-up" during the succeeding twelve months pursuant to methodology approved by the Commission.
- g. Company may defer all or a portion of a Shortfall recovery to a subsequent Adjustment Period or portion thereof.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

Original Sheet No. 10

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

Effective:

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d. Shipper of Last Resort (SOLR) Service

In the event all TTS Shippers are terminated as provided in the Termination of Shipper Status (Section III.B) of this tariff, the Company shall become the Shipper Of Last Resort. The Company shall perform all TTS Shipper functions as defined within this tariff. The SOLR service shall be provided in accordance with the Rules and Regulations set forth in this tariff, the terms and conditions of the TTS Shipper Agreement, and other approved rules or regulations of the Company, as applicable. Monthly Rate Adjustments and Taxes and Fees, as set forth on Sheet Nos. 98 – 106, may also apply. The Company shall provide this service to Consumers until a replacement TTS Shipper is selected as provided in Section III.A.3. of the Rules and Regulations of this tariff and initiates service.

e. Flexible Gas Service (FGS)

Transportation Service provided to a Consumer, at the sole option of the Company, where rates, terms and/or conditions of service other than those provided in this tariff are required to add or retain a Consumer on the Company's distribution system. The negotiated rates and terms provided in a FGS Agreement are subject to the conditions set forth in Commission Order PSC-98-1485-FOF-GU and other approved rules or regulations of the Company, as applicable. All FGS Consumers must demonstrate a viable Alternate Fuel option and shall enter into a written FGS Agreement with the Company.

2. SHIPPER SERVICES:

a. Shipper Administrative and Billing Service (SABS)

Administrative and billing service provided to a Shipper under the SABS rate schedule, in accordance with the Rules and Regulations set forth in this tariff, as applicable. The Company shall provide the following services to Shippers under the SABS: 1) presentment of Automated Meter Reading (AMR) daily readings of applicable Consumer's meters; 2) provision of Consumer projected monthly usage information, along with Transporter capacity quantity to be released to Shipper; 3) provision of Consumer historical usage information to Shipper each month; 4) retention of Consumer's historical usage information; 5) LOA retention and administration; 6) receipt and administration of Shipper's Gas rates for Consumer billing; 7) calculation and presentation of Shipper's Gas billing

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charges on Company's monthly bill or, at Company's sole option, on a separate bill to Consumers; 8) collection and application of Consumer payments for Shipper's Gas billing charges; 9) remittance of Consumer payments for Shipper's Gas billing charges to Shipper, net of Shipper's billing charges that are bad debt write-offs and recovery of said bad debts, the SABS tariff-approved charges and other applicable charges and adjustments; and 10) other services as the Company may determine necessary to administer Gas deliveries by Shipper's to Consumers. This service is required for TTS Shippers and is optional for CI Shippers. Monthly Rate Adjustments and Taxes and Fees, as set forth on Sheet Nos. 98 – 106, may also apply.

b. Shipper Administrative Service (SAS)

Administrative service provided to a Shipper under the SAS rate schedule, in accordance with the Rules and Regulations set forth in this tariff, as applicable. The Company shall provide the following services to Shippers under the SAS: 1) presentment of AMR daily readings of applicable Consumer's meters; 2) provision of Consumer projected monthly usage information, along with Transporter capacity quantity to be released to Shipper; 3) provision of Consumer historical usage information to Shipper each month; 4) retention of Consumer's historical usage information; 5) LOA retention and administration; and 6) other services as the Company may determine necessary to administer Gas deliveries by Shippers to Consumers. This service is required for CI Shippers, unless CI Shipper selects the SABS or has executed a FGS or Special Contract Agreement; and is not available to TTS Shippers. Monthly Rate Adjustments and Taxes and Fees, as set forth on Sheet Nos. 98 – 106, may also apply.

c. Delivery Point Operator (DPO) Service

Administrative service provided to a Shipper by Company, or Company's agent acting as DPO, in accordance with the Rules and Regulations set forth in this tariff, as applicable. Company shall provide the following services to Shippers under the DPO Service: 1) receipt and administration of scheduled Gas quantities for Shipper's Consumer Pool; 2) compilation of measured Gas quantities for Shipper's Consumer Pool; 3) resolution of monthly imbalances with Transporter (difference between scheduled Gas quantities for all Shippers and measured Gas quantities at the Delivery Point(s) of Company), using approved book-out and/or cash-out processes of Transporter; 4) resolution of monthly imbalances with Shipper (difference between scheduled

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Gas quantities and measured Gas quantities for Shipper's Consumer Pool), in accordance with this tariff; 5) administration of the OBA account, in accordance with this tariff; 6) administration of Transporter Operational Orders, including financial transactions, if any, in accordance with this tariff; and 7) other services as Company may determine necessary to administer Gas deliveries by Shippers to Consumers. All Shippers shall receive this service from Company. Company costs for this service are recovered through the Monthly Rates for all other rate schedules, as approved in Company previous rate proceeding.

d. Off-System Delivery Point Operator (OS-DPO) Service

Administrative service, in accordance with an executed Off-System Delivery Point Operator Agreement (Sheet Nos. 139 to 148), provided at Transporter delivery point(s) to a Shipper by Company, or Company's agent acting as DPO, in accordance with the Rules and Regulations set forth in this tariff, as applicable. Company shall provide the following services to Shippers under the OS-DPO Service: 1) receipt and administration of scheduled Gas quantities for Shipper's Consumer Pool; 2) compilation of measured Gas quantities for Shipper's Consumer Pool; 3) resolution of monthly imbalances with Transporter (difference between scheduled Gas quantities for all Shippers and measured Gas quantities at the Delivery Point(s) of Company), using approved book-out and/or cash-out processes of Transporter; 4) resolution of monthly imbalances with Shipper (difference between scheduled Gas quantities and measured Gas quantities for Shipper's Consumer Pool), in accordance with this tariff; 5) administration of the OBA account, in accordance with this tariff; 6) administration of Transporter Operational Orders, including financial transactions, if any, in accordance with this tariff; and 7) other services as Company may determine necessary to administer Gas deliveries by Shippers to Consumers. Monthly Rate Adjustments and Taxes and Fees, as set forth on Sheet Nos. 98 – 106, may also apply.

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option to Company in accordance with the terms and conditions of the open enrollment process. Residential Consumers not designating, in writing, their selection of a Company rate schedule, TTS Shipper or TTS Shipper pricing option, shall retain their existing Company rate schedule, TTS Shipper and TTS Shipper pricing option. In the event Residential Consumers' existing TTS Shipper no longer offers their existing pricing option, and the Residential Consumer does not select an offered pricing option, the Company shall assign such Residential Consumer to their existing TTS Shipper at the standard pricing option as identified in Company's TTS Shipper Agreement with each TTS Shipper. Company does not assume any liability related to the selections made by each Residential Consumer and does not warrant that each Residential Consumer will select the Company rate schedule, TTS Shipper and/or TTS Shipper pricing option that is most advantageous.

2. Non-Residential Consumers

a. Selection of CI Shipper

Non-Residential Consumers in a TTS Consumer Pool may select any approved CI Shipper at any time in accordance with Section II.B.3.a.v.

b. Selection of TTS Shipper

Non-Residential Consumers in a TTS Consumer Pool may change their TTS Shipper and pricing option or existing TTS Shipper's pricing option only during open enrollment periods as defined in Section II.D.1.

E. MISCELLANEOUS CHARGES

The Company shall charge the Consumer the following amounts, as applicable:

| <u>Description of Charge</u>                 | <u>Amount</u> |
|--|---------------|
| Connection Charge – FTS-A through FTS-3.1:   | \$52.00       |
| Connection Charge – FTS-4 through FTS-6:     | \$75.00       |
| Connection Charge – FTS-7 and above:         | \$220.00      |
| Temporary Disconnect Charge:                 | \$21.00       |
| Collection in Lieu of Discontinuance Charge: | \$40.00       |
| Change of Account Charge:                    | \$13.00       |
| Failed Trip Charge:                          | \$20.00       |

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|   |  |
|---|--|
| Meter Re-Read at Consumer Request Charge:         | \$28.00  |
| Return Check Charge:                              | \$25.00 or 5% of the face value of the check, which ever is greater. |
| Service Extension Charge (Any size service line): | Actual installed cost  |

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Where above services are provided outside of normal business hours, by special appointment, or same day service the charges set forth above shall be multiplied by 1.5.

### F. ASSIGNMENT OF RATE SCHEDULES

#### 1. Initial Rate Schedule Assignment

At the time of meter activation, Company shall estimate the annual therm usage of premise occupied by Consumer (based upon the connected gas consuming appliances or equipment) and shall assign Consumer's premise to the applicable rate schedule. Company shall not be required to make any refunds to Consumers if actual annual usage is below the minimum usage level of the rate schedule assigned.

#### 2. Annual Rate Schedule Review

Company shall review the annual therm usage of each premise at calendar year end and shall assign each premise to the rate schedule that corresponds to it's respective annual therm usage. Such rate schedule assignments shall be effective on January 1 of each calendar year. Company shall not be required to make any refunds to Consumers if actual annual usage is below the minimum usage level of the rate schedule assigned.

### G. CONSUMER'S INSTALLATION

#### 1. Type and Maintenance

The Consumer's Installation shall be constructed and maintained in accordance with the Consumer Rules and Regulations of the Company and all governmental regulations applicable to Consumer's Installation. The Consumer shall not utilize any apparatus or device which is not properly constructed, controlled, or protected, or which may adversely affect Transportation Service; and the Company reserves the right to discontinue or withhold Transportation Service to any Consumer on account of any defect in Consumer's Installation.

#### 2. Change of Consumer's Installation

No changes in Consumer's Installation that will affect the operation of any portion of the distribution system of the Company shall be made without written consent of the Company. The Consumer will be liable for any damage to the Company resulting from a violation of this provision.

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3. Inspection of Consumer's Installation

If municipal or other governmental inspection is required, the Company shall not be required to render Transportation Service until such inspection has been made and the Company has received approval from the inspecting authority. The Company reserves the right to inspect Consumer's Installation prior to rendering Transportation Service and from time to time thereafter, but assumes no responsibility whatsoever on account of having made such inspection.

4. Investigation of Suspected Gas Leak on Consumer's Installation

Company, upon request from Consumer, shall investigate a suspected Gas leak on the Consumer's Installation at no charge to the Consumer. If a leak is detected on Consumer's Installation, Company shall turn off the meter until appropriate repairs are affected. Upon Consumer request to reactivate the meter, Company shall determine if appropriate repairs have been made and, if so, turn the meter on. The approved Re-Connection Charge (Section II.E.) shall apply.

5. Indemnity to Company

The Consumer shall indemnify, hold harmless, and defend the Company from and against any and all liability, proceedings, suits, costs or expenses for loss, damage or injury to persons or property in any manner directly or indirectly connected with or growing out of the transportation and use of Gas by the Consumer downstream of the Point of Delivery.

The Consumer shall also indemnify, hold harmless, and defend the Company from and against any and all liability, proceedings, suits, costs or expenses for loss, economic damage, damage or injury to persons or property and attorneys' fees, in any manner directly or indirectly connected with or arising out of the acts, omissions, or negligence of the Company, its employees or agents in the transportation and use of Gas by the Consumer.

H. CREDITWORTHINESS

The Company may require a prospective Consumer to satisfactorily establish credit before Transportation Service will be initiated, but such establishment of credit shall not relieve the prospective Consumer from complying with the Company's provisions herein for prompt payment of bills. Credit will be deemed so established if any one of the following criteria is satisfied:

1. The prospective Residential Consumer furnishes a satisfactory guarantor to secure payment of bills. A satisfactory guarantor shall, at the minimum, be a Consumer of the Company with a satisfactory payment record. A

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guarantor's liability shall be terminated when a Residential Consumer whose payment of bills is secured by the guarantor meets the requirements of Section II.K.1. of this tariff.

2. The prospective Residential Consumer furnishes a letter from another utility showing the prospective Residential Consumers' satisfactory payment record for the preceding 23 months. Satisfactory payment record will be deemed to be established if the applicant meets the criteria stated below in Section II.K.1.
3. The prospective non-Residential Consumer has an Intelliscore of 60 or above from Experian (credit rating agency for commercial and industrial accounts) or furnishes an irrevocable letter of credit from a bank or a surety bond for the amount shown for the prospective Consumer's projected rate classification in Section II.I.1. below.

**I. DEPOSIT REQUIREMENTS**

If a prospective Consumer does not satisfy one of the creditworthiness criteria defined in Section H, then payment of an initial deposit shall be required according to the following criteria:

1. **Initial Deposit**

a. **Amount**

The amount of the initial deposit shall be determined by the following schedule:

| <u>Rate Classification</u> | <u>Initial Deposit Amount</u> |
|----------------------------|-------------------------------|
| FTS-1                      | \$ 55.00                      |
| FTS-2                      | \$ 75.00                      |
| FTS-2.1                    | \$ 150.00                     |
| FTS-3                      | \$ 300.00                     |
| FTS-3.1                    | \$ 500.00                     |
| FTS-4                      | \$ 1,000.00                   |
| FTS-5                      | \$ 1,850.00                   |
| FTS-6                      | \$ 3,200.00                   |
| FTS-7                      | \$ 4,300.00                   |
| FTS-8                      | \$ 7,650.00                   |
| FTS-9                      | \$11,500.00                   |
| FTS-10                     | \$17,000.00                   |
| FTS-11                     | \$30,500.00                   |
| FTS-12                     | \$86,500.00                   |

b. **Payment Method**

The prospective Consumer shall pay a deposit by check, credit card, or

## RULES AND REGULATIONS

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debit card prior to the initiation of Transportation Service. A receipt for any deposit made by a prospective Consumer shall be given to prospective Consumer. Such receipt is not negotiable or transferable.

c. Request for Billing of Initial Deposit Amount

Prospective Residential Consumers may request to be billed for the amount of the initial deposit. A bill for prospective Residential Consumer's initial deposit is due upon receipt and shall be considered delinquent by the Company at the expiration of seven (7) days from the date of mailing by the Company. Delinquent accounts are subject to Section R, Discontinuance of Transportation Service.

2. New or Additional Deposits

The Company may require, upon reasonable written notice of not less than thirty (30) days, such request or notice being separate and apart from any bill for Transportation Service, a new deposit where previously waived or returned, or an additional deposit, in order to secure payment of current bills; provided, however, that the total amount of the required new or additional deposit shall not exceed an amount equal to the average actual charges for Transportation Service for two (2) billing periods during the twelve (12) month period immediately prior to the date of notice. In the event the Consumer has had service less than twelve (12) months, then the utility shall base its new or additional deposit upon the average actual monthly billing available.

### J. INTEREST ON DEPOSITS

Six percent (6%) per annum interest will be credited to Residential Consumer's account annually in accordance with the current effective rules and regulations of the Commission. Seven percent (7%) per annum will be credited annually on deposits of Residential Consumers qualifying under Section II.K.1. when the Company elects not to refund such a deposit after twenty-three (23) months. The Company shall credit annually seven percent (7%) per annum on deposits of non-Residential Consumers qualifying for refund under Section II.K.1. until the Commission sets a new interest rate applicable to the Company.

### K. REFUND OF DEPOSITS

1. With Satisfactory Payment Record

After a Residential Consumer has established a satisfactory payment record and has had continuous service for a period of not less than 23 months, the Company

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shall refund the Residential Consumer's deposit. Company shall, at its option, either refund or pay the higher rate of interest specified in Section II.J. for non-Residential Consumer's deposit provided the non-Residential Consumer has not, in the preceding twelve (12) months: a) made more than one late payment of the bill (after the expiration of twenty (20) days from the date of mailing or delivery by Company); b) paid with a check refused by a bank; c) been disconnected for non-payment; d) tampered with the gas meter; or, e) used service in a fraudulent or unauthorized manner.

2. Termination of Service

Upon termination of service, the deposit and accrued interest may be credited against the final account and the balance, if any, shall be returned promptly to the Consumer but in no event later than fifteen (15) days after service is discontinued.

L. BILLING

1. Billing Periods

The actual date of the AMR reading used for billing purposes for each Consumer shall be determined by Company and shall be at monthly intervals, advanced or postponed by no more than five (5) days from the actual read date of the prior calendar month, and bills for Transportation Service will be rendered regularly on a monthly basis. Bills will be rendered as soon as practical after determination of their amount and shall be due and payable at the office of the Company in accordance with the Commission rules and regulations, and the requirements of this Section.

2. Partial Month

Upon commencement of Transportation Service less than fifteen (15) days prior to a regular monthly read date and when the Transportation Service continues thereafter to the same Consumer at the same address where the Consumer is receiving Transportation Service on monthly rate schedules, no bill will be rendered for Transportation Service covering such period, but the charge for such period will be included in the bill rendered for the next succeeding monthly billing period.

3. Non-Receipt of Bills

Non-receipt of bills by Consumer shall not release or diminish obligation of Consumer with respect to payment thereof.

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(Continued)

4. Calculation of Bill

- a. A meter or meters at each Point of Delivery will measure Consumer consumption and the Company shall apply appropriate conversion factors (including BTU factor) to determine Consumer's usage and the Monthly Rates set forth in the applicable rate schedule shall be applied to determine the amount of Company's bill for Transportation Service.
- b. If a Consumer transports under more than one rate schedule, the Transportation Service rendered under each rate schedule shall be separately metered and separate bills shall be calculated. If a Consumer transports under a particular rate schedule but receives delivery thereof at more than a single Point of Delivery, the Company shall consider such deliveries as separate Transportation Service and will calculate separate bills.

5. Billing of Shipper's Charges

The Company shall include TTS Shipper's and may include CI Shipper's charges, if such CI Shipper has elected the SABS service and Company, at its sole option, has elected not to bill separately CI Shipper's charges, for the sale of Gas, separately identified, on its monthly bill to individual Consumers. The Company may, at its sole option, include Shipper's charges for other services on Company's monthly bill to Consumers.

6. Backbilling

The Company may backbill Consumer for any period of up to twelve (12) months for any undercharge in billing which is the result of the Company's error. In such instance, the Company shall allow the Consumer to pay over the same time period as the time period during which the underbilling occurred or some other mutually agreeable time period.

7. Delinquent Bills

Bills are due when rendered, and are delinquent in accordance with the rules established by the Commission. Transportation service will be discontinued after five (5) days written notice to the Consumer subsequent to such delinquent date and, if discontinued, such service will not be restored until all bills are paid in full and a Re-Connection Charge is paid (see Section II.E.).

8. Estimated Bills

When there is good reason for doing so, the Company may estimate the meter

## RULES AND REGULATIONS

(Continued)

provisions of Subsection 9.c. below apply, a Consumer may be billed on an estimate based on previous bills for similar usage.

- c. It shall be understood that when a meter is found to be in error in excess of the prescribed limits of two percent (2%) fast or slow, the figure to be used for calculating the amount of refund or charge in Subsection 9.a. or 9.b. above shall be that percentage of error as determined by the test.
- d. In the event of unauthorized use, the Consumer may be billed on a reasonable estimate of the gas consumed.

### M. PAYMENTS

#### 1. Payment Methods

Consumers may elect to pay their bill by check, credit card, debit card, on-line via Company's website, or through Company's direct bank debit program no later than twenty (20) days from the date of mailing by Company.

- a. Consumers electing to pay their bill by telephone shall be required to furnish a valid credit card number to Company for processing.
- b. Consumers electing to participate in Company's direct bank debit program shall execute the Direct Debit Form (see Sheet No. 113) with Company and agree to the terms and conditions contained thereon.

#### 2. Application of Payments

Consumer payments received by the Company shall be applied to the billed charges as follows:

- a. Aging of Accounts Receivable
  - i. Oldest outstanding billed charges until fully satisfied, following the payment application methodology specified below.
  - ii. Proceeding to the next oldest outstanding billed charge until either the entire payment has been applied or until the entire amount owed has been satisfied, following the payment application methodology specified below.
- b. Payment Application Methodology
  - i. Separately stated taxes and fees, until fully satisfied; then,

RULES AND REGULATIONS  
(Continued)

3. OS-DPO Rate Schedule

Upon initiation of service, any TTS Shipper or CI Shipper who has executed an Off-System Delivery Point Operator Agreement with Company shall be assigned to the OS-DPO rate schedule.

D. TERMINATION OF CONSUMER

Any CI Shipper may terminate service for any reason to a non-Residential Consumer upon written submittal to Company ten (10) days prior to the first day of the month of the CI Shipper Consumer Termination Form included in the Standard Forms section of this tariff. Unless Company receives a valid LOA requesting service from a CI Shipper, said non-Residential Consumer shall be assigned to a TTS Shipper in accordance with Section II.B.3.b.

E. CAPACITY RELEASE

1. Intent of Capacity Release

Company, through its Service Agreements with Transporters, has contracted for firm capacity rights on Transporters' pipeline systems. Company can either: 1) temporarily release to Shippers each month, utilizing the methodology described below, all Transporter capacity for Shippers' use in transporting Gas to its Consumer Pool; or, 2) retain sufficient capacity for the provision of the SOLR Service, in accordance with the applicable provisions of this tariff and release the remainder of Transporter capacity to Shippers' as described herein.

2. Capacity Release Methodology

The Company shall, to the extent Transporter capacity is available, release Transporter capacity for each Existing Consumer (defined as a non-Residential Consumer who was receiving Transportation Service from the Company on or before November 5, 2002) to its selected CI Shipper or its assigned TTS Shipper. The Company shall temporarily release all quantities of such Transporter capacity to Shippers each month in accordance with the Transporter capacity allocation method approved by the Commission in Order No. PSC-02-1646-TRF-GU and as further clarified herein.

3. Quantity of Capacity For Release

Each month, Company shall determine the DCQ to be released to each Shipper using the following methodology:

RULES AND REGULATIONS  
(Continued)

- a. For an Existing Consumer whose annual Gas usage exceeded 100,000 Therms in calendar year 2001:
    - i. the DCQ shall be the daily quantity of Transporter capacity as exhibited in an executed capacity release agreement in effect on November 5, 2002 ("Capacity Agreement"). At the expiration or termination of the Capacity Agreement, Company shall continue to allocate Transporter capacity to the Existing Consumer in the same quantity as exhibited in the executed capacity release agreement; or
    - ii. the DCQ shall be the actual peak month Gas usage quantity in calendar year 2001 divided by the number of days in such peak month, rounded up to the next whole dekatherm.
  - b. For each Existing Consumer whose annual Gas usage was 100,000 Therms or less in calendar year 2001, the DCQ shall be determined by dividing the maximum usage quantity for Existing Consumer's rate classification in calendar year 2001 by 365 days; then dividing the result of this calculation (Therms per Gas Day) by 10 (to convert Therms to Dekatherms); and then rounding up to the next whole Dekatherm.
  - c. The remaining capacity quantity after the allocations resulting from Subsections 3a. and 3b. shall be the DCQ for all Residential Consumers. Company shall determine the ratio of active Residential Consumers in each TTS Shipper's Consumer Pool to the total number of active Residential Consumers on the Company's distribution system. The Residential Consumer DCQ shall be proportionately allocated to TTS Shippers based on the ratio described herein.
  - d. Each month, the Company shall determine the total DCQ for each Shipper, in accordance with the methodology described herein. Adjustments to Shipper's DCQ may occur from time to time to reflect changes in Shipper's Consumer Pool, resulting from the submission of LOAs to the Company from Consumers. In the event a Consumer discontinues Transportation Service, all quantities of capacity allocated to such Consumer and released to the Consumer's designated Shipper as provided in this tariff shall revert to the TTS Pool and be allocated as identified in paragraph c. above.
4. Allocation Of Capacity From Multiple Transporters  
Company has contracted for capacity on two (2) Transporter's pipelines, Florida Gas Transmission (FGT) and Gulfstream Natural Gas System (GNGS). Company shall allocate Transporter capacity, inclusive of Receipt and Delivery

**RULES AND REGULATIONS**  
(Continued)

2. Maximum Daily Transportation Quantity (MDTQ)

Company may establish a MDTQ for Gas for one or more Shipper(s) if, in the reasonable opinion of the Company, it is necessary to protect system integrity or to ensure existing Consumers are not adversely affected by Shipper(s) requiring an MDTQ. Company shall not be obligated to transport Consumer-owned Gas above the Shipper's MDTQ, if established, but may do so if feasible and without adverse affect to other Consumers, in the reasonable opinion of the Company.

3. Quality

The quality of Gas delivered by Shipper to the Company shall meet the same specifications as the FERC-approved or Commission-approved tariff requirements of the Transporter connected to Company.

4. Shipper's Delivery Obligations

a. Unless excused by Force Majeure, Shipper shall cause Transporters to deliver on each Gas Day to Transporter delivery points where Company is the DPO a quantity of Gas sufficient to reliably serve the requirements of its Consumer Pool and off-system customers. Shipper shall have no obligation to deliver Gas to Company on behalf of Consumers whose service is terminated, either upon request of the Consumer or for cause. Company shall promptly notify the Shipper of any known change in Consumer account status that will affect Gas quantity deliveries.

b. If any act or omission of Shipper causes Company, as the DPO, to incur any Transporter penalties, other expenses or liabilities of any kind, Shipper will indemnify and reimburse Company for all said penalties, other expenses or liabilities. Nothing herein shall be deemed to foreclose Company from employing other remedies, including cessation of deliveries for the unauthorized usage of Gas.

**K. MUTUALLY BENEFICIAL TRANSACTIONS**

Shipper recognizes that Company maintains the operation and integrity of Company distribution system on a daily basis. Shipper also recognizes that as DPO for the interstate pipeline interconnects, Company or its agent is subject to the rules and regulations of the Transporters with regard to operational flow rates, pressures and penalties. As such, Company may need Shipper to vary its daily delivery from the nominated delivery quantities. On those occasions, Company may request, at its sole discretion, and Shipper may agree to, a change to Shipper's nominated Gas supply

RULES AND REGULATIONS  
(Continued)

quantities and either Transporter's pipeline capacity. Terms and conditions of such transactions shall be agreed upon at the time of the transaction and shall be recorded and confirmed in writing within two business days after the transaction.

L. SCHEDULING AND NOMINATING

Each Shipper shall submit to Company all scheduling and nominating information simultaneously with its submission to Transporters.

M. GAS MONTH BALANCING

The balancing of the quantity of Gas scheduled and nominated for each Shipper, at all Transporter delivery points for which Company, or Company's agent, is the DPO, and the actual Gas Month usage by the sum of all individual Consumers served by each Shipper shall be done on a monthly basis. The Company and Shipper shall resolve all Gas Month imbalance quantities at the end of each Month, as follows:

1. If the Gas Month imbalance quantity is positive (amount of Gas scheduled is greater than aggregated actual Gas Month usage by Consumers), the Company shall purchase from Shipper such Gas Month imbalance quantity at a price per therm (the "Unit Price") calculated by taking: (i) the lowest weekly average (weeks where Friday is within the Gas Month) of the "Daily price survey" for Gas under the "Midpoint" column for "Florida Gas, zone 1", "Florida Gas, zone 2" or "Florida Gas, zone 3", as reported in *Platts Gas Daily*, for the Gas Month in which the positive Gas Month imbalance quantity was incurred, multiplied by the applicable factor set forth below:

| <u>Imbalance Level</u> | <u>Factor</u> |
|------------------------|---------------|
| 0% to 5%               | 1.00          |
| Greater than 5% to 20% | 0.90          |
| Greater than 20%       | 0.80          |

and subtracting: (ii) the monthly per therm charge billed to Company from DPO agent (if any), as such DPO agent charges are specifically approved by the Commission. This charge is calculated by dividing the billed DPO charges by the sum of the absolute value of all Shippers positive Gas Month imbalance quantities

## RULES AND REGULATIONS

(Continued)

and all Shippers negative Gas Month imbalance quantities.

The total amount due Shipper shall be the product of the Unit Price and the positive Gas Month imbalance.

2. If the Gas Month imbalance quantity is negative (amount of Gas scheduled is less than aggregated actual Gas Month usage by Consumers), the Company shall sell to Shipper such Gas Month imbalance quantity at a price per therm (the "Unit Price") calculated by taking the sum of (i) the highest weekly average (weeks where Friday is within the Gas Month) of the "Daily price survey" for Gas posted under the "Midpoint" column for "Florida Gas, zone 1", "Florida Gas, zone 2" or "Florida Gas, zone 3", as reported in *Platts Gas Daily*, for the Gas Month in which the negative Gas Month imbalance quantity was incurred, multiplied by the applicable factor set forth below:

| <u>Imbalance Level</u> | <u>Factor</u> |
|------------------------|---------------|
| 0% to 5%               | 1.00          |
| Greater than 5% to 20% | 1.10          |
| Greater than 20%       | 1.20          |

and (ii) the GNGS capacity rate per Therm for 6% maximum hourly flow tariff rate (as it may change from time to time) plus the FGT FTS-1 usage rate per therm (inclusive of all applicable surcharges), and (iii) the monthly per Therm charge billed to Company from DPO agent (if any), as such DPO agent charges are specifically approved by the Commission. This charge is calculated by dividing the billed DPO charges by the sum of the absolute value of all Shippers positive Gas Month imbalance quantities and all Shippers negative Gas Month imbalance quantities.

The total amount due Company shall be the product of the Unit Price and the negative Gas Month imbalance.

### N. OPERATIONAL CONTROLS

#### 1. Transporter Notices

All Shippers and Shipper's Designees shall take all necessary actions to ensure that Transporter provides Transporter Operational Control notices directly to

RULES AND REGULATIONS  
(Continued)

Shipper or Shipper's Designee. Company shall have no obligation to provide Transporter Operational Control notices to Shippers or Shipper's Designees.

2. Shipper Obligations

Shipper or Shipper's Designee shall be responsible for complying with Transporter's Operational Control notices and/or orders from Transporter.

3. Operational Control Orders (OCO)

If Company as the DPO (or Company's agent acting in such capacity under contract with Company), incurs OCO (however denominated by Transporter) penalties from Transporter, the Company and Shipper(s) shall resolve all OCO penalties at the end of each Month, as follows:

a. Overage OCO Penalties

For each Gas Day where an overage OCO penalty is incurred, the Company shall determine the Shipper(s) that have a Gas Day positive imbalance (aggregated actual Gas Day usage by Consumers is greater than amount of Gas scheduled). The Company shall charge Shipper(s) for the Gas Day positive imbalance quantity multiplied by the Transporter's OCO rate. If the sum of the overage OCO charges to Shipper(s) exceed the charges incurred by Company, then the OCO charges incurred by Company shall be prorated, based on scheduled Gas quantities, to the Shipper(s).

b. Underage OCO Penalties

For each Gas Day where an underage OCO penalty is incurred, the Company shall determine the Shipper(s) that have a Gas Day negative imbalance (amount of Gas scheduled is greater than aggregated actual Gas Day usage by Consumers). The Company shall credit Shipper(s) for the Gas Day negative imbalance quantity multiplied by the Transporter's OCO rate. If the sum of the underage OCO credits to Shipper(s) exceed the credits received by Company, then the OCO credits received by Company shall be prorated, based on scheduled Gas quantities, to the Shipper(s).

4. Operational Control Order Amounts

After all OCO amounts are resolved with the Shippers, if any Company-

## RULES AND REGULATIONS

(Continued)

incurred OCO amounts remain, such amounts shall be applied to the Operating Balancing Account ("OBA") and disposed of in accordance with the terms and conditions of the OBA mechanism.

All OCO amounts that Company either pays to or receives from Transporters and Shippers shall be applied to the OBA. Company shall not, under any circumstances, retain any of the OCO amounts collected from either Transporters or Shippers resulting from the application of the OCO provisions of this tariff.

### O. WARRANTY, CONTROL AND INDEMNIFICATION

#### 1. Warranty

Shipper warrants that it will have good and merchantable title to, or that it has good right to deliver, all Gas delivered by Transporter to Company for Shipper's account at the Delivery Point(s), and that such Gas will be free and clear of all liens, encumbrances, and claims whatsoever. In the event any adverse claim in respect to said Gas is asserted, or Shipper breaches its warranty herein, Company shall not be required to perform its obligations to transport and deliver said Gas to Consumer accounts in Shipper's Consumer Pool or, subject to receipt of any necessary regulatory authorization, to continue service hereunder for Shipper until such claim has been finally determined; provided, however, that Shipper may receive service if (i) in the case of an adverse claim, Shipper furnishes a bond to Company, conditioned for the protection of Company with respect to such claim; or (ii) in the case of a breach of warranty, Shipper promptly furnishes evidence, satisfactory to Company, of Shipper's title to said Gas.

#### 2. Control and Possession

Shipper shall be deemed to be in control and possession of Gas prior to delivery to the Delivery Point(s); and Company shall be deemed to be in control and possession of the Gas to be transported by it upon delivery of such Gas by Transporter to the Delivery Point(s), and until it shall have been delivered to Company's Point(s) of Delivery. Each party, while deemed to be in control and possession of such Gas, shall be responsible for, and shall indemnify and hold the other harmless from any and all claims, actions, suits, including attorney's fees, arising out of or relating in any way to custody and control of such Gas

RULES AND REGULATIONS  
(Continued)

3. Indemnification

The Shipper shall indemnify, hold harmless, and defend the Company from and against any and all liability, proceedings, suits, costs or expenses for loss, damage or injury to persons or property in any manner directly or indirectly connected with or growing out of the transportation of Gas by the Shipper, as such may be defined in the CI Shipper and TTS Shipper Agreements.

The Shipper shall also indemnify, hold harmless, and defend the Company from and against any and all liability, proceedings, suits, costs or expenses for loss, economic damage, damage or injury to persons or property and attorneys' fees, in any manner directly or indirectly connected with or arising out of the acts, omissions, or negligence of the Company, its employees or agents in the transportation of Gas by the Shipper.

P. FORCE MAJEURE

1. In the event either Company or Shipper is unable wholly or in part by Force Majeure to carry out its obligations under this tariff other than to make payments due thereunder, it is agreed that on such party giving notice and full particulars of such Force Majeure to the other party as soon as possible after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch.
2. The term "Force Majeure", as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, hurricanes or evacuation orders due to hurricanes, floods, washouts, arrests and restraints of government and people, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, the necessity for making repairs or alterations to machinery or lines of pipe, freezing of well or lines of pipe, partial or entire failure of source of supply, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; such term shall likewise include (a) in those instances where either party is required to obtain servitudes, rights of

## RULES AND REGULATIONS

(Continued)

way grants, permits, or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitude, rights of way grants, permits, or licenses; and (b) in those instances where either party is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure grants or permissions from any governmental agency to enable such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions.

3. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of an opposing party when such course is inadvisable in the discretion of the party having the difficulty.

### Q. OPERATIONAL BALANCING ACCOUNT

#### 1. Authorization for Recovery or Refund

It is the intent of this Section that the Company shall be authorized to recover or refund any and all charges or credits related to the provision of Transportation Service, as have historically been recovered from or allocated to Consumers pursuant to the Commission's ongoing Purchased Gas Adjustment cost recovery proceedings.

#### 2. Charges or Credits

The OBA provides the mechanism by which the Company accumulates and allocates the following charges or credits, which include but are not limited to:

- a. Charges or credits associated with balancing, on a monthly basis, the measured Gas quantities at the Company's Delivery Points with Transporters with the scheduled quantities of Gas on Transporter's system.
- b. Charges or credits associated with the Gas Month Balancing provisions defined in Section III.M.

RULES AND REGULATIONS  
(Continued)

- c. Charges or credits associated with the Operational Controls provisions defined in Section III.N. Such charges or credits associated with the Operational Controls shall be recorded in a separate sub-account of the OBA.
- d. Charges or credits associated with any unreleased Transporter capacity.
- e. Other charges or credits related to the provision of Transportation Service that have historically been recovered from or allocated to customers pursuant to the Commission's ongoing Purchased Gas Adjustment cost recovery proceedings.

3. Disposition of OBA Balance

The Company shall, within 30 days after calendar quarter end, dispose of any OBA balance with Shippers, if such balance is at least \$100,000 (debit or credit balance). If the OBA balance at calendar quarter end is below \$100,000 (debit or credit balance), then the Company shall not dispose of the OBA balance until such time that the OBA balance is at least \$100,000 (debit or credit balance) at any subsequent calendar quarter. The Company shall, within 45 days after calendar year end, dispose of the OBA balance, regardless of balance amount, with Shippers. Each Shipper's refund or charge shall be based upon the proportion of scheduled Gas of each Shipper to the total amount of scheduled Gas by all Shippers during the corresponding OBA refund or charge period.

The Company shall track each Operational Control Order event that results in charges or credits to Company to ensure that the responsible Shippers that have already been charged or credited for the Operational Control Order event do not receive any residual charges or credits, if any, from each Operational Control Order event upon disposition of the OBA.

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Issued by: John R. Schimkaitis, President  
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Effective:

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 71  
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RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - A  
Rate Schedule FTS-A

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is 0 therms up to 130 therms. This rate schedule is closed to all Consumers, except those receiving service under rate schedules FTS-A as of December 31, 2009. In addition, Consumers who restore service or apply for new service at a premise where the Company provided service under Rate Schedule FTS-A at the time service was terminated shall receive service at such premise under this Rate Schedule.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$13.00             |
| Usage Charge:               | \$0.56126 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

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Original Volume No. 4

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RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – A (Experimental)  
Rate Schedule FTS-A (Exp)

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is 0 therms up to 130 therms. This rate schedule is closed to all Consumers, except those receiving service under rate schedules FTS-A as of December 31, 2009. In addition, Consumers who restore service or apply for new service at a premise where the Company provided service under Rate Schedule FTS-A at the time service was terminated shall receive service at such premise under this Rate Schedule.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$18.05             |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

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First Revised Sheet No. 73  
Cancels Original Sheet No. 73

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - B  
Rate Schedule FTS-B

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 130 therms up to 250 therms. This rate schedule is closed to all Consumers, except those receiving service under rate schedules FTS-A or FTS-B as of March 3, 2005. In addition, Consumers who restore service or apply for new service at a premise where the Company provided service under Rate Schedule FTS-B at the time service was terminated shall receive service at such premise under this Rate Schedule.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$16.50             |
| Usage Charge:               | \$0.48483 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 74  
Cancels Original Sheet No. 74

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – B (Experimental)  
Rate Schedule FTS-B (Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 130 therms up to 250 therms. This rate schedule is closed to all Consumers, except those receiving service under rate schedules FTS-A or FTS-B as of March 3, 2005. In addition, Consumers who restore service or apply for new service at a premise where the Company provided service under Rate Schedule FTS-B at the time service was terminated shall receive service at such premise under this Rate Schedule.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$24.00             |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 75  
Cancels Original Sheet No. 75

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 1  
Rate Schedule FTS-1

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is 0 therms up to 500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or five (5) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$21.00             |
| Usage Charge:               | \$0.41483 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Sheet No. 76  
Original Volume No. 4 Cancels Original Sheet No. 76

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 1 (Experimental)  
Rate Schedule FTS-1 (Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is 0 therms up to 500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or five (5) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$30.00             |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 77  
Cancels Original Sheet No. 77

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 2  
Rate Schedule FTS-2

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 500 therms up to 1,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$35.00             |
| Usage Charge:               | \$0.35776 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 78  
Cancels Original Sheet No. 78

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 2 (Experimental)  
Rate Schedule FTS-2 (Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 500 therms up to 1,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$50.00             |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

Original Sheet No. 78.1

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 2.1  
Rate Schedule FTS-2.1

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 1,000 therms up to 2,500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$45.00             |
| Usage Charge:               | \$0.29692 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

Original Sheet No. 78.2

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 2.1 (Experimental)  
Rate Schedule FTS-2 .1(Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 1,000 therms up to 2,500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$90.00             |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Sheet No. 79  
Original Volume No. 4 Cancels Original Sheet No. 79

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 3  
Rate Schedule FTS-3

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 2,500 therms up to 5,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$108.00            |
| Usage Charge:               | \$0.26004 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation First Revised Sheet No. 80  
Original Volume No. 4 Cancels Original Sheet No. 80

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 3 (Experimental)  
Rate Schedule FTS-3 (Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 2,500 therms up to 5,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$166.00            |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

Original Sheet No. 80.1

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE — 3.1  
Rate Schedule FTS-3.1

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 5,000 therms up to 10,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$134.00            |
| Usage Charge:               | \$0.21414 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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Chesapeake Utilities Corporation

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

Original Sheet No. 80.2

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE – 3.1 (Experimental)  
Rate Schedule FTS-3.1 (Exp)

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 5,000 therms up to 10,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$269.00            |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 81  
Cancels Original Sheet No. 81

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 4  
Rate Schedule FTS-4

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 10,000 therms up to 25,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$230.00            |
| Usage Charge:               | \$0.18255 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:



Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 83  
Cancels Original Sheet No. 83

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 6  
Rate Schedule FTS-6

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 50,000 therms up to 100,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$700.00            |
| Usage Charge:               | \$0.13976 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 84  
Cancels Original Sheet No. 84

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 7  
Rate Schedule FTS-7

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 100,000 therms up to 200,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$975.00            |
| Usage Charge:               | \$0.10591 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 85  
Cancels Original Sheet No. 85

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 8  
Rate Schedule FTS-8

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 200,000 therms up to 400,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$1,800.00          |
| Usage Charge:               | \$0.09003 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 86  
Cancels Original Sheet No. 86

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 9  
Rate Schedule FTS-9

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 400,000 therms up to 700,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$2,775.00          |
| Usage Charge:               | \$0.07923 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 87  
Cancels Original Sheet No. 87

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 10  
Rate Schedule FTS-10

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 700,000 therms up to 1,000,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$4,400.00          |
| Usage Charge:               | \$0.06880 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 88  
Cancels Original Sheet No. 88

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 11  
Rate Schedule FTS-11

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 1,000,000 therms up to 2,500,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$8,000.00          |
| Usage Charge:               | \$0.05815 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 89  
Cancels Original Sheet No. 89

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 12  
Rate Schedule FTS-12

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 2,500,000 therms up to 12,500,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$14,400.00         |
| Usage Charge:               | \$0.04848 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 90  
Cancels Original Sheet No. 90

RATE SCHEDULES  
FIRM TRANSPORTATION SERVICE - 13  
Rate Schedule FTS-13

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 12,500,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Monthly Rate:

|                             |                     |
|-----------------------------|---------------------|
| Firm Transportation Charge: | \$16,692.25         |
| Usage Charge:               | \$0.00000 per therm |

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

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 Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 94  
Cancels Original Sheet No. 94

RATE SCHEDULES  
SHIPPER ADMINISTRATIVE AND BILLING SERVICE  
Rate Schedule SABS

Availability:

Throughout the service areas of the Company.

Applicability:

Service under this Rate Schedule is mandatory for all TTS Shippers and may be elected by CI Shippers delivering, or causing to be delivered, Gas to the Company's distribution system for transportation to Consumers and who utilize the Company for billing Gas costs to Consumers.

Monthly Rate:

|                                |                     |
|--------------------------------|---------------------|
| Shipper Administration Charge: | \$300.00            |
| Consumer Charge:               | \$5.50 per Consumer |

Minimum Charge:

The Shipper Administration Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 95  
Cancels Original Sheet No. 95

RATE SCHEDULES  
SHIPPER ADMINISTRATIVE SERVICE  
Rate Schedule SAS

Availability:

Throughout the service areas of the Company.

Applicability:

Service under this Rate Schedule is mandatory for all CI Shippers, except those CI Shippers who are also Consumers receiving service through the Special Contract Service or Flexible Gas Service, delivering, or causing to be delivered, Gas to the Company's distribution system for transportation to Consumers, and who have not selected the Company's SABS rate schedule.

Monthly Rate:

Shipper Administration Charge: \$300.00

Consumer Charge: \$7.50 per Consumer

Minimum Charge:

The Shipper Administration Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 98  
Cancels Original Sheet No. 98

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA  
SOLAR WATER-HEATING ADMINISTRATIVE  
AND BILLING SERVICE – (Experimental)  
Rate Schedule SWHS (Exp)

Availability:

Throughout the service areas of the Company.

Applicability:

Service under this Rate Schedule is mandatory for any third party entity (the "SWHS Contractor") installing residential combination thermal solar and natural gas water heating systems on the Company's gas distribution system that have entered into an SWHS agreement with the Company. The Company shall provide a payment agent/collection service for authorized SWHS Contractors. Each month, the Company shall bill applicable Consumers the SWHS Contractor's charge for installing and maintaining the combination solar/gas water heating system. The Company shall remit such funds collected from Consumers, less the SWHS Consumer Charge, to the applicable SWHS Contractors. The Company shall have no obligation to the SWHS Contractor for any charges that are not collected from Consumers.

Monthly Rate:

Consumer Charge: \$7.50 per bill

Minimum Charge:

The Consumer Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 98  
Cancels Original Sheet No. 98

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS

Rate Schedule MRA

1. ENERGY CONSERVATION COST RECOVERY ADJUSTMENT:

Applicability:

All Consumers receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A, FTS-B, FTS-1, FTS-2, FTS-2.1, FTS-3, FTS-3.1, FTS-4, FTS-5, FTS-6, FTS-7, FTS-8, FTS-9, FTS-10, FTS-11, and FTS-12.

The bill for Firm Transportation Service to a Consumer in any billing period shall be adjusted as follows: the Usage Charge shall be increased or decreased to the nearest .001 cent multiplied by the tax factor of 1.00503 for each Therm to recover the conservation related expenditures by the Company. The Company shall record both projected and actual expenses and revenues associated with the implementation of the Company's energy conservation plan as authorized by the Commission. The procedure for the review, approval, recovery and recording of such costs and revenues is set forth in the Commission Rule 25-17.015, F.A.C.

The cost recovery factor for the period from January 1, 2009 through December 31, 2009 for each rate schedule is as follows:

| <u>Rate Schedule</u> | <u>Classification of Service</u>   | <u>Dollars per therm</u> |
|----------------------|------------------------------------|--------------------------|
| FTS-A                | < 130 therms                       | \$0.11835                |
| FTS-B                | > 130 up to 250 therms             | \$0.09247                |
| FTS-1                | > 0 up to 500 therms               | \$0.08372                |
| FTS-2                | >500 up to 1,000 therms            | \$0.04271                |
| FTS-2.1              | >1,000 up to 2,500 therms          | \$0.04271                |
| FTS-3                | >2,500 up to 5,000 therms          | \$0.02590                |
| FTS-3.1              | >5,000 up to 10,000 therms         | \$0.02590                |
| FTS-4                | >10,000 up to 25,000 therms        | \$0.02107                |
| FTS-5                | >25,000 up to 50,000 therms        | \$0.01802                |
| FTS-6                | >50,000 up to 100,000 therms       | \$0.01605                |
| FTS-7                | >100,000 up to 200,000 therms      | \$0.00965                |
| FTS-8                | >200,000 up to 400,000 therms      | \$0.00933                |
| FTS-9                | >400,000 up to 700,000 therms      | \$0.00740                |
| FTS-10               | >700,000 up to 1,000,000 therms    | \$0.00739                |
| FTS-11               | >1,000,000 up to 2,500,000 therms  | \$0.00615                |
| FTS-12               | >2,500,000 up to 10,000,000 therms | \$0.00511                |

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 99  
Cancels Original Sheet No. 99

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

2. ENERGY CONSERVATION COST RECOVERY ADJUSTMENT (Experimental):

Applicability:

All Consumers, assigned to a TTS Shipper, receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A (Exp), FTS-B (Exp), FTS-1 (Exp), FTS-2 (Exp), FTS-2.1 (Exp.), FTS-3 (Exp), and FTS-3.1 (Exp.).

The bill for Firm Transportation Service to a Consumer in any billing period shall be adjusted as follows: the Firm Transportation Charge shall be increased or decreased to the nearest .01 cent multiplied by the tax factor of 1.00503 for each Consumer bill. The Company shall record both projected and actual expenses and revenues associated with the Company's Energy Conservation Program as authorized by the Commission. The procedure for the review, approval, recovery and recording of such costs and revenues is set forth in the Commission Rule 25-17.015, F.A.C.

The Energy Conservation Cost Recovery Adjustment factor for the period from January 1, 2009 through December 31, 2009 for each rate schedule is as follows:

| <u>Consumer<br/>Rate Schedule</u> | <u>\$ per bill</u> |
|-----------------------------------|--------------------|
| FTS-A (Exp)                       | \$ 0.90            |
| FTS-B (Exp)                       | \$ 1.24            |
| FTS-1 (Exp)                       | \$ 1.57            |
| FTS-2 (Exp)                       | \$ 3.46            |
| FTS-2.1 (Exp)                     | \$ 3.46            |
| FTS-3 (Exp)                       | \$ 12.53           |
| FTS-3.1 (Exp)                     | \$ 12.53           |

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 100  
Cancels Original Sheet No. 100

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

3. ENVIRONMENTAL SURCHARGE:

Applicability:

All Consumers receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A, FTS-B, FTS-1, FTS-2, FTS-2.1, FTS-3, FTS-3.1, FTS-4, FTS-5, FTS-6, FTS-7, FTS-8, FTS-9, FTS-10, FTS-11, and FTS-12.

The monthly Firm Transportation Service to a Consumer in any billing period shall be adjusted as follows to recover the Company's cost related to the environmental remediation of its manufactured gas plant site.

The cost recovery factor for the period from January 1, 2010 through December 31, 2010 for each rate schedule is as follows:

| <u>Rate Schedule</u> | <u>Classification of Service</u>   | <u>Dollars per bill</u> |
|----------------------|------------------------------------|-------------------------|
| FTS-A                | < 130 therms                       | \$0.31                  |
| FTS-B                | > 130 up to 250 therms             | \$0.41                  |
| FTS-1                | > 0 up to 500 therms               | \$0.52                  |
| FTS-2                | >500 up to 1,000 therms            | \$0.87                  |
| FTS-2.1              | >1,000 up to 2,500 therms          | \$1.56                  |
| FTS-3                | >2,500 up to 5,000 therms          | \$2.88                  |
| FTS-3.1              | >5,000 up to 10,000 therms         | \$4.67                  |
| FTS-4                | >10,000 up to 25,000 therms        | \$7.99                  |
| FTS-5                | >25,000 up to 50,000 therms        | \$14.62                 |
| FTS-6                | >50,000 up to 100,000 therms       | \$24.14                 |
| FTS-7                | >100,000 up to 200,000 therms      | \$38.05                 |
| FTS-8                | >200,000 up to 400,000 therms      | \$66.52                 |
| FTS-9                | >400,000 up to 700,000 therms      | \$106.51                |
| FTS-10               | >700,000 up to 1,000,000 therms    | \$156.12                |
| FTS-11               | >1,000,000 up to 2,500,000 therms  | \$278.20                |
| FTS-12               | >2,500,000 up to 10,000,000 therms | \$501.02                |

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 101  
Cancels Original Sheet No. 101

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

4. COMPETITIVE FIRM TRANSPORTATION SERVICE ADJUSTMENT:

Applicability:

All Consumers receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A, FTS-B, FTS-1, FTS-2, FTS-2.1, FTS-3, FTS-3.1, FTS-4, FTS-5, FTS-6, FTS-7, FTS-8, FTS-9, FTS-10, FTS-11, and FTS-12.

The Monthly Rate is subject to adjustment in accordance with the following provisions for prior Shortfalls or Surpluses in the Company's revenues resulting from service provided under the CFTS.

a. For the purposes of this clause, the following definitions shall apply:

1. "Actual Revenue" means Company's actual Monthly Rate revenue derived from service provided to CFTS Consumers during a Determination Period.
2. "Tariff Revenue" means the Monthly Rate revenue which Company would have derived had all gas transported to Consumers, during a Determination Period, been billed at the applicable Firm Transportation Service rate schedule.
3. "Surplus" means the amount, if any, by which Company's Actual Revenue exceeds its Tariff Revenue for a Determination Period.
4. "Shortfall" means the amount, if any, by which the Company's Tariff Revenue exceeds its Actual Revenue for a Determination Period.

b. The existence of a Shortfall or Surplus shall be determined by comparing Florida Division's Actual Revenue with its Tariff Revenue. This determination shall be made each year for the twelve months ending December 31 ("Determination Period").

c. Adjustments to firm rates pursuant to this clause shall be implemented during an "Adjustment Period," which shall be the twelve months immediately following the Determination Period in the event of a Surplus. In the event of a Shortfall, any twelve successive months ending on a December 31 within five years following the Determination Period may be an Adjustment Period.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 102  
Cancels Original Sheet No. 102

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

- d. In the event of a Surplus, Company shall reduce rates to Consumers to credit them with revenues equal to one-half the Surplus. In the event of a Shortfall, Company may increase rates to Consumers to recover an amount not to exceed one-half the Shortfall. The amount of any credit or recovery is governed by the following:

Surplus credit = (Actual Revenue - Tariff Revenue)

Shortfall recovery = (Tariff Revenue - Actual Revenue)

- e. A Surplus credit or Shortfall recovery shall be implemented during an adjustment period by reducing or increasing the Usage Charge prescribed in each Firm Transportation Service rate schedule of this tariff. An adjustment factor shall be computed for each applicable rate schedule. The computation of adjustment factors for each rate schedule shall conform to the methodology approved by the Commission for use in determining cost recovery factors by rate schedule in the Company's Energy Conservation Cost Recovery Adjustment.
- f. Any variation between the actual credit to Firm Transportation Service Customers and the amount calculated pursuant to the preceding paragraph, or between the Actual Shortfall recovery and the amount that the Company elected to recover in an Adjustment Period, shall be "trued-up" during the succeeding twelve months pursuant to methodology approved by the Commission.
- g. Company may defer all or a portion of a Shortfall recovery to a subsequent Adjustment Period or portion thereof.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 103  
Cancels Original Sheet No. 103

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

5. COMPETITIVE FIRM TRANSPORTATION SERVICE ADJUSTMENT (Experimental):

Applicability:

All Consumers, assigned to a TTS Shipper, receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A (Exp), FTS-B (Exp), FTS-1 (Exp), FTS-2 (Exp), FTS-2.1 (Exp), FTS-3 (Exp), and FTS-3.1 (Exp).

The Monthly Rate is subject to adjustment in accordance with the following provisions for prior Shortfalls or Surpluses in the Company's revenues resulting from service provided under the CFTS.

a. For the purposes of this clause, the following definitions shall apply:

1. "Actual Revenue" means Company's actual Monthly Rate revenue derived from service provided to CFTS Consumers during a Determination Period.
2. "Tariff Revenue" means the Monthly Rate revenue which Company would have derived had all gas transported to Consumers, during a Determination Period, been billed at the applicable Firm Transportation Service rate schedule.
3. "Surplus" means the amount, if any, by which Company's Actual Revenue exceeds its Tariff Revenue for a Determination Period.
4. "Shortfall" means the amount, if any, by which the Company's Tariff Revenue exceeds its Actual Revenue for a Determination Period.

b. The existence of a Shortfall or Surplus shall be determined by comparing Florida Division's Actual Revenue with its Tariff Revenue. This determination shall be made each year for the twelve months ending December 31 ("Determination Period").

c. Adjustments to firm rates pursuant to this clause shall be implemented during an "Adjustment Period," which shall be the twelve months immediately following the Determination Period in the event of a Surplus. In the event of a Shortfall, any twelve successive months ending on a December 31 within five years following the Determination Period may be an Adjustment Period.

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

Effective:

Florida Division of Chesapeake Utilities Corporation  
Original Volume No. 4

First Revised Sheet No. 104  
Cancels Original Sheet No. 104

RATE SCHEDULES  
MONTHLY RATE ADJUSTMENTS  
Rate Schedule MRA

- d. In the event of a Surplus, Company shall reduce rates to Consumers to credit them with revenues equal to one-half the Surplus. In the event of a Shortfall, Company may increase rates to Consumers to recover an amount not to exceed one-half the Shortfall. The amount of any credit or recovery is governed by the following:

Surplus credit = (Actual Revenue - Tariff Revenue)

Shortfall recovery = (Tariff Revenue - Actual Revenue)

- e. A Surplus credit or Shortfall recovery shall be implemented during an adjustment period by reducing or increasing the Firm Transportation Charge prescribed in each Firm Transportation Service rate schedule of this tariff. An adjustment factor shall be computed for each applicable rate schedule. The computation of adjustment factors for each rate schedule shall conform to the methodology approved by the Commission for use in determining cost recovery factors by rate schedule in the Company's Energy Conservation Cost Recovery Adjustment (Experimental).
- f. Any variation between the actual credit to Firm Transportation Service Customers and the amount calculated pursuant to the preceding paragraph, or between the Actual Shortfall recovery and the amount that the Company elected to recover in an Adjustment Period, shall be "trued-up" during the succeeding twelve months pursuant to methodology approved by the Commission.
- g. Company may defer all or a portion of a Shortfall recovery to a subsequent Adjustment Period or portion thereof.

Issued by: John R. Schimkaitis, President  
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Effective: