

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

**IN THE MATTER OF THE TARIFF FILING)
OF CHESAPEAKE UTILITIES CORPORATION)
FOR APPROVAL OF CHANGES TO RATE) PSC DOCKET NO. 15-0708
SCHEDULE "NGV" OF ITS DELAWARE)
TARIFF (FILED FEBRUARY 13, 2015))**

**DIRECT TESTIMONY OF
JASON R. SMITH
ON BEHALF OF THE STAFF OF THE
DELAWARE PUBLIC SERVICE COMMISSION**

APRIL 1, 2015

1 **Q. Please state your name and business address.**

2 A. My name is Jason R. Smith, and my business address is 861 Silver Lake Boulevard,
3 Cannon Building, Suite 100, Dover, Delaware 19904.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Delaware Public Service Commission (the “Commission”) as a
6 Public Utility Analyst.

7 **Q. How long have you been employed by the Delaware Public Service Commission?**

8 A. I have been employed by the Commission since April of 2010.

9 **Q. What is your educational background?**

10 A. I received an Associate of Applied Science Degree from Delaware Technical and
11 Community College in 2005. In 2008, I received a Bachelor of Science Degree in
12 General Studies from Wilmington University. I am presently enrolled in the Masters of
13 Business Administration program at the same institution.

14 **Q. Briefly describe your duties and responsibilities with the Commission.**

15 A. Apart from being the case manager for this proceeding, I examine monthly, quarterly, and
16 annual reports for Chesapeake Utilities Corporation – Delaware Division (“Chesapeake”
17 or the “Company”). This would include the examination of all monthly over/under
18 collection reports, monthly financial statements and summary trial balance reports,
19 quarterly gas hedging reports, quarterly rate of return reports, annual supply plans, and
20 main extension filings. I also serve as case manager for various Chesapeake dockets

1 including the Company's pending application for approval of changes to the
2 Transportation and Balancing Rider and the Gas Supplier Schedule of its tariff,¹ stock
3 and debt issuance filings,² and tariffs establishing new rate schedules.³

4 My other duties and responsibilities with the Commission include serving as a team
5 member or case manager for various Commission dockets which include rate case filings
6 and debt issuances,⁴ perform reviews of various utility applications, monitor monthly
7 financials for Tidewater Environmental Services, Inc. ("TESI"), prepare reports and other
8 schedules in other proceedings, make written recommendations to the Commission, and
9 perform other related tasks as assigned. In conjunction with my work in rate case filings,
10 I participate in the planning and execution of the required audits of regulated companies,
11 including performing a review of supporting documentation at utilities' offices to
12 evaluate and make recommendations regarding the financial and managerial condition of
13 those utility companies.

14 **Q. What is the purpose of your testimony in this proceeding?**

15 A. I was assigned as Case Manager to review Chesapeake's Application seeking approval to
16 change the price it charges for compressed natural gas ("CNG") under Rate Schedule
17 "NGV" – Natural Gas Vehicle Service ("Rate Schedule 'NGV'"), which is found at Sheet
18 No. 34 of its Delaware Division tariff. The purpose of my testimony will be to
19 summarize the Application and provide the Commission with a recommendation
20 regarding the treatment of this Application.

¹ PSC Docket No. 13-383 filed October 1, 2013.

² PSC Docket Nos. 14-0412 filed September 17, 2014 and 14-0418 filed September 25, 2014.

³ PSC Docket No. 14-0495 filed October 31, 2014.

⁴ This includes PSC Docket Nos. 14-132 (Artesian Water Company filed April 11, 2014), 13-466 (Tidewater Utilities, Inc. filed November 25, 2013), and 14-0510 (Delmarva Power & Light Company filed November 6, 2014).

1 **Q. Please provide a brief summary of the Company’s Application.**

2 A. Presently, the Company sets its price per Ccf⁵ of CNG at the Ccf-equivalent price of a
3 gallon of unleaded regular gasoline at self-service pumps as published by the Energy
4 Information Administration.⁶ Chesapeake believes that the CNG market for natural gas
5 vehicles has significantly expanded both regionally and nationally. As a result of this
6 expansion, the Company believes that it is more appropriate to utilize a market-based
7 price for CNG versus the use of gasoline pricing. Therefore, Chesapeake’s application
8 proposes to change how it establishes pricing for CNG for natural gas vehicle service by
9 setting its CNG price at the average CNG price for natural gas vehicles in the central
10 Atlantic region based upon information provided quarterly in the Clean Cities Alternative
11 Fuel Price Report (“DOE Price Report”) compiled by the U.S. Department of Energy.
12 Chesapeake has requested this change to be effective on and after April 14, 2015,
13 pending the conclusion of a public evidentiary hearing and the Commission’s decision.

14 **Q. Please summarize Staff’s review of this application.**

15 A. Staff performed a review of the application and additional supporting documents
16 provided by the Company for accuracy and completeness. Prior to the filing of this
17 application, the Company had not had any revisions to Rate Schedule ‘NGV’ since 2002.
18 Over the past 13 years, the CNG market for NGVs has grown considerably. In 2002 the
19 DOE Price Report calculated the average CNG price for the central Atlantic region based

⁵ Ccf = Centum cubic feet (100 cubic feet) – standard unit of measure for the volume of natural gas.

⁶ The Commission first approved Chesapeake’s Rate Schedule “NGV” in PSC Docket No. 95-73 via Order No. 4400 (February 4, 1997). At that time the CNG price was set at the equivalent price of unleaded regular gasoline as published by the American Automobile Association. The next revision to the Rate Schedule “NGV” was made in PSC Docket No. 01-307 via Order No. 5932 (April 16, 2002). In that docket, the Commission changed the reference from AAA to the Energy Information Administration, which is part of the U.S. Department of Energy.

1 on only one respondent.⁷ Now as of October 2014, the average CNG price for the central
2 Atlantic region is calculated based on 97 CNG fueling stations, or respondents.⁸ Staff
3 believes that since this information is being compiled by a credible independent reporting
4 agency on a quarterly basis, coupled with a stronger pool of data, it is reasonable to no
5 longer tie CNG prices to gasoline prices as in the past.

6 The Company also noted in its application that the existing Rate Schedule “NGV”
7 includes a floor on the price that it can charge for CNG, which acts as protection for the
8 Company’s firm sales customers against subsidizing NGV service. That floor is set at the
9 Company’s cost of company-use gas. The Company does not propose any changes to
10 that clause in Rate Schedule ‘NGV’. As such, while the CNG price will likely decrease
11 as a result of this change, CNG service will not be subsidized by the Company’s other
12 customers.

13 **Q. Does Staff have a recommendation to the Commission for the treatment of this**
14 **Application?**

15 A. Yes. Staff respectfully recommends that the Commission approve Chesapeake’s
16 application for the proposed change to the price it charges for CNG under Rate Schedule
17 ‘NGV’ subject to the conditions that (i) that the Rate Schedule ‘NGV’ changes shall be
18 effective on or after April 14, 2015; (ii) that Chesapeake shall file revised tariffs with the
19 Commission within five (5) business days of the final date of the Commission’s Order.

⁷ See Page 2 of [The Alternative Fuel Price Report](http://www.afdc.energy.gov/pdfs/afpr_3_28.pdf). (http://www.afdc.energy.gov/pdfs/afpr_3_28.pdf)

⁸ See Page 5, Table 5, of the [Clean Cities Alternative Fuel Price Report](http://www.afdc.energy.gov/uploads/publication/alternative_fuel_price_report_oct_2014.pdf) dated October 2014.
(http://www.afdc.energy.gov/uploads/publication/alternative_fuel_price_report_oct_2014.pdf)

1 **Q. Do you have any additional matters to address?**

2 A. Yes. I would like to note that no person or entity sought to intervene in this proceeding.
3 Two written filed comments were received and both supported Chesapeake's proposed
4 changes as outlined in its Application. These comments were received from the
5 Delaware Clean Cities Coalition, dated March 16, 2015, and from the Delaware
6 Sustainable Energy Utility, dated March 24, 2015.

7 **Q. Does this conclude your testimony in this proceeding?**

8 A. Yes.