



STATE OF DELAWARE

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June 11, 2015

**TO:** The Chair and Members of the Commission

**FROM:** Jason R. Smith, Public Utility Analyst 

**SUBJECT:** IN THE MATTER OF THE APPLICATION OF CHESAPEAKE UTILITIES CORPORATION FOR APPROVAL OF A CHANGE IN ITS GAS SALES SERVICE RATES ("GSR") TO BE EFFECTIVE NOVEMBER 1, 2014 (FILED SEPTEMBER 2, 2014) – PSC DOCKET NO. 14-0299

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### **Background**

On May 28, 2015, Chesapeake Utilities Corporation ("Chesapeake" or "Company") filed a supplemental application requesting either (1) a proposed change in its Gas Sales Service Rates ("GSR") to be effective for bills rendered on and after July 8, 2015; or (2) a waiver of the requirement to implement interim GSR rates.

Attachment A of Chesapeake's supplemental application shows a projected over collection of fuel expenses (based on 6 months actual sales, 1 month estimated sales, 5 months projected sales) of approximately \$4 million or 10.25% for the gas sales year November 1, 2014 – October 31, 2015.

Section XVI of the Company's Gas Sales Service Rates Tariff states, "The rates computed under this rate schedule shall remain in effect for the projected period provided the latest estimated over collection does not exceed 4½%...of the actual firm gas costs incurred to date along with the Company's latest firm gas cost estimates for the remainder of the calculation of the over/under collection period (over/under period). [...] If it appears that the use of these rates for the twelve-month over/under period will result in an over or under collection exceeding these limits, the Company shall apply to the Commission for revised rates to be effective until the next annual adjustment in the rates."

Chesapeake has cited in its supplemental application two primary reasons for the increase in the over collection balance:

- 1) Weather conditions during the heating season, particularly during the months of January, February, and March of this year, led Chesapeake to experience higher than budgeted consumption by its firm sales customers. Chesapeake used approximately 366,000 Mcfs over the level originally projected in the GSR.
- 2) Since Chesapeake filed its GSR application on September 2, 2014, there has been a decrease in natural gas commodity prices during the 2014 – 2015 heating season.

### **Staff's Review and Recommendation**

Staff has performed a review of Chesapeake's supplemental application and its supporting schedules to verify the mathematical accuracy of the schedules and calculations provided and has determined that they are accurate and coincide to the Company's GSR tariff. Chesapeake's supplemental application proposes two courses of action.

*Scenario "A"* - This course of action has Chesapeake requesting 1) a revision in rates, 2) a waiver of Section XVI of the Company's GSR tariff provision that would not require Chesapeake to file again for revised rates should the over collection balance continue to exceed 4.5%, and 3) a waiver of the 60 day notice requirement associated with requests for rate changes.

*Scenario "B"* - This course of action has Chesapeake requesting, more simply, a waiver of Section XVI of the Company's GSR tariff provision that would require Chesapeake to file for revised rates.

Chesapeake's "good cause" for its waiver request of the tariff provision that requires it to file for a change in the Gas Sales Service Rate ("GSR") is as follows:

- 1.) Chesapeake maintains that its customers would see very little impact if the Company were to revise its GSR rates. In its supplemental application Chesapeake states that even if it were to revise its rates, the projected over-collection balance would still exceed the 4½% threshold defined in its tariff, only dropping the over collection balance to approximately 9.6%. This would only result in residential customers seeing an average savings of about \$1.17 per month between July 2015 and October 2015. Since in terms of the gas sales year we are already in the summer season, customer usage between now and the date of the next GSR filing will be lower, resulting in very little impact to the over collection balance.
- 2.) The Commission recently granted Delmarva Power & Light Company a waiver of the requirement to implement revised rates by PSC Order No. 8739 dated May 19, 2015 in PSC Docket No. 14-0295F.

Based on Staff's review of the Company's request, Staff prefers and recommends that the Commission grant the Company's requested waiver of its tariff requirement to file revised rates, in this instance, Scenario "B".

In less than three months, the Company will be filing its annual GSR for the upcoming gas sales year November 1, 2015 – October 31, 2016. As a result, the entire amount of the over-collection balance will be credited to customers during the development of rates for the next sales period. With the remaining time and determination in the existing gas sales period, a revised GSR filing would provide no significant impact to Chesapeake's customers. It would also appear to be an inefficient use of valuable resources of the Commission, Staff, DPA, as well as the Company to have the Company continue to apply for revised rates during the remainder of this existing GSR period. Therefore, Staff respectfully recommends that the Commission grant Chesapeake's request to waive its tariff requirement to file revised rates.