

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

IN THE MATTER OF THE APPLICATION OF )  
CHESAPEAKE UTILITIES CORPORATION )  
FOR A GENERAL INCREASE IN ITS )  
NATURAL GAS RATES AND FOR APPROVAL ) PSC DOCKET NO. 15-1734  
OF CERTAIN OTHER CHANGES TO ITS )  
NATURAL GAS TARIFF )  
(FILED DECEMBER 21, 2015) )

**ORDER NO. 8848**

**AND NOW**, this 19<sup>th</sup> day of January, 2016, the Delaware Public Service Commission ("Commission") determines and orders the following:

**WHEREAS**, on December 21, 2015, the Delaware Division of Chesapeake Utilities Corporation ("Chesapeake") filed an application (the "Application") with the Commission seeking approval of: (1) an increase in its natural gas delivery service rates of \$4,741,823, which is 9.96% of its total operating revenues; (2) new proposed service offerings; (3) a revenue normalization adjustment for residential and smaller commercial customers; (4) deferred accounting treatment for certain expenses;<sup>1</sup> and (5) miscellaneous changes to its natural gas tariff as described in the Application; and

**WHEREAS**, Chesapeake has requested that the Commission approve its Application and authorize the proposed rates to become effective February 19, 2016. In the alternative, if the

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<sup>1</sup> As pointed out by Chesapeake, a deferred accounting order does not guarantee future cost recovery; however, in recent orders the Commission has required pre-approval of deferred treatment prior to a company's request for recovery of such expenses. See PSC Order No. 8589 (Aug. 5, 2014) at ¶¶118, 119; PSC Order No. 7838 (Sept. 21, 2010).

Commission exercises its discretion to suspend the proposed rate increase, Chesapeake has requested that, pursuant to 26 *Del. C.* §306(c),<sup>2</sup> the Commission enter an order that would permit interim rates intended to produce an annual increase in intrastate operating revenues of \$2,500,000 to be placed into effect on February 19, 2016, subject to refund; and

**WHEREAS**, Chesapeake has also requested that the Commission waive the statutory requirement set forth in 26 *Del. C.* §306(b) that a bond with surety be filed in connection with the implementation of interim rates. In support of its request, Chesapeake stated it is strong financially and has access to sufficient financial resources to provide a refund, if so ordered by the Commission; and

**WHEREAS**, 26 *Del. C.* §306(a)(1) permits the Commission to suspend the operation of a utility's proposed rate change for a period not to exceed seven months after the filing of a utility's rate change request; and

**WHEREAS**, notwithstanding the provisions of 26 *Del. C.* §306(a)(1), 26 *Del. C.* §306(c) permits a utility to place into effect under bond a rate increase that does not exceed the lesser of 15% of the utility's annual gross intrastate operating revenues or \$2,500,000;

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<sup>2</sup> 26 *Del. C.* §306(c) provides, in pertinent part, that notwithstanding 26 *Del. C.* §§306(a) and (b), 60 days after the filing of a petition for a proposed change to any rate, a public utility may put a rate into effect under bond as authorized in 26 *Del. C.* §306(b), provided that the increase does not constitute an increase in excess of 15 percent of the public utility's annual gross intrastate operating revenues or \$2,500,000 annually, whichever is less.

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE  
AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. The Commission determines that, pursuant to the authority granted to it by 26 *Del. C.* §306(a)(1), the rates and revised tariff sheets set forth in Chesapeake's Application are hereby suspended pending the completion of evidentiary hearings into the justness and reasonableness of the proposed new rates and tariff changes and a final decision by the Commission. Subject to the implementation of interim rates as authorized herein, the proposed new rates and tariff changes shall not be placed into force or effect except pursuant to law or further order of the Commission, and then only to the extent such law or further Commission order may permit or allow.

2. The proposed non-rate modifications to Chesapeake's tariffs, its request for a revenue normalization adjustment, and its request for deferred accounting treatment for certain expenses are hereby suspended until such time as a final order in this proceeding is issued.

3. Chesapeake's request to implement interim rates intended to produce an annual increase of \$2,500,000 in intrastate operating revenues, effective February 19, 2016, with proration and subject to refund, is granted.<sup>3</sup>

4. Chesapeake's request to waive the requirement of 26 *Del. C.* §306(b) of a bond with surety with respect to the interim

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<sup>3</sup> On its 2014 annual gross revenue return filed on March 31, 2015, Chesapeake reported gross Delaware intrastate operating revenues of \$62,593,287. Hence, the lesser of \$2,500,000 or 15% of its intrastate operating revenues (\$9,388,993.05) is \$2,500,000.

rates is granted, conditioned on Chesapeake's representation that it will abide by any Commission refund order.

5. Chesapeake shall give public notice of the filing of its Application with the proposed rate changes and this action by the Commission by publishing notice in the form attached as **Exhibit "A"** in two-column format, outlined in black, in the legal classified sections of The News Journal, The Delaware State News, and The Cape Gazette newspapers as early as possible during the week of **February 1, 2016**. Chesapeake shall file with the Commission proof of such publication as soon as possible, but no later than the commencement of the evidentiary hearings concerning this matter.

6. The Commission designates Senior Hearing Examiner Mark Lawrence as the hearing examiner for this matter pursuant to the terms of 26 *Del. C.* §502 and 29 *Del. C.* ch. 101 to schedule and conduct, upon due notice, such public comment sessions and evidentiary hearings as may be necessary to have a full and complete record concerning the justness and reasonableness of the proposed increased rates and tariff modifications. Thereafter, Senior Hearing Examiner Lawrence shall file with the Commission for its consideration his proposed order with his findings and recommendations. Pursuant to 29 *Del. C.* §10126(a), such proposed order must include (i) a brief summary of the evidence and recommended findings of fact based upon the evidence; (ii) recommended conclusions of law; and (iii) recommended decision.

7. Pursuant to 29 *Del. C.* ch. 101 and 26 *Del. Admin. C.* §1001-2.9, Senior Hearing Examiner Lawrence is specifically delegated the authority to grant or deny petitions seeking leave to intervene and for admission of counsel *pro hac vice*. In addition, Senior Hearing Examiner Lawrence is delegated the authority, under 26 *Del. C.* §102(A), to determine the form and manner of any further public notice in this matter.

8. The deadline for filing petitions to intervene pursuant to 26 *Del. Admin. C.* §1001-2.9 shall be **Friday, February 26, 2016**. Late-filed petitions to intervene will not be granted unless good cause is shown.

9. Chesapeake is hereby placed on notice that the costs incurred by the Commission Staff and by the Division of the Public Advocate in this proceeding will be charged to it under the provisions of 26 *Del. C.* §114(b)(1).

10. The Commission reserves the jurisdiction and authority to enter such further orders in this matter as may be deemed necessary or proper.

**BY ORDER OF THE COMMISSION:**

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Chair

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Commissioner

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Commissioner

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Commissioner

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Commissioner

ATTEST:

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Secretary

**EXHIBIT "A"**

**BEFORE THE PUBLIC SERVICE COMMISSION**

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**PUBLIC NOTICE OF APPLICATION OF CHESAPEAKE UTILITIES CORPORATION  
FOR AN INCREASE IN NATURAL GAS BASE RATES, PROPOSED NEW  
SERVICE OFFERINGS, AND MISCELLANEOUS TARIFF CHANGES**

**TO: ALL NATURAL GAS CUSTOMERS OF CHESAPEAKE UTILITIES CORPORATION:**

On December 21, 2015, the Delaware Division of Chesapeake Utilities Corporation ("Chesapeake" or the "Company") filed with the Delaware Public Service Commission (the "Commission") an application for an increase in natural gas rates, to implement proposed new service offerings, to defer certain expenses for later recovery, to implement a revenue normalization mechanism for residential and smaller commercial customers, and to effect miscellaneous tariff changes.

In its application, Chesapeake seeks an increase in annual operating revenues of \$4,741,823, or an increase of 9.96% over current revenues.

**Proposed Increase**

<u>Service Classification</u>	<u>Full Proposed Increase</u>		<u>Interim Increase</u>	
	Dollar amounts	Percentage	Dollar amounts	Percentage
RS-1	\$ 359,321	30.68	\$92,502	7.90
ERS-1	\$ 5,007	11.25	\$ 1,057	2.38

RS-2	\$3,791,018	12.33	\$1,544,161	5.02
ERS-2	\$ 23,402	4.96	\$ 9,736	2.06
GS	\$ 437,942	13.32	\$162,218	4.93
EGS	\$ 551	2.70	\$ 362	1.77
MVS	\$ 123,340	4.38	\$88,980	3.16
EMVS	\$ 408	3.86	\$ 302	2.86
LVS	\$ (2,200)	-0.06	\$198,123	5.34
HLFS	\$ (4,274)	-0.11	\$399,507	10.05
GLR	\$ 298	33.67	\$ 0	N/A
NCR	\$ 7,001	4.67	\$ 1,104	0.74
ITS	\$ 0	N/A	\$ 0	N/A
NGV	\$ 0	N/A	\$ 0	N/A
Total	\$4,741,823	9.96%	\$2,498,052	5.25%

On January 19, 2016, in Order No. 8848, the Commission, pursuant to 26 Del. C. §306(a)(1), suspended the effect of the proposed new rates, tariff revisions and other requested relief pending further investigation, public comment sessions, and public evidentiary hearings, which will be held later after further public notice. However, in Order No. 8848 the Commission authorized Chesapeake to place a portion of its proposed increases into effect subject to refund, pursuant to 26 Del. C. §306(c), sixty (60) days after the initial December 21, 2015 filing date, or on February 19, 2016. The Commission also granted Chesapeake's request to waive the requirement of a bond with surety with respect to the implementation of the interim rates.

The Commission will make its decision on this matter on the basis of the record evidence taken at the public evidentiary hearings. The Commission may approve or reject, in whole or in part, the proposed increase and tariff revisions and may approve a different method for allocating any increase (if it finds one to be appropriate).

You are invited to review Chesapeake's application and supporting documents to determine how your interests may be affected by going to DelaFile (<http://delafile.delaware.gov>), the Commission's docketing and file management system, and by searching for Docket No. 15-1734.

If you wish to formally participate as a party in this matter, with the right to present evidence and be represented by counsel, you must file with the Commission a petition asking for leave to intervene in accordance with the requirements of the Commission's Rules of Practice and Procedure (26 Del. Admin. C. §1001-2.9) **on or before Friday, February 26, 2016**. All such petitions should be filed in DelaFile according to the Commission's Rules (26 Del. Admin. C. §1001-1.6.4). Petitions filed after the deadline of February 26, 2016, will not be considered except for good cause shown.

If you would like to review documents at the Commission's offices, please contact Donna Nickerson at (302) 736-7500 or by sending an email addressed to [donna.nickerson@state.de.us](mailto:donna.nickerson@state.de.us). You may also review copies of Chesapeake's application and supporting documents at the office of the Division of the Public Advocate located at either 820 North French Street, 4th Floor, Wilmington, Delaware 19801 or 29 South State Street, Dover, Delaware 19901. Please call either (302) 577-5077 or (302) 241-2555 to arrange for a time to review the documents at either of those locations.

If you wish to request copies of documents in this matter, please submit a Freedom of Information Act Request Form. The link to this form can be found on the Commission's website, <http://depssc.delaware.gov>, or by visiting this web address:

<https://delafile.delaware.gov/Complaints/FOIA.aspx>. The Commission will respond to your request in accordance with the Delaware Freedom of Information Act, 29 Del. C. ch. 100.

If you have a disability and wish to participate or to review the materials in this matter, please contact the Commission to discuss any auxiliary aids or services you might need to help you. You may contact the Commission in person, by writing, by telephone (including text telephone), by Internet e-mail, or other means.

If you have questions about this matter, you may call the Commission at 1-800-282-8574 (toll-free in Delaware) or (302) 736-7500 (voice and text telephone). You may also send questions regarding this matter by Internet e-mail addressed to [psc@state.de.us](mailto:psc@state.de.us).