

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

**IN THE MATTER OF THE APPLICATION OF )  
CHESAPEAKE UTILITIES CORPORATION )  
FOR APPROVAL OF A CHANGE IN ITS )  
ENVIRONMENTAL RIDER RATE "ER" TO BE )  
EFFECTIVE DECEMBER 1, 2015 )  
(FILED OCTOBER 29, 2015) )**

**PSC DOCKET NO. 15-1516**

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

**FEBRUARY 11, 2016**

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 graduated with 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. And in 2016, I graduated with a Masters  
13 of Business Administration from 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 includes the examination of all monthly over/under collection  
18 reports, monthly financial statements and summary trial balance reports, quarterly gas  
19 hedging reports, quarterly rate of return reports, annual supply plans, and main extension

1 filings. I also have typically served as the case manager for a number of various types of  
2 filings made by Chesapeake since 2012.

3 My other duties and responsibilities with the Commission include serving as a case  
4 manager or team member to perform reviews of various utility applications such as rate  
5 case filings, stock and debt issuances, or requests for tariff revisions. Additionally, I  
6 prepare reports and other schedules in other proceedings, make written recommendations  
7 to the Commission, and perform other related tasks as assigned. In conjunction with my  
8 work in rate case filings, I participate in the planning and execution of the required audits  
9 of regulated companies, including performing a review of supporting documentation at  
10 utilities' offices to evaluate and make recommendations regarding the financial and  
11 managerial condition of those utility companies.

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

13 A. I was assigned as Case Manager to review Chesapeake's Application for a change in its  
14 Environmental Rider ("ER") rate to ensure that the proposed rates are just and reasonable  
15 and that they comply with Chesapeake's tariff and the environmental remediation rider  
16 mechanism ("rider mechanism") which was approved by the Commission in PSC Order  
17 No. 4104 (the "Order") in PSC Docket No. 95-73 issued on December 19, 1995.

18 **Q. Can you please briefly describe the rider mechanism which you are referring to?**

19 A. In the Order, the Commission adopted the Hearing Examiner's recommendation that  
20 Chesapeake be allowed to recover reasonable, actually-incurred remediation expenses

1 through a rider mechanism that is adjusted on an annual basis.<sup>1</sup> The Commission  
2 believed that it was more efficient to collect environmental costs through the use of a  
3 rider, partly since it would remove the need to adjust base rates should there be a change  
4 in the amount of remediation costs incurred by the Company. So essentially what has  
5 been referred to as the rider mechanism is interchangeable with the process outlined on  
6 Sheet No. 45 – Rate Schedule “ER” – Environmental Rider of Chesapeake’s tariff.

7 **Q. What type of costs is the Company allowed to recover through its ER tariff?**

8 A. Chesapeake is allowed to recover costs associated with the investigation, testing,  
9 monitoring, soil and/or groundwater remediation, land acquisition, and legal costs. These  
10 costs could be from former manufactured gas plant (“MGP”) sites, disposal sites, or any  
11 site where material may have migrated from earlier operations or the decommissioning of  
12 a MGP. The Company is not allowed to include expenses that may result from litigation  
13 by parties who may claim personal injuries or property damages resulting from the  
14 operation or decommissioning of a MGP.

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

16 A. The Company has filed to recover environmental costs associated with an approximately  
17 0.79 acre property on Budd Street in Seaford, Delaware that was formerly known as  
18 Seaford Town Gas (“Seaford Town Gas Site”). As explained in Ms. Sarah E. Hardy’s  
19 testimony, the Delaware Department of Natural Resources & Environmental Control  
20 (“DNREC”) performed a facility evaluation at the site and determined there were a  
21 number of contaminants identified that were associated with the sites former use as a coal

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<sup>1</sup> See ¶ 103, *Application of Chesapeake Utilities Corporation*, Docket No. 95-73, Order 4104 (December 19, 1995).

1 gas plant until it was changed to a propane air plant sometime in 1950.<sup>2</sup> Chesapeake has  
2 entered into a Voluntary Cleanup Program (“VCP”) with DNREC. As a result of this,  
3 Chesapeake has incurred recoverable expenses relating to investigation and site  
4 preparation of the VCP for the Seaford Town Gas Site. To recover these expenses, the  
5 Company has filed to change its current ER rate level from \$0.000 per Ccf to a positive  
6 surcharge of \$0.0001 per Ccf for all firm delivery service customers.<sup>3</sup>

7 **Q. Please summarize Staff’s review of this Application.**

8 A. Staff performed a review of the application and additional schedules provided by the  
9 Company for accuracy and completeness. In order to fully understand the Company’s  
10 application, Staff sent informal discovery requests in effort to better understand the  
11 selection of Tetra Tech, Inc. as the vendor used to perform the facility evaluation on  
12 behalf of DNREC and the environmental consultants retained by Chesapeake. Staff also  
13 requested Chesapeake provide invoices, receipts, or other relevant support for the  
14 environmental cost totals tabulated for which the Company is seeking to recover as  
15 outlined in Attachments SEH-1, SEH-2, and SEH-3 of Ms. Hardy’s testimony. The  
16 Company subsequently responded and adequately provided all of the information as  
17 requested.

18 **Q. What action has the Commission already taken on this matter?**

19 A. The Commission has permitted Chesapeake’s proposed rate of \$0.0001 per Ccf to be  
20 placed into effect for all firm delivery service customers effective for gas usage on and

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<sup>2</sup> See pages 3-4, of the Pre-filed Testimony of Ms. Sarah E Hardy filed on October 29, 2015.

<sup>3</sup> A Ccf is Centum cubic feet (100 cubic feet), the standard unit of measure for the volume of natural gas.

1 after December 1, 2015, subject to refund pending further review and final decision by  
2 the Commission.<sup>4</sup> In addition, the Commission ordered a form of Public Notice of the  
3 application, set a deadline for intervention, and set a date for the evidentiary hearing.  
4 Chesapeake caused the form of Public Notice to be published in The News Journal on  
5 December 2 and 8, 2015, and in the Delaware State News on December 1 and 8, 2015.  
6 As of the time of the submission of this testimony, only the Division of the Public  
7 Advocate has sought to intervene in this proceeding, and no member of the public filed  
8 comments in regards to this matter.

9 **Q. What is the magnitude and bill impact of the change to the ER tariff as requested by**  
10 **the Company?**

11 A. A typical residential heating customer using 120 Ccf of gas per month will experience an  
12 approximate \$0.01, or 0.01% increase in their total monthly bill as a result of the ER rate  
13 change. A typical residential heating customer that uses 700 Ccf per year will  
14 experience an annual increase of approximately 0.01%, or \$0.07.

15 **Q. Did you review the schedules and calculations contained in the Application for**  
16 **accuracy and conformance with the Company's existing ER tariff?**

17 A. Yes, pursuant to 26 *Del. C.* § 304, the Company has complied with and met the filing  
18 requirements needed to allow it to implement the proposed change to its ER with an  
19 effective date of December 1, 2015. Staff has reviewed and verified the mathematical  
20 accuracy of the schedules and calculations provided in this application and determined

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<sup>4</sup> See *Application of Chesapeake Utilities Corporation*, Docket No. 15-1516, Order 8817 (November 24, 2015).

1 that they are in conformance with the Company's ER tariff currently on file with the  
2 Commission.

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

5 A. Yes. Staff has reviewed the Company's Application, Ms. Hardy's testimony, including  
6 the supporting schedules. Based on that review, as well as the responses and  
7 documentation provided during discovery, Staff respectfully recommends that the  
8 Commission approve the Company's request to increase its ER rate in this proceeding  
9 from \$0.000 per Ccf to \$0.0001 per Ccf. Staff finds that the rates are just and reasonable  
10 and are in the public interest.

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

12 A. No.

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

14 A. Yes.