

**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 GAS SALES SERVICE     )     PSC DOCKET NO. 03-380F  
RATES ("GSR") TO BE EFFECTIVE       )  
OCTOBER 1, 2003                     )  
(FILED SEPTEMBER 2, 2003)            )  
  )

**ORDER NO. 6430**

**AND NOW**, this 22<sup>nd</sup> day of June, A.D. 2004;

**WHEREAS**, on September 2, 2003, Chesapeake Utilities Corporation-Delaware Division ("Chesapeake") applied to the Public Service Commission of the State of Delaware ("Commission") for approval of changes in its Gas Sales Service Rates ("GSR") to be effective for service rendered on and after October 1, 2003. In PSC Order No. 6265 (Sept. 9, 2003), the Commission permitted, on a temporary basis and subject to refund, the proposed tariffs to be effective for usage on and after October 1, 2003, and assigned this proceeding to a Hearing Examiner to preside over hearings and to prepare Findings and Recommendations;

**AND WHEREAS**, on March 31 and April 28, 2004, hearings were held in which the Company adequately supported its application and proposed tariffs, and a record developed wherein all disputed issues were resolved among the parties;

**AND WHEREAS**, the Commission has received and considered the Findings and Recommendations of Hearing Examiner Robert P. Haynes, dated May 28, 2004. The Hearing Examiner, after holding duly noticed

hearings, recommended approval of the application and proposed tariffs as reasonable, adequately supported, and consistent with the public interest;

**AND WHEREAS,** no party filed exceptions to the Findings and Recommendations of the Hearing Examiner;

**AND WHEREAS,** we act, find, and conclude that the report of the Hearing Examiner should be adopted; now, therefore,

**IT IS ORDERED:**

1. That, upon a hearing and by and in accordance with the affirmative vote of a majority of the Commissioners, the Commission hereby adopts the May 28, 2004 Findings and Recommendations of the Hearing Examiner, appended to the original hereof as Attachment "A", which recommends approval of the Company's application to change Gas Sales Rates and transportation service balancing rates consistent with the proposed tariffs that went into effect on a temporary basis on October 1, 2003.

2. That the Company's Gas Sales Rates and transportation service balancing rates, as filed, be approved as just and reasonable rates effective for service on and after October 1, 2003, and as set forth below:

- a) Gas Sales Service Rate of \$0.894 per hundred cubic feet ("Ccf") of natural gas for rate schedules RS, GS, MVS, and LVS;
- b) Gas Sales Service Rate of \$0.695 per Ccf for rate schedules GLR, GLO, GCR, and GCO;
- c) Gas Sales Service Rate of \$0.805 per Ccf for rate schedules HLFS and SFS;

- d) transportation service balancing rate of \$0.059 per Ccf for rate schedule LVS;
- e) transportation service balancing rate of \$0.014 per Ccf for rate schedules HLFS and SFS.

3. That 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:

/s/ Arnetta McRae  
Chair

/s/ Joshua M. Twilley  
Vice Chair

/s/ Joann T. Conaway  
Commissioner

/s/ Jaymes B. Lester  
Commissioner

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Commissioner

ATTEST:

/s/ Karen J. Nickerson  
Secretary

A T T A C H M E N T "A"

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FINDINGS AND RECOMMENDATIONS  
OF THE  
HEARING EXAMINER

DATED: May 28, 2004

Robert P. Haynes  
Hearing

Examiner

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## **Findings and Recommendations of the Hearing Examiner**

Robert P. Haynes, duly appointed Hearing Examiner in this Docket pursuant to the Public Service Commission of the State of Delaware's ("Commission" or "PSC") Order No. 6265, dated September 9, 2003, issued under 26 Del. C. §502 and 29 Del. C. Ch. 101, reports to the Commission as follows:

### **I. Appearances**

On behalf of the Staff of the Public Service Commission ("Staff"):

Murphy, Spadaro & Landon  
By: Francis J. Murphy, Esquire

On behalf of Chesapeake Utilities Corporation—Delaware Division ("Chesapeake" or "Company"):

Parkowski, Guerke and Swayze  
By: William A. Denman, Esquire

### **II. Procedural History**

1. On September 2, 2003, Chesapeake applied to the Commission for approval of changes in its Gas Sales Service Rates ("GSR") and transportation balancing rates to be effective for service rendered on and after October 1, 2003.

2. In PSC Order No. 6265, dated September 9, 2003, the Commission, pursuant to 26 Del. C. §§ 304 and 306: a) waived the sixty day notice requirement; b) permitted Chesapeake's proposed tariff filing to go into effect on October 1, 2003 on a temporary basis and subject to the outcome of this investigation; c) directed publication of a public notice of its investigation; and d) assigned this Hearing Examiner to preside over the hearings on

the Company's application and prepare a report on the investigation.

3. The Company's application sought: a) GSR increases for customers taking service under rate schedules RS, GS, MVS, and LVS from \$0.870 to \$0.894 per hundred cubic feet ("Ccf" of natural gas); b) GSR decreases for customers taking service under rate schedules GLR, GLO, GCR, and GCO from \$0.699 to \$0.695 per Ccf; c) GSR decreases for customers taking service under rate schedules HLFS and SFS from \$0.807 to \$0.805 per Ccf; d) increases the firm balancing rate from \$0.051 to \$.059 per Ccf for transportation customers served under rate schedule LVS; and e) increases the firm balancing rates from \$0.012 to \$.014 per Ccf for transportation customers served under rate schedules HLFS and SFS.

4. The Commission assigned this Hearing Examiner to preside over the proceeding and to prepare a report of Findings and Recommendations for the Commission's final review.

5. The Division of the Public Advocate intervened, but did not participate in this proceeding. The Commission Staff and the Company proposed a procedural schedule, which I approved. Staff submitted direct and supplemental testimony and the Company submitted rebuttal thereto. A duly noticed, formal, on-the-record public comment and evidentiary hearings were held at the Commission's offices.

6. At the on-the-record evidentiary hearing held April 28, 2003, the Company presented witnesses Jeffrey R. Tietbohl,

Jennifer A. Clausius, and Drew Hammel who sponsored their pre-filed testimony and accompanying exhibits. Commission Staff presented its witness, Funmi Jegede, who sponsored her pre-filed testimony and accompanying exhibits. At an evening public comment session hearing held March 31, 2004, five customers complained about the Company's gas costs and its customer service. The Commission also received written comments that were sent by mail or e-mail.

7. The hearing record, as approved herein, consists of 79 pages of verbatim transcripts of the hearings and eight exhibits. In addition, I have considered the record on file with the Commission, including the public comments received from customer's e-mails and letters and the Company's responses thereto.

8. No issues remained following the hearing and, consequently, no post-hearing briefs were required.

9. I have considered the record of this proceeding and based thereon, I submit for the Commission's consideration these findings and recommendations.

### **III. Summary of the Evidence**

10. The Company supported its application through the pre-filed direct testimony and exhibits by the following witnesses: Jennifer A. Clausius, Rate Analyst (Exhibit ("Ex.") 2); Drew Hammel, Rate Analyst (Ex. 3); and Jeffrey R. Tietbohl, Controller. Ex. 4. Ms. Clausius testified on the calculation of the proposed rates, and the impact on customers' bills. Mr.

Tietbohl testified on the gas supply costs that were in the proposed rates and gas supply decisions, and the gas and transportation service offerings as required by PSC Order No. 4767, issued April 14, 1998 in Docket No. 97-294F. Mr. Hammel testified on the development of forecasted firm and interruptible sales and total system requirements, and the unaccounted-for-gas and company use claim.

11. Commission Staff submitted its pre-filed direct testimony sponsored by Funmi I. Jegede, Public Utilities Analyst. Ex. 7. Ms. Jegede testified to her review of the Company's application, and offered her conclusion that the proposed rates were accurately calculated and were otherwise reasonable. She noted that the application requested the recovery of \$1,599,230 in additional annual fixed and variable gas costs. Witness Jegede criticized the Company's failure to notify the Commission in advance of its increase in capacity from Eastern Shore Natural Gas Company as required under prior Commission order. She also expressed concern with the Company's lack of a hedging program to reduce the impact of volatile market prices, and recommended that the Company file a plan to be approved by the GSR change to go into effect November 1, 2004. She further testified that the Company's budget billing option may be designed to not sufficiently encourage customers to use this option to avoid the impact of high gas bills during the heating season. Ms. Jegede opined that the 5.97% participation in 2003 by residential

customers was grossly inadequate. She further addressed the prospect of high gas costs in the short-term above \$6 per MMBtu.

12. In response to the public comments, Ms. Jegede submitted supplemental testimony recommending that the Company address the comments and develop a plan to improve its customer service to be reviewed in the next GSR proceeding. Ex. 8.

13. The Company submitted pre-filed rebuttal testimony by Mr. Tietbohl that addressed Staff's recommendation to require the Company to submit a formal hedging plan by April 2004. Instead, the Company offered to submit a plan by September 1, 2004. Ex. 5.

14. Mr. Tietbohl also submitted Supplemental Testimony to address Ms. Jegede's Supplemental Testimony on the public comments and customer service issues raised therein by two of the five customers present. Ex. 6.

15. At the conclusion of the hearing, the parties indicated that there were no issues remaining in dispute.

#### **IV. Discussion**

16. As noted above, there is no issue in dispute after the hearing. I find and conclude that the record includes substantial, credible evidence to support the Company's application.

17. The public comment hearing did produce adverse comments concerning the Company's customer service. The Commission Staff reviewed this evidence and the Company also investigated these complaints. Based upon these inquiries and responses, I agree that there is no issue raised that is

appropriate for review in this proceeding. The information gained from the public comments I believe will be useful to Commission Staff as part of its ongoing regulatory review of the Company's operations. I do note that the Company's use of a notice in the customers' bills did result in more public participation than in past cases, and the Company and Staff should be recognized for encouraging this participation.

18. There appears to be an informal agreement to explore a hedging program in the future, although the Commission should recognize that hedging only insulates against price volatility and does not insure lower gas costs.

19. The result of any approval of the Company's application is that the average heating customer using 120 Ccf a month during the winter heating season will experience an increase of \$2.88 per month, or 1.87% more. On an annual basis, the average residential customer using 740 Ccf will pay 1.69% more for the Company's gas service. These increases are modest and reasonable.

20. Based on the record in this proceeding, I recommend approval of the Company's application, including its proposed tariffs.

#### **IV. Recommendations**

21. Based upon the record developed, and for the reasons discussed above, I recommend to the Commission that it issue as its final Order the draft Order attached hereto as Appendix "A."

Respectively submitted,

Dated: May 28, 2004

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Robert P. Haynes  
Hearing Examiner

