

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

IN THE MATTER OF THE APPLICATION)
OF CHESAPEAKE UTILITIES CORPORATION)
FOR APPROVAL OF CHANGES TO THE) PSC DOCKET NO. 13-383
TRANSPORTATION AND BALANCING RIDER)
AND THE GAS SUPPLIER SCHEDULE OF ITS)
TARIFF (FILED OCTOBER 1, 2013))

ORDER NO. 8481

AND NOW, this 5th day of November, 2013, the Delaware Public Service Commission ("Commission") determines and orders the following:

WHEREAS, in the 2012 Gas Sales Rate ("GSR") proceeding for Chesapeake Utilities Corporation ("Chesapeake"), which is PSC Docket No. 12-450F, Mr. Jerome D. Mierzwa, a consultant with Exeter Associates, Inc., testified on behalf of the Commission Staff. Among other things, Mr. Mierzwa testified that Chesapeake holds sufficient upstream capacity to meet its needs of its sales and transportation customers and that sales customers should not pay for upstream capacity held for transportation customers;¹ and

WHEREAS, in rebuttal testimony in PSC Docket No. 12-450F, Chesapeake stated that it intended to make a regulatory filing under a separate docket to propose an alternative approach to cost allocation whereby firm transportation customers would

¹ See PSC Docket No. 12-450F, Direct Testimony of Jerome D. Mierzwa, p. 10.

contribute a more appropriate portion of the costs of upstream pipeline capacity;² and

WHEREAS, on October 1, 2013, pursuant to 26 *Del. C.* §§ 201 and 301 and Order No. 8430 (August 13, 2013) in PSC Docket No. 12-450F, Chesapeake filed an application ("Application") that requests the Commission's approval of certain proposed changes, to be effective on and after April 1, 2015, to the Transportation and Balancing Rider ("Transportation Rider") and its Rate Schedule "SUP" ("Gas Supplier Schedule") of its Delaware Division Tariff; and

WHEREAS, Chesapeake asserts that its proposed changes are also pursuant to Paragraph 13 of the Proposed Settlement Agreement adopted by the Commission in Order No. 8430;³ and

WHEREAS, Chesapeake also asserts that the proposed changes would establish a new approach to its allocation of the cost of pipeline capacity to transportation customers and would also either clarify existing language or modify the mechanics of the transportation program in order to improve efficiency. The proposed changes are shown in the redlined and clean copies of

² See PSC Docket No. 12-450F, Rebuttal Testimony of Jeffrey R. Tietbohl, p. 13.

³ The Proposed Settlement Agreement in PSC Docket No. 12-450F included a commitment by Chesapeake to make a filing addressing the allocation of upstream capacity costs. Specifically, the Proposed Settlement Agreement provides the following in Paragraph 13: "On or before October 1, 2013, the Company agrees to submit a regulatory filing with the Commission in which the Company will propose changes to its current transportation program mechanics for commercial and industrial customers and which will propose an alternative approach regarding the allocation of the cost of upstream pipeline capacity to transportation customers."

the Transportation Rider and Gas Supplier Schedule which are attached to the Application; and

WHEREAS, to address the allocation of capacity costs, Chesapeake proposes to revise its Transportation Rider by (1) specifying that it will require transportation customers to purchase Eastern Shore Natural Gas Company ("ESNG") capacity from Chesapeake and (2) authorizing Chesapeake to require transportation customers to purchase capacity upstream from ESNG from Chesapeake. Chesapeake would then credit the GSR for the entire amount of the revenue received from the capacity releases; and

WHEREAS, in addition to the change regarding capacity releases, Chesapeake is proposing to require transportation customers to calculate their own DCQ, which is the daily quantity of gas scheduled by the customer on a monthly basis for delivery in Chesapeake's distribution system; and

WHEREAS, to motivate customers or their agents to provide DCQs that reflect accurate, good faith estimates of their requirements, Chesapeake proposes adding a penalty for a customer whose DCQ proves to be substantially off the mark. The proposed language, which tracks a similar penalty provision in Chesapeake's Maryland Division tariff, is as follows:

14.3 If a Customer's monthly imbalance exceeds 50% above or below their cumulative DCQ deliveries for the billing period, a fee will be imposed that equates to 10% of the cashed-out Imbalance charge, and will be invoiced the following month.

WHEREAS, Chesapeake recommends that the Commission schedule public workshops for interested stakeholders so that Chesapeake can address any questions or concerns regarding the proposed changes;

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

1. Under 26 *Del. C.* §§ 201, 301, 304, and 305 and pursuant to Order No. 8430 (August 13, 2013) in PSC Docket No. 12-450F, the Commission has the authority to review, investigate, and approve or reject Chesapeake's proposed tariff changes to the Transportation Rider and Gas Supplier Schedule of its Delaware Division Tariff as set forth in the Application.

2. Chesapeake's proposed tariff changes to the Transportation Rider and Gas Supplier Schedule of its Delaware Division Tariff as set forth in the Application are hereby suspended pursuant to 26 *Del. C.* §306(a)(1) and 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.

3. The Commission shall open a docket to review the Application and Chesapeake's proposed tariff changes as set forth therein. After appropriate public notice of the opening of this docket and time for all interested parties to comment, object, and intervene, the Commission's Staff ("Staff") must conduct a review of the proposed changes and report back in writing to the Commission on its recommendations regarding Chesapeake's proposed

changes to its Transportation Rider and Gas Supplier Schedule of its Delaware Division Tariff.

4. Staff shall be responsible for setting a procedural schedule for this docket, scheduling and noticing any public workshops, performing other administrative duties, and filing its final report with the Commission regarding its review of this docketed matter.

5. Chesapeake shall cause to be published in The News Journal and The Delaware State News newspapers, in two-column format outlined in black, a copy of the form of notice that is attached as Exhibit "A" to this Order. Such notice shall be published **on or before November 15, 2013**. Chesapeake shall file proof of such publications with the Commission as soon as practicable, but no later than **December 13, 2013**. In addition, Chesapeake shall cause a copy of the attached notice to be sent by first-class, United States Postal Service mail, postage prepaid, to each customer who would be affected by Chesapeake's proposed changes to its Transportation Rider and Gas Supplier Schedule of its Delaware Division Tariff. Chesapeake shall mail such notices **on or before November 15, 2013**. Chesapeake shall thereafter file with the Commission as soon as practicable, but no later than **December 13, 2013**, a certification of such mailing which lists the names and addresses of the persons so served.

6. The Commission's Secretary shall promptly serve a copy of this Order on the Division of the Public Advocate.

7. As outlined in the form of the attached public notice and the body of this Order, interested persons are afforded the opportunity to file comments, suggestions, and objections to Chesapeake's proposed tariff changes. Such comments, suggestions, and objections must be filed **on or before December 31, 2013**.

8. The deadline for filing petitions for leave to intervene pursuant to 26 *Del. Admin. C.* §1001-2.9 of the Commission's Rules of Practice and Procedure and for filing written comments, suggestions, and objections, **is December 18, 2013**. Late-filed petitions to intervene will not be granted unless good cause is shown. Hearing Examiner Mark Lawrence is designated in this matter for the purposes of granting or denying intervention petitions and for admission of counsel pro hac vice.

9. Chesapeake shall provide Staff with any requested data or information necessary to allow the Commission and its Staff to determine whether Chesapeake's proposed tariff changes will result in just and reasonable rates that will not be unduly preferential or unjustly discriminatory nor result in the adoption, maintenance, or enforcement of any practice or measure which is unjust, unduly preferential, or unjustly discriminatory or otherwise in violation of law, or make, or give, directly or indirectly, any undue or unreasonable preference or advantage to any person or corporation in any respect whatsoever. Where appropriate, such data or information may be designated as

"confidential" pursuant to the Commission's Rules of Practice and Procedure, 26 Del. Admin. C. §1001.

10. The Commission will render a final decision on this docketed matter at an evidentiary hearing to be scheduled at a later date.

11. Chesapeake is hereby placed on notice that the costs of the proceedings will be charged to it under the provisions of 26 Del. C. §114(b)(1).

12. 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/ Dallas Winslow
Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Jeffrey J. Clark
Commissioner

Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary

EXHIBIT "A"

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PUBLIC NOTICE

TO: ALL NATURAL GAS TRANSPORTATION CUSTOMERS AND QUALIFIED GAS SUPPLIERS OF CHESAPEAKE UTILITIES CORPORATION AND OTHER INTERESTED PERSONS

Pursuant to 26 Del. C. §§ 201 and 301 and Order No. 8430 (August 13, 2013) in PSC Docket No. 12-450F, Chesapeake Utilities Corporation ("Chesapeake") has filed an application (the "Application") with the Delaware Public Service Commission (the "Commission") seeking to make certain changes to the Transportation and Balancing Rider ("Transportation Rider") and Rate Schedule "SUP" ("Gas Supplier Schedule") of its Delaware Division Tariff. More specifically, Chesapeake requests permission to revise its current Transportation Rider to establish a new approach to its allocation of the cost of interstate pipeline capacity to transportation customers.

In addition, Chesapeake requests permission to make other changes throughout the Transportation Rider and its Gas Supplier Schedule either to clarify existing language or to modify the mechanics of the transportation program in order to improve efficiency. The proposed changes are shown in the redlined and

clean copies of the Transportation Rider and Gas Supplier Schedule attached to the Application, which can found on the Commission's website at the following address: <http://dep.sc.delaware.gov/>.

The Commission will conduct workshops, as necessary, to receive input from interested stakeholders regarding the proposed tariff changes. In addition, the Commission will conduct an evidentiary hearing, to be scheduled at a later date, concerning the Application. The Commission's final decision will be based on the evidence presented at such evidentiary hearing.

Interested persons are afforded the opportunity to file comments, suggestions, and objections to Chesapeake's proposed tariff changes. Such comments, suggestions, and objections must be filed with the Commission **on or before December 31, 2013**. All such written comments, suggestions, and objections must be sent to the Commission's address at 861 Silver Lake Boulevard, Suite 100, Cannon Building, Dover, Delaware 19904 with attention to "PSC Docket No. 13-383."

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 written petition requesting 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 December 18, 2013**. All such petitions should be sent to the Commission's address listed

above. Petitions filed after the deadline of December 18, 2013, will not be considered except for good cause shown.

You are invited to review Chesapeake's Application and supporting documents to determine how your interests may be affected. You may review documents posted on the Commission's website at <http://dep.sc.delaware.gov/>. If you would like to review documents at the Commission's offices, please contact Monica Hall at monica.hall@state.de.us to arrange a time for your review. You may also review copies of Chesapeake's Application and supporting documents at the office of the Division of the Public Advocate located at the Carvel State Office Building, 4th Floor, 820 North French Street, Wilmington, Delaware 19801. Please call (302) 577-5077 to arrange for a time to review the documents at that location.

If you wish to request copies of documents in this matter, please submit a Freedom of Information Act Request Form. This form may be found at <http://smu.portal.delaware.gov/cgi-bin/mail.php?foia-request&subj=DOS>. There is also a link to the Freedom of Information Act Request Form on the Commission's website at <http://dep.sc.delaware.gov/default.shtml>. 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.