



STATE OF DELAWARE


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April 17, 2018

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 TO REVISE ITS TARIFF RELATING TO ITS ANNUAL RATE CLASS REVIEW PROCESS (FILED FEBRUARY 20, 2018) – PSC DOCKET NO. 18-0126

Background

On February 20, 2018, Chesapeake Utilities Corporation (“Chesapeake” or “Company”) filed a request (the “Application”) with the Delaware Public Service Commission (the “Commission”) to revise its tariff in relation to the Company’s internal annual rate class review process.

In accordance with its tariff, Chesapeake is permitted to annually review a customer’s natural gas consumption to determine if that customer should be receiving service under a more appropriate rate schedule. The Company performs this review in September of each year using consumption data based on twelve months ending in August. If it is determined a rate class change is applicable, the Company performs this change by October 1st. The Company is not allowed to shift customers between rate schedules due to changes in a customer’s annual consumption other than at the designated review time.

Additionally, when performing the review the Company also takes into consideration average temperatures experienced during the winter heating season that can influence a customer’s usage. A milder winter may cause a customer’s annual consumption to be lower than years past. The Company takes this into consideration by including a 10% band, or fluctuation, in the annual consumption definitions listed under each of its applicable rate schedules of its tariff.

Application

The Company has requested to modify its tariff language in relation to its internal annual rate class review process. Primarily, the Company wishes to change the timeframe in which it performs its rate class review process to coincide with its annual budgeting process.¹ Chesapeake requests that its review process be based on consumption data on twelve months ending in May.²

Staff's Review and Recommendation

Staff has reviewed Chesapeake's Application and conducted its own research and investigation. Staff sought clarification from the Company regarding its processes and the amount of customers impacted during this annual review process over the last three years.

If Chesapeake's request were to be approved, with consumption data based on twelve months ending in May, its rate class review process would occur in June. Any applicable rate schedule changes would then be completed by July 1st.

The percentage and number of reclassified customers over the last 3 years is as follows:

Chesapeake Utilities Number of Reclassed Customers				
	2015	2016	2017	3 Year Average
Residential	1,273 (2.94%)	2,549 (5.59%)	1,857 (3.86%)	1,893 (4.13%)
Commercial	113 (2.93%)	199 (5.04%)	137 (3.39%)	150 (3.79%)

¹ See Paragraphs 1 and 2, *Application of Chesapeake Utilities Corporation*, Docket No. 18-0126.

² See Paragraph 1, *Application of Chesapeake Utilities Corporation*, Docket No. 18-0126.

Based upon Staff's review of the Application, Staff does not believe it to be unreasonable to modify its tariff language relating to its annual rate class review process. Chesapeake's customers are not adversely impacted by the Company's Application since the rate class review process continues to be based on twelve months of actual data consumption and contains an equal number of winter months, which is typically when consumption of natural gas is at its strongest.

Therefore, Staff respectfully recommends that the Commission grant the Company's request to change its tariff language relating to its annual rate class review process. The proposed tariff changes have been attached to the Company's Application. The Company should file revised tariffs and update its electronic tariff within five (5) business days from approval of a Commission order in this matter.