

BEFORE THE DELAWARE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF)
CHESAPEAKE UTILITIES CORPORATION)
FOR APPROVAL OF A CHANGE IN ITS) P.S.C. DOCKET NO. 17-
GAS SALES SERVICE RATES ("GSR"))
TO BE EFFECTIVE NOVEMBER 1, 2017)

DIRECT TESTIMONY OF WILLIAM R. KRISS

On Behalf of Chesapeake Utilities Corporation

Delaware Division

Submitted for filing: September 1, 2017

1 Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS
2 ADDRESS.

3 A. My name is William R. Kriss, and I am the Manager of Gas Supply and
4 Transportation Services for Chesapeake Utilities Corporation
5 ("Chesapeake" or "the Company"). My business address is 350 S. Queen
6 Street, Dover, Delaware 19904.

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8 Q. DESCRIBE BRIEFLY YOUR EDUCATION AND RELEVANT
9 PROFESSIONAL BACKGROUND.

10 A. I received a Bachelor of Science Degree in Operations Management with a
11 minor in Economics from the University of Delaware in Newark, Delaware
12 and a Masters of Business Administration concentrated in Finance from
13 Wilmington University in Wilmington, Delaware. I was hired by Chesapeake
14 Utilities Corporation in December 2007 and have worked in various gas
15 supply roles since. My current responsibilities are inclusive of all matters
16 associated with gas supply and its procurement for Chesapeake Utilities
17 Corporation. Prior to joining Chesapeake, my experience included auditing
18 of internal controls for the purpose of Sarbanes Oxley compliance with
19 Wilmington Trust Corporation in Wilmington, Delaware, as well as
20 investment accounting with PFPC, a wholly-owned subsidiary of PNC Bank.

1 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS
2 PROCEEDING?

3 A. The purpose of my direct testimony in this GSR application is to provide
4 support for the gas costs used in the calculation of the Delaware Division's
5 three proposed Gas Sales Service Rates to be effective with service
6 rendered on and after November 1, 2017. My direct testimony will also
7 discuss the Company's gas supply and procurement activities as required
8 by Commission Order No. 4767 issued on April 14, 1998 in the Company's
9 Gas Sales Service Rate filing in Docket No. 97-294F.

10

11 Q. ARE THERE ANY SCHEDULES INCLUDED WITH YOUR DIRECT
12 TESTIMONY?

13 A. No. In my direct testimony, I will address Schedule L, which is a summary
14 of Chesapeake's demand and capacity entitlements to be effective
15 November 2017 and Schedule M, which is a chart of the Delaware
16 Division's load and supply projections for the upcoming determination
17 period. Both schedules are attached to the direct testimony of Matthew
18 Everngam.

19

20 Q. WHAT PIPELINE SUPPLIERS ARE CURRENTLY PROVIDING
21 SERVICES TO THE DELAWARE DIVISION?

1 A. The Delaware Division is currently receiving a mix of transportation and
2 storage services from four interstate pipeline suppliers. These four pipeline
3 suppliers are Transcontinental Gas Pipe Line Company, LLC (“Transco”),
4 Columbia Gas Transmission, LLC (“Columbia”), Texas Eastern
5 Transmission, LP (“TETCO”) and Eastern Shore Natural Gas Company
6 (“ESNG”).

7

8 Q. WHAT WERE THE DELAWARE DIVISION’S CAPACITY ENTITLEMENTS
9 ON PIPELINES UPSTREAM OF ESNG DURING THE LAST WINTER
10 SEASON?

11 A. Schedule L represents the Delaware Division’s winter season upstream
12 capacity entitlements that were effective November 1 of 2016, and 2017.
13 The maximum daily upstream entitlements were 77,942 Dts/day.

14

15 Q. HAS THE DELAWARE DIVISION CHANGED ITS CAPACITY
16 ENTITLEMENTS ON ANY PIPELINES SINCE THE LAST GSR
17 PROCEEDING?

18 A. Yes. The Company entered into a temporary Firm Transportation peaking
19 contract with ESNG for 1,750 dekatherms during the months December
20 thru March to address the projected Design Day capacity deficit.

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1 Q. PLEASE PROVIDE INFORMATION ON CHESAPEAKE'S STORAGE
2 SERVICES.

3 A. Chesapeake contracts for several different storage services, which provides
4 flexibility to meet customer needs. Currently, the Company includes three
5 storage services in the Company's Asset Management Agreement ("AMA")
6 and contracts for two storage services on ESNG. The storages included in
7 the AMA are Transco's Washington Storage Service ("WSS") and
8 Eminence Storage Service ("ESS") and Columbia's Firm Storage Service
9 ("FSS"). At the beginning of the AMA, these storage balances were
10 reconciled and transferred to the control of the Asset Manager. The
11 Company designates quantities of gas to be injected or withdrawn from
12 these storage services, however these quantities are understood to be
13 paper transactions which may differ from the actual storage activity at any
14 point in time since the AMA authorizes the Asset Manager, subject to the
15 Company's designation of storage and tariff limitations, to withdraw and
16 inject at its discretion. The Company retains the right to receive, on demand
17 at the delivery point, the quantity of gas that it has requested. On a monthly
18 basis, the paper balance for each storage service managed by the Asset
19 Manager is reconciled. Withdrawals from WSS are anticipated in the
20 monthly baseload calculation because Transco Firm Transportation ("FT")
21 capacity is utilized in order to flow WSS. The primary purpose of ESS is to
22 provide the Company a supply option during weather emergencies, such as

1 hurricanes, or other supply disruptions. It is the Company's policy to fill ESS
2 by August 1 each year in order to be in a position to mitigate supply
3 disruptions during hurricane season. As is the case with WSS, ESS
4 requires the use of FT capacity to be transported. Daily withdrawals from
5 FSS during the winter season are anticipated but are not typically
6 baseloaded. FSS is the Company's largest storage service and provides
7 greater flexibility in scheduling with regard to changes in weather and
8 unexpected fluctuations in demand. In addition FSS flows on Storage
9 Service Transportation ("SST") contracts rather than utilizing FT contracts.
10 Injections for FSS are typically baseloaded. The two ESNG storage
11 services are General Storage Service ("GSS") and Leidy Storage Service
12 ("LSS"). GSS is a year round storage service and provides the Company
13 swing capability throughout the year. LSS is a seasonal storage service,
14 meaning that injections can only be made April through October and
15 withdrawals are only available November through March. GSS and LSS
16 have transportation deliverability inherent in the services. No additional FT
17 is needed for injections or withdrawals. The Company tracks the storage
18 levels of each storage service closely, in order to comply with the provisions
19 established by each storage service Tariff and to ensure the adequacy of
20 storage supply.

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1 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE COMPANY'S GAS
2 SUPPLY PROCUREMENT ACTIVITIES SINCE NOVEMBER 1, 2016.

3 A. The Company utilizes its Asset Manager for gas supply, procuring monthly
4 baseload and spot purchases pursuant to the terms of its AMA. It is
5 consistent with the Company's procurement practices to minimize its
6 exposure to the volatility of the daily market during the winter season;
7 therefore, most of the Company's gas supply costs during the winter months
8 are based on fixed prices that are set prior to the beginning of the delivery
9 month. The daily spot purchases referenced above are susceptible to daily
10 market volatility. However, due to the varying nature of the Company's
11 demand requirements, it is essential to have an element of spot supply to
12 ensure the Company has the flexibility to comply with pipeline tariffs and
13 operating requirements. Therefore, a mix of pricing mechanisms, including
14 commodity prices based on the published "Inside FERC" monthly index, the
15 published "Gas Daily" midpoint and "triggers" based on New York
16 Mercantile Exchange postings have been used to mitigate the impact of
17 market fluctuations on the commodity cost of gas during this period.
18 Effective July 12, 2007, the Company implemented the parameters
19 identified in the commodity procurement plan ("Plan") attached to the
20 settlement agreement in PSC Docket No. 06-287F and amended as part of
21 the settlement in Docket No. 09-398F. The parameters of the Plan dictate
22 that the Company will enter into physical transactions for natural gas for the

1 upcoming twelve-month period on the second Wednesday of each month.
2 The Company has followed the guidelines set forth in the Plan. Also, last
3 winter Chesapeake commissioned a temporary Liquefied Natural Gas
4 (LNG) peaking service to meet demand in the event of Design Day
5 conditions. Although Design Day conditions were not experienced, there
6 were a few opportunities to test the operation of the service in conjunction
7 with the demand on the distribution system and each instance was a
8 success.

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10 Q. PLEASE BRIEFLY EXPLAIN THE COMPANY'S RELATIONSHIP WITH
11 ITS ASSET MANAGER AND THE SERVICES THAT ARE PROVIDED.

12 A. As authorized by the Commission on October 6, 2016, by Order No. 8954
13 in PSC Docket No. 15-1362 the Company entered into a new Asset
14 Management Agreement for the period April 1, 2017 to March 31, 2020.
15 Chesapeake's Asset Manager provides capacity management, as well as
16 supply and dispatch scheduling on pipelines upstream of ESNG, firm and
17 interruptible gas supply, balancing of supply resources, and monthly
18 accounting and reporting of transactions. The Company's firm customers
19 benefit from the AMA, which provides the Company with access to reliable
20 and flexible supply alternatives in addition to enhanced fixed cost recovery
21 relating to the Company's transportation and storage entitlements. The cost

1 recovery achieved by the Company is reflected as a credit on the monthly
2 supply invoice that is submitted by the Asset Manager.

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4 Q. WHAT ARE THE DELAWARE DIVISION'S PLANS REGARDING GAS
5 SUPPLY FOR THE UPCOMING WINTER SEASON OF 2017-2018?

6 A. The Company has prepared demand projections for the upcoming winter
7 season, which is visually represented by Schedule M. It expects to meet
8 those demand projections with supply purchases of baseload, daily spot,
9 and storage service as negotiated within its Asset Management Agreement.
10 Approximately 50% of the winter's expected firm sales requirements will
11 have been procured utilizing the Company's approved hedging program.
12 The Company will again utilize a temporary Liquefied Natural Gas (LNG)
13 peaking service as it did last winter as well as consider alternatives, which
14 includes a temporary Firm Transportation peaking contract from ESNG in
15 order to cover a potential capacity deficit. Details of Chesapeake's winter
16 supply preparedness will be discussed further in the annually filed "Long-
17 Term Supply and Demand Strategic Plan".

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19 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

20 A. Yes, it does.