BEFORE THE DELAWARE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF CHESAPEAKE UTILITIES CORPORATION FOR APPROVAL OF A CHANGE IN ITS GAS SALES SERVICE RATES ("GSR") TO BE EFFECTIVE NOVEMBER 1, 2017	)))))	P.S.C. DOCKET NO. 17-1021

REBUTTAL TESTIMONY OF WILLIAM R. KRISS

On Behalf of Chesapeake Utilities Corporation

Delaware Division

Submitted for filing: April 6, 2018

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

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

Q. ARE YOU THE SAME WILLIAM R. KRISS THAT SUBMITTED WRITTEN DIRECT TESTIMONY IN THIS CASE ON SEPTEMBER 1, 2017?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of my rebuttal testimony in this GSR application is to address the following recommendation of Jerome D. Mierzwa from his direct testimony submitted on February 28, 2018, on behalf of the Staff of the Delaware Public Service Commission and the Division of the Public Advocate ("Staff/DPA")(at page 4):

- Chesapeake should not be authorized to acquire additional ESNG capacity until it demonstrates that its design day demand forecasts are reasonable;…

Q. HAS THE COMPANY DEMONSTRATED THAT ITS DESIGN DAY DEMAND FORECASTS ARE REASONABLE?

A. Yes. In the Company's confidential 2017-2018 Supply Plan and its response to Question PSC-DPA-9 (including two exhibits), the Company has fully supported its model and the assumptions that produced its forecasted requirement of 90,363 Dth for a design day during the 2017-2018 winter season. In addition, as shown below, the Company has applied its model to a recent actual experience on a day during its peak month, January, and the result from the model is within 2,350 Dth of the actual demand for that day.

Q. DO YOU AGREE WITH MR. MIERZWA'S EVALUATION OF THE REASONABLENESS OF THE COMPANY'S DESIGN DAY DEMAND PROJECTION AT PAGES 17 AND 18 OF HIS DIRECT TESTIMONY?

A. No. As evidence that the Company's design day model produces excessive projections, Mr. Mierzwa applied the Company's model to the Company's peak day during the 2016-2017 winter season, January 9, 2017, and found that the actual demand was 9% less than the projected demand. January 9, 2017, however, followed several days of temperatures that were well above average, which skews the demand on January 9 lower. To experience peak demand on a winter day with a particular HDD, the temperatures must be low for 2 or 3 days in a row.

In addition, Mr. Mierzwa applied the Company's model to the Company's actual demand and HDDs for December 2017, and found that the actual demand was 8% less than the Company's projected demand. Using December alone, however, is not an accurate representation of Design Day conditions given the impact of the holiday season towards the end of the month.

Furthermore, Mr. Mierzwa's demand calculations assumes one overrun tolerance for the Company's service territory. The Company, however, must calculate Design Day demand by Delivery Point Area ("DPA") because ESNG can require its shippers to be within overrun tolerances by DPA, which are 5% or 3% depending on the time of year, as stated within the ESNG tariff. Accepting overrun tolerances for each DPA leads to the application of the standard error to each DPA (from the regression analyses), which raises the overall demand projection for the service territory.

Q. HOW DID THE COMPANY'S DESIGN DAY MODEL PERFORM IN JANUARY 2018?

A. There are so many variables other than temperature that contribute to winter demand on a particular day (including wind, snow, day of the week, and temperatures leading up to the day), it is difficult to evaluate a design day model on temperature alone. During January 2018, the Company's

service territory experienced near design day conditions over a weekend -- at a time when there was heavy snow accumulation. The demand profile for weekends is understood to be significantly reduced as compared to weekday demand. In addition, snow dampens demand because of its insulating effect on buildings and because the adverse driving conditions caused by snow can limit consumer activity. Even so, on Saturday, January 6, 2018, when the highest winter season heating degree day was recorded (at 54.8 HDD), the total demand of 77,241 Dts was short of the design day model projection of 83,698 Dts by only 6,457 Dts.

Projected demand was even closer to actual demand on Monday, January 8, 2018. On that day, the weather warmed to a 30.8 HDD and the Company experienced natural gas demand of 50,629 Dts. Using the Design Day model, the projected demand volume was 52,978 Dts, which was only 2,349 Dts higher than actual demand at that HDD level. This data point demonstrates that the Design Day calculation is certainly reasonable – especially considering the mild weather experienced on that day.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.