

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
CHESAPEAKE UTILITIES CORPORATION)
REGARDING ITS ACQUISITION AND) PSC DOCKET NO. 18-0933
CONVERSION OF PROPANE COMMUNITY)
GAS SYSTEMS (FILED JUNE 29, 2018))

ORDER NO. 9254

AND NOW, this 24th day of July 2018, the Delaware Public Service Commission (the "Commission") determines and orders the following:

WHEREAS, on February 4, 2016, Chesapeake Utilities Corporation ("Chesapeake" or the "Company") filed an application (the "2016 Application") with the Commission requesting approval of the following items relating to the purchase and subsequent conversion of Community Gas Systems ("CGS") located within Chesapeake's Delaware Division territory: (1) a comprehensive and transparent CGS valuation process; (2) the proper accounting treatment to be used for ratemaking purposes; and (3) a natural gas pricing structure for CGS customers who convert to natural gas service (based on the acquisition price of the CGS system and the customers' agreement to pay the established rate); and

WHEREAS, the Commission assigned Docket No. 16-0161 to the 2016 Application, after which the Company met with Commission Staff ("Staff") and the Division of the Public Advocate (the "DPA") to discuss the Company's proposals in more detail; and

WHEREAS, on August 9, 2016, based upon discussions between Staff and the DPA, the Company filed a supplement to its 2016 Application to

include a confidential attachment containing a recently completed CGS conversion as a real life example ("Supplemental Application"); and

WHEREAS, after filing the Supplemental Application, Staff and the DPA served informal data requests on the Company and continued to meet several times over the course of a year to discuss the case. Based on the feedback the Company received from Staff and the DPA, and on further internal discussions, the Company decided to substantially re-work its CGS proposal and advised the Parties it would file an application under a new docket number; and

WHEREAS, on June 29, 2018, Chesapeake filed with the Commission an application (the "Application"), pursuant to 26 *Del. C.* §§ 201, 301, and 304, requesting approval of the following items relating to the acquisition and conversion of propane community gas systems to regulated natural gas service located within Chesapeake's Delaware service territory: (1) establish the regulatory accounting treatment and valuation for Chesapeake's acquisition of certain CGSs; (2) approve a methodology to set new distribution rates for CGS customers; and (3) approve the creation of a new system-wide tariff rate that will recover CGS conversion costs; and

WHEREAS, the Commission having determined that, pursuant to the authority granted to it by 26 *Del. C.* § 306(a)(1), Chesapeake's Application shall be suspended pending the completion of evidentiary hearings into the justness and reasonableness of the acquisition and conversion process of CGSs and related tariff changes across its entire service territory;

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

1. That the rates and revised tariff sheets filed by Chesapeake on June 29, 2018, 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.

2. That any proposed non-rate modifications to its tariffs are suspended until such time as a final Order in this proceeding is issued.

3. Chesapeake shall publish the public notice attached as **Exhibit "A"** in two-column format, outlined in black, in the legal classified sections of The News Journal and Delaware State News newspapers as early as possible during the week of July 30, 2018. Chesapeake shall also file proof of such publications with the Commission as soon as practical but not later than the commencement of the evidentiary hearing concerning this matter.

4. That Mark Lawrence is designated as the Hearing Examiner for this matter pursuant to the terms of 26 *Del. C.* § 502 and 29 *Del. C.* ch. 101 to schedule and conduct, upon due notice, such public comment sessions and evidentiary hearings, as may be necessary, to have a full and complete record concerning the justness and reasonableness of the proposed rates and tariff modifications. Thereafter, Hearing Examiner Lawrence shall file with the Commission his proposed findings and recommendations. Pursuant to Rule 2.1 of the Commission's Rules of Practice and Procedure, Hearing Examiner Lawrence is specifically delegated the authority to grant or deny petitions seeking leave to intervene and for admission of counsel *pro hac vice*. In addition,

Hearing Examiner Lawrence is delegated the authority, under 26 Del. C. § 102(A), to determine the form and manner of any further public notice in this matter.

5. That the deadline for filing petitions to intervene pursuant to Rule 2.9 of the Commission's Rules of Practice and Procedure shall be **Friday, August 17, 2018**. Late-filed petitions to intervene will not be granted unless good cause is shown. Intervenors must comply with the procedural schedule in place at the time intervention is granted, including any deadlines that may have been established prior to the granting of intervenor status.

6. If the Commission does not receive any petitions to intervene, material objections, or written comments raising significant issues, the Commission may, by later order, rescind the designation of Mark Lawrence as the Hearing Examiner for this proceeding, and consider the matter after a duly noticed evidentiary hearing at a regularly-scheduled Commission meeting.

7. 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).

8. 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:

Chair

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary

E X H I B I T "A"

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**PUBLIC NOTICE OF CHESAPEAKE UTILITIES CORPORATION'S APPLICATION
REQUESTING THE ESTABLISHMENT OF A VALUATION AND PRICING PROCESS FOR
PROPANE COMMUNITY GAS SYSTEM ACQUISITIONS**

**TO: ALL NATURAL GAS CUSTOMERS OF CHESAPEAKE UTILITIES CORPORATION AND
OTHER INTERESTED PERSONS:**

On June 29, 2018, pursuant to 26 *Del. C.* §§ 201, 301, and 304, Chesapeake Utilities Corporation ("Chesapeake") filed with the Delaware Public Service Commission (the "Commission") an application ("Application") requesting approval of the following items relating to the acquisition and conversion of propane community gas systems ("CGSs") to regulated natural gas service located within Chesapeake's Delaware service territory: (1) establish the regulatory accounting treatment and valuation for Chesapeake's acquisition of certain CGSs; (2) approve a methodology to set new distribution rates for CGS customers; and (3) approve the creation of a new system-wide tariff rate that will recover CGS conversion costs.

On July 24, 2018, the Commission suspended the proposed changes and opened a proceeding to investigate the Application. The Commission will render a decision after holding public evidentiary hearings, which will be conducted upon due public notice, and will render its decision based on the record evidence.

If the Commission does not receive any petitions to intervene, material objections, or written comments raising significant issues, the Commission may, by later order, rescind the designation of Mark Lawrence as the Hearing Examiner for this proceeding, and consider the matter after a duly noticed evidentiary hearing at a regularly-scheduled Commission meeting.

You are invited to review Chesapeake's Application and supporting documents to determine how your interests may be affected by accessing DelaFile (<https://delafile.delaware.gov>), the Commission's docketing and file management system, and by searching for Docket No. 18-0933.

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 petition asking for 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 Friday, August 17, 2018**. All such petitions should be filed in DelaFile according to the Commission's Rules (26 Del. Admin. C. § 1001-1.6.4). Petitions filed after the deadline of August 17, 2018, will not be considered except for good cause shown. Intervenors must comply with the procedural schedule in place at the time intervention is granted, including any deadlines that may have been established prior to the granting of intervenor status.

If you would like to review documents at the Commission's offices, please contact Donna Nickerson at (302) 736-7500 or by sending an e-mail addressed to donna.nickerson@state.de.us. 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 or 29 South State Street, Dover, Delaware 19901. Please call either (302) 577-5077 or (302) 241-2555 to arrange for a time to review the documents at either of those locations.

If you wish to request copies of documents in this matter, please submit a Freedom of Information Act Request Form. The link to this form can be found on the Commission's website, <https://depsc.delaware.gov>, or by visiting this web address: https://delaware.gov/help/foia_request.shtml?subj=DOS. 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 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 e-mail addressed to jason.r.smith@state.de.us.