

COMMISSIONERS

W. KEVIN HUGHES
CHAIRMAN

MICHAEL T. RICHARD
ANTHONY J. O'DONNELL
ODOGWU OBI LINTON



CONTACT: Tori Leonard
410-767-8054
443-680-1619 (c)
tori.leonard@maryland.gov



For Immediate Release

Maryland PSC Challenges Eastern Shore Natural Gas Company Rates *PSC Says Rates Unfair to Gas Customers on Eastern Shore*

(Baltimore, MD—August 28, 2017) – The Maryland Public Service Commission is opposing the rate case filed earlier this year by Eastern Shore Natural Gas Company (ESNG) with the Federal Energy Regulatory Commission (FERC), asserting that ESNG's proposed rates, and particularly its rate design, are unjust, unreasonable and unfairly burden gas transportation customers on the southern end of its gas transmission pipeline system—an area that includes Maryland's Eastern Shore region. ESNG is the interstate natural gas pipeline subsidiary of Chesapeake Utilities Corporation. Interstate natural gas transportation pipelines such as ESNG are regulated by FERC.

ESNG transports natural gas across the Delmarva Peninsula for distribution to residential and small commercial customers via local distribution companies, and for direct use by industrial businesses and electric power generators.

The Commission, along with the Maryland Office of People's Counsel, has intervened as a party to oppose ESNG's rate proposal and is participating in settlement hearings before FERC to advocate for lower rates that are allocated more uniformly among all of ESNG's customers. ESNG has proposed a zoned rate design that imposes drastically different amounts of the proposed rate increase to gas transportation customers depending on which of its five zones the customer takes service. Among those customers are gas distribution companies such as Easton Utilities Commission—with approximately 4,000 residential and commercial gas customers—and Elkton Gas with 6,600 customers in Maryland. Customers of Chesapeake Utilities, Sandpiper Energy, Inc., and Calpine Energy Services will also be affected. Transportation rates paid by those gas companies would be passed along to end-use customers, including residential ratepayers. Easton Utilities estimates that its transportation rates would increase by 93% if FERC accepts ESNG's filing.

In addition to the excessive rates, the Commission notes that ESNG has asked FERC to approve a return on equity of 13.75%, far exceeding the equity returns approved by the Commission in recent state utility rate case orders.

In accordance with FERC rules, the proposed rates took effect August 1, 2017 (customers will see rate impacts in their fall energy bills), but the rates are subject to refund if the rate design is overturned by FERC or if the parties agree to a lower rate during the settlement hearings.

###

About the Public Service Commission:

The Maryland Public Service Commission regulates electric and gas utilities, telephone companies (land lines), certain water and sewer companies, passenger motor vehicle carriers for hire (sedans, limousines, buses, Uber, Lyft), taxicab companies (in Baltimore City and County, Cumberland and Hagerstown) and bay pilot rates.

Like us on Facebook: [Facebook.com/MarylandPSC.gov](https://www.facebook.com/MarylandPSC.gov)

Follow us on Twitter: [@MarylandPSC](https://twitter.com/MarylandPSC)

###