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For Immediate Release

FERC Approves Settlement in Eastern Shore Natural Gas Company Rates

New Rates will be Less Burdensome to Gas Customers

(Baltimore, MD—March 5, 2018) – The Maryland Public Service Commission today announced that the Federal Energy Regulatory Commission (FERC) has approved a settlement agreement in the Eastern Shore Natural Gas (ESNG) rate case, a proceeding in which ESNG initially proposed a steep cost of service increase as well as a rate design that would have been very burdensome to Maryland customers on the southern end of the pipeline. The settlement significantly reduces the amount of the rate increase to Maryland customers and contains other benefits, such as preventing ESNG from filing another rate case for three years.

Additionally, the settlement provides that ESNG is required to further reduce the settlement rates to reflect its new federal income tax rate, which will reflect impacts of the federal Tax Cuts and Jobs Act.

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, had intervened as parties to oppose ESNG's rate proposal and participated in settlement hearings before FERC to advocate for lower rates that would be allocated more uniformly among all of ESNG's customers. ESNG had proposed a zoned rate design that would have imposed a disproportionately high rate increase to gas transportation customers on the southern end of the pipeline, including Easton Utilities Commission—with approximately 4,000 residential and commercial gas customers—Elkton Gas with 6,600 customers in Maryland, Chesapeake Utilities, Sandpiper Energy, Inc., and Calpine Energy Services. Transportation rates paid by those gas companies are passed along to end-use customers, including residential ratepayers. Easton Utilities, for example, estimated that its transportation rates would have increased by 93% if FERC had accepted ESNG's initial filing. Instead, under the settlement, Easton's transportation rate will only increase from \$19.58 per dekatherm per month to \$23.36, reflecting a 19% increase, before the

benefits of the federal tax reduction are passed through. The FERC-regulated transportation rate is just one component of a residential customer's monthly bill.

In accordance with FERC rules, the proposed rates took effect August 1, 2017 (customers saw rate impacts in their fall energy bills), but those rates are subject to refund now that the parties have settled on a lower rate and FERC has approved the settlement.

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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.

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