NEW ELECTRIC RATES

for the

DELMARVA PENINSULA

An Announcement of Interest to Our Customers

STATEMENT by F. W. C. WEBB

Chairman of Board of Directors

EASTERN SHORE PUBLIC SERVICE SYSTEM

FROM time to time since the Delmarva Peninsula began to feel the depression seriously in the last quarter of 1932, the Company has been urged to reduce its rates on the ground that the price of electricity should follow the trend of commodity prices, an argument which does not logically apply because of factors peculiar to the utility industry. As a matter of fact, residential consumers on the Company's lines are, in the aggregate, buying their electricity now for approximately one-half the cost per unit that they paid in 1926. The average residential rate of the Company in Maryland and Delaware amounted to a fraction over 7 cents per kilowatt hour in 1933 as compared with 14 cents per kilowatt hour in 1926 and 10.6 cents per kilowatt hour in 1929.

Nevertheless, the Company has been in sympathy with the demands of its customers for lower rates and, in fact, has given the situation continual study, with the object of reducing rates at the earliest time permitted by the imperative necessity of keeping the Company's finances in such shape that its ability to provide adequate and dependable electric service would not be impaired. That is our first duty to the public. Its accomplishment is especially difficult in a period such as the Company has experienced in the past twelve months when heavy financial demands have been made on it to meet sharp increases in taxes and in operating expenses resulting from the nation-wide movement to reduce unemployment.

Rate reductions can only be supported by increased revenues from expanding business, and while there has been some improvement in business conditions on the Peninsula in recent months, up to the present time the Company's benefits therefrom have been more than offset by the increased taxes and expenses above referred to. In short, the immediate condition of business does not justify lower rates, and in other sections less progressive or less sound economically than the Delmarva Peninsula, such a move would be contrary to good business judgment. However, the Company has great confidence in the location, the soil and climate, and the character of the people of the Delmarva Peninsula as sound foundations for a continuance of the trend toward improved business conditions here. On the basis of that confidence, and irrespective of the immediate situation, the Company has decided to take a further step in its record of reducing from time to time the cost of electrical energy on the Peninsula. Furthermore, such a move conforms with the policy of the Public Service Commission of Maryland, which advocates rate reductions whenever there is reasonable justification for such reductions.

In giving effect to the Company's decision, it has been our objective to reduce the Company's initial rates in its interconnected territory from 12 cents to 10 cents, but at the same time to avoid impairment of the Company's ability to maintain adequate and dependable service. This difficult problem has been solved by making adjustments both in the rates and in the blocks defining the usage of electricity. These adjustments have been balanced in such a manner that more than 75% of the Company's residential and commercial customers will obtain lower annual rates and yet no customers will be subject to increases. Practically all customers not affected are now getting the benefit of low average rates because a large portion of their consumption falls within the 3 cents per kilowatt hour block. Of course, they will continue to be as favorably situated under the new schedules.

In addition, adjustments have been made in the schedules governing seasonal or less than whole-year usage. The benefits of these adjustments will be enjoyed chiefly by seasonal or vacational customers at Ocean City and Rehoboth.

It is estimated that the new schedules will reduce the Company's revenues from its interconnected system in Maryland and Delaware by about $45,000.00 annually. The Company hopes that its investment of that sum in the faith and confidence which it possesses in the Delmarva Peninsula will justify itself both as a stimulus and a contribution hastening our return to the sound economic conditions which until recently we so long enjoyed.

The new rate schedules have been filed with the Public Service Commission of Maryland. They will be applicable for all consumption after meter readings in June and will be first reflected by the July bills.

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