

135 FERC ¶ 61,219
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

June 9, 2011

In Reply Refer To:
Eastern Shore Natural Gas Company
Docket Nos. RP11-1670-001 and
RP11-1670-002

Eastern Shore Natural Gas Company
1110 Forrest Avenue, Suite 201
Dover, DE 19904

Attention: Amanda M. Chi, Manager
Rates and Regulatory Affairs

Reference: Order Accepting Tariff Record Subject to Refund and Subject to the
Hearing and Settlement Procedures Previously Established

Dear Ms. Chi:

1. On March 23, 2011, Eastern Shore Natural Gas Pipeline Company (Eastern Shore) filed a revised tariff record¹ (March 23 Compliance Filing) to (1) withdraw a tariff record filed by Eastern Shore on March 2, 2011 (March 2 Compliance Filing)² and (2) implement revised Rate Schedule T-1 transportation rates³ in compliance with the Commission's January 31 Order. Eastern Shore proposes an effective date of July 1, 2011, or such later date as it may move such rates into effect. For the reasons discussed

¹ Sheet No. 5A, Section 7(c) Currently Effective Rates-T-1, 0.0.1, to Third Revised Volume No. 1, FERC NGA Gas Tariff.

² The March 2 Compliance Filing was made in compliance with a Commission Order requiring Eastern Shore to file a rate for its Rate Schedule T-1 service (*Eastern Shore Natural Gas Co.*, 134 FERC ¶ 61,069 (2011)) (January 31 Order).

³ Rate Schedule T-1 is an individually certificated service under Part 157.

below, the Commission accepts the revised tariff record to be effective July 1, 2011, subject to refund and the outcome of the ongoing hearing and settlement proceedings in Docket No. RP11-1670-000.

2. On December 30, 2010, Eastern Shore filed a general rate increase proposal pursuant to section 4 of the Natural Gas Act (NGA). Among other things, Eastern Shore proposed to eliminate its individually certificated Part 157 T-1 service and to transfer the services currently conducted under the T-1 Rate Schedule to Eastern Shore's generally applicable FT Rate Schedule for open access firm transportation service under Part 284. Rate Schedule T-1 is a firm transportation service provided by Eastern Shore to Delaware City Refining Company LLC (DCRC) and Delmarva Power and Light Company (Delmarva). DCRC and Delmarva protested Eastern Shore's filing arguing, *inter alia*, that Eastern Shore had not supported its proposal to eliminate the T-1 Rate Schedule.
3. On January 31, 2011, the Commission accepted and suspended the revised tariff records proposed by Eastern Shore to increase its rates for its Part 284 services to be effective July 1, 2011, subject to refund and conditions and the outcome of the hearing and settlement judge procedures. The Commission rejected the proposed tariff records reflecting elimination of the T-1 Rate Schedule, finding that Eastern Shore had not received the required authorization pursuant to section 7(b) of the NGA to abandon this individually certificated T-1 service. Eastern Shore was directed to make a compliance filing reflecting proposed T-1 rates for T-1 transportation service to be effective July 1, 2011.
4. On March 2, 2011, Eastern Shore filed in compliance with the Commission's directives and filed a revised T-1 reservation rate of \$10.0189 per Dth. Three parties protested the March 2 Compliance Filing, arguing that Eastern Shore should reduce the T-1 rate by an additional \$1.8934, the historical difference between the Part 284 and Part 157 rates in previous rate case settlements. They also argued that Eastern Shore's calculation of the T-1 rate was not based on the proposed rate design that Eastern Shore proposed in its section 4 rate case and that the proposed rates would result in an over-recovery of \$38,620.
5. Eastern Shore filed the March 23 Compliance Filing to withdraw its March 2 Compliance Filing and filed revised T-1 transportation rates based on its newly proposed rate design.
6. On March 23, 2011, Eastern Shore filed to withdraw its March 2 proposal and filed a revised T-1 reservation rate of \$9.7095 which is identical to the Receipt Zone 2/Delivery Zone 1 Part 284 FT service under Eastern Shore's proposed rate design.
7. Eastern Shore argues that it should not be required to further reduce the proposed T-1 rate by the \$1.8934 historical difference between the Part 284 and Part 157 rates set in previous rate case settlements, as the protesters contended in their protests to the

March 2 compliance filing. Eastern Shore contends that this would result in a cost shift of approximately \$236,342 to Eastern Shore's other firm customers. Eastern Shore contends that such a substantial cost shift for other shippers is unwarranted because there is no difference in cost of providing firm service to Receipt Zone 2/Delivery Zone 1 customers under Eastern Shore's FT Rate Schedule. Eastern Shore states that based on the benefits of conversion to Part 284 service under Eastern Shore's proposed new rate design, Eastern Shore hopes that the T-1 shippers will choose to add their T-1 entitlements to their Part 284 FT service. Finally, Eastern Shore further states that the rate case proceedings can address Eastern Shore's proposed rate design and whether the T-1 shippers wish to continue their T-1 service and, if so, the rates to be charged for such service.

8. Public notice of Eastern Shore's March 23 Compliance Filing was issued March 24, 2011, with comments and protests due as provided in section 154.210 of the Commission's regulations.⁴ No adverse comments or protests were received.

9. The Commission agrees with Eastern Shore that the issues concerning its Rate Schedule T-1 should be addressed in the ongoing hearing proceeding. Therefore, the issues raised by this compliance filing will be addressed and considered in the hearing and settlement proceedings on Eastern Shore's general section 4 rate increase filing which has been accepted and suspended subject to refund and conditions to be effective July 1, 2011. Accordingly, the Commission accepts Eastern Shore's proposed tariff record listed in footnote no. 1 to become effective July 1, 2011, subject to refund and the outcome of the hearing and settlement proceedings in Docket No. RP11-1670-000.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

⁴ 18 C.F.R. § 154.210 (2011).