

127 FERC ¶ 61,306
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

June 29, 2009

In Reply Refer To:
Eastern Shore Natural Gas Company
Docket No. RP09-637-000

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

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

Reference: Fuel Retention Adjustment and Cash-Out Refund

Dear Ms. Chi:

1. On May 29, 2009, Eastern Shore Natural Gas Company (Eastern Shore) filed revised tariff sheets¹ to its FERC Gas Tariff with supporting calculations to implement its annual Fuel Retention Percentage (FRP) effective July 1, 2009. In addition, Eastern Shore included in the filing its Cash-Out Refund/Surcharge calculations, also to be effective July 1, 2009, and a request to refund deferred Cash-Out over-recoveries, net of FRP under-recoveries, plus interest. Eastern Shore also requested that the Commission grant waiver of certain tariff provisions to permit the foregoing. As discussed below, the Commission grants Eastern Shore's requests for waiver and accepts its proposal and the revised tariff sheets to be effective July 1, 2009.

2. Eastern Shore proposes to charge an FRP of 0.12 percent which is comprised of only the Projected Component of its FRP, and to retain a zero Deferred Component of its FRP. Eastern Shore states that its shippers have not experienced an FRP in almost three years and it believes it is appropriate to ease them back into the practice of providing fuel for transportation. To accomplish this, Eastern Shore requests two waivers. First, Eastern Shore requests waiver of its tariff to combine its FRP and Cash-Out filings into a single filing. Second, Eastern Shore requests waiver of its tariff to allow it to net the

¹ Twentieth-Fourth Revised Sheet No. 4, Twenty-Third Revised Sheet No. 5 and Twenty-Second Revised Sheet No. 6 to FERC Gas Tariff, Second Revised Volume No. 1.

under-recovered deferred balance of its FRP's Gas Required for Operations (GRO) of \$120,345 against the over-recovered deferred balance of \$413,431 of Cash-Out costs. It states that the net of these two amounts totals \$295,540 inclusive of \$2,454 of interest, which it proposes to refund. As a result, it proposes to retain the \$0.0000 Deferred GRO Component of its FRP and its \$0.0000 Cash-Out Surcharge.

3. Section 31 of Eastern Shore's General Terms and Conditions (GT&C) requires Eastern Shore to annually file revised tariff sheets to redetermine its system-wide FRP for a 12-month period to be effective each July 1. The redetermined FRP is based on the most recent 12 months of activity for which data is available. In addition, section 35 of its GT&C requires Eastern Shore to make a separate annual filing to either implement a system-wide recovery surcharge effective each July 1 or to distribute a refund (the difference between total amounts received and paid under the Cash Out provisions of its tariff) to its customers within 60 calendar days. The Cash-Out Refund/Surcharge calculation is based on a 12-month billing period ending each March 31.

4. Eastern Shore's FRP is comprised of two components: (a) a Projected Component based on Eastern Shore's actual GRO quantities and transportation receipts; and (b) a Deferred Component based on Eastern Shore's Deferred GRO Account balance. The Gas Required for Operations (GRO), consists of: (a) gas used for compressor fuel; and (b) gas otherwise used, lost or unaccounted for, in its operations. According to Eastern Shore, the deferred component is intended to "true-up" under/over-recovered GRO costs via a positive surcharge percentage rate or a negative surcharge percentage rate, respectively. Through this FRP tracker mechanism, Eastern Shore states that it ultimately recovers only the GRO costs it has actually incurred for natural gas used in its system operations.

5. Eastern Shore states that its work papers, as developed on Appendix A, Schedule 2, support its Projected Component of its FRP to be 0.12 percent. In addition, Eastern Shore states that its work papers, as developed on Appendix B, Schedule 1, shows a deferred FRP balance of \$120,345.²

6. Eastern Shore states that it experienced a cash-out over-recovery of \$413,431 during the twelve-month period ended March 31, 2009. Eastern Shore's calculations detailing the over-recovery are shown in Appendix C, Schedules 1 through 5 of the filing. Schedule 1 reflects the individual components of each month's cash activities. According to Eastern Shore, these components include monthly cash imbalances resulting from actual deliveries, total cash variance resulting from storage injection/withdrawal activities, and net GRO account activities. Eastern Shore states that this schedule also reflects interest calculated through March 31, 2009, and the cash-out amounts recovered

² The \$120,345 is the monetized value of the total deferred balance which would add an additional 0.11 percent Deferred Fuel Retention Percentage to the FRP, thus increasing the total FRP to 0.23 percent.

by Eastern Shore via operation of its Cash-Out Surcharge for the period April 1, 2008, through March 31, 2009. Eastern Shore states that Schedule 2 details the monthly variable storage imbalances for the period April 2008 through March 2009, as included on Schedule 1, Line 15. According to Eastern Shore, Schedules 3 and 4 detail the monthly computation of interest and deferred income taxes, respectively. Eastern states that Schedule 5 details the monthly recoveries of Eastern Shore's Unrecovered Cash-Out Balance for the period April 1, 2008 through March 31, 2009, through the mechanics of the applicable Cash-Out Surcharges implemented during that period. Based on the over-recovered Cash-Out balance of \$413,431, Eastern Shore calculates a Cash-Out Surcharge of negative \$0.0167 per Dth. Eastern Shore notes that this refund surcharge is greater than the total Rate Schedule FT Zone One commodity charge and would thus prevent Eastern Shore from refunding the proper cash-out balance.³

7. In light of the circumstances described above, Eastern Shore proposes to: (a) implement a Fuel Retention Percentage of 0.12 percent effective July 1, 2009; (b) net its \$120,345 under-recovery of deferred GRO cost against its \$413,431 over-recovery of deferred Cash-Out costs; (c) retain the existing Cash-Out Surcharge of \$0.0000 per Dth effective July 1, 2009; and (d) refund to its customers a total of \$295,540, inclusive of interest, upon issuance of a Commission Order accepting the proposed tariff sheets. Eastern Shore explains that refunds will be allocated to each customer based on the ratio of a customer's actual deliveries to actual total system deliveries for the twelve-month period ending March 31, 2009. Eastern Shore requests waiver of sections 31 and 35 of the GT&C of its tariff and any Commission regulations that may be necessary to allow Eastern Shore to implement its refund proposal and proposed FRP as described above.

8. Public notice of the filing was issued on June 3, 2009, allowing for interventions and protests to be filed on or before June 10, 2009. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2008)), all timely filed motions to intervene and any motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No protests or adverse comments were filed.

9. The Commission finds good cause to grant the requested waivers and to accept Eastern Shore's proposal, as requested. Accordingly, the Commission (a) accepts, effective July 1, 2009, the tariff sheets identified in footnote no. 1 implementing a 0.12 percent fuel retention percentage, (b) grants Eastern Shore's request to net its \$120,345 under-recovery of deferred GRO costs against its \$413,431 over-recovery of

³ The total Rate Schedule FT Zone One commodity charge as shown on Eastern Shore's currently effective 23rd Revised Sheet No. 4 is \$0.0144 per Dth.

deferred Cash-Out costs, and (c) directs Eastern Shore to refund to its customers \$295,540, inclusive of interest to the date of refund.

By direction of the Commission.

Kimberly D. Bose,
Secretary.