

131 FERC ¶ 61,291  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

June 29, 2010

In Reply Refer To:  
Eastern Shore Natural Gas Company  
Docket No. RP10-799-000

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

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

Reference: Annual Fuel Retention Adjustment

Dear Ms. Chi:

1. On May 28, 2010, Eastern Shore Natural Gas Company (Eastern Shore) filed revised tariff sheets<sup>1</sup> with supporting calculations to implement its annual Fuel Retention Percentage (FRP) to be effective July 1, 2010. In addition, Eastern Shore included in the filing its Cash-Out Refund/Surcharge calculations, to be effective July 1, 2010, and a request to refund deferred Cash-Out over-recoveries, combined with FRP over-recoveries, plus interest. Eastern Shore requests that the Commission grant waiver to permit these changes to take effect July 1, 2010. 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, 2010.

2. Eastern Shore has calculated a total FRP of negative .24 percent consisting of a projected component of negative .07 percent and a deferred component of negative .17 percent. However, Eastern Shore proposes to charge an FRP of 0.00 percent and requests two waivers. First, Eastern Shore requests waiver of its tariff

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<sup>1</sup> Twenty-Sixth Revised Sheet No. 4, Twenty-Fifth Revised Sheet No. 5 and Twenty-Fourth Revised Sheet No. 6 to FERC Gas Tariff, Second Revised Volume No. 1.

in order to combine its FRP and Cash-Out filings into a single filing. Second, Eastern Shore requests waiver of its tariff to allow it to combine the over-recovered deferred balance of its FRP's Gas Required for Operations (GRO) of \$150,105 with the over-recovered deferred balance of \$157,521 of Cash-Out costs. It states that the net of these two amounts totals \$310,117 inclusive of \$2,491 of interest<sup>2</sup>, which it proposes to refund. 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, 2010. Eastern Shore proposes to retain its currently effective \$0.00/dth Cash-Out Surcharge. Eastern Shore requests waiver of sections 31 and 35 of the General Terms and Conditions (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.

3. Section 31 of Eastern Shore's GT&C requires Eastern Shore to annually file revised tariff sheets to re-determine its system-wide FRP for a 12-month period to be effective each July 1. The re-determined FRP is based on the most recent 12 months of activity for which data is available. 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 inclusive of any interest 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 Gas Required for Operations (GRO) quantities and transportation receipts; and (b) a deferred component based on Eastern Shore's Deferred GRO Account balance. The 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. 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.

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<sup>2</sup> Eastern Shore states that interest was calculated through June 30, 2010, and that it will calculate and refund additional interest through the actual date of its proposed refund distribution.

6. Public notice of the filing was issued on June 2, 2010, allowing for interventions and protests to be filed on or before June 9, 2010. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2010)), 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.

7. The Commission finds goods cause to grant the requested waivers and to accept effective July 1, 2010 the tariff sheets identified in footnote no. 1 implementing a 0.00 percent fuel retention percentage and to grant Eastern Shore's request to net its \$150,105 over-recovery of deferred GRO costs with its \$157,521 over-recovery of deferred Cash-Out costs. Eastern Shore is directed to refund to its customers \$310,117 plus any additional interest to the date of refund.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.