141 FERC ¶ 61,052
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 19, 2012

In Reply Refer To:
Eastern Shore Natural Gas Company
Docket No. RP12-821-000

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

Attention: Michele Piper-Afriyie
Regulatory Analyst II

Reference: Fuel Retention and Cash-Out Refund Report

Dear Ms. Afriyie:

1. On June 27, 2012, as modified on June 29, 2012, Eastern Shore Natural Gas Company (Eastern Shore) filed a combined fuel retention and cash-out refund report for the 24-month period ending March 31, 2012. Eastern Shore requests waiver of sections 31 and 35 of the General Terms and Conditions of its FERC Gas Tariff (GT&C) to allow for the two-year report rather than two annual reports. It also requests waiver to allow a combined report for the fuel retention and cash-out refund report. The Commission grants the waivers as discussed below and accepts the combined report for informational purposes.

2. Section 31 requires Eastern Shore to file revised tariff records containing a re-determined fuel retention percentage (FRP) to be effective as of July 1 of each year. The FRP is designed to reimburse Eastern Shore for the cost of gas required for operations (GRO), consisting of gas used for compressor fuel and gas otherwise used, lost or unaccounted for. The FRP is re-determined by calculating the GRO attributable to system wide operations for the last 12-month period and that amount is divided by the transportation quantities received by Eastern Shore for the same 12-month period. In addition, section 31 requires Eastern Shore to determine the difference between the total GRO actually incurred each month and the total quantities retained for transportation services. Eastern Shore multiplies such difference by the currently effective GRO index

price and the resulting amount is recorded in the deferred GRO subaccount. The deferred GRO subaccount balance is incorporated into rates in each annual FRP filing by dividing the current GRO balance by the weighted average value of the GRO price index for the deferral period. This GRO index price is also the price for the purpose of cashing out imbalances.

3. Section 35 requires Eastern Shore to refund or surcharge the difference between the revenues it receives and the costs it incurs in cash-out revenues for each 12-month period ending March 31.

4. Eastern Shore states that, in each of the last two years, its actual fuel usage to run its compressors was more than offset by a negative volume of lost and unaccounted for gas. Because it suspected a measurement error was distorting the lost and unaccounted for volumes on its system, it did not make its fuel retention or cash out filings for 2011 and that the instant report reflects 24 months of actual fuel retention and cash-out activity rather than the 12 months of activity contemplated by sections 31 and 35 of its tariff. Eastern Shore further states that it has conducted extensive evaluations of the measurement of gas volumes throughout its system, but no specific measurement discrepancies have been disclosed. Eastern Shore states it is continuing its measurement evaluations and inspections.

5. Eastern Shore states that to avoid establishing a negative FRP, it elected to retain a FRP of zero for the 12-month period ending March 31, 2011. Further, for the 12-month period ending March 31, 2012, it again elected a FRP of zero so that it did not have to establish a negative FRP. Eastern Shore states that for the 24-month period ending March 31, 2012, its FRP was negative 43,539 dekatherms of gas. Eastern Shore states that as of March 31, 2012, its deferred subaccount shows an over-recovery of $160,658.00 and that it experienced a cash-out over-recovery of $155,831.00.

6. Rather than changing its FRP to a negative amount to return an excess amount to its customers, Eastern Shore proposes to (1) maintain a FRP of zero; (2) retain its existing cash-out surcharge of zero; and (3) combine the $160,658.00 over-recovery of deferred subaccount GRO costs with its $155,831.00 over-recovery of deferred cash-out costs and refund the total $319,993.00 (inclusive of interest) to its customers shippers, on the basis of each customer's actual deliveries as a percentage of total system deliveries for the two-year period.

7. Public notice of the filing was issued on August 2, 2012. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2012)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2012)), all timely filed motions to intervene and any unopposed 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.

8. As noted above, section 31 requires Eastern Shore to file revised tariff sheets containing a re-determined FRP to be effective each July 1. Eastern Shore failed to meet this tariff requirement for the years beginning July 1, 2011 and July 1, 2012. In the instant filing, Eastern Shore proposes to retain its currently-effective FRP of zero and, therefore, it did not file to revise its tariff records as required by its tariff. Due to Eastern Shore's proposal to refund the over-recovery of costs for gas required for operations, the Commission finds that a FRP of zero is appropriate for the 24-month period ending March 31, 2012. Accordingly, the Commission finds good cause to waive the tariff requirement of section 31 to file revised tariff records for the subject time periods.

9. Eastern Shore also requests that the Commission grant such waivers of the timing requirements of sections 31 and 35 of its tariff as necessary to accept Eastern Shore's report for a 24-month period and to permit the cash-out report at the same time it makes its fuel retention filing. Eastern Shore points out that, because of its proposal to include interest in its refund calculation, no party will by adversely affected by such waiver.

10. The Commission grants Eastern Shore's unopposed requests for waivers of its tariff to permit a 24-month report period for good cause shown. Further, the Commission accepts Eastern Shore's reports. If Eastern Shore has not yet made refunds, it should include interest on the refunded amounts for the period from August 1, 2012 until the date refunds are made. Refunds should be made within 15 days from the date of this order.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.