

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 25, 2006

In Reply Refer To:
Iroquois Gas Transmission System
Docket No. RP98-18-021

Iroquois Gas Transmission System, L.P.
One Corporate Drive, Suite 600
Shelton, Connecticut 06484-6211

Attention: Paul W. Diehl, Senior Attorney

Reference: Revised Negotiated Rate Agreements

Dear Mr. Diehl:

1. On May 11, 2006, Iroquois Gas Transmission System, L.P. (Iroquois) filed a tariff sheet and information to comply with the Commission's April 26, 2006 Order.¹ In its filing Iroquois submitted: (1) additional information to document four capacity release transactions between Reliant Energy Services, Inc. (Reliant) and Astoria Generating Company, L.P. (Astoria); (2) an explanation of varying MDQs for service agreements; (3) a revised tariff sheet to remove the reference of 50,000 Dth (Maximum) from the listing of contract demand for Contract No. 2130-02,² and; (4) an explanation of various contract term periods. The instant tariff sheet is accepted to be effective April 1, 2006, subject to the conditions set forth below.

Background

2. On March 31, 2006, Iroquois filed tariff sheets to: (1) reflect the details of four negotiated rate arrangements between Iroquois and Astoria; (2) reflect changes in the

¹ *Iroquois Gas Transmission System, L.P.*, 115 FERC ¶ 61,116 (2006)(April 26 Order).

² Sub Second Revised Sheet No. 7 to FERC Gas Tariff, First Revised Volume No. 1.

Terms of Agreement and Contract Demand quantities with Reliant's Contract Nos. 2130-02 and 2130-03; and (3) update Tariff Sheet Nos. 6, 6G and 6H to reflect the termination of negotiated rate agreements with Sempra Energy Trading Corporation and Virginia Power Energy Marketing, Inc.

3. On April 26, 2006, the Commission accepted and suspended the proposed tariff sheets, subject to refund and subject to several conditions. The April 26, 2006 Order directed Iroquois to provide a description of the capacity release transactions between Reliant and Astoria, including whether the releases were prearranged and/or posted in accordance with Iroquois' tariff provisions. In addition, Iroquois was directed to submit (1) the full text of any postings of Reliant's capacity releases, including any requests for bids, and (2) all the terms and conditions agreed to by Astoria in order to obtain the capacity releases. Iroquois was also directed to explain in its compliance filing whether it offers varying MDQ's and contracts to be effective some time in the future to all of its customers and if not, to explain why such contracts do not constitute unduly discriminatory deviations from its pro forma service agreement.

4. Further, the April 26, 2006 Order directed Iroquois to refile tariff Sheet No. 7 to remove the reference to "50,000 Dth (Maximum)" from the listing of "Contract Demand" for contract no. 2130-02, in light of the varying MDQs established in footnote 4 for that contract.

5. Finally, the April 26, 2006 Order recognized that, Iroquois' proposed footnote 4 for Reliant's Contract No. 2130-02 was unclear regarding the correct term of the released capacity and stated that it appeared that the periods of the subject capacity releases overlap each other by one day (*e.g.*, April 1, 2006 under Contract No. 2130-02) at the beginning and end of each listed released period. Therefore, the Commission directed Iroquois to provide an explanation for the overlap of dates.

Details of the Filing

6. In Attachment A to its filing Iroquois provides its Capacity Release Offer Detail report for the contracts submitted in Iroquois' March 31, 2006 filing, as well as the print screen images to reflect that no bids were offered for the capacity corresponding to the contracts. The report indicates that the capacity released by Reliant to Astoria was posted as required by Iroquois' tariff. Iroquois states that as shown on Attachment A, for each of these transactions, detailed capacity release offers were posted on Iroquois' website, per its tariff requirements, as prearranged deals affording an opportunity for third party shippers to bid on this transaction. However, as shown on Attachment B, no third party bids were submitted to Iroquois, and therefore, the capacity was released to Astoria Generating in compliance with Iroquois tariff. Finally, there are no additional terms or conditions between Astoria Generating and Iroquois associated with the permanent release agreements other than those identified in Attachment A.

7. The April 26, 2006 Order also required Iroquois to explain why the contract periods set forth in its filing appeared to overlap by one day. Iroquois states that the purpose of the overlapping contract dates is to comply with the North American Energy Standard Board (NAESB) WGQ Nomination related Standards, Version 1.7, Standard 1.3.1. which states, “Standard time for gas day should be from 9 a.m. to 9 a.m. (central clock time). Iroquois asserts that a gas day for a month long contract will end on the first day of the next month (*e.g.*, Start on April 1 and end on May 1). Furthermore, the new contract would also begin on the same day the old contract expired (*e.g.*, Start on May 1 and end on June 1). Iroquois points out that under the NAESB standard, the gas day actually ends the calendar day after, not the day of flow of gas. Therefore, it is necessary to identify the start and end date of the capacity release contracts to coincide on the same days. The April 26 Order also directed Iroquois to file to remove the reference to 50,000 Dth (Maximum) from the listing of “Contract Demand” for Contract No. 2130-02. In response, Iroquois filed Substitute Second Revised Sheet No. 7 to remove the reference to 50,000 Dth (Maximum) for “Contract Demand” of Contract No. 2130-02, as directed.

8. Finally, the April 26 Order required Iroquois to state whether Iroquois offers varying MDQ and future effective date contracts to all of its customers and if not, explain why such contracts are not unduly discriminatory material deviations from its tariff pro forma service agreements. Iroquois states that when it offers capacity with MDQs that vary over time, such capacity, when offered, is always posted for competitive bidding via an open season. Iroquois also states that such capacity may be offered by a releasing shipper where again it is posted for competitive bid through Iroquois’ capacity release procedures. Iroquois asserts that as a result of the “open notice” and offer tariff procedures, these transactions are transparent and, therefore, not unduly discriminatory.

9. Iroquois also asserts that its pro forma service agreements do not restrict the MDQ because consistent with Commission practice, the MDQ is a “blank” in the contract to be negotiated by the parties. Therefore, Iroquois states that the service agreements that offer varying MDQs do not materially deviate from the tariff’s pro forma service agreements. With respect to the future effective date of the contracts, Iroquois states that all of its contracts are executed prior to their effective dates and the effective date is a “blank” in the [pro forma] contract to be negotiated by the parties.

Notice and Interventions

10. Public notice of Iroquois’ filing in the instant proceeding was issued on May 25, 2006, allowing for protests to be filed as provided in section 154.210 (18 C.F.R. §385.214 (2006)) of the Commission’s regulations. No adverse comments or protests were filed.

Discussion

11. Iroquois' explanations generally satisfy the dictates of the April 26 Order and are accepted as in compliance with that order with certain exceptions.

12. Iroquois' explanation for permitting varying MDQs, fails to convince the Commission that its proposed contract provisions satisfy Commission policy. Iroquois argues that it is permissible to provide certain customers with the right to vary MDQs because a "blank" in its pro forma service agreement gives it the right to offer such a service. This argument has previously been rejected by the Commission.³ In *Texas Eastern*, the Commission stated that a mere blank in a form of service agreement cannot be interpreted as offering a service option such as varying MDQs.⁴ Iroquois also argues that this is not discriminatory because such capacity is posted. Iroquois has not indicated that it offers varying MDQs to all of its customers on a generic basis, but states that such terms may be offered when the available pipeline capacity changes over time, or to accommodate the market need of a prearranged shipper. Therefore, the fact that the capacity is posted does not eliminate the risk of undue discrimination.

13. Accordingly, the Commission will accept the proposed tariff sheet to be effective April 1, 2006, and directs Iroquois to file, within 15 days of the issuance of this order, proposed tariff language either to offer the instant varying MDQ option in a generally applicable tariff provision setting forth the conditions under which it will offer this option on a not unduly discriminatory manner or to remove this option from its contracts.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties

³ *Texas Eastern Transmission, L.P.*, 106 FERC ¶ 61,066 (2004). (*Texas Eastern*)

⁴ *Id.* at P 22.