

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 13, 2006

In Reply Refer To:
Iroquois Gas Transmission System
Docket No. RP98-18-025

Iroquois Gas Transmission System
One Corporate Drive, Suite 600
Shelton, CT 06484

Attention: Paul W. Diehl
Senior Attorney

Reference: Second Revised Sheet Nos. 6I and 6J to FERC Gas Tariff, First Revised
Volume No. 1

Dear Mr. Diehl:

1. On November 13, 2006, Iroquois Gas Transmission System (Iroquois) filed the referenced tariff sheets pursuant to section 32 of its General Terms and Conditions. The tariff sheets set forth the essential elements of a negotiated rate service agreement between Iroquois and Virginia Power Energy Marketing, Inc. (Virginia Power). Iroquois requests waiver of the 30 day notice requirement and proposes that the tariff sheets take effect on November 10, 2006. Iroquois' proposed tariff sheets are accepted effective November 10, 2006, subject to refund and subject to the conditions discussed below.
2. Section 32.1(c) of Iroquois tariff requires it to submit tariff sheets setting forth certain information not later than the date service commences under a negotiated rate or negotiated formula. In accordance with its tariff, Iroquois filed tariff sheets reflecting a negotiated rate transaction under Rate Schedule RTS with Virginia Power for seasonal firm transportation service on Iroquois' Eastchester Extension Project.
3. The Rate Schedule RTS negotiated rate agreement provides that: (1) service shall be rendered under Contract No. R-2470-14, executed pursuant to a *pro forma* service agreement under Iroquois' Rate Schedule RTS; (2) the term of service shall begin on November 10, 2006, and shall remain in effect until April 1, 2007; (3) the primary receipt point for the RTS service shall be South Commack, and primary delivery point shall be Hunts Point; (4) the daily contract demand for the RTS service shall be a maximum of 10,000 Dth; (5) the demand rate floor price shall be \$4.5625 per Dth per month and,

(6) on a daily basis, the equivalent daily demand rate shall be calculated based on a formula set forth on the referenced tariff sheet, but in no event shall the rate be less than the daily equivalent of the Demand Rate floor.¹

4. The RTS contract contains a formula to derive the negotiated rate. The formula is used on a daily basis to calculate the equivalent daily demand rate. The rate derived by the formula is used in performing the transportation service for Virginia Power subject to the "Floor" or minimum contract rate which is set forth in the tariff sheet. The formula is as follows:

50% multiplied by [the Gas Daily Midpoint for Transco, Zone 6 NY delivered (under the Citygates heading) less Iroquois' Eastchester measurement variance/fuel use factor less variable surcharges less agreed upon exchange rate less the Gas Daily Midpoint for Iroquois Zone 2, receipts (under the Citygates heading)].

5. In addition, Virginia Power shall have the right to choose to use alternate receipts and delivery points on a secondary basis. On days when Virginia Power exercises such rights it will pay the Optional Demand Rate Floor Price of a daily equivalent rate of \$19.7708 per Dth per month.

6. Iroquois states that the underlying RTS service contract does not deviate in any material respect from the applicable form of service agreement set forth in Iroquois' tariff.

7. Public notice of the filing was issued on November 17, 2006. Interventions and protests were due as provided in section 154.210 of the Commission's regulations. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2006)), all timely filed motions to intervene and any motion to intervene out-of-time filed before 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 adverse comments or protests were filed.

8. The Commission, consistent with its negotiated rate policy statement, finds good cause to grant Iroquois' request for waiver of the 30-day filing requirement and will permit Iroquois' negotiated rate proposal to go into effect November 10, 2006, as proposed, subject to refund, conditions, and further review.

9. Iroquois' negotiated rate agreement contains a formula to derive the firm transportation rate. The Commission has permitted rate formulas to be filed in lieu of actual rates as part of negotiated rate agreements and has stated that the rate formula must

¹ The daily demand rate will be no less than \$0.15 which is equivalent to the 100% load factor rate of the monthly demand rate floor.

be stated with such clarity that a third party can easily calculate the rate charged.² In review of Iroquois' proposed formula, it is not clear whether a shipper can ascertain the daily rates charged to Virginia Power under the negotiated rates.

10. The negotiated rate formula appears to lack clarity for several reasons. First, footnote 2 on the tariff sheets states that the rates are exclusive of all surcharges, unless otherwise noted. A review of the tariff sheets reflects that there is no other provision providing for the recovery of fuel. However, the formula appears to include a monetary value for the Measurement Variance/Fuel Use Factor since there is a reduction in calculating the formula rate. Second, the formula provides for a deduction based on and "agreed upon exchange rate." However, the formula does not set forth the basis of the exchange rate.

11. Finally, section 2.27 of Iroquois' General Terms and Conditions sets forth the mechanism to calculate the Measurement Variance/Fuel Use Factor.³ The mechanism, however, reflects that the Measurement Variance/Fuel Use Factor will be based on a percentage provided on an in-kind basis that is determined on a monthly basis.⁴ Since Iroquois' tariff requires shippers to provide fuel on an in-kind basis it is not clear how the negotiated rate formula subtracts, or converts, a fuel percentage to a monetary amount.

12. Accordingly, Iroquois is directed to file with the Commission within 15 days of the issuance of this order, illustrative examples setting forth how the negotiated rates will be calculated under the formula along with all explanations and assumptions used to calculate the negotiated rates. Further, Iroquois is directed to fully explain how other shippers will be able to verify the rate Virginia Power is paying under the negotiated rate formulas.

By direction of the Commission.

Magalie R. Salas,
Secretary.

² *Columbia Gulf Transmission Company*, 100 FERC ¶61,047 (2002), *NorAm Gas Transmission Co.*, 75 FERC ¶ 61,091 at 61,312 (1996); *order on reh'g*, 77 FERC ¶ 61,011 (1996).

³ *See*, First Revised Sheet No. 47A of Iroquois' FERC Gas Tariff, First Revised Volume No. 1.

⁴ Shippers using the Eastchester Expansion facilities currently pay a maximum rate of 4.50%. *See*, Eighteenth Revised Sheet No. 4A of Iroquois' tariff.