

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Iroquois Gas Transmission System, L.P. Docket No. RP07-443-000

ORDER SUSPENDING TARIFF SHEETS
AND ESTABLISHING TECHNICAL CONFERENCE

(Issued June 27, 2007)

1. On May 4, 2007, Iroquois Gas Transmission System, L.P. (Iroquois) filed revised tariff sheets¹ pursuant to section 4 of the Natural Gas Act (NGA) to revise its tariff with respect to gas quality and interchangeability. Iroquois proposes an effective date of July 1, 2007. As discussed below, the Commission will accept and suspend the proposed tariff sheets, to be effective December 1, 2007, subject to conditions and to the outcome of a technical conference.

Details of the Filing

2. Iroquois states that it has filed these tariff revisions in light of anticipated changes in the source of natural gas supplies that it will transport. Iroquois further states that the proposed revisions were developed based on its own analysis of its historical gas quality as well as numerous discussions and meetings with customers. Iroquois asserts that the changes are consistent with the Commission's *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs* (Policy Statement) issued on June 15, 2006.²

3. Iroquois states that it is currently able to receive gas supplies only from TransCanada PipeLines Limited (TransCanada), and that when its gas quality provisions were initially established, those provisions were based on the receipt and delivery of gas supplies from that sole source. However, Iroquois states, it was recently authorized by the Commission to construct and operate a transfer compressor station in Brookfield,

¹ See Appendix.

² 115 FERC ¶ 61,325 (2006).

Connecticut that will enable it to physically receive natural gas supplies from Algonquin Gas Transmission LLC (Algonquin) commencing in November 2008. In addition, Iroquois states, Broadwater Energy LLC and Broadwater Pipeline LLC (Broadwater) have proposed construction of an offshore liquefied natural gas (LNG) receiving terminal and associated pipeline facilities that would interconnect with the Iroquois system in the Long Island Sound. Iroquois states that Broadwater proposes to deliver regasified LNG to Iroquois commencing on or after November 1, 2010. Iroquois further states that it is also aware of other LNG projects in Canada and the Northeast that could result in new gas supplies being injected into its system via upstream pipelines. Iroquois states that all of these projects could impact gas quality and interchangeability if these supplies reach Iroquois' system, and that its tariff must be flexible enough to accommodate these changes.

4. Iroquois states that due to its configuration with a single point of receipt and, in the future, only one or two additional receipt points likely, the proposed changes are largely applicable at its delivery points rather than its receipt points. Iroquois states that its receipt point specifications are, in contrast, more flexible and reflect the general principle that all receipts must result in Iroquois being able to meet its delivery point specifications at all delivery points on the system without the need for construction of additional facilities or installation of other conditioning or processing equipment by the pipeline, except as agreed to by Iroquois and subject to the assignment of appropriate cost responsibility. Iroquois states that this "delivery point driven" standard will result in maximizing supplies that are available because Iroquois will be able to accept gas supplies that may not otherwise meet the specifications so long as blending/commingling can result in deliveries that do meet the delivery point specifications. Further, Iroquois states that the proposed tariff revisions would authorize it to deliver gas which does not meet its delivery point specifications under temporary unusual operating circumstances, allowing for statistical outlier gas supplies to be accepted on occasion without having to post a notice every time such an event occurs.

5. Iroquois describes each delivery point specification in terms of its current tariff limits, the Natural Gas Council Plus (NGC+) interim guideline suggestions, interconnected pipeline's limits, and Iroquois' historical technical data. Iroquois proposes revisions to certain minimum and maximum limits for specifications, new limits for other specifications, and no changes for other specifications. A summary of the proposed new or revised gas quality specifications is presented in the table below.

Summary of Iroquois' Current and Proposed Gas Quality and Interchangeability Limits

<u>Specification</u>	<u>Iroquois' Current Tariff Limit</u>	<u>Iroquois' Proposed Tariff Limit</u>
Heating Value	Minimum: 950 Btu/scf	Minimum: 967 Btu/scf Maximum: 1110 Btu/scf

Wobbe Index	No limits	Minimum: 1314 Btu/scf Maximum: 1373 Btu/scf
Hydrocarbon Dew Point	No limits	Maximum: 15° F
Heavy Hydrocarbons (C4+)	No limits	Maximum: 1.5 Mol%
Temperature	Maximum: 120° F	Maximum: 120° F
Sulfur	Maximum: 20 grains/cf	Maximum: 1 grain/cf
Hydrogen Sulfide	Maximum: 1 grain/cf	Maximum: 0.25 grain/cf
Oxygen	Maximum: 0.20 Mol%	Maximum: 0.20 Mol%
Carbon Dioxide	Maximum: 3 Mol%	Maximum: 2 Mol%
Nitrogen	No limits	Maximum: 2.3 Mol%
Carbon Dioxide + Nitrogen	Maximum: 4 Mol%	Maximum: 4 Mol%
Entrained Water	Maximum: 4 lbs/MMcf	Maximum: 4 lbs/MMcf
Polychlorinated Biphenyls (PCBs)	Maximum: 0.1 Bcf	Maximum: 0.1 Bcf
Ethane/Propane	No limits	No limits

Public Notice, Intervention and Comments

6. Notice of Iroquois's filing was issued on May 9, 2007. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 358.210. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2006), all timely-filed motions to intervene and any motions to intervene out-of-time before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties.

7. Keyspan Delivery Companies³ filed comments in support of Iroquois' proposal. In addition, protests or comments were filed by BP Energy Company (BP Energy), Consolidated Edison Company of New York (Con Ed), Dominion Transmission, Inc. (Dominion), New England Local Distribution Companies (New England LDCs),⁴ Statoil

³ The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery NY; KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery LI; and Boston Gas Company, Colonial Gas Company, EnergyNorth Natural Gas, Inc., and Essex Gas Company.

⁴ New England LDCs include Bay State Gas Company; Northern Utilities; Connecticut Natural Gas Company; New England Gas Company; NSTAR Gas Company; City of Norwich, Department of Public Utilities; the Southern Connecticut Gas Company; and Yankee Gas Services Company.

Natural Gas LLC (Statoil), and Weaver's Cove Energy, LLC (Weaver's Cove). These protests and comments raise a number of concerns with Iroquois' proposal.

8. Specifically, Dominion and Weaver's Cove contend that Iroquois' gas quality standards should be set consistent with the specifications that may be expected from future upstream pipeline suppliers of Iroquois in order to insure that a seamless interstate pipeline system is developed to serve the northeast. In addition, Dominion, Weaver's Cove, BP Energy and Statoil are concerned that Iroquois' proposed gas quality standards are not flexible enough to accommodate new re-gasified LNG from either existing or new sources to the northeastern part of the United States. Dominion, Weaver's Cove, Statoil and BP Energy are also concerned that the proposed standards for nitrogen and Wobbe Index limits are too restrictive and inconsistent with the *NGC+ Interim Guidelines*. These parties question whether Iroquois has provided enough technical evidence in support of its proposals that deviate from the *NGC+ Interim Guidelines* and several Commission orders addressing appropriate nitrogen and Wobbe Index limits.⁵ Dominion and BP Energy note that Iroquois traditionally receives gas from Canada and contend that Iroquois' historical data and proposed standards focus on the *status quo*, not on what the future will bring.

9. ConEd and the New England LDCs object to the lack of any proposed standards for ethane, propane, butanes, and pentanes. ConEd and the New England LDCs expect that new sources of supply may have a higher amount of these constituents. ConEd and the New England LDCs state that they rely on liquefied gas taken from pipeline suppliers for their own LNG peaking facilities, and that their liquefaction facilities are not designed for significant amounts of these constituents. Therefore, they request specific tariff restrictions on these constituents. With regard to the proposed standard for nitrogen, ConEd and the New England LDCs request that the maximum permissible level be reduced because of the same LNG peak shaving facility design concerns. Further, ConEd is concerned that its gas turbines may not be able to accommodate gas with compositions different from what it has historically received. ConEd states that it remains concerned about the potential impacts of gas with extremely low levels of heavy hydrocarbons, which can make a gas stream extremely dry, causing transmission and distribution system elastomers to lose their ability to seal properly.

⁵ With regard to nitrogen limitations, citing *Columbia Gas Transmission Corporation*, 118 FERC ¶ 61,221 (2007) (*Columbia*), *Cove Point LNG, L.P.*, 97 FERC ¶ 61,043, *reh'g* 97 FERC ¶ 61,279 (2001), *reh'g*, 98 FERC ¶ 61,270 (2002), and *Williams Natural Gas Company*, 80 FERC ¶ 61,073 (1997). With regard to Wobbe Index limits, citing *Columbia* and *AES Ocean Express LLC v. Florida Gas Transmission Company*, 119 FERC ¶ 61,075 (2007) (Opinion No. 495).

10. ConEd, the New England LDCs and Milford Power Company, LLC (Milford) request that the Commission consider customers' mitigation costs.

11. ConEd also believes Iroquois' proposed relief provision in the event of delivery of non-conforming gas is inadequate because as it does not provide for waiver of all demand and commodity charges for non-conforming gas. Statoil believes that Iroquois delivery point standards raise questions as to what protocols Iroquois will use on receipt points to manage delivery point standards.

12. Dominion also objects to Iroquois' proposed sulfur standard as unsupported and also objects that Iroquois did not propose to change its existing standard for oxygen. Dominion asserts that excess oxygen may lead to corrosive effects on transmission facilities for gas withdrawn from storage.

13. BP Energy, Dominion, Milford, the New England LDCs, Statoil, and Weaver's Cove request rejection of the filing or, in the alternative, suspension for the full five-month period. These parties further request that the Commission establish a technical conference or hearing to address their concerns.

14. In its comments supporting Iroquois' filing, Keyspan asserts that BP Energy, Weaver's Cove, and Dominion have failed to establish an interest in Iroquois' gas quality. Keyspan states that BP Energy does not establish that it is an Iroquois customer, and Weaver's Cove and Dominion only argue that some time in the future gas from their systems may reach Iroquois. Keyspan argues that existing Commission precedent and the record Iroquois submitted fully supports the proposal. While ConEd objects to certain parts of the filing, it supports Iroquois' proposal with regard to the Wobbe Index, the sulfur limitation, and the delivery point notification process.

15. Iroquois filed a response stating that it fully supported its proposals, and that its proposed standards have a firm basis in historical data. Iroquois asserts that it considered receipts from future sources of gas supply and that its proposal will provide more flexibility for receipt gas quality. Iroquois objects to imposing additional gas quality standards to its tariff, and opposes introducing the issue of cost mitigation into this proceeding. With regard to ConEd's objection to the relief provision, Iroquois notes that this is the existing tariff language, and that ConEd has failed to satisfy its NGA section 5 burden of showing that the current provision is unjust and unreasonable. Iroquois believes the record it and the parties have submitted is sufficient for the Commission to accept its proposal. Iroquois does not oppose a technical conference, but urges the Commission to defer the conference until after Algonquin, the source of Iroquois' first expected non-traditional source of gas in late 2008, files its gas quality tariff proposal.

Discussion

16. The Policy Statement established five principles for pipelines and parties to follow to create gas quality and interchangeability standards. First, the Policy Statement states that only gas standards that are in the tariff can be enforced.⁶ Iroquois is proposing delivery point gas standards, but parties question what gas quality standards it will enforce for gas receipts.

17. Second, the Policy Statement states that gas standards need to be flexible.⁷ Iroquois argues that its delivery point standards provide the flexibility it needs with regard to the quality of gas receipts. Some parties express concern as to how Iroquois will exercise its flexibility.

18. Third, the Policy Statement states that pipelines and customers should develop gas quality and interchangeability specifications. The Commission emphasized that gas quality and interchangeability standards should be based upon “sound technical, engineering and scientific considerations.”⁸ The Policy Statement required a pipeline filing to revise its gas quality standards to include a comparison, in equivalent terms, of its proposed gas standards and those of each interconnecting pipeline.⁹ Iroquois submitted data in support of its proposals, but certain parties question its adequacy and question the geographic and temporal scope of Iroquois’ comparison.

19. Fourth, the Policy Statement states that pipelines and customers are encouraged to use the NGC+ interim guidelines as a common scientific reference point for resolving gas quality and interchangeability issues.¹⁰ And lastly, the Policy Statement states that to the extent that pipelines and their customers cannot resolve disputes over gas standards, then those issues should be brought before the Commission.¹¹

20. The Commission has reviewed Iroquois’ tariff filing, as well as the comments and protests, and finds that Iroquois’ proposed gas quality standards raise a number of technical, engineering, and operational issues that are best addressed at a technical

⁶ Policy Statement at P 29.

⁷ Policy Statement at P 30.

⁸ Policy Statement at P 31.

⁹ Policy Statement at P 34.

¹⁰ Policy Statement at P 32.

¹¹ Policy Statement at P 33.

conference. A technical conference will provide the parties and the Commission staff with the opportunity to address Iroquois' justification and support for its proposal. Iroquois should be prepared to address the concerns raised by the parties in their comments and, if necessary, to provide additional technical, engineering, and operational support for its gas quality specifications. In addition, any party proposing alternatives to Iroquois's proposal should also be prepared to support its position with adequate technical, engineering and operational information. The Commission Staff is directed to convene a technical conference to address the issues raised by Iroquois' filing and to report the results of the conference to the Commission within 120 days of the date this order issues.

21. The Commission will not postpone the technical conference until Algonquin files its gas quality proposal, as requested by Iroquois. However, the parties may discuss at the technical conference issues related to coordinating Iroquois's gas quality standards with those of its upstream pipelines. Consistent with the Commission's recent decision in *AES Ocean Express v. Florida Gas Transmission Co.*, Opinion No. 495,¹² the Commission will not provide for the recovery of any mitigation costs incurred by non-jurisdictional downstream gas users in this proceeding. Therefore, the issue of mitigation costs will not be addressed at the technical conference.

Suspension

22. Based on a review of the filing, the Commission finds that the proposed tariff sheet has not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept the tariff sheet for filing, and suspend its effectiveness for a maximum period to be effective December 1, 2007, subject to the conditions in this order.

23. The Commission's policy regarding tariff filing suspensions is that such filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards. *See, Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results. *See, Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (minimum suspension). The Commission finds that such circumstances do not exist here. Therefore, the Commission will exercise its discretion and suspend the proposed tariff sheets for the maximum period and permit them to become effective December 1, 2007, subject to the outcome of the technical conference established herein and further orders of the Commission.

¹² 119 FERC ¶ 61,075 at P 261 (2007).

The Commission orders:

(A) The tariff sheets listed on the Appendix are accepted and suspended, to be effective December 1, 2007, subject to the outcome of the technical conference established in this proceeding and further orders of the Commission.

(B) The Commission Staff is directed to convene a technical conference to address the issues raised by Iroquois' filing and to report the results of the conference to the Commission within 120 days of the date this order issues.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

APPENDIX

Iroquois Gas Transmission System, L.P.
FERC Gas Tariff, First Revised Volume No. 1
Tariff Sheets Accepted and Suspended to be Effective December 1, 2007, Subject to the
Outcome of the Technical Conference and Further Orders of the Commission

First Revised Sheet No. 50C
Fourth Revised Sheet No. 68
First Revised Sheet No. 69
Third Revised Sheet No. 70
Original Sheet No. 70A
Original Sheet No. 70B