

125 FERC ¶ 61,107  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

October 28, 2008

In Reply Refer To:  
Iroquois Gas Transmission  
System, L.P.  
Docket No. RP08-641-000

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

Attention: Jeffrey A. Bruner  
Vice President, General Counsel & Secretary

Reference: Twenty-second Revised Sheet No. 4A, First Revised Sheet No. 48A and  
Original Sheet No. 48B to Iroquois' FERC Gas Tariff, First Revised  
Volume No. 1

Dear Mr. Bruner:

1. On September 30, 2008, Iroquois Gas Transmission System, L.P. (Iroquois) filed the referenced tariff sheets to modify Iroquois' existing Measurement Variance/Fuel Use (MV/FU) factors to reflect changes which will be necessary when Iroquois' MarketAccess and 08/09 Expansion Projects are placed in service. Iroquois proposes that the tariff sheets become effective November 1, 2008, or a later date commensurate with the in-service date of related facilities. For the reasons discussed below, the Commission accepts the referenced tariff sheets to be effective on the later of November 1, 2008, or the in-service date of the new compressor station at Brookfield, Connecticut,<sup>1</sup> subject to the conditions set forth below.

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<sup>1</sup> If the Brookfield compressor station becomes operational on a date later than November 1, 2008, Iroquois is directed to file a letter prior to that date stating the revised operational date. Iroquois need not file a motion requesting that the Commission establish a later effective date for the tariff sheets accepted in this proceeding, because the Commission in this order is already establishing an effective date for those tariff sheets of the later of November 1, 2008, or the date the new compressor station at Brookfield becomes operational.

2. Public notice of Iroquois' filing was issued on October 2, 2008. Comments were due on October 14, 2008. No protests or adverse comments were filed. Comments in support of Iroquois' proposal were filed by Consolidated Edison Company of New York, Inc. (Con Edison) and The Brooklyn Union Gas Company d/b/a National Grid NY; KeySpan Gas East Corporation d/b/a National Grid; Boston Gas Company, Colonial Gas Company, and Essex Gas Company, collectively d/b/a National Grid; EnergyNorth Natural Gas Inc., d/b/a National Grid NH; Niagara Mohawk Power Corporation d/b/a National Grid; and The Narragansett Electric Company d/b/a National Grid, all subsidiaries of National Grid USA, (collectively, the National Grid Gas Delivery Companies or National Grid).

3. As discussed in detail below, Iroquois filed to revise the fuel calculation in its tariff which is reflected in the MV/FU factors. Iroquois is proposing to revise Sheet No. 4A to include a separate maximum fuel charge for receipts at Brookfield of 1.2 percent in addition to the applicable mainline fuel. The maximum MV/FU factor on the mainline, exclusive of Brookfield fuel, for Non-Eastchester shippers would remain at 1 percent and for Eastchester shippers would remain at 4.5 percent. The fuel charge for Brookfield receipts will be applicable to Brookfield shippers, as defined on Original Sheet No. 48B, and it will be calculated as described on that page. Iroquois is also proposing to revise the current definition of Eastchester Shippers set forth in section 2.27 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff to include shippers whose nomination or contract path capacity requires the piping or mainline compression installed as part of the MarketAccess and 08/09 Expansion Projects, as well as shippers whose capacity requires the piping or mainline compression installed as part of the Eastchester Expansion. Finally, Iroquois revised the formula for calculating the Eastchester fuel adjustment.

4. Iroquois currently has two separate MV/FU factors set forth in its tariff, one for the Non-Eastchester shippers and one for the Eastchester shippers. Iroquois' Non-Eastchester shippers are subject to a MV/FU factor of up to 1 percent. The Commission's December 26, 2001 order authorized Iroquois to construct and operate its Eastchester Project.<sup>2</sup> The December 26, 2001 Order required that shippers moving gas on the Eastchester Project be responsible for the fuel consumed to operate the compressor stations proposed as a part of that project. Accordingly, Iroquois was required to assess those shippers a distinct and separate incremental MV/FU factor that included both measurement variance and Eastchester related fuel. Eastchester shippers are subject to a maximum MV/FU factor of 4.5 percent while Non-Eastchester shippers remain subject to a maximum MV/FU factor of 1 percent. Both the Eastchester and Non-Eastchester MV/FU factors are posted and trued-up on a monthly basis and Iroquois files reports every six months supporting the factors that have been established.

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<sup>2</sup> *Iroquois Gas Transmission System, L.P.*, 97 FERC ¶ 61,379 (2001) (December 21, 2001 Order).

5. Iroquois' MarketAccess Project, which was approved as part of the Northeast – 07 Project in the Commission's December 21, 2006 order in Docket No. CP02-31-002,<sup>3</sup> provides for firm transportation of up to 100,000 Dth/d of natural gas for Con Edison. In order to provide this service, Iroquois is constructing a new transfer compressor station in Brookfield, Connecticut which will allow Iroquois to physically receive natural gas from Algonquin Gas Transmission, LLC (Algonquin). The Northeast – 07 Project facilities, which are necessary for Iroquois to provide the transportation service for Con Edison, are scheduled to commence service on November 1, 2008.

6. The Commission approved Iroquois' 08/09 Expansion Project in its order issued on March 20, 2008 in Docket No. CP07-457-000.<sup>4</sup> The 08/09 Project provides for the transportation of up to 200,000 Dth/d pursuant to an agreement between Iroquois and KeySpan Gas East Corporation. Iroquois is currently constructing the facilities necessary to provide that transportation service, including approximately 1.6 miles of pipeline loop in Newtown, Connecticut; two new mainline compressor units in Milford, Connecticut; and a second transfer compressor in Brookfield to allow receipt of additional supplies of gas from Algonquin. The 08/09 facilities will be placed into service on a phased basis - the loop is scheduled to commence service on November 1, 2008; the two Milford compressor units are scheduled to commence service on January 1, 2009; and the second Brookfield transfer compressor is scheduled to commence service on November 1, 2009.

7. Both the December 21, 2006 and March 20, 2008 Orders granted Iroquois a predetermination favoring roll-in of the expansion costs into the Eastchester vintage rates at the time of the next rate case regarding Iroquois' Eastchester facilities, and provided that the existing Eastchester rates would be utilized as the recourse rates. Iroquois is therefore modifying the definition of Eastchester shipper to include the contracts from these expansions.

8. Iroquois states that, pursuant to the December 21, 2006 and March 20, 2008 Orders, the applicable MV/FU factor for the expansions would be the existing Eastchester MV/FU factor, which was approved in Docket No. CP03-304-000. However, upon examination of a number of scenarios, Iroquois concluded that there were many situations in which the existing MV/FU methodology would result in a misallocation of fuel costs between Eastchester and Non-Eastchester shippers and between zones for Eastchester shippers. Iroquois determined that one of the major factors leading to these results was the fact that the new Brookfield transfer compressors will allow natural gas to

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<sup>3</sup> *Millenium Pipeline Company, L.L.C., et al.*, 117 FERC ¶ 61,319 (2006) (December 21, 2006 Order). The December 21, 2006 Order issued certificates of public convenience and necessity to Iroquois and other pipelines to construct and operate the Northeast – 07 Project facilities.

<sup>4</sup> *Iroquois Gas Transmission System, L.P.*, 122 FERC ¶ 61,242 (2008) (March 20, 2008 Order).

flow from Algonquin's lower pressure lines into Iroquois' higher pressure mainline but will not increase mainline capacity. Further, it asserts, physically receiving natural gas at Brookfield (in Iroquois' Zone 2) will increase the amount of short hauls on Iroquois' system, thereby significantly changing the allocation of volumes between Zones 1 and 2, and between Eastchester and Non-Eastchester shippers. As a result, it states, the relationship of fuel costs between the Eastchester and Non-Eastchester Shippers will no longer be linear, as it was when both vintages predominately traveled the length of the system through Zones 1 and 2.

9. Iroquois states that it has therefore developed a revised MV/FU allocation that minimizes changes to the existing methodology, but more accurately reflects the cost causation principles as applied to the expansions. First, Iroquois is proposing a separate incremental fuel charge for receipts at the Brookfield Transfer compressors because such units will not increase mainline capacity, but will only boost gas pressures for those shippers receiving gas from Algonquin at Brookfield. Iroquois state that, since the fuel to be used by the Brookfield compressors will be discrete and quantifiable, and will benefit only those customers receiving gas at Brookfield, Iroquois believes it is appropriate to assign responsibility for the fuel necessary to operate the transfer units to all shippers who transport gas with receipts at Brookfield. The maximum Brookfield MV/FU factor will be 1.2 percent<sup>5</sup> and the maximum fuel charge for receipts at Brookfield will therefore be 1.2 percent plus the applicable mainline fuel.

10. Iroquois states that the additional mainline compression added at Milford, Connecticut as a result of the MarketAccess and 08/09 Projects will increase the maximum mainline allocation of fuel to Eastchester shippers at 100 percent load factor from the current 60 percent to approximately 67 percent. Since the existing linear allocation is no longer appropriate, Iroquois revised the proper allocation of fuel between Eastchester and Non-Eastchester vintages when system flows are at less than 100 percent load factor by fitting a non-linear allocation curve to the data points determined as a result of system simulations, in order to determine an Eastchester Adjustment. Iroquois developed the following formula for the Eastchester Adjustment:

$$\text{EastchesterAdjustment} = 1350x^2 + 7x / (1400x^2 + 55x + 2.5)$$

Where x = projected average daily Eastchester volume and length of haul in billion dth-miles.

11. Further, Iroquois explains that, because there will be significant volumes of natural gas that can be received by Iroquois in Zone 2, the current zone allocation factors

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<sup>5</sup> Iroquois states that the 1.2 percent limit was developed to provide a ratio of the maximum fuel to average fuel for the Brookfield shippers similar to that of existing Non-Eastchester shippers based on September 2007 thru August 2008 average data and Brookfield receipt volumes of 300,000 Dth/day.

utilized for Eastchester shippers will be changed to a dth-mile allocation to account for the increased Zone 2-only shorthaul volumes; there will be no change to the allocation factors for the Non-Eastchester shippers. Once the Eastchester Adjustment has been calculated, the fuel rate for Eastchester shippers uses projected dekatherm miles to allocate fuel costs between the zones. The revised fuel allocation retains the existing MV/FU caps of 1 percent for Non-Eastchester shippers and 4.5 percent for Eastchester shippers.

12. Iroquois asserts that its modeling indicates that the fuel responsibility for Non-Eastchester shippers will not change, unless a shipper elects to take receipts at Brookfield and thus incurs the charge for transfer compression applicable to Brookfield shippers. Iroquois further asserts that its modeling indicates that Eastchester shippers not utilizing Brookfield for receipts of gas should see decreased fuel charges in most scenarios. Iroquois states that no subsidization occurs between Eastchester and Non-Eastchester shippers nor does any subsidization occur between Brookfield and Non-Brookfield shippers.

13. Iroquois states that it is proposing no change to its current procedures for posting, tracking, and reporting related to fuel charges.<sup>6</sup> Furthermore, Iroquois agrees that it will submit a one-time report to the Commission within one year of the date all of the facilities for the MarketAccess and 08/09 Projects are placed into service, but in any event not later than January 1, 2010, in order to document the operation of its revised fuel methodology.

14. Con Edison and National Grid filed comments in support of Iroquois' proposed tariff sheets. Both parties state that they believe that the tariff revisions proposed by Iroquois allocate the MV/FU costs resulting from the MarketAccess and 08/09 services reasonably among Iroquois' customers. Con Edison states that, due to the limitations of the parties' predictive abilities, it supports Iroquois' proposal to submit a special one-time report within one year of the date all of the facilities for the MarketAccess and 08/09 Projects are placed into service, but in any event not later than January 1, 2010. Con Edison further states that it reserves the right to submit comments to the Commission following the submission of Iroquois' report.

15. Based upon the above, the Commission accepts the referenced tariff sheets to be effective on the later of November 1, 2008, or the in-service date of the new compressor

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<sup>6</sup> Iroquois states that it calculates its MV/FU factor on a monthly basis, and posts that factor for transportation 10 days before the start of the month. As part of the calculation, Iroquois "trues up" the MV/FU factors on a monthly basis in order to track any imbalances and ensure that it is not over or under recovering fuel. Iroquois submits its calculations supporting the fuel percentages to the Commission every six months.

station at Brookfield, Connecticut, subject to the condition set forth on footnote 1, *supra*, and to Iroquois filing the one-time report it has agreed to file.

By direction of the Commission.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.