

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Nora Mead Brownell, and Suedeen G. Kelly.

Iroquois Gas Transmission System, L.P.

Docket No. RP06-177-000

ORDER ACCEPTING TARIFF SHEETS  
SUBJECT TO CONDITIONS

(Issued March 20, 2006)

1. On January 20, 2006, Iroquois Gas Transmission System, L.P. (Iroquois) filed tariff sheets to establish a new Hub Service under Rate Schedule HUB.<sup>1</sup> Iroquois requests an effective date of March 21, 2006; however, it also requests additional time to implement the technological changes and system upgrades necessary to implement the proposed new service. Accordingly, Iroquois moves to place the proposed tariff sheets into effect at the later of the end of any suspension period or when the internal systems required for implementation are complete.

2. As discussed below, the Commission grants waiver and accepts the tariff sheets to become effective 5 days after the date that Iroquois notifies the Commission that it intends to implement Hub Service. This acceptance is subject to condition, as described herein.

**Description of the Filing**

3. Iroquois proposes revised tariff sheets to establish a new Hub Service on Iroquois' system. According to Iroquois, Hub Service will permit customers to utilize Iroquois' linepack on an interruptible basis as a form of short-term transportation, loan, and storage service. Iroquois states that over the past year, it has had discussions with shippers,

---

<sup>1</sup> The tariff sheets are listed in the Appendix to this order.

including its Customer Working Group<sup>2</sup> regarding new service options that would further enhance system flexibility, resulting in the current proposal. Iroquois states that the new service will provide shippers additional flexibility beyond that provided under Iroquois' existing park and loan service (PAL). Most importantly, because the new Hub Service, unlike PAL service, includes interruptible transportation service, shippers will be able to make a single nomination for both a loan and interruptible transportation of the loaned gas to any point on Iroquois' system.<sup>3</sup>

4. Iroquois states that, similar to PAL Service, it will utilize its linepack on an interruptible basis to render the proposed Hub Service. Section 2.2 of proposed Rate Schedule HUB provides that Hub Service shall consist of (1) Iroquois' loan of a quantity of gas nominated by the shipper, (2) interruptible transportation of that gas, and (3) the shipper's "redelivery ('Loan Payback')" of the loaned gas. Both the loan and the payback must occur at Iroquois's Waddington receipt point, which is the origin of Iroquois' system and the point of interconnection with TransCanada Pipelines, Ltd. Iroquois states that, presently, Waddington is the only point on its system for physical gas receipts. Section 3.3 of the rate schedule provides that Iroquois will transport loaned quantities from Waddington to any point on its system.

5. Hub Service shippers will nominate loans and any desired interruptible transportation service in a single nomination. Iroquois will allocate such nominations based on the highest percentage of the maximum applicable rate to be paid by the shipper. Because the service includes interruptible transportation service, it will have the same allocation priority as Iroquois's ordinary interruptible transportation service, and thus have a higher priority than the existing PAL Service, which does not include any transportation service. Iroquois will curtail Hub Service based on the same basis. Iroquois will accept all Hub Service loan payback nominations in the order in which they are received.

---

<sup>2</sup> Iroquois states that the members of the working group include KeySpan Corporation, New Jersey Natural Resources, Inc., Yankee Gas, Niagara Mohawk, and Connecticut Natural Gas Company.

<sup>3</sup> Iroquois states that, in developing the new Hub Service, it built upon experience with its existing PAL Service and also reviewed other flexible service designs that the Commission has approved for other pipelines. Iroquois cites *Pacific Gas Transmission Co.*, 68 FERC ¶ 61,197 (1994); and *Dominion Transmission, Inc.*, FERC Gas Tariff, Third Revised Volume No. 1, Rate Schedule MCS, section 2.2 (Wheeling Service).

6. While Rate Schedule HUB describes the service as only a loan and transportation service, section 3.2 of the rate schedule provides that “a Loan Payback may occur prior to the transportation of loaned quantities.” This enables the service to also be used as, in essence, a park and transportation service. That is because a shipper can first nominate a “payback” at Waddington, thereby putting gas on the system at Waddington, and then on a later day nominate a loan of the same gas at Waddington and transportation of that gas to a downstream delivery point.

7. Iroquois proposes to charge both a Commodity Rate and a Daily Balance Rate for the Hub Service. The proposed Commodity Rate is equal to the injection/withdrawal charges for PAL Service, plus Iroquois’s interruptible transportation service rate. Accordingly, the maximum Hub Service Commodity Rate will equal the maximum IT rate for the segment of Iroquois’ system through which the gas is transported (*i.e.*, Zone 1, Inter-Zone, or Eastchester extension rates), plus the \$0.004 total injection/withdrawal rate approved for PAL Service. Iroquois will charge this rate once at the time the loan/transportation nomination is scheduled. There will be no separate charge for the loan payback, since the cost to Iroquois of the loan payback is recovered through the Commodity Rate.

8. The proposed maximum Daily Balance Rate will equal the PAL daily balance rate of \$0.0154. Every month, Iroquois will bill each HUB shipper a balance charge equal to the shipper’s Daily Balance Rate times the shipper’s gas loan balance for each day of the month.

9. Iroquois anticipates that Hub Service will foster the development of a market center at the Waddington point, which would increase liquidity and supply flexibility for its shippers, and for the market generally. Iroquois maintains that Hub Service will not degrade the quality of its existing services, or change the order of its current scheduling priorities, other than through the addition of Hub Service to the same scheduling and curtailment priority of Iroquois’ IT Service. In general, the scheduling priority of shipper nominations on Iroquois’ system would be as follows (from highest to lowest priority):

Primary Firm Service nominations

Alternate Point Firm Service nominations

Extended Receipt/Extended Delivery Firm Service nominations

Interruptible Transportation and Hub Service nominations

Park and Loan Service nominations

**Proposed Effective Date**

10. Iroquois requests waiver of section 154.207 of the regulations, which requires that tariff changes be filed not less than 30 days nor more than 60 days prior to their proposed effective date, unless waiver is granted. Iroquois explains that it will need to make technological changes and upgrades to its internal systems in order to implement the proposed service. Specifically, the system modifications will involve its Customer Activities Website -- Nominations, Flowing Gas, Invoicing, and correlated reports -- and its Informational Postings -- the various discount/transactional/capacity reports. Iroquois anticipates that it will take approximately six months after receiving an order approving the service to implement the necessary changes. Anticipating that the Commission may suspend the effectiveness of the proposed tariff sheets, Iroquois moves to place the proposed tariff sheets into effect at the later of the end of such suspension period or when the internal systems required for implementation are complete.

**Notice, Interventions, Comments, and Answer**

11. Public notice of Iroquois' filing was issued on January 25, 2006, requiring interventions and protests to be filed as provided in the Commission's regulations.<sup>4</sup> Pursuant to Rule 214,<sup>5</sup> all timely-filed motions to intervene and any motions to intervene out-of-time filed before the date of issuance of this order are granted. Granting late intervention at this stage of the proceeding will not delay or disrupt the proceeding, nor will it place additional burdens on existing parties. As detailed below, Consolidated Edison Company of New York, Inc. (Con Edison) filed a request for clarification, and Central Hudson Gas & Electric Corporation (Central Hudson) filed comments. On February 8, 2006, Iroquois filed an answer to the filings of Con Edison and Central Hudson. The Commission accepts Iroquois' answer under Rule 213 of the Commission's Rules of Practice and Procedure,<sup>6</sup> since it clarifies Iroquois's proposal.

12. Con Edison notes that proposed Sheet No. 60E eliminated certain language in GT&C section 5(a) reserving a portion of Iroquois's linepack to meet unscheduled requests by point operators that receive service under OBAs. Con Edison states that it has been advised by Iroquois that this deletion was in error, and requests that Commission approval be contingent on restoration of the deleted language. In its answer,

---

<sup>4</sup> 18 C.F.R. § § 154.210, 385.211, 385.214 (2005).

<sup>5</sup> 18 C.F.R. § 385.214 (2005).

<sup>6</sup> 18 C.F.R. §385.213(a)(2) (2005).

Iroquois acknowledges that it inadvertently omitted the language cited by Con Edison, and agrees to restore the deleted language at the time it complies with a Commission order approving the Hub Service.

13. Central Hudson requests that Iroquois confirm that the Hub Service will not adversely affect the right of firm shippers to manage hourly demand swings within their daily entitlements on Iroquois' system.<sup>7</sup> Central Hudson states that, consistent with Commission precedent, Iroquois' tariff does not obligate a firm shipper to take service at uniform hourly rates under normal operating conditions.<sup>8</sup> Central Hudson states that it relies on the hourly flexibility inherent in Iroquois' system to meet demand changes because load in Central Hudson's service territory is temperature sensitive. Central Hudson is concerned that the more interruptible service Iroquois sells and schedules, the less flexibility there will be on its system for firm shippers. According to Central Hudson, by selling off the flexibility on its system under its proposed Hub Service (which has the same priority as interruptible service), Iroquois potentially creates an operational situation where a firm shipper may lose hourly flexibility to meet weather-related demand changes.<sup>9</sup> Therefore, Central Hudson requests that Iroquois confirm that the proposed service will not limit the ability of firm shippers to take service at non-uniform hourly rates as permitted in its tariff.

14. In its answer, Iroquois states that Central Hudson's concern is unfounded because Iroquois' use of system linepack for Hub Service will be on an interruptible basis, and will therefore not degrade the superior scheduling and curtailment priorities of firm shippers. Iroquois also notes that section 8.3 of its GT&C sets forth specific parameters under which firm shippers are entitled to take service at non-uniform hourly rates and that

---

<sup>7</sup> Central Hudson cites *Colorado Interstate Gas Co.*, 96 FERC ¶ 61,330 (2001), *order on reh'g*, 98 FERC ¶ 61, 171 (2002); *Texas Eastern Transmission, L.P.*, 98 FERC ¶ 61,215 (2002).

<sup>8</sup> Central Hudson cites *Colorado Interstate Gas Co.*, 96 FERC ¶ 61,330 (2001), *order on reh'g*, 98 FERC ¶ 61, 171 (2002) (service flexibility limitations allowed on open-access service only when the pipeline demonstrates that the limitation is operationally unnecessary); *Texas Eastern Transmission, L.P.*, 98 FERC ¶ 61,215 (2002) (uniform hourly takes are only required to protect the integrity of the system, to satisfy the pipeline's firm obligations, or when there is a drop in delivery pressure).

<sup>9</sup> Central Hudson cites *Texas Eastern Transmission, L.P.*, 98 FERC ¶ 61,215 at P 76 (2002) (noting that, once scheduled, firm shippers can bump interruptible capacity only when firm shippers submit intra-day nominations).

hourly variations beyond that tariff entitlement are allowed on a best-efforts basis.<sup>10</sup> Iroquois emphasizes that it is not modifying the flexibility inherent in section 8.3.<sup>11</sup> Iroquois therefore concludes that the proposed Hub Service will not adversely affect the right of firm shippers to manage hourly demand swings within their daily entitlements.

### **Discussion**

15. The Commission grants Iroquois' requested waiver of section 154.207 of the regulations, and accepts the proposed tariff sheets to become effective 5 days after the date that Iroquois notifies the Commission that it intends to implement Hub Service. This acceptance is conditioned on Iroquois, within 10 days of this order, filing to further revise GT&C section 5(a) to restore tariff language inadvertently deleted in this filing, as discussed above. Additionally, Iroquois' answer provides the confirmation sought by Central Hudson that the proposed Hub Service will not limit the ability of firm shippers to take service at non-uniform hourly rates as permitted in its tariff.

16. This service is consistent with the Commission's goal, as expressed in section 284.7(b)(3) of the regulations, of supporting the development of market centers on the interstate pipeline grid. It appears to provide shippers with greater flexibility in using Iroquois' system on an interruptible basis, while not degrading the service entitlements of firm shippers. In addition, the components of the Hub Service rates are based on Iroquois' existing IT and PAL Service rates which the Commission has previously determined to be just and reasonable.

---

<sup>10</sup> Iroquois states that section 8.3 of the GT&C of its tariff states as follows:  
Uniform Quantities. Shipper shall deliver and receive gas in uniform daily quantities during any month and in uniform hourly quantities during any day as nearly as possible at uniform hourly rates, provided, however, that Transporter shall permit Shippers to take delivery of gas at 120 percent of the uniform hourly quantity for up to three (3) consecutive hours twice in any twenty four (24) hour period; provided, however, that the second three (3) hour period shall not begin less than eight (8) hours after the end of the first three (3) hour period. Any other departure from uniform hourly quantities shall be allowed on a best efforts basis only.

<sup>11</sup> Iroquois cites *Southwest Gas Corp.*, 111 FERC ¶ 61,511 at P 13 (2005) (right to hourly flow variations is controlled by the individual pipeline's tariff).

17. Finally, we find that, based upon its representations, Iroquois has justified its request for waiver of the requirement in section 154.207 that tariff filings be made no more than 60 days before the proposed effective date. It is reasonable for Iroquois to seek a determination from the Commission that its proposal will be approved prior to embarking on extensive, costly and time-consuming internal system modifications necessary to implement the proposal. Therefore, we will allow the effective date of the tariff sheets to be tied to the date that Iroquois is able to complete such modifications. However, we will require Iroquois to file a monthly status report summarizing the progress made on implementing the system modifications. Iroquois' monthly report should also indicate when it anticipates placing the Hub Service into effect.

The Commission orders:

(A) The tariff sheets listed in the Appendix to this order are accepted for filing to become effective 5 days after the date that Iroquois notifies the Commission that it intends to implement Hub Service.

(B) Iroquois is directed to, within 10 days of the date of this order, revise GT&C section 5(a) to restore tariff language inadvertently deleted in this filing, as discussed in the body of this order.

(C) Iroquois is directed to file a monthly status report on its system modifications, as discussed in the body of this order.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.

APPENDIX

Iroquois Gas Transmission System, L.P.

FIRST REVISED VOLUME NO. 1

Fifth Revised Sheet No. 1  
Original Sheet No. 5A  
Third Revised Sheet No. 33  
First Revised Sheet No. 36A  
Second Revised Sheet No.39  
Original Sheet No. 39A  
Original Sheet No. 39B  
Original Sheet No. 39C  
Original Sheet No. 39D  
Original Sheet No. 39E  
Original Sheet No. 39F  
Original Sheet No. 39G  
Original Sheet No. 39H  
Original Sheet No. 39I  
Original Sheet No. 39J  
Second Revised Sheet No. 40  
Second Revised Sheet No.42  
Fifth Revised Sheet No. 45  
First Revised Sheet No. 49A  
Fifth Revised Sheet No. 50A  
Fifth Revised Sheet No. 50B  
Eighth Revised Sheet No.51  
Fourth Revised Sheet No.52  
Second Revised Sheet No. 53  
Fourth Revised Sheet No.54  
Seventh Revised Sheet No. 55  
Second Revised Sheet No.58A  
Ninth Revised Sheet No.59  
Third Revised Sheet No.59A  
Second Revised Sheet No. 60E  
Third Revised Sheet No. 65  
First Revised Sheet No.65A  
Third Revised Sheet No.68  
Fourth Revised Sheet No. 75

First Revised Sheet No. 75A  
Second Revised Sheet No. 79A  
Second Revised Sheet No. 80  
Ninth Revised Sheet No. 118  
Third Revised Sheet No.121  
Fourth Revised Sheet No. 123  
Third Revised Sheet No. 178  
Original Sheet No. 178A  
Original Sheet No. 178B  
Original Sheet No. 178C  
Original Sheet No. 178D  
Original Sheet No. 178E  
Original Sheet No. 178F  
Original Sheet No. 178G  
Eighth Revised Sheet No. 181  
Seventh Revised Sheet No. 184  
Fifth Revised Sheet No. 190  
Fourth Revised Sheet No. 192