

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

July 30, 2004

In Reply Refer To:  
Iroquois Gas Transmission System, L.P.  
Docket No. RP98-18-011

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

Attention: Paul W. Diehl  
Senior Attorney

Reference: Negotiated Rate Tariff Sheet and Negotiated Rate Letter Agreement

Dear Mr. Diehl:

1. On July 1, 2004, Iroquois Gas Transmission System, L.P. (Iroquois) filed a tariff sheet<sup>1</sup> along with a letter agreement reflecting a negotiated rate for transportation service between Iroquois and KeySpan Ravenswood, Inc. (KeySpan) to be effective July 1, 2004. Iroquois, pursuant to the letter agreement with KeySpan,<sup>2</sup> would provide the proposed firm transportation service of 60,000 Dth per day from the Waddington receipt point to delivery at Hunts Point for a term from July 1, 2004 through December 31, 2007 with two different rate periods. For the period July 1, 2004 to December 31, 2004, Iroquois would charge a monthly demand rate of \$18.7063 per Dth and from January 1, 2004 to December 31, 2007 a monthly demand rate of \$16.7292 per Dth. The tariff sheet provides that the negotiated rate agreement resolves KeySpan's rate issues with Iroquois in its pending rate case in Docket No. RP04-136, and further provides for a most favored

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<sup>1</sup> Original Sheet No. 6A to Iroquois' FERC Gas Tariff, First Revised Volume No. 1.

<sup>2</sup> The April 7, 2004 Letter Agreement sets forth certain terms and conditions applicable to a Gas Transportation For Firm Reserved Service Dated February 18, 2002 between Iroquois and KeySpan (Iroquois Contract No. R-2840-02).

nations clause whereby KeySpan will receive a lower rate if the finally approved rate in Docket No. RP04-136 is below the rates described above. The letter agreement and the tariff sheet listed in footnote No. 1 are accepted and waiver of the notice period is granted so as to permit the tariff sheet to become effective July 1, 2004, as discussed below.

2. Public notice of this filing was issued with protests due July 13, 2004. Timely unopposed motions to intervene are granted by operation of Rule 214 of the Commission's regulations.<sup>3</sup> No protest or adverse comments were filed.

3. Iroquois, on January 2, 2004 in Docket No. RP04-136-000, proposed to increase the rates on its Eastchester Extension Project (Eastchester) to reflect an increase in the annual revenue requirement for the project by approximately \$18 million. On January 30, 2004, the Commission accepted and suspended the proposed rates to be effective July 1, 2004, subject to refund and established hearing procedures.<sup>4</sup> Iroquois in Docket No. RP04-136-000 proposed a monthly demand rate of \$25.6835 per Dth, which represented a 100 percent rate increase over the Eastchester rates approved by the Commission in the certificate proceeding.<sup>5</sup> The negotiated rate in the instant filing will reduce KeySpan's monthly demand rate for Eastchester service from the \$25.6835 per Dth demand rate proposed in the Docket No. RP04-136 proceeding to \$18.7063 per Dth for the period July 1, 2004 to December 31, 2004, and further reduces the rate to \$16.7292 per Dth for the period January 1, 2005 to December 31, 2007. Additionally, the negotiated rate proposal includes a most favored nations clause that in the event Iroquois' Eastchester rates are reduced in Docket No. RP04-136 below the rates listed above for the two rate periods, KeySpan will receive the lower rate. By entering into the negotiated rate proposal, KeySpan agreed to resolve all issues that it raised or could have raised in the Docket No. RP04-136 proceeding.

4. Iroquois' negotiated rate agreement is, in essence, a settlement of the pending Eastchester rate case with an affiliate, KeySpan, who is a 20.4 percent owner of Iroquois.<sup>6</sup> Iroquois' proposed negotiated rate service with KeySpan does not appear to

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<sup>3</sup>18 C.F.R. § 385.214 (2003).

<sup>4</sup>Iroquois Gas Transmission System, L.P., 106 FERC ¶ 61,092 (2004); *order on compliance*, 107 FERC ¶ 61,059 (2004).

<sup>5</sup>Iroquois Gas Transmission System, L.P., 95 FERC ¶ 61,335 (2001); *order on reh'g*, 97 FERC ¶ 61,379 (2001).

<sup>6</sup>See Iroquois' web site at [www.iroquois.com/new-Internet/igts/CorporateInformation/ourpartners.asp](http://www.iroquois.com/new-Internet/igts/CorporateInformation/ourpartners.asp) which reports as of July 13, 2004, KeySpan Energy Corporation holds a 20.4 percent ownership interest in Iroquois.

violate the terms of the Negotiated Rate Policy Statement.<sup>7</sup> However, having offered the instant negotiated rate to its affiliate in order to settle the pending rate case, Iroquois should offer a similar negotiated rate on Eastchester on a not unduly discriminatory basis to any other similarly situated shippers.<sup>8</sup>

By direction of the Commission.

Linda Mitry,  
Acting Secretary.

cc: All Parties

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<sup>7</sup> Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipeline Regulation of Negotiated Transportation Services of Natural Gas Pipelines, 74 FERC ¶ 61,076 (1996); *order on clarification*, 74 FERC ¶ 61,194 (1996); *order of reh'g*, 75 FERC ¶ 61,024 (1996); *modification of negotiated rate policy*, 104 FERC ¶ 61,134 (2003).

<sup>8</sup> NorAm Gas Transmission Company, 77 FERC ¶ 61,011 at 61,035-36, 37, and 38-39 (1996).