

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 13, 2004

In Reply Refer To:
Iroquois Gas Transmission System, L.P.
Docket No. RP04-136-000

Iroquois Gas Transmission System, L.P.
One Corporate Drive, Suite 600
Shelton, Connecticut 06484-6211

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

Reference: Stipulation and Settlement Agreement

Dear Mr. Bruner:

1. On August 12, 2004, under Rule 602 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.602, Iroquois Gas Transmission System, L.P. (Iroquois) filed an offer of settlement in the form of a Stipulation and Settlement Agreement (Settlement), which resolves all of the issues set for hearing in this proceeding. Comments in support of the Settlement were filed by the Commission Trial Staff on August 31, 2004, and by the Public Service Commission of the State of New York on September 1, 2004. No party opposes the Settlement. The presiding Administrative Law Judge certified the settlement as uncontested to the Commission on September 2, 2004.¹ The Commission accepts the Settlement as fair and reasonable.

2. Article I (Rate Matters): Section 1.1 of the Settlement establishes Iroquois' base tariff recourse rates applicable to Eastchester Shippers (Settlement Rates), as set forth on Pro Forma Sheet No. 4C contained in Appendix A to the Settlement. Effective July 1, 2004, the 100% load factor interzone rate for Eastchester Primary Access Service shall be \$0.6600 per Dth, with a step down to \$0.6350 per Dth on January 1, 2008, resulting in a reduction from Iroquois' filed rate in this proceeding. The Eastchester Secondary Access Rates on Pro Forma Sheet No. 4C are derived from the 100% load factor Eastchester Primary Access Rate in the manner proposed in Iroquois' January 2, 2004 filing in this proceeding. Section 1.2 of the Settlement provides that Iroquois will file a revised Sheet

¹ 108 FERC ¶ 63,033 (2004).

No. 4C reflecting the Settlement Rates within 15 days after the Settlement becomes effective. Section 1.3 of the Settlement provides that Iroquois will refund amounts collected above the Settlement Rates (with interest) and file a refund report with the Commission.

3. Section 1.4(a) of the Settlement states that Iroquois shall not include in any rates any future legal fees that are incurred after the end of the test period in connection with or related to litigation regarding construction incidents associated with the original Eastchester Project, and that Iroquois shall separately account for such legal fees, which shall be either expensed or booked to a non-recoverable account. Section 1.4(b) of the Settlement provides that, with respect to legal fees incurred prior to the end of the test period, Iroquois shall separately identify and account for legal fees incurred in litigation regarding construction incidents associated with the original Eastchester Project. After the Settlement terminates, the Settlement shall not prejudice any party from taking any position regarding the recoverability in future rates of such test-period legal fees.

4. Section 1.5 of the Settlement states that after January 1, 2011, Iroquois will provide its customers and the Public Service Commission of the State of New York certain cost, throughput, and other information pertinent to Eastchester service.

5. Article II (Rate Moratorium): Section 2.1 of the Settlement prohibits Iroquois from requesting an increase to the Settlement Rates prior to July 1, 2011, with any subsequent increase effective no earlier than January 1, 2012. Parties are prohibited from requesting any reduction to the Settlement Rates prior to March 1, 2011, with the effectiveness of any subsequent decrease no earlier than January 1, 2012. Section 2.2 of the Settlement identifies certain types of filings that are not covered by the moratorium. Section 2.3 of the Settlement states that the Settlement Rates reflect the full 230,000 Dth/day of Eastchester capacity and that no additional volumes shall be used to reduce the Settlement Rates during the term of the Settlement.

6. Article III (Term): Under Article III, the term of the Settlement commences on the Settlement's effective date as provided in Article IV and terminates when Iroquois' base tariff rates applicable to Eastchester Shippers are modified by a general rate change no earlier than January 1, 2012, or by a superceding settlement.

7. Article IV (Effectiveness): Section 4.1 of the Settlement states that the various provisions of the Settlement are not severable and will become effective on the date that the Settlement is approved by a final Commission order as to all of its terms without material modification. If the Commission materially modifies the Settlement, Section 4.2 provides that the parties will be deemed to have accepted the modification unless, within 14 days, they file and serve a written notice that they refuse to accept the modification. On the 15th day, the Settlement will become effective and binding on those parties that have accepted the Settlement as modified by the Commission. In the event that the

Settlement is contested, Section 4.3 of the Settlement provides that it is the intent of the parties that the Commission approve the Settlement for all Non-Contesting Parties. Any Contesting Parties will neither be bound by, nor receive the benefits of, the Settlement, and Contesting Parties that are shippers shall pay Iroquois' tariff rates in existence prior to the effectiveness of the Settlement. There are no contesting parties.

8. Article V (Waiver): Under Article V, approval of the Settlement shall constitute any waivers of the Commission's rules and regulations necessary for the Settlement to be effectuated in accordance with all of its terms.

9. Article VI (Reservations and Conditions): Article VI of the Settlement states that the parties waive no rights other than as specifically provided for in the Settlement and that the Settlement does not establish any principles or policies.

10. The Commission finds that the Settlement is fair and reasonable and in the public interest. Accordingly, the Commission approves the Settlement and Iroquois is required to submit the appropriate filings with the Commission as discussed above.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties