

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

(October 24, 2003)

In Reply Refer To:
Iroquois Gas Transmission System, L.P.
Docket No. RP03-589-000

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

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

Reference: Stipulation and Settlement Agreement

Dear Mr. Bruner:

1. On August 29, 2003, Iroquois Gas Transmission System, L.P. (Iroquois) filed an offer of Stipulation and Settlement Agreement (Settlement) in the above referenced docket and a revised tariff sheet which implements four scheduled reductions to Iroquois' rates to be effective October 28, 2003.¹ The Settlement is uncontested, with no adverse comments or protests filed. The Settlement is approved as a fair and reasonable resolution of the issues in this proceeding, for the reasons discussed below. Further, the tariff sheet identified in footnote No. 1 is accepted as proposed, effective October 28, 2003.

2. Notice of the Settlement filing was issued on September 9, 2003, providing for initial comments to be filed by September 18, 2003 and reply comments due September 29, 2003. See the Appendix for a list of the commenters filing initial comments in support of the Settlement. No party opposed or objected to the Settlement; nor did any party file reply comments.

¹ Twenty-Ninth Revised Sheet No. 4 to Iroquois' FERC Gas Tariff, First Revised Volume No. 1.

3. The Settlement is the result of extensive negotiations between Iroquois, its customers, and other interested parties, commencing in the fall of 2002. The central objective of the negotiations was to extend the principles underlying Iroquois' December 17, 1999 Settlement in Docket No. RP94-72, *et al.*, which established the rates under which Iroquois currently provides service.² As expressed by several parties in this proceeding, the Settlement constitutes a fair and reasonable resolution of the issue pending in this proceeding and is in the public interest. The Settlement is in effect through December 31, 2007 and provides for four rate reductions starting January 1, 2004. Further, the Settlement does not establish any rates, terms or conditions for Iroquois' Eastchester Project currently under construction pursuant to the certificate granted to Iroquois in Docket No. CP00-232-000.³

4. In summary, Iroquois' customers will be afforded rate certainty until January 1, 2008, with four annual rate reductions, without the expense, inconvenience and lost time associated with an adversarial hearing. Iroquois' customers and the public interest will be served through rate certainty and rate reductions during the effective term of the Settlement.

5. Following is a summary of the Settlement. It consists of six articles.

Article 1. Rate Matters

6. Section 1.1 establishes Iroquois' base tariff recourse rates (Settlement Rates) for the years 2004, 2005, 2006, and 2007. The Settlement Rates reflect annual step-downs which over the term of the Settlement will reduce Iroquois' transportation rates by approximately 13 % (*e.g.*, the 100% load factor interzone rate will be reduced from the existing level of \$0.4234 per Dth, to the January 1, 2007 level of \$0.3700 per Dth, for a total cumulative reduction of \$0.0534 per Dth).

7. Section 1.2(a) provides that neither the Settlement Rates nor any principles underlying the Settlement apply to Iroquois' Eastchester Expansion Project, certificated in Docket No. CP00-232-000, which was denied rolled-in rate treatment by the Commission.⁴

² See Iroquois Gas Transmission System, L.P., 90 FERC ¶ 61,132 (2000).

³ See Iroquois Gas Transmission System, L.P., preliminary determination, 95 FERC ¶ 61,335, on rehearing and issuing certificates, 97 FERC ¶ 61,379 (2001), on rehearing, 98 FERC ¶ 61,273 (2002).

⁴ *Id.*

8. Section 1.2(b) provides that Iroquois shall be permitted to file a rate case under Section 4 of the Natural Gas Act limited to establishing rates for the Eastchester Project, while parties retain all rights to challenge Iroquois' proposed Eastchester rates. Additionally, Section 1.2(c) provides that Iroquois will establish a maximum recourse tariff rate for Non-Eastchester shippers that use the Eastchester Project.⁵

9. Section 1.3 provides that Iroquois' TCRA will be eliminated from Iroquois' tariff coincident with the first scheduled rate reduction on July 1, 2004. Section 1.4 states that after January 1, 2007, Iroquois will provide its customers the same type of information provided in the negotiations underlying the instant Settlement.

Article II. Rate Moratorium

10. Section 2.1 prohibits Iroquois from requesting an increase to the Settlement Rates prior to July 1, 2007, with any subsequent increase effective no earlier than January 1, 2008. Further, parties are prohibited from requesting any reduction to the Settlement Rates prior to March 1, 2007, with the effectiveness of any subsequent decrease no earlier than January 1, 2008. Section 2.2 identifies certain types of filings that are not covered by the moratorium, while Section 2.3 provides that Iroquois is permitted to retain any revenues from new service or volumes for the term of the Settlement, except that Section 2.3 does not apply to the establishment of Eastchester rates and principles.

Article III. Term

11. The term of the Settlement commences on the Settlement effective date as provided in Article IV, and the Settlement terminates when Iroquois' base tariff rates are modified by a general rate change permitted by the Settlement after December 31, 2007, or by a superceding settlement.

Article IV. Effectiveness

12. Section 4.1 provides that various provisions of the Settlement are nonseverable and will become effective on the date the Settlement is approved by a final Commission order as to all of its terms without material modification. In the event that the Commission materially modifies the Settlement, Section 4.2 provides that 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

⁵ Eastchester shippers will also pay the incremental fuel charge approved by the Commission in an unpublished delegated letter order issued April 8, 2003 in Docket No. RP03-304-000.

will become effective and binding on parties that have accepted the Settlement as modified by the Commission.

13. In the event that the Settlement is contested, Section 4.3 provides that it is the intent of the parties that the Commission approves the Settlement for all Non-Contesting Parties. Any Contesting Parties will neither be bound by, nor receive the benefits of, the Settlement, and shall pay Iroquois' tariff rates in existence prior to the effectiveness of the Settlement.

14. Section 4.4 provides that the Commission's approval of the Settlement shall constitute all authority necessary for Iroquois to place into effect the revised tariff sheets filed in accordance with the Settlement.

Article V. Waiver

15. Article V provides that approval of the Settlement constitutes any waivers necessary for the Settlement to be effectuated in accordance with all of its terms.

Article VI. Reservations and Conditions

16. Article VI contains standard reservations stating that parties waive no rights other than as specifically provided in the Settlement and that the Settlement does not establish any principles or policies.

17. The Commission's approval of this Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties

Appendix

Iroquois Gas Transmission System, L.P.
List of Commenters

Consolidated Edison Company of New York, Inc.

KeySpan Delivery Companies

New York State Electric & Gas Corporation, Connecticut Natural Gas Corporation, and

The Southern Connecticut Gas Company

Niagara Mohawk Power Corporation

Public Service Commission of the State of New York

Virginia Power Energy Marketing, Inc.

Yankee Gas Service Company

* All parties filed in support of the Settlement.