

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 26, 2006

In Reply Refer To:
Iroquois Gas Transmission System
Docket No. RP98-18-020

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

Attention: Paul W. Diehl, Senior Attorney

Reference: Revised Negotiated Rate Agreements

Dear Mr. Diehl:

1. On March 31, 2006, Iroquois Gas Transmission System, L.P. (Iroquois) filed tariff sheets to: (1) reflect the details of four negotiated rate arrangements between Iroquois and Astoria Generating Company, L.P. (Astoria); (2) reflect changes in the Terms of Agreement and Contract Demand quantities with Reliant Energy Services' (Reliant) Contract Nos. 2130-02 and 2130-03; and (3) update Tariff Sheet Nos. 6, 6G and 6H to reflect the termination of negotiated rate agreements with Sempra Energy Trading Corporation and Virginia Power Energy Marketing, Inc. Iroquois' proposed tariff sheets are accepted effective on the dates set forth on the Appendix, subject to refund and subject to the conditions discussed below.
2. Public notice of the instant filing was issued on April 6, 2006. Interventions and protests were due as provided in section 154.210 (18 C.F.R. § 154.2210 (2005)) of the Commission's regulations. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2005)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No adverse comments or protests were filed.

3. The Commission, consistent with its negotiated rate policy statement, finds good cause to grant Iroquois' request for waiver of the 30-day filing requirement in section 154.207 of the Commission's regulations,¹ and to permit Iroquois' negotiated rate proposals to go into effect as set forth in the Appendix, as proposed, subject to refund, conditions, and further review.

4. Iroquois states that on February 26, 2004, the Commission accepted two negotiated rate agreements between Iroquois and Reliant. Iroquois states that, since that time, Reliant has "permanently released" that capacity to Astoria with a portion of the capacity release effective March 1, 2006, and the remaining capacity released effective April 1, 2006. The releases are all at negotiated rates less than the maximum rate.

5. However, upon review of the various changes to the Maximum Daily Quantity (MDQ) over time as reflected in the tariff sheet summary of the respective contracts in the filing, it appears that a portion of Reliant's contract demand is to be released on a temporary basis to Astoria and then at a later date released again to Astoria on a permanent basis. The respective contracts with Reliant and Astoria reflect these releases.

6. Reliant currently has a contract with Iroquois for an MDQ of 50,000 Dth through February 1, 2014. Footnote 4 on proposed Second Revised Sheet No. 7 specifies that under Contract No. 2130-02, Reliant's contract demand changes to 40,000 Dth for the period March 1, 2006 through April 1, 2006, to 0 Dth for the period April 1, 2006 through October 1, 2006, and then to 40,000 Dth for the period October 1, 2006 to April 1, 2007, when the contract terminates. Iroquois' contracts with Astoria dove-tail with the changes in Reliant's contracts to reflect capacity releases by Reliant to Astoria. Under Contract No. 2895-04, Astoria obtains an MDQ of 10,000 Dth as a result of a permanent release from Reliant for the period March 1, 2006 through February 1, 2014. Under Contract No. 2895-07, as a result of a temporary release from Reliant, Astoria obtains an MDQ of 40,000 Dth for the period April 1, 2006 through October 1, 2006. Under Contract No. 2895-06, as a result of a permanent release from Reliant, Astoria obtains an MDQ of 40,000 Dth for the period April 1, 2007 through February 1, 2014.²

7. Therefore, it appears that for Contract No.2130-02 Reliant released capacity to Astoria for three separate periods: (1) a permanent release of an MDQ of 10,000 Dth for the period March 1, 2006 – February 1, 2014; (2) a temporary release of an MDQ of 40,000 Dth for the period April 1, 2006 – October 1, 2006; and, finally, (3) a permanent release of an MDQ 40,000 Dth for the period April 1, 2007 – February 1, 2014.

¹ 18 C.F.R. § 154.207 (2005).

² In addition, Reliant released 10,000 Dths on a permanent basis from Contract No.2130-03 Dths to Astoria for the period March 1, 2006 – November 1, 2007. This is reflected in Astoria's Contact No. 2895-04.

8. Section 28.5(b) of Iroquois' General Terms and Conditions (GT&C) (capacity release) provides that if a releasing shipper has found a pre-arranged replacement shipper willing to acquire the full amount of the capacity released at not less than the maximum rate, the releasing shipper need not post a release notice or comply with the bidding and allocation requirements of the GT&C. However, because the Reliant contracts were released to Astoria at a negotiated rate which is below the maximum rate on file with the Commission, the releases must be done in accordance with the capacity release provisions of Iroquois' GT&C and in accordance with Commission regulations.³ Iroquois' transmittal letter makes no reference to the posting and offering of these transactions through the capacity release provisions of its tariff.

9. Accordingly, for each of these transactions, Iroquois is directed to file with the Commission within 15 days of the issuance of this order, a description of the capacity release transactions between Reliant and Astoria, including whether the releases were prearranged and/or posted in accordance with Iroquois' tariff provisions. Iroquois is also directed to submit (1) the full text of any postings of Reliant's capacity releases, including any requests for bids and (2) all terms and conditions agreed to by Astoria in order to obtain the capacity releases.

10. Further, the Commission notes that the contract with Reliant specifies varying MDQ's over time, and two of the contracts with Astoria specify effective dates in the future, to dove-tail with the multiple releases of capacity by Reliant. Iroquois is directed to explain in its compliance filing whether it offers such varying MDQs and future-effective contracts to all of its customers and, if not, to explain why such contracts are not unduly discriminatory material deviations from its tariff's pro forma service agreements for these services. In addition, Iroquois must refile Sheet No. 7 to remove the reference to "50,000 dth (Maximum)" from the listing of "Contract Demand" for Contract No. 2130-02 in light of the varying MDQs established in footnote 4 for that contract. Finally, Iroquois' proposed footnote 4 for Reliant's Contract No. 2130-02 is unclear regarding the correct term of the released capacity. It appears that the periods of the subject capacity

³ Sections 284.8(c) through (e) of the Commission's regulations require that capacity offered for release at less than the maximum rate must be posted for bidding, and the pipeline must allocate the capacity "to the person offering the highest rate (not over the maximum rate)." Section 284.8(h) provides that prearranged capacity releases at the maximum rate need not be posted for bidding.

releases overlap each other by one day (*e.g.*, April 1, 2006 under Contract No. 2130-02) at the beginning and end of each listed released period. Iroquois is required to provide an explanation of this apparent anomaly within 15 days of the issuance of this order.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties

APPENDIX

Iroquois Gas Transmission System, L.P.

Tariff Sheets Accepted to FERC Gas Tariff, First Revised Volume No. 1

Effective March 1, 2006

Original Sheet No. 7A

Effective April 1, 2006

Fifth Revised Sheet No. 6

First Revised Sheet No. 6G

First Revised Sheet No. 6H

Second Revised Sheet No. 7

Original Sheet No. 7B