

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

Iroquois Gas Transmission System, L.P.        )        Docket No. RP04-\_\_\_\_

**PREPARED DIRECT TESTIMONY OF  
HERBERT A. RAKEBRAND, III  
ON BEHALF OF  
IROQUOIS GAS TRANSMISSION SYSTEM, L.P.**

1    **Q.1    Please state your name and business address.**

2    A.1    My name is Herbert A. Rakebrand, III. My business address is One Corporate  
3           Drive, Suite 600, Shelton, Connecticut.

4    **Q.2    By whom are you employed and in what capacity?**

5    A.2    I am employed by Iroquois Pipeline Operating Company, a subsidiary of Iroquois  
6           Gas Transmission System, L.P. (“Iroquois” or the “Company”), as Vice President,  
7           Marketing and Transportation.

8    **Q.3    Please briefly summarize your educational and professional background.**

9    A.3    I received a Bachelor of Engineering degree from State University of New York  
10          at Stony Brook in December, 1979. In May of 1985 I received a Master of  
11          Business Administration in Finance from Long Island University. Prior to joining  
12          Iroquois, I was employed by the Long Island Lighting Company from January,  
13          1980 to August, 1991, holding various positions in the Gas Engineering and Gas  
14          Supply Departments. My last position there was Manager, Gas System Planning,  
15          which I held from December, 1985 to August, 1991. In August of 1991, I joined

1 Iroquois Pipeline Operating Company as Assistant Manager of Gas  
2 Administration, responsible for the development of the present Transportation  
3 organization, and was promoted to my current position of Vice President in  
4 February 13, 1998. I previously submitted testimony on behalf of Iroquois in  
5 Docket Nos. RP94-72 and RP97-126.

6 In my current position as Vice President of Marketing and Transportation,  
7 I am responsible for Iroquois' commercial activities, including Marketing,  
8 Business Development, Transportation and Gas Control.

9 **Q.4 What is the purpose of your prepared direct testimony in this proceeding?**

10 A.4 My testimony will provide an overview – explaining the genesis of this  
11 proceeding, introducing the other witnesses appearing on behalf of Iroquois at this  
12 time and providing a general description of the Iroquois system and its regulatory  
13 history. Additionally, I will address the billing determinants and rate impacts.

14 **Q.5 What exhibits are you sponsoring?**

15 A.5 I am sponsoring the following exhibits:

16 Exhibit ____ (HAR-1):	Prepared Direct Testimony of Herbert A.
17	Rakebrand
18 Exhibit ____ (HAR-2):	Excerpt From "Legal Proceedings"
19	Discussion In Iroquois' SEC Form 10-Q
20	Quarterly Report Dated November 14, 2003
21 Exhibit ____ (HAR-3):	Iroquois System Map

22  
23 Additionally, I am co-sponsoring the following exhibit with Mr. Rupff:

24 Exhibit ____ (IGT-1):	Statement G – Revenues and
25	Billing Determinants

26  
27 **Q.6 Were these exhibits prepared by you or under your direction or**  
28 **supervision?**

29 A.6 Yes, they were.

**Q.7 How was this proceeding initiated?**

A.7 Iroquois is submitting the instant filing with the Federal Energy Regulatory Commission (“FERC” or “Commission”) to implement a change in rates to its “Eastchester Shippers,” pursuant to Section 4 of the Natural Gas Act. In 1999, Iroquois entered into a settlement (approved by FERC on February 10, 2000) resolving its previous two rate cases and generally precluding the filing of new rate cases through the year 2003. In anticipation of the expiration of that settlement, Iroquois in 2002 began negotiations with its shippers regarding future rates. A settlement was reached and approved by FERC on October 24, 2003. This settlement, however, does not address rates for Iroquois’ Eastchester Extension Project, which is currently under construction and which is subject to incremental rate treatment (in contrast to the rolled-in rate treatment afforded “Non-Eastchester Shippers” on the “Rolled-In System”).

These increased rates are necessary to recover significantly higher plant in-service costs (\$334 million) resulting from delays and construction incidents that are now projected to be incurred above those estimated (\$210 million) in the certificate proceeding establishing initial rates for the Eastchester Extension Project. Various construction incidents are described in the “Legal Proceedings” information contained in Iroquois’ most recent Form 10-Q filing with the Securities and Exchange Commission, which description I have excerpted in my Exhibit \_\_\_\_ (HAR-2). I should point out, however, that no costs associated with any potential claims of Iroquois liability that may arise out of those construction incidents are included in the test-period costs in the instant rate filing. Other events and circumstances giving rise to the increased project costs include: delays

1 in obtaining certain permits and authorizations, and construction delays and  
2 modifications due to a variety of factors, including a highly congested right-of-  
3 way corridor, higher than expected union labor costs, a failed directional drill, and  
4 certain unanticipated environmental costs related to the Hunts Point area.

5 **Q.8 What other witnesses are testifying on behalf of Iroquois as part of its direct**  
6 **case-in-chief in this proceeding?**

7 A.8 In addition to my testimony, Iroquois is presenting the following witnesses:

8 Scott Rupff, Manager, Marketing, supplements and further supports the business  
9 risk testimony of Dr. Gaske, as well as that portion of my testimony addressing  
10 sales of unsubscribed capacity; J. Stephen Gaske, economist and President of H.  
11 Zinder & Associates, addresses cost of service and cost of common equity capital;  
12 Paul Bailey, Vice President, Finance and Administration, addresses Iroquois'  
13 capital structure, cost of debt and overall rate of return; Kenneth B. Johnston,  
14 economist and Senior Vice President of H. Zinder & Associates, addresses cost  
15 allocation and rate design.

16 **Q.9 Please briefly outline the historical background of the Iroquois system.**

17 A.9 The Iroquois system was originally certificated on November 14, 1990  
18 (authorizing Phase I of the project) and on October 9, 1991 (authorizing Phase II  
19 of the project). Service under Phase I commenced December 1, 1991, when the  
20 northern half of the system was placed in operation. The entire 375-mile system  
21 was placed in-service on January 25, 1992. As originally certificated, the project  
22 was designed to transport up to 575.9 million cubic feet of gas per day (MMcf/d)  
23 on a firm basis. As the result of subsequent certificate authorizations, including  
24 the addition of compressor stations at Wright, Croghan and Athens, New York,

1 the “Rolled-In System” currently serves firm transportation service under Rate  
2 Schedule RTS of 960 MDt/d during the summer months, and 1007 MDt/d of RTS  
3 Service during the winter months .

4 The subject Eastchester Extension Project is the first new interstate  
5 pipeline to be built into New York City in about forty years. The project was  
6 certificated on December 26, 2001, and construction of certain upstream facilities  
7 commenced on April 19, 2002, such that some of those upstream facilities have  
8 been placed into service. Construction of the downstream portion of the project  
9 crossing Long Island Sound commenced in October, 2002. As a result of delays  
10 in obtaining certain construction authorizations and permits, as well as delays  
11 related to certain construction incidents, the in-service date of the fully completed  
12 project is projected for February 1, 2004. The project will provide additional firm  
13 transportation service of 230 MDt/d to the New York City area.

14 **Q.10 Referring to Exhibit \_\_\_\_ (HAR-3), please describe the physical**  
15 **characteristics of the Iroquois system.**

16 A.10 Exhibit \_\_\_\_ (HAR-3) is a map of the system. As shown there, the “Rolled-In  
17 System” extends approximately 375 miles from its point of interconnection with  
18 the facilities of TransCanada PipeLines Limited at the U.S.-Canadian border near  
19 Iroquois, Ontario (Waddington, New York) through the states of New York and  
20 Connecticut and terminating on Long Island, New York. Iroquois’ shippers  
21 receive most of their gas supplies through the interconnection with TransCanada  
22 PipeLines Limited at the northern terminus of the system. The northern portion of  
23 the system, between Waddington, New York and Wright, New York consists of a  
24 30-inch diameter pipeline and comprises Rate Zone 1. The southern portion of

1 the system, between Wright and Long Island, New York, consists of a 24-inch  
2 diameter pipeline and comprises Rate Zone 2. The Rolled-In System has been  
3 expanded over the years with the addition of compression at Wright, Croghan,  
4 and Athens, New York.

5 As also shown on the map, the Eastchester Extension Project includes  
6 approximately 36 miles of 24-inch diameter pipeline extending from Northport,  
7 New York to Hunts Point in the Bronx, New York, together with various  
8 compression additions and upgrades at Boonville, Dover, Wright, Croghan and  
9 Athens, New York.

10 **Q.11 Please now turn to the billing determinants and rate impacts shown in**  
11 **Statement G.**

12 A.11 Exhibit \_\_\_\_\_ (IGT-1) contains Statement G, which summarizes the Eastchester  
13 revenues and billing determinants for the base period and as projected for the test  
14 period. As shown on Statement G, for the test year, the 12-month period ending  
15 June 30, 2004, the proposed Eastchester rates in this proceeding produce total  
16 Eastchester revenues of approximately \$48.9 million, resulting in an increase in  
17 revenues of approximately \$17.0 million. As shown on line 10 of Statement G,  
18 such revenues include the projected sale of all unsubscribed capacity (30,000 Dt/d  
19 x 365 days) at an average rate of \$0.25 per Dt (\$2,737,500 annually), as supported  
20 by Iroquois witness Mr. Rupff.

21 As also shown on Statement G, the test-year demand billing determinants  
22 total 2,760,000 Dt, reflecting full capacity utilization (230,000 Dt x 12 months) of  
23 the Eastchester project, consistent with Iroquois' design of the Eastchester rates to  
24 assume the full risk of marketing the entirety of this new incremental capacity at

1           maximum rates. Assumption of that risk by Iroquois here results in significant  
2           under-recovery of Iroquois' test-year costs in this proceeding, *i.e.*, a cost of  
3           service totaling \$70.9 million versus revenues of only \$48.9 million.

4    **Q.12 Does this conclude your prepared direct testimony?**

5    A.13 Yes, it does.