

**NEW YORK ENERGY HIGHWAY  
REQUEST FOR INFORMATION (“RFI”)  
ISSUED APRIL 2012  
GOVERNOR ANDREW M. CUOMO TASK FORCE**

**IROQUOIS GAS TRANSMISSION SYSTEM, L.P.  
ELI PROJECT**

**A PROPOSAL TO BUILD NEW HIGH PRESSURE NATURAL  
GAS PIPELINE INFRASTRUCTURE TO  
EASTERN LONG ISLAND**

*Delivering Low Cost, Environmentally-Friendly  
Natural Gas Supplies to Fuel Power Generation and  
Stimulate Economic Development on  
Eastern Long Island*

**SUBMITTED BY:**

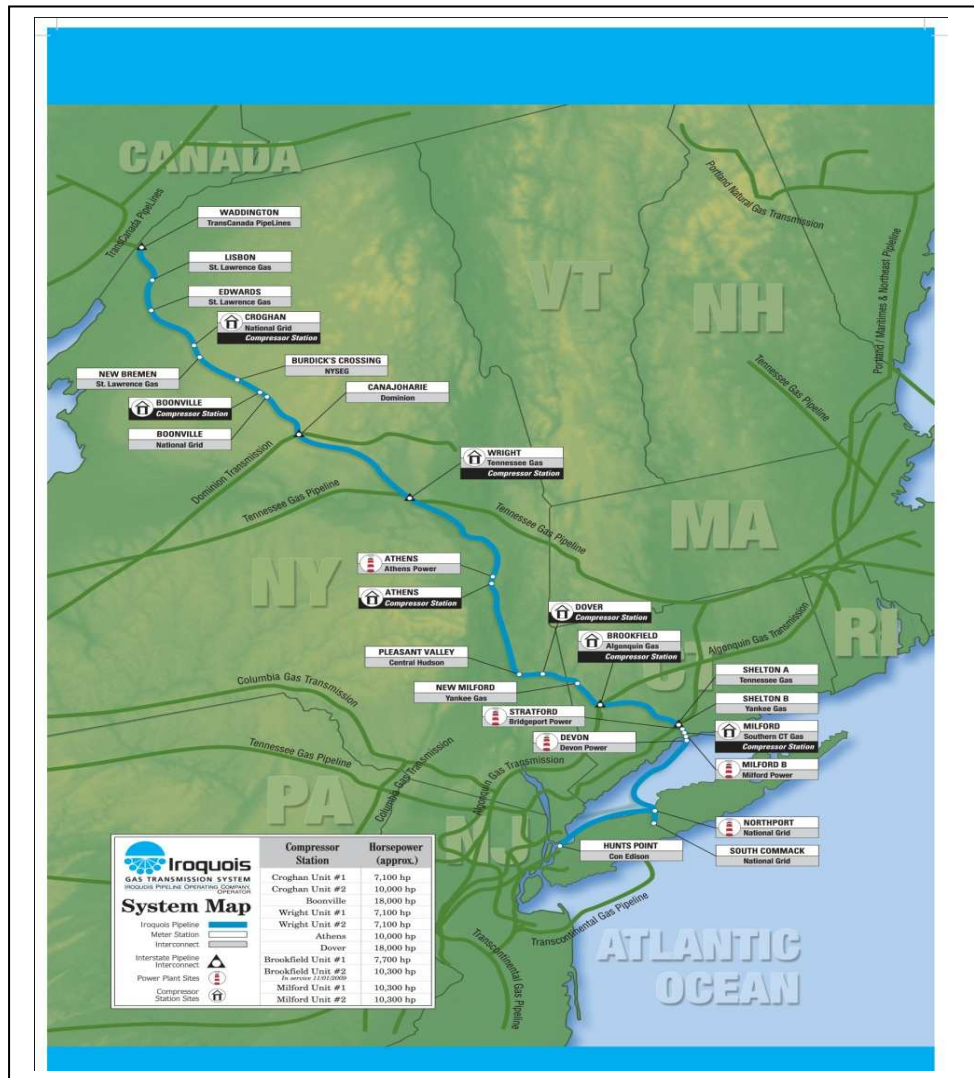
**IROQUOIS GAS TRANSMISSION SYSTEM, L.P.  
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# IROQUOIS BACKGROUND

Iroquois Gas Transmission System, L.P.<sup>1/</sup> (“Iroquois”) owns and operates a Federal Energy Regulatory Commission (“FERC”) jurisdictional interstate natural gas transmission pipeline that extends from the Canada-United States border near Waddington, NY to South Commack, Long Island, NY, and extending further west from Northport, Long Island, NY through the Long Island Sound to Hunts Point, Bronx, NY (see Iroquois System Map below):



<sup>1/</sup>Iroquois Gas Transmission System, L.P. is a Delaware limited partnership. As of September 30, 2011, the partners consist of TransCanada Iroquois Ltd. (29.0%), North East Transmission Company (National Grid) (19.4%), Dominion Iroquois, Inc. (24.72%), TCPL Northeast Ltd. (15.48%), TEN Transmission Company (Iberdrola) (4.87%), NJNR Pipeline Company (5.53%) and National Grid IGTS Corp. (1.0%). Iroquois Pipeline Operating Company, a wholly-owned subsidiary, is the administrative operator of the pipeline.

In New York, Iroquois provides service to National Grid, Con Edison and Central Hudson, as well as electric power generators (e.g., Athens Generating and Dynegy Roseton), marketers, and other end-users. The Iroquois pipeline interconnects with the interstate natural gas transmission systems of: (1) Tennessee Gas Pipeline Company at Wright, NY and Shelton, CT; (2) Dominion Transmission, Inc. at the Canajoharie meter station located near Fort Plain, NY; and (3) Algonquin Gas Transmission LLC (“Algonquin”) in the Town of Brookfield, CT.

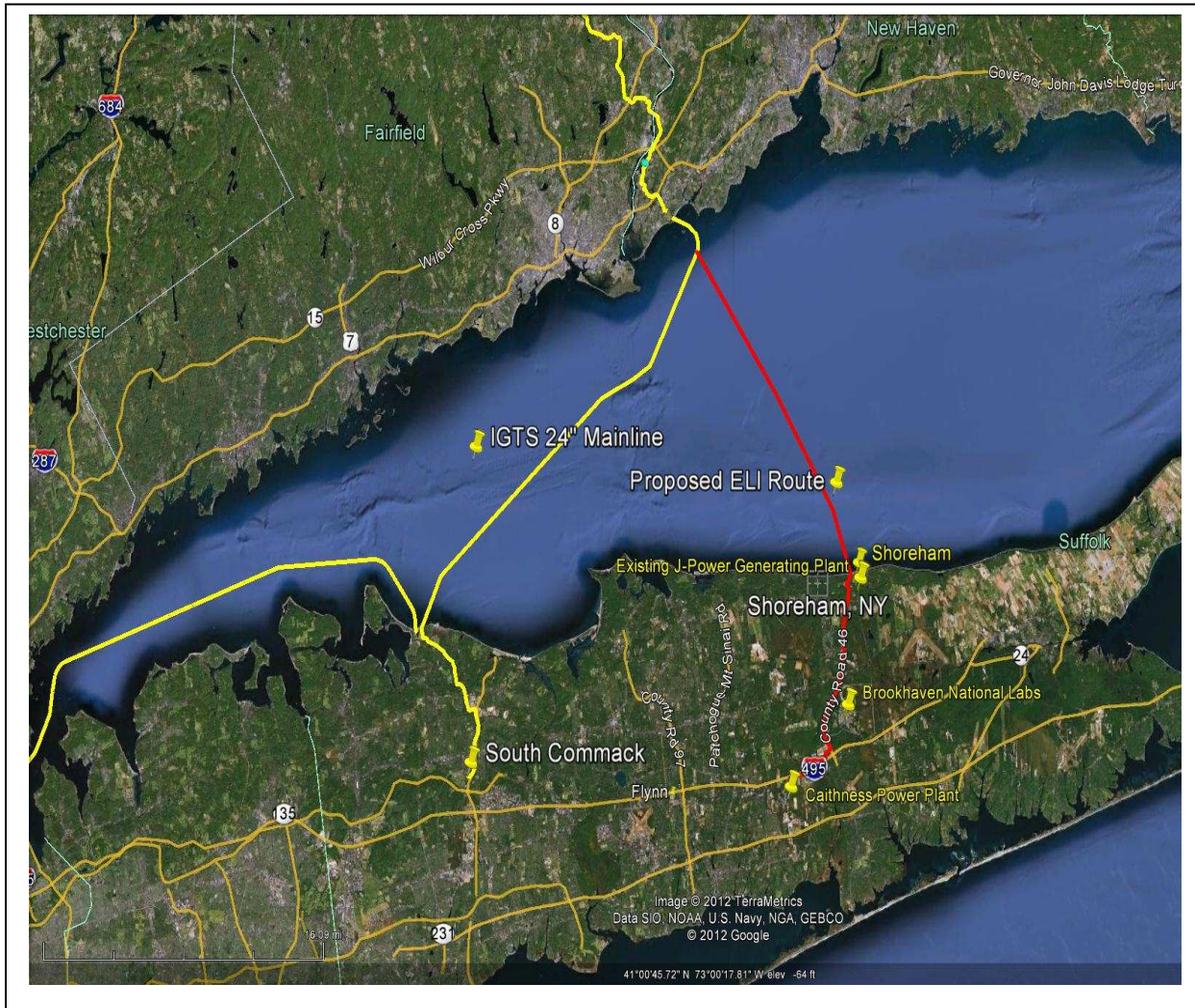
Iroquois commenced full operations in 1992, creating a link between western Canada natural gas supplies and markets in the states of New York, Connecticut, Massachusetts, New Hampshire, New Jersey, and Rhode Island. In 2008, Iroquois established an additional physical receipt connection with Algonquin, and by extension, the Millennium Pipeline and the Marcellus natural gas supply basin. Since commencing operations, Iroquois has nearly tripled the amount of natural gas transported through our pipeline system. Iroquois currently transports up to 1.5 million dekatherms per day (“MMDt/d”) of clean-burning, natural gas.

## **PROJECT DESCRIPTION**

Iroquois proposes to construct and operate a new 24” diameter high pressure natural gas pipeline which would extend from a point on the existing Iroquois pipeline system near the Connecticut shoreline to Shoreham, Long Island, NY, and extending further inland to Yaphank in Suffolk County. This new pipeline, called the Eastern Long Island Project, or the “ELI Project” for short, would connect to our existing pipeline by means of a subsea tap located in the Long Island Sound, outside the Connecticut shellfish beds, approximately 2 miles off of Milford, CT, and run along the seabed of the Long Island Sound for approximately eighteen (18) miles in a south easterly direction to Shoreham, NY (see drawing below). It would then continue approximately eight (8) miles in a southerly direction along the William Floyd Parkway to the Long Island Expressway. From there, it would run approximately four (4) miles in a westerly direction to Yaphank, NY.



## ELI Project Route



The new ELI pipeline would also be capable of connecting to other locations along the proposed route in order to serve power generation on eastern Long Island, as well as connect to the National Grid gas transmission and distribution systems to increase the availability of natural gas to serve commercial, industrial and residential customers in Suffolk County. The ELI Project would be capable of initially transporting 225,000 dekatherms per day, with expandability via upstream compression to upwards of 800,000 dekatherms per day. The initial capacity of the ELI Project could support the natural gas requirements of over 1,000 MW of electric generation, as well as supplying substantial natural gas demand for incremental commercial, industrial and

residential development on eastern Long Island. The project could be placed in service as early as Q4 2015, assuming a formal filing of the project is made to the FERC in late 2012.

The ELI Project would enable Long Island to take advantage of increasingly plentiful supplies of cost effective natural gas from the Pennsylvania (and New York, pending the outcome current environmental reviews by the state) Marcellus region, as discussed in greater detail later in this response. Furthermore, the ELI Project is very similar to two (2) projects (Iroquois' Eastern Long Island Extension Project and KeySpan/Duke's Islander East Pipeline Project) that were proposed in the early 2000's, but never built due to a variety of reasons. The Islander East Pipeline Project, in particular, enjoyed wide-ranging New York government and stakeholder support in its efforts to build a new high pressure pipeline to eastern Long Island. The ELI Project, as proposed herein, would deliver very similar economic and environmental benefits to power generators and other potential commercial/industrial/residential consumers of natural gas on eastern Long Island.

## **PROJECT JUSTIFICATION**

With the emergence of the availability of competitively priced and environmentally-friendly natural gas from the Marcellus region in Pennsylvania, there exists a substantial opportunity for Iroquois to deliver additional supplies of natural gas from this prolific supply basin to eastern Long Island, in order to supply both existing and new electric generation, as well as to substantially expand the availability of natural gas in eastern Long Island which has tremendous growth potential.

On August 20, 2010, the Long Island Power Authority ("LIPA") issued a Request for Proposal ("RFP") for 1,000 MW of new and/or re-powered on-island electric generation or off-island dedicated electric cables. LIPA later increased the RFP to 2,500 MW. By offering access to competitive Marcellus gas production, the ELI Project could serve existing generation at Shoreham where there is currently no supply of natural gas (the generation is currently fueled by oil), as well as supply other existing and new electric generation expected to be constructed on eastern Long Island.

The ELI Project (a 1,440# system) could also tie into National Grid's natural gas transmission system (a 450# system which currently terminates in the vicinity of Yaphank, NY) on eastern

Long Island, and would present a new opportunity to stimulate commercial, industrial and residential development on eastern Long Island, as well as offer existing oil consumers the opportunity to convert to natural gas, thereby reducing energy costs and improving overall air quality.

Since its inception nearly twenty-one (21) years ago, Iroquois has been an integral part of the Northeast pipeline infrastructure and has been the primary conduit for delivering Canadian gas from the Western Canadian Sedimentary Basin (“WCSB”) to downstate New York utilities and power generating facilities.

With the emergence of the Marcellus gas supply basin in Pennsylvania, Iroquois is now planning for the opportunity to deliver competitively priced supplies from this new supply basin to these downstate markets. Marcellus gas producers in Pennsylvania are supporting pipeline projects to bring their product to the Northeast and have expressed interest in connecting into the Iroquois pipeline system. One such proposal is the Constitution Pipeline (see map below), a joint venture between Cabot Oil and Gas Corporation (“Cabot”) and Williams Partners, L.P., which would supply natural gas to Iroquois at Wright, NY. This pipeline’s initial capacity of 650,000 dekatherms per day has been fully subscribed by Cabot and Southwestern Energy Company (“SWN”). Constitution Pipeline submitted its FERC pre-filing request on April 5, 2012 and was assigned Docket No. PF12-9. The Constitution Pipeline is currently targeting an in-service date of March 1, 2015.

## **FINANCIAL**

Iroquois generally funds its projects through internal cash flow, private equity contributions from its partners, and issuance of debt. Private-public partnerships or joint ventures with other partners could be considered as well.

## **PERMIT AND APPROVAL PROCESS**

Federal, state and local permits and approvals will be needed to develop and operate the project. The FERC would be the lead agency for the ELI Project.

Iroquois is currently in the pre-development phase for the ELI Project. After precedent agreements have been executed to underpin the project and demonstrate market need, Iroquois

would submit a pre-filing notice to the FERC, followed by a formal certificate application filing made approximately six (6) months later. Based on our previous development work of the Eastern Long Island Extension (“ELIE”) Project ten (10) years ago, Iroquois believes a high likelihood exists that all required permits would be received in a timely fashion.

## **ADDITIONAL INFORMATION**

### **Proposed In-Service Date and Project Schedule**

From the time Iroquois were to initiate the project and follow the FERC application through to certification and commencement of operations, the entire process would take approximately 3 to 3½ years.

### **Construction**

Iroquois is committed to minimizing disruptions, to the extent possible, during construction of pipeline projects. While some disruption and interference of daily routines can be expected, construction inconveniences are usually temporary and localized in nature.

Construction of the proposed marine portion of the pipeline would be conducted in the winter months to minimize the impact on recreational boating, fishing, water sports and tourism. All phases of construction would be monitored by various federal and state agencies.

Iroquois always attempts to use local labor and products in all of its projects. During construction, many high paying jobs would be created. As always, Iroquois would seek out local labor to supply needed workers. Local businesses such as motels, restaurants, and grocery stores would also see significant increase in business.

### **Operational**

Iroquois has an impeccable safety record and safety training is an integral part of our daily operations.

## Socio-Economic

The ability to utilize clean, economical and abundant natural gas as a fuel to power electric generation is a great benefit to local communities. Utility costs, a constant concern for industrial and manufacturing plants, commercial facilities, as well as residential households, often determines where businesses will locate. Keeping prices down ensures both the retention of industrial and commercial operations as well as the opportunity to create new jobs.

As to the issue of impacts on real estate and property values, there are many independent and authoritative studies that show that natural gas pipelines have a diminutive effect on property values or sales, as gas pipelines are buried and out of sight. In addition, above ground facilities are typically designed to fit into the area or are mitigated by landscaping,

## Environmental

Natural gas produces far less CO<sub>2</sub>, SO<sub>2</sub>, and particulates than oil, which is the principal fuel burned on eastern Long Island. Conversion of existing oil-fired power generation to natural gas would substantially improve the overall air quality. The FERC, as lead federal agency, would make an assessment of the project from an environmental standpoint.

## Public Outreach and Stakeholder Engagement

Early outreach to our stakeholders is essential for us in order to identify environmental issues and concerns. As part of the FERC application process, Iroquois would conduct many Town Hall type meetings to explain the nature of our project, the engineering techniques to be employed, and the safety precautions that would be undertaken to make the project the least impactful to the environment and to the community. Stakeholder communications would continue through to the commencement of operations and thereafter through Iroquois' ongoing Public Awareness Education Program.



## **ELI PROJECT BACKGROUND**

### **IMPROVING UPON THE BENEFITS TO EASTERN LONG ISLAND THAT UNDERPINNED THE ISLANDER EAST PROPOSAL A DECADE AGO**

In the early 2000's, both KeySpan/Duke with respect to Islander East and Iroquois with respect to its ELIE Project, applied to FERC for approval of their respective projects to bring a new high pressure natural gas pipeline to eastern Long Island. Both projects sought to provide the economic and environmental benefits of natural gas to eastern Long Island as discussed in this document.

Iroquois proposed the ELIE Project – a subsea and overland high pressure natural gas pipeline extension off its existing subsea mainline. The 20” diameter, 17.9-mile marine segment was to have originated from a subsea tap approximately 2 miles off shore of Milford, CT and landed at Long Island Power Authority's Shoreham site in the Town of Brookhaven, Suffolk County. It then would have continued overland in a southerly direction approximately eight (8) miles along the William Floyd Parkway to the Long Island Expressway (I-495) and then approximately four (4) miles westerly to Yaphank. Islander East's proposal, though different from Iroquois with respect to its Connecticut point of origin, as well as its route under the Long Island Sound, was very similar to that of Iroquois in the on-land portion leading from Shoreham, NY to Brookhaven, NY.

The targeted end-users for both projects were two (2) electric generation facilities being studied and considered by LIPA in the hamlets of Calverton and Yaphank in Suffolk County, as well as other potential end-users along the proposed overland route, including KeySpan (now National Grid) and Brookhaven National Laboratory. At that time, KeySpan enumerated many benefits that would be derived by Long Island from having a new high pressure natural gas pipeline built to eastern Suffolk County.

Even though ELIE received a very favorable Draft Environmental Impact Statement (DEIS) from the FERC, Iroquois chose to withdraw its application due to the fact that Islander East had received its FERC Certificate first and Iroquois felt that there was not sufficient demand for two (2) pipelines. Six (6) years later, in 2006, Islander East was ultimately denied a crucial permit from the State of Connecticut, thus forcing it to abandon the project (notably, during

Connecticut's review of the Islander East Project it observed that the ELI Project was preferable). As a consequence, the existing Iroquois pipeline remains the only natural gas pipeline connecting Connecticut, Long Island and New York City by a subsea marine pipeline in Long Island Sound. Iroquois is proposing the ELI Project as a result of LIPA's current RFP for up to 2,500 MW, and in recognition of the potential to provide much needed, increased natural gas to eastern Long Island.

In order for Long Island to fully take advantage of the economic and environmental benefits associated with clean burning natural gas, it is imperative that new high pressure natural gas pipeline infrastructure be developed and built to serve eastern Long Island. Building natural gas pipelines is harder today than it was ten (10) years ago. The regulatory process is more complex and involved. The costs of materials and labor have increased and environmental concerns demand strict adherence to new and changing regulations. But, if history teaches us anything, it is safe to say that the cost to construct new infrastructure ten (10) years from now will certainly be higher than today. We believe this is the right time to build for the future.

## **Forward-Looking Statement Disclaimer**

This publication may contain various forward-looking statements. Such forward-looking statements are based on current expectations, are not guarantees of future performance and include assumptions about future market conditions, operations and results. Iroquois can give no assurance that such expectations will be achieved. Among the many factors that could cause actual results to differ materially from those in the forward-looking statements herein are: future demand and prices for natural gas; availability of supplies of Canadian natural gas; regulatory, political, legislative and judicial developments, particularly with regard to regulation by the Federal Energy Regulatory Commission; the timing and cost of Iroquois' expansion projects; competitive conditions in the marketplace; changes in the receptivity of the financial markets to Iroquois or other oil and gas credits similar to Iroquois and, accordingly, our strategy for financing any such change in business strategy or expansion.