

ISLANDER EAST PIPELINE COMPANY, L.L.C.
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September 10, 2003

The Honorable Patrick Henry Wood, III
Chairman
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Islander East Pipeline Company, L.L.C., FERC Docket Nos. CP01-384-000 et al.

Dear Chairman Wood:

As sponsors for the Islander East Pipeline Project, Duke Energy Gas Transmission and KeySpan Energy Development Corporation urge the Federal Energy Regulatory Commission to submit additional comments during the extended federal agency comment period in the appeal by Islander East before the U.S. Department of Commerce.

As you know, Islander East was granted a certificate of public convenience and necessity on September 19, 2002. In the certificate, which was issued after a comprehensive environmental review, the Commission found Islander East to be environmentally acceptable and critically needed to ensure the security and reliability of natural gas service to Long Island. One year after receiving Commission authorization, despite a clear finding by the Commission of need for the project, Islander East still has not been granted the requested construction permits from the state of Connecticut.

Islander East filed its first request for a federal override of Connecticut's objection to the project in the fall of 2002. In March 2003, the Commission filed comments urging the Secretary of Commerce to federally approve the project because it substantially furthers the public interest by ensuring the reliability of eastern Long Island's supply of natural gas for both heating and electric generation customers. The Commission stated that "this contribution to the public interest is incalculable in terms of economic benefit achieved and environmental consequences avoided" compared to the "transient" impacts on Connecticut's coastal zone. Finally, the Commission noted that the single environmentally preferable alternative identified in the FEIS "would neither meet the Commission's NGA policy goals of increasing the flexibility and reliability of the interstate pipeline grid nor promote competition."

In May 2003, following agreement by Islander East to additional construction mitigation of approximately \$8 million, Islander East agreed to a remand of the pending appeal to permit Connecticut to reconsider its objection to the project. On July 29, 2003, Connecticut denied the project's request for a consistency determination for a second time.. The primary bases for the denial are Connecticut's findings that the project would cause significant adverse impacts to coastal resources and water-dependent uses which could be avoided by other routes and/or project

alternatives. These determinations ignore the fact that the routing of interstate natural gas pipelines is committed to the exclusive jurisdiction of the Commission and is subject to the Commission's extensive application review process – a process which has been fully completed in the case of Islander East, resulting in a determination that the project, as routed by the Commission, is critically needed to support the New York region's gas infrastructure.

In light of Connecticut's second denial, Islander East has reinstated its appeal proceeding before the Secretary. The Department of Commerce has reopened the federal agency comment period and has stated that agency views will be accepted through October 27, 2003. Islander East's view is that recent events, including the blackout experienced on August 14, 2003, only confirm the Commission's findings that the project is critically needed. Accordingly, Islander East would very much appreciate it if the Commission would take advantage of this opportunity to once again express its views with respect to the project to the Secretary of Commerce.

As you noted in testimony relating to the blackout before the United States House of Representatives Committee on Energy and Commerce on September 3, 2003, infrastructure permitting is a key step for development and improvement of reliable energy transmission infrastructure. Specifically, you stated "...that little progress will be made until there is a rational and timely method for builders of necessary transmission lines to receive siting approvals." While we understand the subject of this testimony to be new interstate electric transmission lines, obviously this point applies with equal force to gas infrastructure projects like Islander East which, as fuel provider to electric generation customers on Long Island, is a project specifically designed to increase the interconnections among the region's energy resources. As such, it is an excellent example of the impact permitting delays can have on the reliability of the overall energy delivery system.

Therefore, in Islander East's view it is critical that the Commission provide additional comments in Islander East's appeal in order to protect its jurisdiction under the Natural Gas Act, support its application review process and give meaning to its approval of Islander East.

Sincerely,



Thomas C. O'Connor, President
Duke Energy Islander East Pipeline Company, L.L.C.



H. Neil Nichols, President
KeySpan Islander East Pipeline, L.L.C.

cc: The Honorable William L. Massey
The Honorable Nora M. Brownell



Department of Energy

Washington, DC 20585

Order No. 202-03-2

Pursuant to the authority vested in me by section 202(c) of the Federal Power Act, 16 U.S.C. 824a(c), and section 301(b) of the Department of Energy Organization Act, 42 U.S.C. 7151(b), and for the reasons set forth below, I hereby determine that an emergency continues to exist in the Northeast United States due to a shortage of electric energy, a shortage of facilities for the generation of electric energy, a shortage of facilities for the transmission of electric energy and other causes, and that issuance of this order will serve to alleviate the emergency and serve the public interest. This emergency also affects the reliability of electric service in Canada, which in turn affects, and is affected by, the reliability of electric service in the United States.

On August 14, 2003, the Northeast and Upper Midwest areas in the United States, as well as portions of Canada, experienced the largest electric transmission grid failure and electric service outage ever to occur in North America. Tens of millions of people were affected by this outage, and it presented profound risks to the public health and safety throughout the affected areas. Only hours after the outage occurred, and after considering the unanimous recommendation of the North American Electric Reliability Council, the New York Independent System Operator (NYISO), ISO New England, Inc. (NEISO), and electric utilities in both New York and Connecticut in support of the issuance of an emergency order, I issued an order directing the NYISO and NEISO to require the Cross-Sound Cable Company, LLC (CSC) to operate the Cross-Sound Cable and related facilities as necessary to alleviate the disruptions in electric transmission service. The Cable was energized a short time thereafter. Within hours, it was delivering 300 MW of energy from Connecticut to Long Island and also providing valuable voltage support and stabilization services for the electric transmission systems in both New England and New York. It has been reported that operation of the Cable prevented rolling blackouts from occurring in New York in the hours immediately after electric service was restored.

The emergency to which the August 14 order was directed was not one confined to interruptions on Long Island; it was directed to addressing the emergency confronted by the entire region that experienced the blackout. At the current time, it has not yet been authoritatively determined what happened on August 14 to cause the transmission system to fail resulting in the power outage, or why the system was not able to stop the spread of the outage. Because these questions have not yet been authoritatively answered, all of the appropriate actions that should be taken in response to prevent future power outages have not yet been discerned and thus have not yet been taken. For these reasons, and even though electric service has been restored in the area affected by the August 14 blackout, it is my judgment that an emergency continues to exist such that an order under Federal Power Act section 202(c) continues to be necessary and should be issued.

The order I am issuing today will alleviate the emergency because it will allow energy to be delivered to and from Connecticut and Long Island as is deemed necessary by the



professionals who manage the grid, and because operation of the Cable will provide voltage support and stabilization services to the transmission system in the Northeast United States. In my judgment, continued operation of the Cross-Sound Cable (that is, its continuing to be energized and its regular commercial transmission of electric energy) is necessary and desirable to address effectively the situation that exists in the Northeast United States.

Based on my determination set forth above, I hereby order:

From 12:01 a.m. Eastern Daylight Time, September 1, 2003, until such time as the emergency identified in this order ceases to exist as I shall specify in a subsequent order, CSC is directed to operate, in accordance with system operating criteria, the Cross-Sound Cable and related facilities connecting substations in New Haven, Connecticut and Shoreham, Long Island, New York, to transmit and deliver electric capacity and/or energy when, as and in such amounts as may be scheduled and purchased, to provide voltage support and stabilization services to the transmission system, and to take such actions as are necessary in order to enable it to do so, including but not limited to energizing and continuing to energize its facilities to transmit and deliver electric capacity and/or energy from Long Island to Connecticut or from Connecticut to Long Island, and operating its voltage support and stabilization facilities, all in accordance with the usual operating and scheduling protocols of the NYISO and NEISO, and not conditioned on whether particular outages have been identified as being threatened or imminent in New York or Connecticut. If necessary, just and reasonable terms for the transmission and delivery of electric capacity and/or energy pursuant to this order, including the compensation therefor, shall be established by a supplemental order issued pursuant to Federal Power Act section 202(c).

This order shall be effective upon its issuance.

Issued in Washington, D.C. at 2 PM this 28th day of August, 2003



Spencer Abraham
Secretary of Energy