

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

Cross-Sound Cable Company, LLC)

Docket No. TS04-_____

**ORDER NO. 2004 COMPLIANCE FILING
OF CROSS-SOUND CABLE COMPANY, LLC**

Pursuant to Order No. 2004¹ and the Commission's January 16, 2004 "Guidance on Informational Filings and Implementation Procedures for Standards of Conduct under Order No. 2004" ("January 16 Notice"), Cross-Sound Cable Company, LLC ("CSC LLC") hereby submits its Order No. 2004 compliance filing. CSC LLC owns facilities used for the transmission of electric energy in interstate commerce, and is thus a Transmission Provider subject to Order No. 2004.²

The January 16 Notice set forth the requirements for the February 9, 2004 informational filing as required by Order No. 2004. The January 16 Notice required all Transmission Providers to (1) identify whether they are in compliance with the requirements of Order No. 2004, and what, if any, steps need to be taken to come into compliance; (2) identify the general measures the Transmission Provider expects to take to comply with Order No. 2004 prior to June 1, 2004; and (3) identify all projected compliance costs broken down for each element of compliance.

¹ *Standards of Conduct for Transmission Providers*, Order No. 2004, FERC Stats. & Regs. ¶ 31,155 (2003), *reh'g pending*.

² The CSC is presently operational as a result of Order No. 202-03-2, issued on August 28, 2003 by the Secretary of Energy authorizing full-time commercial operation of the CSC until the Secretary determines that the emergency situation cited in such order no longer continues to exist.

CSC LLC submits herein information responsive to each of these requests. Further, as noted below, CSC LLC intends to seek an exemption from the new standards of conduct promulgated in Order No. 2004 pursuant to 18 C.F.R. §§ 358.1(c) and (d). CSC LLC will seek this exemption in a separate filing to be made in the near future. CSC LLC will seek an exemption from the standards of conduct on the following grounds: (1) CSC LLC's sole transmission asset, the Cross-Sound Cable ("CSC"), is controlled and operated by ISO-New England, Inc. ("ISO-NE"); (2) CSC LLC does not share any Transmission Provider employees with its Energy Affiliates; (3) CSC LLC owns one discrete transmission facility that does not form part of the integrated transmission grid;³ and (4) the CSC capacity is 100 percent subscribed under a long-term service agreement by a non-affiliate company. For all these reasons, CSC LLC believes that any concerns that CSC LLC will preferentially benefit an Energy Affiliate are vitiated and it thus qualifies for an exemption from the standards of conduct consistent with Order No. 2004.

Prior to discussing CSC LLC's status with respect to its current compliance with Order No. 2004, CSC LLC first sets forth below a description of its corporate structure and affiliate relationships in order to better inform the Commission about CSC LLC.

A. CSC LLC's Corporate Structure and Affiliate Relationships

CSC LLC is the owner of the CSC, a 24-mile 330 MW bi-directional HVDC transmission facility that runs under the Long Island Sound between New Haven, Connecticut

³ Existing Commission precedent under Order No. 889 provides for exemptions from the electric standards of conduct in such situations. See *Black Creek Hydro, Inc.* 77 FERC ¶ 61,232 at 61,941 (1996).

and Shoreham, New York.⁴ CSC LLC does not engage in any other business activities other than those activities incident to the CSC.

CSC LLC is a Connecticut limited liability company, 74 percent of which is owned by TransÉnergie U.S. Ltd. (“TEUS”), 1 percent of which is owned by TransÉnergie HQ Inc. (“TEHQ”), and 25 percent of which is owned by United Capital Investments, Inc. (“UCI”). TEUS is a Delaware corporation and wholly owned subsidiary of Hydro-Québec (“HQ”), a Canadian corporation owned by the Province of Québec, Canada. TEHQ is a Canadian corporation and wholly owned subsidiary of HQ. UCI is a Connecticut corporation and wholly owned subsidiary of United Resources, Inc., which in turn is a wholly owned subsidiary of UIL Holdings Inc., a publicly traded Connecticut corporation and an exempt public utility holding company.

Other than through its interest in CSC LLC, TEUS does not engage in energy or natural gas commodity markets nor is it involved in transmission transactions in U.S. markets.⁵ Accordingly, TEUS is a “parent company” and exempt from the definition of Energy Affiliate pursuant to 18 C.F.R. § 358.3(d)(5)(iii). TEUS’ parent, HQ, is a foreign affiliate and thus exempt from the definition of Energy Affiliate pursuant to 18 C.F.R. § 358.3(d)(5)(i).

However, several entities owned directly or indirectly by HQ do participate in U.S. energy markets and meet the definition of an Energy Affiliate as set forth in Order No. 2004. H.Q. Energy Services (U.S.) (“HQUS”), a wholly-owned affiliate of HQ, participates in U.S.

⁴ On June 1, 2000, the Commission approved TEUS’ request for negotiated rate authority to sell transmission service over the CSC. *See TransÉnergie U.S. Ltd.*, 91 FERC ¶ 61,230 (2000). On June 15, 2001, the Commission granted TEUS’ and CSC LLC’s request to transfer to CSC LLC all rights and obligations authorized by the Commission in its June 1, 2000 order and all subsequent orders. *TransÉnergie U.S. Ltd.*, 95 FERC ¶ 61,410 (2001).

⁵ TEUS is also in the development stage for other proposed transmission projects in the United States, which unlike CSC, have not yet been constructed. Similar to CSC LLC, TEUS’s ownership interests in such projects are or will be through subsidiary companies.

energy markets as a marketer of power (including power produced by HQ in Canada). HQ indirectly has a 31.8 percent ownership interest in Vermont Gas Systems, Inc. ("VGS"), a natural gas distribution and pipeline company in the United States.⁶ As an LDC, VGS would be exempt from the definition of an Energy Affiliate pursuant to section 358.3(d)(5)(v). However, VGS may engage in off-system sales and thus, as presently written, would not qualify for the LDC exemption in section 358.3(d)(5)(v).⁷

HQ also holds an indirect ownership interest in Bucksport Energy LLC ("Bucksport Energy"), which owns 72.2 percent of a qualifying cogeneration facility located in Bucksport, Maine. Through ownership interests in various entities, HQ owns 49.9968 percent of the Bucksport Energy facility.⁸ Bucksport Energy commenced operations in January 2001. Bucksport Energy's application for QF certification of the facility was approved by the FERC on July 12, 1999.⁹ Bucksport Energy sells electric energy in U.S. markets and thus meets the definition for an Energy Affiliate.

TEHQ is a foreign affiliate with a one percent interest in CSC LLC and other than this interest in CSC LLC, it does not participate in U.S. energy markets and thus does not meet the definition of an Energy Affiliate.

⁶ HQ holds 41.2% of the share capital of Noverco, a Canadian corporation that holds a 100% ownership interest in Gaz Metropolitan, Inc. ("GMI"). GMI is the general partner of Gaz Metropolitan and Company, Limited Partnership ("GMCLP") and holds a 77.4% interest therein. GMCLP holds an indirect (through Northern New England Gas Corporation) 100% percent ownership interest in VGS.

⁷ CSC LLC notes that industry trade groups, numerous LDCs and other energy companies have sought rehearing of Order No. 2004 in order to remove the restriction on an LDC making off-system sales in order to qualify for the exemption from the definition of Energy Affiliate.

⁸ H.Q. Energy Holding, Inc., a wholly owned subsidiary of HQ, owns 38.88% of Bucksport Energy's membership interest in the facility. MEG Holding US Corporation owns the remaining 61.12% interest of Bucksport Energy's (72.2%) interest in the facility. MEG Holding US Corporation is wholly owned by Multinational Electricity and Gas Corporation, which, in turn, is 50% owned by HQ.

⁹ *Bucksport Energy LLC*, 88 FERC ¶ 62,036 (1999).

CSC LLC's minority owner, UCI, does not engage in energy or natural gas commodity markets and is not involved in transmission transactions in U.S. energy markets and thus does not meet the definition of an Energy Affiliate.

CSC LLC has entered into an inter-company services agreement with TEUS that provides for TEUS employees to manage the day-to-day business operations of CSC LLC. ISO-NE operates the CSC pursuant to the NEPOOL Tariff and coordinates scheduling and maintenance of the CSC.¹⁰

B. CSC LLC is Presently in Compliance with the Organizational/Structural Requirements of Order No. 2004

CSC LLC is presently in compliance with the organizational/structural requirements of Order No. 2004. CSC LLC does not have a merchant function and, as noted above, has three Energy Affiliates as defined in Order No. 2004. CSC LLC does not share any Transmission Function employees with its Energy Affiliates and thus satisfies the separation of functions requirement in 18 C.F.R. § 358.4(a).

Since CSC LLC is not subject to the present standards of conduct promulgated in Order No. 889 and codified in 18 C.F.R. § 37.4, CSC LLC does not presently post organizational charts or identify its affiliates on its limited OASIS node on the NEPOOL OASIS site, as required by 18 C.F.R. § 358.4(b). As ISO-NE has operational control over the CSC and since CSC LLC is seeking an exemption from the standards of conduct in Part 358, CSC LLC does not intend to post this information.

C. General Measures CSC LLC Expects to Take Prior to June 1, 2004

As noted above, CSC LLC will seek an exemption from the standards of conduct promulgated in Order No. 2004 prior to June 1, 2004. Accordingly, CSC LLC does not intend to

¹⁰ See *New England Power Pool*, 99 FERC ¶ 61,338 (2002), *order on reh'g*, 100 FERC ¶ 61,259 (2002).

take any additional measures to comply with Order No. 2004 until the Commission acts upon the exemption request.

D. Costs to Comply with Order No. 2004

Since CSC LLC intends to seek a complete exemption from the standards of conduct, CSC LLC does not anticipate incurring any compliance costs other than the legal fees required to obtain such exemption.

Respectfully submitted,

CROSS-SOUND CABLE COMPANY, LLC

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