

108 FERC ¶ 61,325
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Northwest Pipeline Corporation

Docket Nos. RP04-565-000
RP04-565-001

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS,
SUBJECT TO REFUND,
AND ESTABLISHING A TECHNICAL CONFERENCE

(Issued September 30, 2004)

1. On August 31, 2004, Northwest Pipeline Corporation (Northwest) filed tariff sheets,¹ pursuant to section 14.12 of the General Terms and Conditions (GT&C) in its tariff (August 31 filing). Section 14.12 requires Northwest to file semi-annually a recalculation of its fuel and gas loss factors for all transportation rate schedules. On September 15, 2004, Northwest filed *pro forma* tariff sheets (September 15 filing) reflecting an alternative to the increased Evergreen Expansion incremental fuel surcharge included in the August 31 filing. The Commission accepts and suspends the tariff sheets included in the August 31 filing, to be effective October 1, 2004, subject to refund and the outcome of a technical conference. This order benefits the public interest by giving all affected parties the opportunity to fully address the issues raised by Northwest's filings.

I. Details of the August 31 Filing

2. Northwest proposes (1) an increase from 1.34 percent to 1.41 percent in the fuel use requirements factor applicable to Northwest's transportation service rate schedules, and (2) an increase from .80 percent to 2.20 percent in the Evergreen Expansion incremental surcharge applicable to certain service under Rate Schedule TF-1 for

¹ Twenty-Third Revised Sheet No. 14 to FERC Gas Tariff, Third Revised Volume No. 1; and Thirty-Eighth Revised Sheet, No. 2.1 to Original Volume No. 2

shippers under Evergreen Expansion service agreements (collectively, the fuel Factors). The revised fuel Factors allow Northwest to be reimbursed in kind for the fuel used during the transmission and storage of gas and for the volumes of gas lost or gained and unaccounted-for that occur as a normal part of the operation of the transmission system.

3. Northwest proposes a fuel Factor of 1.41 percent to be applicable during the upcoming October 2004 through March 2005 (Winter) period for transportation service under Rate Schedules TF-1, TF-2, TI-1, DEX-1 and all applicable transportation service rate schedules contained in Original Volume No. 2 of Northwest's tariff. Northwest states that the system fuel component of the proposed fuel Factor is 1.68 percent versus the current system fuel component of 1.24 percent. The lost and unaccounted-for component of the proposed fuel Factor is a negative 0.27 percent versus the current lost and unaccounted-for component of 0.10 percent. Northwest notes that actual fuel usage on the system has been higher than forecast due to increased compression on its 30-inch pipeline to compensate for the temporary idling of its 26-inch pipeline between Sumas and Washougal, Washington. The 26-inch pipeline was idled pursuant to corrective action orders issued by the Department of Transportation's Office of Pipeline Safety in late 2003. Northwest also states that lost and unaccounted-for gas was significantly less than forecast.

4. Northwest states that the current 1.34 percent fuel Factor reflects a refund of true-up adjustments totaling 953,261 Dth and the proposed 1.41 percent fuel Factor reflects a refund of true-up adjustments totaling 442,944 Dth. Northwest states that although the true-up adjustments significantly impacted the two components of the proposed fuel Factor, in total the adjustments somewhat offset each other. Northwest explains that although its tariff does not dictate any specific forecast methodology, Northwest typically bases its projected transportation volumes, fuel usage and lost and unaccounted-for volumes on historical averages. Northwest states it has continued to use that methodology in making the current projections.

5. Northwest states that with this filing it now has more than six months experience with the Evergreen Expansion shippers. For the period January – June 2004, Northwest allocated actual Sumas-Chehalis compressor fuel as provided in section 14.12(i) of its GT&C and determined that it had under recovered incremental fuel attributable to Evergreen Expansion service by 37,104 Dth (including the 1,268 Dth deferred true-up adjustment from Northwest's last semi-annual filing in Docket No. RP04-187-000).

6. Based on January – June 2004 actuals and the existing fuel allocation methodology, Northwest has forecasted Sumas/SIPI/Pacific Pool receipts for Evergreen Expansion shippers and the associated incremental fuel attributable to Evergreen Expansion service. Northwest states that the projected fuel usage for the Evergreen Expansion shippers is 174,488 Dth, which is adjusted to reflect the lower fuel usage

expected now that a portion of Northwest's 26-inch pipeline has been temporarily returned to full service. Northwest explains that combining that forecasted fuel usage with the calculated true-up adjustment, and using projected Evergreen Expansion transportation receipts of 5,451,440 Dth (based on January – June 2004 actuals), results in the projected Evergreen Expansion incremental fuel rate of 3.88 percent, compared to the initial 2.04 percent. Northwest further explains that subtracting the projected 1.68 percent fuel usage component of the system-wide fuel Factor from the 3.88 percent rate results in the Evergreen Expansion incremental fuel surcharge of 2.20 percent that is proposed to become effective October 1, 2004.

II. Notice, Interventions and Protests

7. Public notice of the August 31 filing was issued on September 3, 2004. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2004)). Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2004)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Duke Energy Trading and Marketing, L.L.C. and Duke Energy Marketing America, L.L.C. (DETM and DEMA), Frederickson Power L.P. (Frederickson Power), and TransAlta Energy Marketing (U.S.) Inc. (TransAlta) filed protests.

8. DETM and DEMA contends that Northwest's application does not contain adequate data to substantiate the increased fuel Factors and Northwest should be required immediately to submit all data and underlying workpapers used by Northwest to derive the summary figures appearing in Exhibits A and B to the August 31 filing. DETM and DEMA also request that Northwest's proposed fuel Factors be made subject to the Commission's determination on the recoverability of costs associated with Northwest's responses to the Office of Pipeline Safety's corrective action orders.

9. All three protesters contend that Northwest's existing methodology and the resulting proposed fuel Factors result in the Evergreen Expansion shippers bearing a disproportionate share of the increase in fuel use experienced by Northwest. They state that the weighting factor applied to Evergreen Expansion shippers' volumes in the fuel use recovery calculation is out-dated and does not accurately reflect the reconfigured system under which Northwest is operating today or will be operating in the future. The protesters point to the fact that Northwest has been required by the Office of Pipeline Safety to idle 268 miles of its 26-inch line between Sumas and Washougal, thus removing some 360,000 Dth per day of physical design day capacity from Northwest's system. DETM and DEMA also note that flows by Evergreen Shippers on the Evergreen Expansion facilities have been almost completely supplanted by the flows of non-Evergreen Shippers and that actual compressor usage is markedly different than that assumed in the Evergreen Expansion certificate application.

10. Frederickson Power and TransAlta submit that given the complexity of Northwest's system now and in the future, it is questionable as to whether an incremental fuel surcharge allocation can be appropriately managed and maintained. They further submit that the implementation of a rolled-in approach must be considered as a means of ensuring that the Evergreen Expansion shippers are not unfairly disadvantaged.

III. Details of the September 15 Filing

11. Northwest filed *pro forma* sheets to reflect an alternative to the increased Evergreen Expansion incremental fuel surcharge included in its August 31 filing. Northwest explains that in its August 31 filing, both the Sumas to Chehalis actual fuel allocations and the projections made by Northwest were based on the currently effective weighting factor for allocating Sumas to Chehalis fuel between Evergreen Expansion shippers and other shippers from the Sumas/SIPI/Pacific Pool receipt points, as set forth in section 14.12(i) of the GT&C. However, Northwest acknowledges the concerns raised in the protests regarding the changed circumstances on its system, and the magnitude of the 2.20 percent incremental fuel surcharge for Evergreen Expansion shippers. Northwest states it recognizes that changed facility and operational circumstances may justify an updating of the currently approved weighting factor for Sumas to Chehalis fuel allocations, which would lead to a reduced incremental fuel surcharge for the Evergreen Expansion shippers as discussed below.

12. Northwest states that the previously approved weighting factor was based on Northwest's south flow design day flows and Sumas to Chehalis fuel requirements, with and without the Evergreen Expansion.² However, Northwest states its pipeline facilities in that corridor are not currently available for operation at the design day levels underlying that weighting factor derivation. Northwest states that in late 2003, corrective action orders issued by the Office of Pipeline Safety required Northwest to reduce the operating pressures on its 268 miles of 26-inch pipeline between Sumas and Washougal, Washington. Northwest asserts that it subsequently hydro-tested segments of that line and received Office of Pipeline Safety approval to temporarily return to full service approximately 111 miles of the pipeline.³

² The weighting factor derivation is set forth in Exhibit P of Northwest's January 8, 2003 application in Docket No. CP02-4-002.

³ Northwest indicates that it is preparing a Natural Gas Act sections 7(b) and 7(c) application for authorization to abandon this 26-inch pipeline and to construct new facilities to permanently replace most of the associated capacity (Capacity Replacement Project).

13. Northwest states that under south flow design day conditions adjusted to reflect the current limited availability of its 26-inch pipeline, Northwest has modeled its system to determine theoretical Sumas to Chehalis fuel requirements, with and without the Evergreen Expansion shippers using their pro rata share of the reduced available operational capacity. Northwest asserts that based on these studies, it has calculated a new weighting factor that would more equitably allocate Sumas to Chehalis fuel responsibility between the Evergreen Expansion shippers and other shippers under existing operation conditions.⁴

14. Further, Northwest states that applying the new weighting factor in its alternative proposal and using the same data included in the original filing, the Evergreen Expansion incremental fuel surcharge would be 0.84 percent (compared to the currently effective 0.80 percent and the 2.20 percent proposed in the August 31 filing) and the general system transportation fuel reimbursement factor would be 1.42 percent (compared to the currently effective 1.34 percent and the 1.41 percent proposed in the August 31 filing). Northwest also notes that the new weighting factor would more equitably allocate Sumas to Chehalis fuel between Evergreen Expansion shippers and other shippers under existing operational conditions. Northwest contends the changed weighting factor also would avoid a market disrupting increase in the currently effective 0.80 percent Evergreen Expansion incremental fuel surcharge and would have only a minimal effect on the general system fuel rates.

IV. Discussion

15. The Commission finds that the protests raise concerns regarding the proposed fuel Factors that require additional information and examination by the Commission. Therefore, the Commission will accept and suspend Northwest's tariff sheets listed in footnote no.1, to become effective October 1, 2004, subject to refund and the outcome of a technical conference. The technical conference will also afford parties an opportunity to consider Northwest's alternative proposal included in its September 15 filing, and provide an opportunity for Northwest to provide further information to support its derivation of the fuel Factors and respond to all issues raised in the protests.

16. Based upon a review of Northwest's August 31 filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the

⁴ Northwest states it does not anticipate any significant changes in the current facility operational conditions in the Sumas to Chehalis corridor until its planned Capacity Replacement Project is completed, on or about November 1, 2006.

Commission accepts the tariff sheets listed in footnote no. 1 for filing and suspends their effectiveness for the period set forth below, subject to the conditions set forth in this order.

17. It is the Commission's policy generally to suspend rate filings for the maximum period permitted by statute if preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards. *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is also recognized, however, that shorter suspensions may be warranted in circumstances in which suspension for the maximum period may lead to harsh and inequitable results. *See Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (minimum suspension). Such circumstances do exist here, as the Northwest tariff sheets are filed pursuant to an existing tracking mechanism. Accordingly, the Commission will exercise its discretion to suspend the tariff sheets included in the August 31 filing for a shorter period and permit the tariff sheets to take effect on October 1, 2004, subject to the result of the technical conference established herein.

The Commission orders:

(A) The tariff sheets listed in footnote no. 1 are accepted and suspended, to be effective October 1, 2004, subject to refund and the outcome of the technical conference established herein.

(B) The Commission's staff is directed to convene a technical conference to explore the issues raised by Northwest's filings and report to the Commission within 120 days of the issuance of this order.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.