

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Suedeen G. Kelly, Marc Spitzer,
Philip M. Moeller, and Jon Wellinghoff.

Northwest Pipeline Corporation

Docket Nos. CP06-45-000
CP06-45-001

ORDER ISSUING CERTIFICATE

(Issued August 16, 2006)

1. On January 4, 2006, Northwest Pipeline Corporation (Northwest) filed an application, as amended, under section 7(c) of the Natural Gas Act (NGA) for a certificate of public convenience and necessity to construct and operate pipeline and related facilities (Parachute Lateral Project) in Colorado to transport up to 450,000 Dth of natural gas per day for Williams Power Company, Inc. (Williams Power), a gas marketer. As discussed below, the Commission finds that Northwest's proposed project is required by the public convenience and necessity and, therefore, grants the requested authorizations, subject to conditions.

I. Background

A. Proposed Facilities

2. Northwest proposes to construct and operate 37.6 miles of 30-inch diameter pipeline and appurtenant facilities extending from Williams Production RMT Company, Inc.'s (Williams E&P) planned Parachute processing Plant 3 in Garfield County, Colorado, to delivery point interconnects with Colorado Interstate Gas Company and Wyoming Interstate Company, Ltd., at the Greasewood Hub in Rio Blanco County, Colorado. Additionally, Northwest proposes to construct and operate the Starkey Gulch Receipt and Meter Station at the outlet of the proposed Parachute processing Plant 3. In an amendment filed on April 5, 2006, Northwest also proposes to add an 8-inch tap and valve assembly near milepost 27.41. The Parachute Lateral will have capacity of 450,000 Dth per day (Dth/d). Northwest estimates a cost of approximately \$57.8 million for the Parachute Lateral, metering, tap and valve facilities and anticipates an in-service date of January 1, 2007.

B. Market and Service

3. Northwest conducted an open season from October 28 through November 18, 2005, to solicit binding contractual commitments for firm transportation service on its proposed Parachute Lateral. On December 14, 2005, Williams Power executed a precedent agreement for 450,000 Dth/d of firm transportation service on the proposed lateral. The precedent agreement provides for a negotiated rate and a firm service commitment of 15 years. The precedent agreement also obligates Williams Power to execute a firm transportation agreement for service under a new lateral rate schedule for 450,000 Dth/d within 15 days after Northwest's acceptance of a Commission certificate for the requested facilities.

C. Recourse and Negotiated Rates

4. Northwest proposes a maximum recourse Rate Schedule TFL-1 reservation rate of \$0.07377 per Dth of daily contract demand. Northwest states that there are no identifiable variable costs, so that the proposed TFL-1 volumetric rate is \$0.00000 per Dth. Northwest also proposes a maximum recourse Rate Schedule TIL-1 volumetric rate of \$0.07377 per Dth calculated on a 100 percent load factor equivalent of the TFL-1 rates. The 100 percent load factor rate of \$0.07377 per Dth will also be charged for Rate Schedules TFL-1 and TIL-1 scheduled overrun service. Any actual incremental fuel usage and lost and unaccounted for gas will be reimbursed in-kind pursuant to section 3.1(b) of proposed Rate Schedules TFL-1 and TIL-1 in accordance with section 14 of the General Terms and Conditions (GT&C). The proposed initial cost-based incremental recourse rates for service on the Parachute Lateral under *pro forma* Rate Schedules TFL-1 and TIL-1 use a traditional, non-levelized cost-of-service approach based on a straight fixed variable rate design, adjusted in accordance with the factors and methodology underlying Northwest's currently effective settlement rates in Northwest's Docket No. RP96-367-000.¹

5. Northwest proposes to charge Williams Power a fixed negotiated incremental rate for firm lateral transportation service of \$0.0635 per Dth per day of contract demand for the entire 450,000 Dth per day design capacity of the Parachute Lateral over a 15-year

¹ *Northwest Pipeline Corp.*, 81 FERC ¶ 61,242 (1997), *reh'g denied*, 83 FERC ¶ 61,001 (1998).

term (unless a non-conforming Most Favored Nations (MFN) clause² is invoked and that rate is reduced), plus any applicable surcharges and in-kind reimbursement for actual lost or unaccounted for gas volumes. In the absence of an operational history, Northwest initially proposes to use a tariff fuel use reimbursement factor of zero percent for the Parachute Lateral. Northwest states that it designed its negotiated rate for service for Williams Power similar to its cost-based rate, except that the negotiated rate uses levelized depreciation over the 15-year contract term.

6. Northwest requests approval of: (1) *pro forma* Rate Schedules TFL-1 and TIL-1 for firm and interruptible transportation services on designated laterals, including the Parachute Lateral, and for other *pro forma* tariff revisions related to such rate schedules; (2) initial recourse rates for service on the Parachute Lateral under the new rate schedules; (3) the negotiated rate service agreement with Williams Power; and (4) the related proposed accounting treatment.

II. Notice, Interventions, and Protests

7. Public notice of Northwest's application in Docket No. CP06-45-000 was published in the *Federal Register* on January 26, 2006 (71 Fed. Reg. 4,358). Williams E&P, Williams Power, Questar Pipeline Company, Sierra Pacific Power Company, and Encana Oil & Gas (USA) Inc., filed timely, unopposed motions to intervene.³ No protests or objections to the proposal were filed.

8. On February 15, 2006, Southwest Gas Corporation filed a motion to intervene out-of-time. Granting Southwest's motion will not cause delay or undue hardship to any party. Therefore, for good cause shown, Southwest's motion will be granted.

² The MFN clause in section 1.4 of the precedent agreement (and Exhibit B of the *pro forma* Rate Schedule TFL-1 service agreement) provides:

If at any time during the term of the TSA [Transportation Service Agreement], another shipper executes a TSA for equivalent primary firm capacity rights from Transporter with a term exceeding one year (i.e., capacity rights from the same or generally equivalent point(s) of receipt to the same or generally equivalent point(s) of delivery) at a negotiated or discounted rate that is lower than Shipper's rate (including due to such rate being based upon less than a 100 % load factor), then Shipper's rate shall be reduced to become equivalent to that of such other shipper for up to the quantity and the term of the rate for such other shipper.

³ Timely, unopposed motions to intervene are automatically granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. See 18 C.F.R. § 385.214(a)(3) (2006).

9. Public notice of Northwest's amendment to its application in Docket No. CP06-45-001 was published in the *Federal Register* on April 24, 2006 (71 Fed. Reg. 21,005). No additional motions to intervene, protests or comments were filed.

III. Discussion

10. Since the proposed facilities will be used to transport natural gas in interstate commerce, subject to the jurisdiction of the Commission, the construction and operation of the facilities are subject to the requirements of subsections (c) and (e) of section 7 of the NGA.

A. Application of the Certificate Policy Statement

11. The Commission's September 15, 1999 Certificate Policy Statement provides guidance as to how it will evaluate proposals for certificating new construction.⁴ The Certificate Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. The Certificate Policy Statement explains that in deciding whether to authorize the construction of major new pipeline facilities, the Commission balances the public benefits against the potential adverse consequences. Our goal is to give appropriate consideration to the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, and the avoidance of the unnecessary exercise of eminent domain or other disruptions of the environment.

12. Under this policy, the threshold requirement for pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. The next step is to determine whether the applicant has made efforts to eliminate or minimize any adverse effects the project might have on the applicant's existing customers, existing pipelines in the market and their captive customers, or landowners and communities affected by the route of the new pipeline. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, we will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will we proceed to complete the environmental analysis where other interests are considered.

⁴*Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128, *order on clarification*, 92 FERC ¶ 61,094 (2000) (*Certificate Policy Statement*).

1. Subsidization and Impact on Existing Customers

13. Northwest's proposed Parachute Lateral Project is designed to provide service to Williams Power at incremental rates; Northwest's proposed recourse rates are cost-based rates that fully recover the costs of the proposed construction and are based on the actual design capacity of the Parachute Lateral. Thus, Northwest's current customers will not subsidize the Parachute Lateral Project. Moreover, no party has protested the proposed rates. The Commission notes that such rates are for the Parachute Lateral only, and that customers desiring service elsewhere on Northwest's system will require additional transportation agreements for mainline service. Accordingly, Northwest's existing shippers will not assume any cost responsibility for the proposed project. Neither will they suffer any degradation in service as a result of the project.

2. Adverse Impacts

14. Once the threshold test has been met, the Certificate Policy Statement requires consideration of adverse effects on existing customers of Northwest, existing pipelines and their customers and on effected landowners and communities.⁵ The proposed Parachute Lateral Project will have no adverse impact on existing pipelines or their captive customers. Since the service for Williams Power represents transportation service in a capacity-constrained Piceance Basin production area, service on other pipelines will not be displaced.

15. The Commission next considers whether there will be adverse effects of an economic nature on landowners or the communities surrounding a proposed pipeline. The Parachute Lateral Project primarily will be located along existing utility and transportation corridors. Approximately 46 percent of the impacted land is managed by the Bureau of Land Management (BLM); the remaining land is held by five landowners. Northwest executed a cost reimbursement agreement with the BLM on December 16, 2005, and based on preliminary landowner contacts, it expects to obtain easement agreements without the need to rely upon eminent domain authority.

3. Certificate Policy Statement Conclusion

16. The Parachute Lateral Project will provide up to 450,000 Dth per day of additional natural gas transportation capacity in a capacity-constrained Piceance Basin production area without degrading any existing customers' services. Northwest's lateral project is not designed to serve or capture any other pipeline's customer. In addition, this project will facilitate the receipt of gas supplies from the Piceance Basin area, allowing for deliveries to the Greasewood Hub. Northwest has demonstrated a need for the project

⁵ *Certificate Policy Statement*, 88 FERC ¶ 61,227 at 61,745.

through the precedent agreement with Williams Power, which obligates Williams Power to execute a firm transportation agreement for 450,000 Dth/d within 15 days after Northwest's acceptance of a certificate authorizing construction of the lateral.

17. In view of the above findings, the Commission finds that Northwest's proposal is in accord with the Certificate Policy Statement.

B. Rate, Contract, Tariff, and Accounting Issues

1. Initial Recourse Rates

18. As noted, Northwest proposes a maximum recourse TFL-1 reservation rate of \$0.07377 per Dth of daily contract demand and a maximum recourse TIL-1 volumetric rate of \$0.07377 per Dth calculated on a 100 percent load factor equivalent of the TFL-1 rates. The Commission's *Alternative Rate Policy Statement*⁶ requires pipelines entering into negotiated rate agreements to provide cost-based recourse rates. The existence of a recourse rate service is intended to give customers the option of choosing the cost-based traditional service if the pipeline ever demands excessive prices or withholds services in the exercise of market power. The Commission finds that Northwest's proposed recourse rates for service on the Parachute Lateral are cost-based rates that fully recover the costs of the proposed construction and are based on the actual design capacity of the Parachute Lateral.

19. The Commission notes that the proposed recourse rates for the Parachute Lateral are for service on that lateral only and that customers also desiring mainline service on Northwest's system will require additional transportation agreements for mainline service. Thus, Northwest's current customers will not subsidize the Parachute Lateral Project. Moreover, no party has protested the proposed rates. We will accept Northwest's proposed initial incremental recourse rates as being reasonable for the Parachute Lateral. In addition, because we are accepting incremental rates for this

⁶ *Alternatives to Traditional Cost-Of-Service Ratemaking for Natural Gas Pipelines and Regulation of Negotiated Transportation Services of Natural Gas Pipelines (Alternative Rate Policy Statement)*, 74 FERC ¶ 61,076 (1996), *reh'g and clarification denied*, 75 FERC ¶ 61,024 (1996), *reh'g denied*, 75 FERC ¶ 61,066 (1996); *petition for review denied, Burlington Resources Oil & Gas Co. v. FERC*, Nos. 96-1160, et al., U.S. App. Lexis 20697 (D.C. Cir. July 20, 1998), *Modification of Negotiated Rate Policy*, 104 FERC ¶ 61,134 (2003), *order on reh'g and clarification*, 114 FERC ¶ 61,042 (2006), *order dismissing reh'g and denying clarification*, 114 FERC ¶ 61,304 (2006).

project, Northwest will be required to maintain its accounts for these facilities in accordance with section 154.309 of the Commission's regulations, which applies to incremental expansions.⁷

2. Negotiated Rates

20. As noted, Northwest proposes to charge Williams Power a fixed negotiated incremental rate for firm lateral transportation service of \$0.0635 per Dth per day of contract demand for the entire 450,000 Dth per day design capacity of the Parachute Lateral over a 15-year term (unless the MFN clause is invoked and that rate is reduced).

21. The *Alternative Rate Policy Statement* provides Northwest with guidance before it files to implement its proposed negotiated rate for its service for Williams Power. The Commission stated that it would permit negotiated rates within the guidelines established in that policy statement. The *Alternative Rate Policy Statement* provides that the Commission will dispense with cost-of-service regulation for an individual shipper when mutually agreed upon by the pipeline and shipper. The Commission does not review the level of Northwest's proposed negotiated rates nor the method by which they were calculated; the Commission only establishes initial recourse rates in certificate proceedings, and generally does not make determinations regarding specific negotiated rates for proposed services.⁸ The *Alternative Rate Policy Statement* provides that when a negotiated rate is lower than the recourse rate (as in this proceeding), the pipeline is at risk for any resulting undercollection of project costs and will not be permitted to reallocate such unrecovered costs to any recourse rate shippers.⁹

22. The form of service agreement includes a non-conforming MFN clause. We find this type of MFN clause to be acceptable, since it is applicable only to Williams Power's negotiated rate. We will direct Northwest to file the proposed executed non-conforming negotiated rate service agreement with Williams Power, not less than 30 days or more than 60 days prior to the commencement of service, in accordance with sections 154.1(d) and 154.112(b) of the Commission's regulations.¹⁰ As required by the *Alternative Rate*

⁷ 18 C.F.R. § 154.309 (2006).

⁸ *CenterPoint Energy -- Mississippi River Transmission Corp.*, 109 FERC ¶ 61,007 at P 19 (2004); *ANR Pipeline Co.*, 108 FERC ¶ 61,028 at P 21 (2004); *Gulfstream Natural Gas System, LLC*, 105 FERC ¶ 61,052 at P 37 (2003); *Tennessee Gas Pipeline Co.*, 101 FERC ¶ 61,360 at n.19 (2002).

⁹ *Alternative Rate Policy Statement*, 74 FERC ¶ 61,076 at 61,242 (1996).

¹⁰ 18 C.F.R. §154.1 and §154.112 (2006).

Policy Statement, Northwest must also maintain separate and identifiable accounts for volumes transported, billing determinants, rate components, surcharges, and revenues associated with its negotiated rates in sufficient detail so that they can be identified in Statements G, I, J, K and other Statements in any future NGA section 4 or 5 rate cases.

3. Pro Forma Tariff

23. Northwest asks the Commission to approve its *pro forma* tariff sheets in Exhibit P of its application.¹¹ The Commission finds the *pro forma* tariff sheets setting forth the new rate schedules, associated forms of service agreement, and conforming tariff changes comply with our open-access principles. In order to implement its initial recourse rates for the Parachute Lateral and related tariff proposals, the Commission will require Northwest to file, in compliance with this order, actual tariff sheets in accordance with section 154.207 of the regulations¹² between 30 and 60 days prior to placing the Parachute Lateral into service.

4. Accounting

a. Book Depreciation Rate

24. For financial accounting purposes, Northwest proposes to depreciate the proposed facilities on a straight-line basis in accordance with its existing transmission facility depreciation rate of 2.95 percent as authorized in Docket No. RP96-367-000.¹³ The Commission will approve Northwest's request because the use of straight-line depreciation is consistent with the Commission's Uniform System of Accounts.

¹¹ *Pro Forma* Sheet Nos. 1, 4, 5, 5-A, 5-B, 5-C, 5-D, 14-16, 18, 30, 100, 135-143, 150-153, 202, 202-C, 214, 218, 226, 231, 231-A, 231-B, 234, 237-B, 238, 253-255, 259, 259-A, 264, 277, 280, 285, 300, 370-379, and 385-389 to Third Revised Volume No. 1.

¹² 18 C.F.R. § 154.207 (2006).

¹³ *Northwest Pipeline Corp.*, 81 FERC ¶ 61,242 (1997), *reh'g denied*, 83 FERC ¶ 61,001 (1998).

b. Regulatory Asset and Related Regulatory Income Credit for Variable Depreciation Under Negotiated Rates

25. Williams Power proposes to pay a negotiated transportation rate based in part on variable regulatory depreciation over the 15-year primary contract term. In order to account for the difference between its straight-line book depreciation and the variable depreciation in the levelized negotiated rate for Williams Power, Northwest proposes to establish a regulatory asset with a related regulatory income credit.

26. Northwest proposes to record the regulatory asset for differences in depreciation amounts recorded on its books and depreciation amounts recovered in its negotiated rate by debiting Account 182.3, Other Regulatory Assets, and crediting Account 407.4, Regulatory Credits. Northwest intends to extinguish or amortize the regulatory asset by crediting Account 182.3, and debiting Account 407.3, Regulatory Debits, as the amounts are recovered in rates.

27. Northwest asserts the depreciation component of the proposed levelized rates will, by the end of the 15-year primary term, equal the accumulated book depreciation. Thus, Northwest asserts that it is assured of such recovery because of the binding commitment in the executed precedent agreement with Williams Power.

28. Under the Commission's Uniform System of Accounts, it is appropriate to record a regulatory asset for costs that would otherwise be chargeable to expense when it is probable that the costs will be recovered in future rates.¹⁴ Northwest's negotiated rate plan indicates that Northwest will recover 15 years of the total book depreciation expenses over the primary term of service with Williams Power. However, we will condition our approval of Northwest's proposed accounting treatment: (1) on the parties' executing and filing a service agreement that is consistent with the precedent agreement, which provides that Williams Power cannot cancel the agreement prior to the expiration of the 15-year term, and (2) on future Commission acceptance of the negotiated rate.

29. In *Alliance Pipeline, L.P.* (and the other cases noted in footnote 15), the Commission denied regulatory asset treatment for negotiated rates, finding that negotiated rates did not provide the necessary support for a regulatory asset determination

¹⁴ The term "probable," as used in the definition of regulatory assets, refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved. *Revisions to Uniform System of Accounts to Account for Allowances under the Clean Air Amendments of 1990 and Regulatory-Created Assets and Liabilities and to Form Nos. 1, 1-F, 2 and 2-A*, FERC Stats. & Regs., Regulations Preambles (January 1991 - June 1996) ¶ 30,967 (1993) (Order No. 552).

under Order No. 552.¹⁵ However, in the instant proceeding, the Commission finds that Northwest has provided a sufficient cost accounting demonstration for its calculation of the negotiated rate in the Williams Power agreement and has demonstrated a reasonable expectation that deferred depreciation costs in the early years of the agreement can be recovered from the customer over the primary term of the negotiated rate agreement by virtue of the monthly reservation charges that it will collect under the firm service agreement. Therefore, the Commission will accept Northwest's proposal to recognize a regulatory asset, but will ensure consistency with Commission policy with respect to negotiated rates by providing that Northwest shall not be allowed to shift any unrecovered costs associated with this negotiated rate agreement to any of its other customers.

30. Our acceptance is subject to Northwest's continuing obligation to meet the criteria for recognition of its regulatory asset. Should circumstances change so that Northwest is no longer entitled to recognize a regulatory asset, Northwest must promptly notify the Commission in an appropriate filing that would propose to remove the regulatory asset from its accounts.

C. Environmental Analysis

31. On March 13, 2006, the Commission issued a *Notice of Intent to Prepare an Environmental Assessment for the Proposed Parachute Lateral Project and Request for Comments on Environmental Issues* (NOI). This notice was sent to about 138 entities on a mailing list that included the 7 landowners crossed by the proposed right-of-way; federal, state, and county agencies; Native American tribes; non-governmental and/or environmental organizations; libraries and newspapers in the project area; and other potentially interested parties. Other than communications with the Bureau of Land Management (a cooperating agency and one of the seven landowners affected by the project), we received no responses to the NOI or comments on environmental issues.

32. Staff prepared an environmental assessment (EA) for Northwest's proposal. The EA addresses geology, paleontological resources, soils, water resources, wetlands,

¹⁵ See *Alliance Pipeline, L.P.*, 80 FERC ¶ 61,149 at 61,601 (1997), *Maritimes & Northeast Pipeline, L.L.C.*, 80 FERC ¶ 61,346 at 62,187-88 (1997) (preliminary determination), *certificate granted*, 84 FERC ¶ 61,130 at 61,694 (1998), *reh'g denied on other grounds*, 85 FERC ¶ 61,120 (1998); and *Pacific Gas Transmission Co.*, 70 FERC ¶ 61,016 at 61,045-46, *reh'g denied in relevant part*, 71 FERC ¶ 61,268 at 62,068-69 (1995).

fisheries, vegetation, wildlife, threatened and endangered species, land use, recreation, fire management, visual resources, and cultural resources. Based on the discussion in the EA, we conclude that if constructed and operated in accordance with Northwest's application, supplements, and responses to staff data requests and the EA's recommended environmental mitigation measures, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment. Therefore, we are including the EA's recommended environmental conditions in the Appendix to this order as conditions on Northwest's authorization.

33. Any state or local permits issued with respect to the jurisdictional facilities authorized herein must be consistent with the conditions of this certificate. The Commission encourages cooperation between interstate pipelines and local authorities. However, this does not mean that state and local agencies, through application of state or local laws, may prohibit or unreasonably delay the construction or operation of facilities approved by this Commission.¹⁶ Northwest shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Northwest. Northwest shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

D. Conclusion

34. For the reasons set forth herein we find, subject to the conditions discussed in the body of this order and listed below, that the public convenience and necessity requires issuance of a certificate under NGA section 7(c) for Northwest's proposed pipeline facilities. Thus, we grant the requested authorization to Northwest. The Commission on its own motion, received and made a part of the record all evidence, including the application, amendment, and exhibits thereto, submitted in this proceeding, and upon consideration of the record,

The Commission orders:

(A) A certificate of public convenience and necessity is issued to Northwest in Docket Nos. CP06-45-000 and CP06-45-001 authorizing it to construct and operate the Parachute Lateral Project, as described and conditioned herein, and as more fully described in the applications.

¹⁶See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); and *National Fuel Gas Supply v. Public Service Commission*, 894 F.2d 571 (2d Cir. 1990).

(B) The authorization in Ordering Paragraph (A) is conditioned on Northwest's compliance with all applicable Commission regulations under the Natural Gas Act, particularly Part 154 and paragraphs (a), (c), (e), and (f) of section 157.20 of the Commission's regulations.

(C) The certificate issued in Ordering Paragraph (A) is conditioned upon Northwest's compliance with the environmental conditions set forth in the Appendix of this order.

(D) Northwest shall complete the authorized construction within one year of the final order in this proceeding.

(E) The parties must execute a service agreement prior to the start of construction.

(F) Northwest must file its executed non-conforming negotiated rate service agreement with Power, not less than 30 days or more than 60 days prior to the commencement of service.

(G) Northwest must file actual tariff sheets between 30 and 60 days prior to placing the Parachute Lateral into service.

(H) Northwest must maintain separate and identifiable accounts for volumes transported, billing determinants, rate components, surcharges, and revenues associated with its negotiated rates in sufficient detail so that they can be identified in Statements G, I, J, K and other Statements in any future NGA section 4 or 5 rate cases.

(I) Northwest will be required to maintain its accounts for the Parachute Lateral incremental expansion facilities in accordance with section 154.309 of the Commission's regulations.

(J) Northwest's proposal for regulatory asset treatment is accepted subject to the condition that Northwest not propose to recover any unrecovered costs under the Williams Power contract from any other customer.

(K) Northwest shall notify the Commission's environmental staff by telephone and/or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Northwest. Northwest shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

(L) Southwest Gas Corporation's motion to intervene out-of- time is granted pursuant to Rule 214 of the Commission's Rules of Practice and Procedure.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

Appendix

Northwest Pipeline Corporation Parachute Lateral Project Docket Nos. CP06-45-000 and CP06-45-001

The certificate issued herein is subject to the following environmental conditions:

1. Northwest Pipeline Corporation (Northwest) shall follow the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests) and as identified in the environmental assessment (EA), unless modified by the Order. Northwest must:
 - a. request any modification to these procedures, measures, or conditions in a filing with the Secretary of the Commission (Secretary);
 - b. justify each modification relative to site-specific conditions;
 - c. explain how that modification provides an equal or greater level of environmental protection than the original measure; and
 - d. receive approval in writing from the Director of the Office of Energy Projects (OEP) before using that modification.
2. The Director of OEP has delegated authority to take whatever steps are necessary to ensure the protection of all environmental resources during construction and operation of the project. This authority shall allow:
 - a. the modification of conditions of the Order; and
 - b. the design and implementation of any additional measures deemed necessary (including stop work authority) to assure continued compliance with the intent of the environmental conditions as well as the avoidance or mitigation of adverse environmental impact resulting from project construction and operation.
3. **Prior to any construction**, Northwest shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, environmental inspectors, and contractor personnel will be informed of the environmental inspector's authority and have been or will be trained on the implementation of the environmental mitigation measures appropriate to their jobs **before** becoming involved with construction and restoration activities.
4. The authorized facility location shall be as shown in the EA, as supplemented by filed alignment sheets. **As soon as they are available, and before the start of construction**, Northwest shall file with the Secretary any revised detailed survey alignment maps/sheets at a scale not smaller than 1:6,000 with station positions for all facilities approved by the Order. All requests for modifications of

environmental conditions of the Order or site-specific clearances must be written and must reference locations designated on these alignment maps/sheets.

Northwest's exercise of eminent domain authority granted under Natural Gas Act (NGA) section 7(h) in any condemnation proceedings related to the Order must be consistent with these authorized facilities and locations. Northwest's right of eminent domain granted under NGA section 7(h) does not authorize it to increase the size of its natural gas pipeline to accommodate future needs or to acquire a right-of-way (ROW) for a pipeline to transport a commodity other than natural gas.

5. Northwest shall file with the Secretary detailed alignment maps/sheets and aerial photographs at a scale not smaller than 1:6,000 identifying all route realignments or facility relocations, and staging areas, pipe storage yards, new access roads, and other areas that would be used or disturbed and have not been previously identified in filings with the Secretary. Approval for each of these areas must be explicitly requested in writing. For each area, the request must include a description of the existing land use/cover type, and documentation of landowner approval, whether any cultural resources or federally listed threatened or endangered species would be affected, and whether any other environmentally sensitive areas are within or abutting the area. All areas shall be clearly identified on the maps/sheets/aerial photographs. Each area must be approved in writing by the Director of OEP **before construction in or near that area.**

This requirement does not apply to extra workspace allowed by the *Upland Erosion Control, Revegetation, and Maintenance Plan*, minor field realignments per landowner needs and requirements which do not affect other landowners or sensitive environmental areas such as wetlands.

Examples of alterations requiring approval include all route realignments and facility location changes resulting from:

- a. implementation of cultural resources mitigation measures;
 - b. implementation of endangered, threatened, or special concern species mitigation measures;
 - c. recommendations by state regulatory authorities; and
 - d. agreements with individual landowners that affect other landowners or could affect sensitive environmental areas.
6. **Within 60 days of the acceptance of this certificate and before construction** begins, Northwest shall file an initial Implementation Plan with the Secretary for review and written approval by the Director of OEP describing how Northwest will implement the mitigation measures required by the Order. Northwest must

file revisions to the plan as schedules change. The plan shall identify:

- a. how Northwest will incorporate these requirements into the contract bid documents, construction contracts (especially penalty clauses and specifications), and construction drawings so that the mitigation required at each site is clear to onsite construction and inspection personnel;
 - b. the number of environmental inspectors assigned per spread, and how the company will ensure that sufficient personnel are available to implement the environmental mitigation;
 - c. company personnel, including environmental inspectors and contractors, who will receive copies of the appropriate material;
 - d. the training and instructions Northwest will give to all personnel involved with construction and restoration (initial and refresher training as the project progresses and personnel change), with the opportunity for OEP staff to participate in the training session;
 - e. the company personnel (if known) and specific portion of Northwest's organization having responsibility for compliance;
 - f. the procedures (including use of contract penalties) Northwest will follow if noncompliance occurs; and
 - g. for each discrete facility, a Gantt or PERT chart (or similar project scheduling diagram), and dates for:
 - (1) the completion of all required surveys and reports;
 - (2) the mitigation training of onsite personnel;
 - (3) the start of construction; and
 - (4) the start and completion of restoration.
7. Northwest shall employ at least two environmental inspectors per construction spread. The environmental inspectors shall be:
- a. responsible for monitoring and ensuring compliance with all mitigation measures required by the Order and other grants, permits, certificates, or other authorizing documents;
 - b. responsible for evaluating the construction contractor's implementation of the environmental mitigation measures required in the contract (see condition 6 above) and any other authorizing document;
 - c. empowered to order correction of acts that violate the environmental conditions of the Order, and any other authorizing document;
 - d. a full-time position, separate from all other activity inspectors;
 - e. responsible for documenting compliance with the environmental conditions of the Order, as well as any environmental conditions/permit requirements imposed by other federal, state, or local agencies; and

- f. responsible for maintaining status reports.
8. Northwest shall file updated status reports prepared by the head environmental inspector with the Secretary on a **weekly** basis **until all construction and restoration activities are complete**. On request, these status reports will also be provided to other federal and state agencies with permitting responsibilities. Status reports shall include:
 - a. the current construction status of the project, work planned for the following reporting period, and any schedule changes for stream crossings or work in other environmentally sensitive areas;
 - b. a listing of all problems encountered and each instance of noncompliance observed by the environmental inspectors during the reporting period (both for the conditions imposed by the Commission and any environmental conditions/permit requirements imposed by other federal, state, or local agencies);
 - c. a description of corrective actions implemented in response to all instances of noncompliance, and their cost;
 - d. the effectiveness of all corrective actions implemented;
 - e. a description of any landowner/resident complaints which may relate to compliance with the requirements of the Order, and the measures taken to satisfy their concerns; and
 - f. copies of any correspondence received by Northwest from other federal, state or local permitting agencies concerning instances of noncompliance, and Northwest's response.
 9. Northwest must receive written authorization from the Director of OEP **before commencing service** from the project. Such authorization will only be granted following a determination that rehabilitation and restoration of the ROW and other areas of project-related disturbance are proceeding satisfactorily.
 10. Northwest shall strip and segregate topsoil from the full width of the ROW (working side, ditch line, and spoil storage area) wherever grading is required, unless otherwise specified by the landowner/land managing agency or by other requirements (such as in wetlands).
 11. Northwest shall not begin construction activities **until**:
 - a. the staff receives a Biological Opinion from the U.S. Fish and Wildlife Service regarding project-related water depletion issues in the Colorado River system; and
 - b. Northwest has received written notification from the Director of OEP that construction may begin.

12. Northwest shall limit the land acquired by eminent domain under the NGA for its permanent easement to a width no larger than 50 feet. This does not place a limit on Northwest's ability to purchase land on the open market for a wider permanent easement.
13. Northwest shall defer construction and use of facilities and staging, storage, and temporary work areas and new or to-be-improved access roads **until**:
 - a. Northwest files the Colorado State Historic Preservation Office's (SHPO) comments on the Class III inventory report;
 - b. Northwest files the Bureau of Land Management's (BLM) comments on the Addendum report;
 - c. Northwest files a supplemental survey report for any extra work spaces, access roads, pipe yards, and other remaining areas requiring survey, and the SHPO's and BLM's, as appropriate, comments on the report;
 - d. Northwest files any required treatment plan, and the SHPO's and BLM's, as appropriate, comments on any plan; and
 - e. the Director of OEP reviews and approves all reports and plans and notifies Northwest in writing that it may proceed with any treatment or construction.

All material filed with the Commission containing **location, character, and ownership** information about cultural resources must have the cover and any relevant pages therein clearly labeled in bold lettering: "**CONTAINS PRIVILEGED INFORMATION--DO NOT RELEASE.**"