

139 FERC ¶ 61,071
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 26, 2012

In Reply Refer To:
Northwest Pipeline GP
Docket No. RP12-490-000

Northwest Pipeline GP
295 Chipeta Way
Salt Lake City, UT 84108

Attention: Mr. Laren Gertsch
Director of Rates and Regulatory Affairs

Reference: Petition for Approval of Rate Settlement

Dear Mr. Gertsch:

1. On March 15, 2012, Northwest Pipeline GP (Northwest) filed a petition for approval of a “Stipulation and Settlement Agreement” (Settlement) for rates to become effective January 1, 2013.¹ Northwest states that the Settlement would eliminate its need to file a general rate case under section 4 of the Natural Gas Act (NGA) by July 1, 2012, as required by Northwest’s last general rate case settlement in Docket No. RP06-416 (2007 Rate Settlement).² Northwest states that the Settlement is supported or not opposed by parties holding approximately 99.5 percent of its long-term firm transportation and storage capacity, and by 100 percent of the shippers who actively participated in pre-settlement discussions. Northwest seeks Commission action on the Settlement by April 26, 2012, in order to have sufficient time to prepare the rate filing to comply with the 2007 Settlement’s July 1, 2012 filing requirement in the event the settlement is not approved. The Commission approves the Settlement to be effective

¹ The filing is pursuant to Rule 207(a)(5) of the Commission’s Rules of Practice and Procedure. 18 C.F.R. § 385.207(a)(5) (2011).

² *Northwest Pipeline Corp.*, 118 FERC ¶ 61,272 (2007).

according to its terms,³ and directs Northwest to file tariff records consistent with the *pro forma* tariff records included in Appendix F of the Settlement, to be effective January 1, 2013.

2. Public notice of the filing was issued on March 19, 2012. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2011)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2011)), all timely filed motions to intervene and any unopposed motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Comments in support of the filing were filed by IGI Resources, Inc.; Indicated Shippers; Puget Sound Energy, Inc.; WPX Energy Marketing, LLC; and Portland General Electric Company. No comments in opposition to the settlement were filed.

3. The following is a summary of the major provisions of the Settlement.

- a) The Background section states that the Settling Parties consider resolution of the settlement issues and avoidance of litigation to be a valuable outcome that satisfies the 2007 Rate Settlement's filing requirement, and benefits themselves, the Commission, and the public interest.
- b) Article I states that the Settlement is an integrated package for which the Settling Parties request approval in its entirety, without modification or condition.
- c) Article II defines a Settling Party, and states that the Settlement represents a negotiated resolution only of issues expressly set forth therein.
- d) Article III states that the rates set forth in Appendix B of the Settlement are based on an annual cost-of-service of \$466.5 million.
- e) Article IV describes cost allocation, cost assignment and rate design principles applicable to Northwest's General Transmission System and Evergreen rates. Consistent with Northwest's two most recent general rate case settlements,⁴ Rate Schedule TF-1 and TF-2 transportation rates (except the 15-year and 25-year Evergreen Expansion incremental rates) are based on an Enhanced Fixed Variable (EFV) rate design, with a stipulated commodity rate of \$0.03000/Dth. The

³ According to Article XIII, the Settlement will become effective on the date that an order approving the Settlement becomes a final order.

⁴ *Northwest Pipeline Corp.*, 81 FERC ¶ 61,243 (1997); and *Northwest Pipeline Corp.*, 118 FERC ¶ 61,272 (2007).

15-year and 25-year Evergreen incremental rates are based on a straight fixed variable (SFV) rate design and are relevelized using post January 1, 2007 additions to Evergreen maintenance capital described in Article IV.

f) Article V establishes depreciation, amortization, and net negative salvage rates, and states that Northwest will continue to use separate sub-accounts to record net negative salvage. Northwest will not be precluded from continuing to use accelerated depreciation for income tax purposes.

g) Article VI clarifies the rate treatment for Northwest's Post-Retirement Benefits Other than Pensions (PBOP), and describes various matters related to external trusts Northwest has established as PBOP funding vehicles. Northwest will continue to account for PBOP using the Financial Accounting Board Statement of Financial Accounting Standard No. 106.

h) Article VII notes that Northwest filed a complaint in U.S. District Court for reimbursement of pipeline relocation costs allegedly made necessary by third-party mining activities near Kemmerer, Wyoming (Kemmerer relocation costs). The article states that Northwest's rate base includes \$21.8 million for projected capital expenses associated with such relocation costs.

Article VII also states that Northwest will refund to certain eligible shippers the revenue it collects through rates associated with any complaint-related reimbursement of Kemmerer relocation costs Northwest receives during a defined period, and will refund such revenue, with interest, during the first general billing cycle after its first new post-Moratorium rates become effective.⁵ Any capital expenditures incurred by Northwest for Kemmerer relocation costs in excess of such third-party reimbursement will remain in gross plant, and will be included in Northwest's first filing proposing new post-Moratorium rates. Article VII will remain effective until Northwest's refund obligation to shippers, if any, is satisfied.

i) Article VIII addresses the treatment of certain integrity-related operation and maintenance (O&M) costs that the Commission requires pipelines to expense.⁶ The article requires Northwest, at the end of each calendar year during

⁵ As used in this order, "Moratorium" means the period January 1, 2013 to December 31, 2015, which is the minimum period that the Settlement rates must be effective.

⁶ *Jurisdictional Public Utilities and Licensees, Natural Gas Companies, and Oil Pipeline Companies, order on accounting for pipeline assessment costs*, 111 FERC ¶ 61,501 (2005).

the Settlement Term and at the end of the term, to determine whether certain portions of such integrity-related expenses incurred from January 1, 2013 are to be recorded as regulatory liabilities or regulatory assets in accordance with the formulas in the article. If there is a end-term balance in a regulatory asset or liability account established pursuant to Article VIII, Northwest will refund or recover such ending balance during a five-year amortization period beginning on the effective date of Northwest's first new post-Moratorium rates. The settling parties will not be precluded from challenging the prudence of such expenses. This article will remain effective until the five-year amortization is completed.

j) Article IX requires Northwest to calculate and record in a regulatory asset account or liability account dollar amounts determined in accordance with formulas set forth therein resulting from a change in the current federal corporate tax rate that occurs during the period from January 1, 2013 until the end of the Settlement term. Northwest will amortize the balance in the applicable regulatory account over a five-year period beginning on the date that new rates in Northwest's first post-Moratorium NGA section 4 or 5 general rate case filing or pre-filing settlement go into effect.

k) Article X states that the Settlement Rates, as shown in Appendix B, shall become effective January 1, 2013.

l) Article XI states that the Settling Parties will not file comments opposing the Settlement.

m) Article XII describes contested settlement procedures.

n) Article XIII states that the term of the Settlement begins on the date that an order approving the Settlement becomes a final order and ends on the day before the date that Northwest's first new post-Moratorium rates become effective pursuant to an NGA section 4 or section 5 general rate filing, or pre-filing settlement.

o) Article XIV establishes a three-year Moratorium precluding a Settling Party from proposing any NGA section 4 or section 5 changes to the levels of Northwest's general rates that would seek to place such new rates or changes into effect earlier than January 1, 2016. Northwest agrees to file an NGA section 4 rate case not later than July 1, 2017, for rates to become effective not later than January 1, 2018, unless it has entered in a pre-filing settlement, or a post-moratorium NGA section 5 general rate case has been filed on or before July 1, 2017 regarding Northwest's rates. The article states that to the extent the Commission considers any change to the provisions of the Settlement, the standard of review for any such proposed change shall be the most stringent standard permissible under applicable law.

p) Article XV contains reservations including that various provisions of the Settlement are not severable.

q) Article XVI deals with procedural timing issues.

4. The Commission approves the Settlement as it appears fair, reasonable, and in the public interest. The Commission's approval of the Settlement does not constitute acceptance of, or precedent regarding, any principle or issue in this proceeding.

By direction of the Commission.

Kimberly D. Bose,
Secretary.