

151 FERC ¶ 61,280  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

June 30, 2015

In Reply Refer To:  
Gas Transmission Northwest LLC  
Docket No. RP15-904-000

Gas Transmission Northwest LLC  
700 Louisiana Street, Suite 700  
Houston, TX 77002-2700

Attention: John A. Roscher  
Director, Rates & Tariffs

Dear Mr. Roscher:

1. On April 23, 2015, and as amended May 1, 2015, Gas Transmission Northwest LLC (GTN) submitted, pursuant to Rule 207(a)(5),<sup>1</sup> a petition for approval of a Stipulation and Agreement of Settlement (Settlement) regarding changes to GTN's transportation service rates. GTN included *pro forma* tariff sheets implementing the revised rates and other terms of the Settlement, which is uncontested.

2. On August 12, 2011, GTN filed a Petition for Approval of Stipulation and Agreement of Settlement (2011 Settlement) that was approved by the Commission on November 30, 2011.<sup>2</sup> Article V.A. of the 2011 Settlement established a four-year moratorium period during which the parties were prohibited from taking certain actions, including any filings under sections 4 and 5 of the Natural Gas Act (NGA) that would be inconsistent with the 2011 Settlement. Under the 2011 Settlement, GTN was required to file an NGA general section 4 rate case on or about June 30, 2015, for rates to become effective on January 1, 2016. GTN states that its April 23, 2015 Settlement is filed in lieu of its obligation to file a general rate case, and obviates the need for GTN to make that NGA general section 4 rate filing.

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<sup>1</sup> 18 C.F.R. § 385.207(a)(5) (2014).

<sup>2</sup> *Gas Transmission Northwest LLC*, 137 FERC ¶ 61,163 (2011).

3. GTN explains that it entered into settlement negotiations with interested parties, including shippers and state regulators (Settling Parties) from February 2015 through April 2015 to resolve their differences regarding issues that might have been raised in an NGA general section 4 rate filing. GTN states that these meetings resulted in GTN and the Settling Parties reaching agreement regarding GTN's rates, terms, and conditions of service, reflected in the Settlement filed in this proceeding.
4. GTN states that it is mindful that the Commission encourages pipelines and their customers to resolve rate and tariff matters before filing with the Commission<sup>3</sup> to change its rates or other tariff provisions as such a process enables the prompt, efficient resolution of rate and tariff related matters for the benefit of all concerned, without the expense of a hearing and lengthy litigation. GTN states the Settlement achieves this goal and provides for interim rate relief to be effective on July 1, 2015,<sup>4</sup> and further rate reductions conditioned as set forth in the agreement. Therefore, GTN submits that the Settlement is in the public interest and should be approved, effective January 1, 2016, without modification or conditions.
5. The terms of the Settlement are summarized below.
6. Article I provides background information about GTN's previous rate settlement. It also discusses the negotiation process that GTN, its customers and other interested parties engaged in to reach the instant Settlement.
7. Article II provides that the terms of the Settlement are an integrated package and therefore the Settling Parties request that the Settlement be approved in its entirety.
8. Article III defines the terms "Settling Parties" and "Contesting Parties".
9. Article IV provides the proposed effective date and details the order of events to occur if the Settlement is subject to modification or condition.
10. Article V requires GTN to file a NGA general section 4 rate case with an effective date of no later than January 1, 2022. It also provides that either GTN or any Settling Party may make filings pursuant to the NGA, provided, however, that neither GTN nor any Settling Party shall take any action that would result in rates other than the Phase I Settlement Rates becoming effective prior to January 2, 2016, except for the Interim Rate Relief provided for in Article VI.B.

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<sup>3</sup> See *Dominion Transmission, Inc.*, 111 FERC ¶ 61,285, at P 30 (2005).

<sup>4</sup> GTN has separately filed, in Docket No. RP15-1028-000, tariff records to implement this interim rate relief, effective July 1, 2015, consistent with the Settlement.

11. Article VI provides details regarding the Settlement Rates for all GTN mainline transportation services. Article VI.B provides Interim Rate Relief for Settling Parties, which GTN will file to place into effect as of July 1, 2015. Contesting Parties will not be entitled to Interim Rate Relief.
12. Article VII sets forth an annual depreciation rate of 3.5 percent for mainline natural gas turbines and 1.8 percent for all other mainline transmission facilities.
13. Article VIII provides that GTN will file actual tariff records as they appear in Appendix B-1 at least 30 calendar days before the January 1, 2016 effective date. Article VIII also provides for contingencies if a Commission order approving the Settlement has not been issued by December 1, 2015.
14. Article IX describes how Post Retirement Benefits Other Than Pensions (PBOP) will be funded, and the treatment of PBOPs in the next rate case. It also details PBOP disbursements, and steps GTN must take if it seeks to terminate the PBOP trust.
15. Article X provides that upon the effective date of the Settlement, it shall supersede the 2011 Settlement in its entirety.
16. Article XI generally states that no party shall be bound or prejudiced by the Settlement unless it becomes effective in accordance with its provisions and that approval of the Settlement does not constitute approval of, or precedent regarding, any principle or issue. Further, it provides that to the extent that the Commission considers any changes to the terms of the Settlement prior to January 2, 2016, the standard of review shall be the most stringent standard permissible under applicable law.
17. Article XII provides that until the Settlement is approved by the Commission and becomes effective, it shall be privileged and of no effect, and shall not be admissible in evidence.
18. Article XIII provides that Commission approval of the Settlement shall constitute Commission authorization and approval for GTN to implement the rates and tariff changes reflected in the Settlement without suspension or conditions, other than those specified in the Settlement. It also states that the Commission's approval of the Settlement shall constitute all authorization necessary to carry out any provision of the Settlement.
19. Article XIV provides that GTN and Settling Parties understand and agree that GTN is responsible to maintain and operate its pipeline facilities in full compliance with all applicable safety and reliability laws and regulations.
20. Public notice of the filing was issued on May 1, 2015, allowing for protests to be filed as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2014)). No protests or adverse comments were filed.

21. Consistent with the Commission’s guidance for filing settlements outside the context of an existing proceeding set forth in *Dominion Transmission, Inc.*,<sup>5</sup> the Settlement resolves GTN’s cost of service issues without the need for protracted litigation and hearings. The Commission explained in *Dominion* that when a pipeline negotiates an agreement with its customers and others to change its rates or terms and conditions of service, and it desires approval of the agreement before making an actual NGA section 4 tariff filing, it may file, pursuant to Rule 207(a)(5),<sup>6</sup> a petition for approval of the agreement, along with *pro forma* tariff sheets reflecting how the agreement will be implemented. This is the procedure GTN has followed here.

22. Because the Settlement provides that the standard of review for any changes to the terms of the Settlement considered by the Commission prior to January 2, 2016 is “the most stringent standard permissible under applicable law,” we clarify the framework that would apply if the Commission were required to determine the standard of review in a later challenge to the Settlement.

23. The *Mobile-Sierra*<sup>7</sup> “public interest” presumption applies to an agreement only if the agreement has certain characteristics that justify the presumption. In ruling on whether the characteristics necessary to justify a *Mobile-Sierra* presumption are present, the Commission must determine whether the agreement at issue embodies either (1) individualized rates, terms, or conditions that apply only to sophisticated parties who negotiated them freely at arm’s length; or (2) rates, terms, or conditions that are generally applicable or that arose in circumstances that do not provide the assurance of justness and reasonableness associated with arm’s-length negotiations. Unlike the latter, the former constitute contract rates, terms, or conditions that necessarily qualify for a *Mobile-Sierra* presumption. In *New England Power Generators Ass’n, Inc. v. FERC*,<sup>8</sup> however, the D.C. Circuit determined that the Commission is legally authorized to impose a more rigorous application of the statutory “just and reasonable” standard of review on future changes to agreements that fall within the second category described above.

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<sup>5</sup> 111 FERC ¶ 61,285 (2005) (*Dominion*).

<sup>6</sup> 18 C.F.R. § 385.207(a)(5) (2014).

<sup>7</sup> *United Gas Pipeline Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956); *FPC v. Sierra Pac. Power Co.*, 350 U.S. 348 (1956) (collectively, *Mobile-Sierra*).

<sup>8</sup> 707 F.3d 364, 370-71 (D.C. Cir. 2013).

24. The Commission finds that the Settlement appears to be fair and reasonable and in the public interest and it is hereby approved.<sup>9</sup>

25. The Commission's approval of this Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding.

By direction of the Commission.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>9</sup> See 18 C.F.R. § 385.602(g)(3) (2014).