



**NORTHWEST PIPELINE LLC**  
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February 28, 2018

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: Northwest Pipeline LLC**  
Docket No. RP18-

Dear Ms. Bose:

Pursuant to Part 154 of the regulations of the Federal Energy Regulatory Commission (“Commission” or “FERC”), Northwest Pipeline LLC (“Northwest”) tenders for filing and acceptance the following tariff sheet as part of its FERC Gas Tariff, Fifth Revised Volume No. 1 (“Tariff”):

Twelfth Revised Sheet No. 5-B

***Statement of Nature, Reasons and Basis for the Filing***

Northwest is submitting this filing to update the annual incremental South Seattle Delivery Lateral Expansion Project facility charge in compliance with the Commission’s order in Docket No. CP12-471.<sup>1</sup>

***Filings Pending Before the Commission***

In compliance with 18 CFR § 154.204(f), Northwest states that it has no other tariff filings pending before the Commission that may significantly impact this filing.

***Effective Date and Waiver Request***

Northwest hereby moves that the proposed Tariff sheet be made effective April 1, 2018, or at the end of any suspension period which may be imposed by the Commission. Northwest requests that the Commission grant any waivers it may deem necessary for the acceptance of this filing.

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<sup>1</sup> *Northwest Pipeline GP*, 143 FERC ¶ 62,106 (2013); *reh’g denied*, 145 FERC ¶ 61,013 (2013). Northwest was directed to file a tariff record setting forth the facility charge to be updated when the charge is annually revised pursuant to the associated facilities agreement.

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***Procedural Matters***

Pursuant to the applicable provisions in Section 154 of the Commission's regulations, Northwest submits an eTariff .xml filing package, containing the following items:

- Proposed tariff sheet,
- Marked tariff sheet,
- Transmittal letter, and
- Supporting Work Papers

***Service and Communications***

In compliance with 18 CFR § 154.7(b), Northwest certifies that copies of this filing have been served electronically upon Northwest's customers and upon interested state regulatory commissions.

All communications regarding this filing should be served by e-mail to:

Laren Gertsch  
Director, Rates and Tariffs  
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Salt Lake City, Utah 84158-0900  
bruce.reemsnyder@williams.com

The undersigned certifies that the contents of this filing are true and correct to the best of his knowledge and belief; that the paper and electronic versions of the submitted tariff sheets contain the same information; and that he possesses full power and authority to sign this filing.

Respectfully submitted,

**NORTHWEST PIPELINE LLC**

***Laren Gertsch***  
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Director, Rates and Tariffs

Enclosures

STATEMENT OF RATES (Continued)

Effective Rates Applicable to  
 Rate Schedules TF-1, TF-2, TI-1, TFL-1 and TIL-1 (Continued)

Footnotes (Continued)

- (3) To the extent Transporter discounts the Maximum Base Tariff Rate, such discounts will be applied on a non-discriminatory basis, subject to the policies of Order No. 497.

Shippers receiving service under these rate schedules are required to furnish fuel reimbursement in-kind at the rates specified on Sheet No. 14.

An incremental facilities charge or other payment method provided for in Section 21 or 29 of the General Terms and Conditions, is payable in addition to all other rates and charges if such a charge is included in Exhibit C to a Shipper's Transportation Service Agreement.

In addition to the rates set forth on Sheet No. 5, Puget Sound Energy, Inc.'s Transportation Service Agreement No. 140053 is subject to an annual incremental facility charge pursuant to Section 21 of the General Terms and Conditions for the South Seattle Delivery Lateral Expansion Project. The effective annual incremental facility charge is ~~\$3,417,0623,207,431~~ and is billed in equal monthly one-twelfth increments. The daily incremental facility charge is \$0.~~14651-13752~~ per Dth.

In addition to the reservation rates shown on Sheet No. 5, Shippers who contract for Columbia Gorge Expansion Project capacity are subject to a facility reservation surcharge pursuant to Section 3.4 of Rate Schedule TF-1. The facility charge used in deriving the Columbia Gorge Expansion Project facility reservation surcharge has a minimum rate of \$0 and a maximum rate during the indicated months or calendar years as follows:

(Dollars per Dth)

Year	Rate	Year	Rate	Year	Rate
2018	\$0.09855	2021	\$0.08194	2023	\$0.07199
2019	\$0.09189	2022	\$0.07696	2024	\$0.06680
2020	\$0.08667				

January 1, 2025 - March 31, 2025 \$0.06552

STATEMENT OF RATES (Continued)

Effective Rates Applicable to  
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January 1, 2025 - March 31, 2025 \$0.06552

**NORTHWEST PIPELINE LLC**  
**South Seattle Lateral Facilities**  
**2018 Cost of Service Forecast**  
**Summary**

<b>Operation and Maintenance Expense</b>	<b>\$50,385</b>
<b>Depreciation Expense</b>	<b>\$1,421,725</b>
<b>Taxes Other Than Income Taxes</b>	<b>\$174,845</b>
<b>State Income Tax</b>	<b>\$62,369</b>
<b>Federal Income Taxes</b>	<b>\$414,757</b>
<b>Return</b>	<b><u>\$1,083,350</u></b>
<b>Total Cost of Service</b>	<b><u><u>\$3,207,431</u></u></b>

**Capacity Release Rate Development:**

<b>Cost of Service</b>	<b>\$3,207,431</b>
<b>Annual Billing Determinants (Dth)</b>	<b>23,323,500</b>
<b>Capacity Release Rate (Dth/d)</b>	<b>\$0.13752</b>

**(See Workpaper Assumptions)**

**NORTHWEST PIPELINE LLC**  
**South Seattle Lateral Facilities**  
**2018 Cost of Service Forecast**  
**Operation and Maintenance Expenses**

<b>Operation and Maintenance Expenses</b>	<b>\$13,368</b>
<b>Administrative and General Expenses</b>	<b><u>\$37,017</u></b>
<b>Total Operation and Maintenance Expense</b>	<b><u><u>\$50,385</u></u></b>

**(See Workpaper Assumptions)**

**NORTHWEST PIPELINE LLC**

**South Seattle Lateral Facilities**

**2018 Cost of Service Forecast**

**Depreciation Expense and Taxes Other Than Income Taxes**

<b>Depreciation Expense</b>	<b>\$1,421,725</b>
<b>Taxes Other Than Income Taxes:</b>	
<b>Ad Valorem Tax</b>	<b>\$173,659</b>
<b>Payroll Taxes</b>	<b>\$834</b>
<b>Franchise and Sundry Taxes</b>	<b>\$352</b>
<b>Total Taxes Other Than Income Taxes</b>	<b>\$174,845</b>

**(See Workpaper Assumptions)**

**NORTHWEST PIPELINE LLC**  
**South Seattle Lateral Facilities**  
**2018 Cost of Service Forecast**  
**Federal and State Income Taxes**

<b>Taxable Portion of Return</b>	<b>\$770,262</b>
<b>State Taxable Income (Grossed-up for Taxes <math>\div</math> (1-.3825))</b>	<b>\$1,247,388</b>
<b>State Income Tax Rate</b>	<u><b>5.00%</b></u>
<b>State Income Tax at 5.00%</b>	<u><u><b>\$62,369</b></u></u>
<b>Federal Taxable Income</b>	<b>\$1,185,019</b>
<b>Federal Income Tax Rate</b>	<u><b>35.00%</b></u>
<b>Federal Income Tax</b>	<u><u><b>\$414,757</b></u></u>

**(See Workpaper Assumptions)**



**NORTHWEST PIPELINE LLC**  
**South Seattle Lateral Facilities**  
**2018 Cost of Service Forecast**  
**Rate Base and Return**

**Average Rate Base:**

<b>Gas Plant in Service</b>	<b>\$20,416,781</b>
<b>Accumulated Depreciation</b>	<b><u>(\$6,525,210)</u></b>
<b>Net Plant</b>	<b>\$13,891,571</b>
<b>Accumulated Deferred Income Taxes</b>	<b>(\$3,061,653)</b>
<b>Working Capital</b>	<b><u>\$3,585</u></b>
<b>Total Average Rate Base</b>	<b>\$10,833,503</b>
<b>Weighted Overall Cost of Capital per Facilities Agreement</b>	<b><u>10.00%</u></b>
<b>Return</b>	<b><u><u>\$1,083,350</u></u></b>

**(See Workpaper Assumptions)**

**NORTHWEST PIPELINE LLC**  
**South Seattle Lateral Facilities**  
**2018 Cost of Service Forecast**  
**Supporting Work Paper Assumptions**

**General Overview**

Per the Commission's Order Issuing Certificate and Approving Abandonment in Docket No. CP12-471,<sup>1</sup> Northwest is required to file a tariff record setting forth the facilities charge to be updated when the facility charge is revised annually pursuant to the facilities agreement. Additionally, Northwest is required to use the facility charge as the rate for capacity releases inside the corridor established by the primary receipt and delivery points.

Per the facilities agreement, an **estimated** South Seattle Lateral Facilities cost of service is projected annually and includes all costs associated with the South Seattle Lateral Facilities including operating and maintenance expenses, administrative and general expenses, depreciation, net negative salvage, income taxes, other taxes and return.

**Operation and Maintenance (O&M) Expense**

Directly assigned South Seattle Lateral Facilities Operation and Maintenance ("O&M") costs are accumulated in a separate work order.

Indirectly assigned O&M is allocated using the method agreed to in Northwest's Stipulation and Settlement Agreement ("Settlement") filed in Docket No. RP12-490.<sup>2</sup>

Administrative and General Expenses ("A&G") are allocated in accordance with the Kansas Nebraska methodology.

**Depreciation Expense**

Direct depreciation expense for the gross direct South Seattle Lateral Facilities is 6.67 percent based on a straight-line methodology over 15 years.

Net negative salvage is 0.30 percent for transmission facilities, as outlined in the Settlement.

Indirect depreciation expense includes general and intangible plant depreciation and amortization that is allocated using the method agreed to in the Settlement.

**Federal and State Income Taxes**

The federal income tax rate utilized is 35 percent. Exhibit "C" of the service agreement between Puget and Northwest provides that the "federal income tax expense is based on the IRS federal income tax rate in effect for the period of the cost of service calculation." Northwest was required to file a new rate case for new rates to be effective January 1, 2018. FERC approved the settlement related to this required rate case filing in Docket RP17-346 on August 18, 2017. This rate case settlement contains a provision related to increases or decreases in the corporate federal income tax rate. As a result of the 2017 Tax Cuts and Jobs Act, Northwest is required to reserve approximately \$23.6 million per year until the end of

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<sup>1</sup> *Northwest Pipeline GP*, 143 FERC ¶ 62,106 (2013) ("May Order"); *reh'g denied*, 145 FERC ¶ 61,013 (2013).

<sup>2</sup> *Northwest Pipeline Corp.*, 139 FERC ¶ 61,071 (2012).

the settlement term. The settlement requires Northwest to amortize back the accrued amount to its customers over a five-year period coincidental with rates going into effect for Northwest's next general rate case.

The cost of service related to this service agreement must be filed as part of Northwest's total cost of service in its rate case filing. The annual reduction in income taxes for Northwest's total cost of service of \$23.6 million includes the amount for lower taxes related to this service agreement. Since the amount Puget may claim as a result of the lower corporate federal income tax rate will be refunded as part of the accrual amortization, it ultimately has the effect of calculating this cost of service at a 21 percent federal corporate income tax rate.

Accordingly, for this annual cost of service true up calculation, the corporate federal income tax rate of 35 percent will continue to be used until the end of the settlement term.

The state income tax rate utilized is 5 percent. The taxable portion of the return is based on Northwest's estimate of the project's equity capital.

### **Taxes Other Than Income Taxes**

Ad Valorem taxes are based on the rate used to determine the taxes paid for King County, Washington multiplied by the total average net plant of the South Seattle Lateral Facilities and the general and intangible plant assigned to the facilities.

Payroll taxes and other taxes are allocated based on the method agreed to in the Settlement.

### **Return on Rate Base**

Return on Rate Base is calculated by multiplying Rate Base by the Rate of Return.

Rate of Return – The weighted overall cost of capital (exclusive of taxes) is fixed at 10 percent per the South Seattle Lateral Facilities agreement.

Rate Base – Rate base includes both direct and indirect rate base. Direct rate base equals gross direct plant less accumulated depreciation and accumulated deferred income taxes related to the South Seattle Lateral Facilities. Indirect rate base equals applicable gross general and intangible plant less related accumulated depreciation and accumulated deferred income taxes plus working capital. Working capital includes materials and supplies and prepaid expenses.

Rate base is calculated on an annual basis using a 13-month average.

### **Billing Determinants**

The South Seattle Lateral Facilities capacity is 63,900 Dth per day. This capacity is used in calculating a capacity release rate as directed in the May Order.