



NORTHWEST PIPELINE LLC
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February 26, 2021

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

Reference: Northwest Pipeline LLC
North Seattle Lateral Upgrade and South Seattle Delivery Lateral Expansion Projects
Annual Incremental Facilities Charge Update
Docket No. RP21-_____

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 record as part of its FERC Gas Tariff, Fifth Revised Volume No. 1 (“Tariff”):

Seventeenth Revised Sheet No. 5-B

The proposed effective date of the tariff record is April 1, 2021.

Statement of Nature, Reasons and Basis for the Filing

The purpose of this filing is to update the annual incremental facility charges for the South Seattle Delivery Lateral Expansion Project and the North Seattle Lateral Upgrade Project in compliance with the Commission’s orders issued in Docket No. CP12-471¹ and Docket No. CP17-441².

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 requests that the proposed tariff record be made effective April 1, 2021, 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.

¹ *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.

² *Northwest Pipeline LLC*, 164 FERC ¶ 61,038 (2018). 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.

Materials Submitted Herewith

In accordance with Section 154.7(a)(1) of the Commission's regulations, the following material is submitted herewith:

An eTariff XML filing package, filed as a zip (compressed) file, containing:

- (1) The revised tariff record in RTF format with metadata attached;
- (2) A transmittal letter in PDF format;
- (3) A clean version of the revised tariff record in PDF format for publishing in eLibrary;
- (4) A marked version of the tariff record in accordance with Section 154.201(a) of the Commission's regulations;
- (5) Workpapers detailing the assumptions and calculations of the annual incremental facility charge; and
- (6) A copy of the complete filing in PDF format for publishing in eLibrary.

Service and Communications

In accordance with the provisions of Section 154.2(d) of the Commission's regulations, copies of this filing are available for public inspection, during regular business hours, in a convenient form and place at Northwest's main office at 2800 Post Oak Boulevard in Houston, Texas. In addition, 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:

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

Respectfully submitted,

NORTHWEST PIPELINE LLC



Manager, Rates & Regulatory

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 Nos. 140053 and 143077 are subject to an annual incremental facility charge pursuant to Section 21 of the General Terms and Conditions. The effective annual incremental facility charge for the South Seattle Delivery Lateral Expansion Project is \$2,717,918, and it is billed in equal monthly one-twelfth increments with a daily incremental facility charge of \$0.11653 per Dth. The effective annual incremental facility charge for the North Seattle Lateral Upgrade Project is \$10,635,091, and it is billed in equal monthly one-twelfth increments with a daily incremental facility charge of \$0.16862 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
 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.

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In addition to the rates set forth on Sheet No. 5, Puget Sound Energy, Inc.'s Transportation Service Agreement Nos. 140053 and 143077 are subject to an annual incremental facility charge pursuant to Section 21 of the General Terms and Conditions. The effective annual incremental facility charge for the South Seattle Delivery Lateral Expansion Project is ~~\$2,879,702~~2,717,918, and it is billed in equal monthly one-twelfth increments with a daily incremental facility charge of ~~\$0.123470~~.11653 per Dth. The effective annual incremental facility charge for the North Seattle Lateral Upgrade Project is ~~\$11,494,024~~10,635,091, and it is billed in equal monthly one-twelfth increments with a daily incremental facility charge of ~~\$0.197680~~.16862 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:

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2020	\$0.08667				

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

NORTHWEST PIPELINE LLC

South Seattle Lateral Facilities

2021 Cost of Service Forecast

Summary

Operation and Maintenance Expense	\$59,974
Depreciation Expense	\$1,421,690
Taxes Other Than Income Taxes	\$114,258
State Income Tax	\$36,841
Federal Income Taxes	\$326,428
Return	\$758,727
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Total Cost of Service	\$2,717,918
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Capacity Release Rate Development:

Cost of Service	\$2,717,918
Annual Billing Determinants (Dth)	23,323,500
Capacity Release Rate (Dth/d)	\$0.11653

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC
South Seattle Lateral Facilities
2021 Cost of Service Forecast
Operation and Maintenance Expenses

Operation and Maintenance Expenses	\$21,683
Administrative and General Expenses	<u>\$38,291</u>
Total Operation and Maintenance Expense	<u><u>\$59,974</u></u>

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC

South Seattle Lateral Facilities

2021 Cost of Service Forecast

Depreciation Expense and Taxes Other Than Income Taxes

Depreciation Expense	\$1,421,690
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Taxes Other Than Income Taxes:

Ad Valorem Tax	\$112,163
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Payroll Taxes	\$1,781
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Franchise and Sundry Taxes	\$314
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Total Taxes Other Than Income Taxes	\$114,258
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(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC

South Seattle Lateral Facilities

2021 Cost of Service Forecast

Federal and State Income Taxes

Taxable Portion of Return	\$606,223
State Taxable Income (Grossed-up for Taxes \div(1-.3747))	\$969,491
State Income Tax Rate	<u>3.80%</u>
State Income Tax at 3.80%	<u>\$36,841</u>
Federal Taxable Income	\$932,650
Federal Income Tax Rate	<u>35.00%</u>
Federal Income Tax	<u><u>\$326,428</u></u>

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC
South Seattle Lateral Facilities
2021 Cost of Service Forecast
Rate Base and Return

Average Rate Base:

Gas Plant in Service	\$20,427,630
Accumulated Depreciation	<u>(\$10,809,490)</u>
Net Plant	\$9,618,140
Accumulated Deferred Income Taxes	(\$2,034,243)
Working Capital	<u>\$3,373</u>
Total Average Rate Base	\$7,587,270
Weighted Overall Cost of Capital per Facilities Agreement	<u>10.00%</u>
Return	<u><u>\$758,727</u></u>

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC
South Seattle Lateral Facilities
2021 Cost of Service Forecast
Supporting Work Paper Assumptions

General Overview

Per the Commission's Order Issuing Certificate and Approving Abandonment in Docket No. CP12-471,¹ 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. RP12-490.²

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

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

² *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.

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 3.8 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.

NORTHWEST PIPELINE LLC

North Seattle Lateral and Meter Upgrade Project Facilities

2021 Cost of Service Forecast

Summary

Operation and Maintenance Expense	\$	162,587
Depreciation Expense		2,713,360
Taxes Other Than Income Taxes		636,593
Federal Income Taxes		1,207,956
State Income Tax		227,217
Return		5,687,378
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Total Cost of Service	\$	10,635,091
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Capacity Release Rate Development:

Cost of Service	\$	10,635,091
Annual Billing Determinants (Dth)		63,071,635
Capacity Release Rate (Dth/d)	\$	0.16862

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC

North Seattle Lateral and Meter Upgrade Project Facilities

2021 Cost of Service Forecast

Operation and Maintenance Expenses

Operation and Maintenance Expenses	\$	66,991
Administrative and General Expenses		<u>95,596</u>
Total Operation and Maintenance Expense	\$	<u><u>162,587</u></u>

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC

North Seattle Lateral and Meter Upgrade Project Facilities

2021 Cost of Service Forecast

Depreciation Expense and Taxes Other Than Income Taxes

Depreciation Expense	\$	2,713,360
Taxes Other Than Income Taxes:		
Total Ad Valorem Tax		631,344
Payroll Taxes		4,125
Franchise and Sundry Taxes		1,124
Total Taxes Other Than Income Taxes	\$	<u>636,593</u>

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC

North Seattle Lateral and Meter Upgrade Project Facilities

2021 Cost of Service Forecast

Federal and State Income Taxes

Taxable Portion of Return	\$	4,544,215
State Taxable Income (Grossed-up for Taxes /(1-.24))		5,979,388
State Income Tax Rate		<u>3.80%</u>
State Income Tax at 3.80%	\$	<u>227,217</u>
Federal Taxable Income	\$	5,752,171
Federal Income Tax Rate		<u>21.00%</u>
Federal Income Tax	\$	<u>1,207,956</u>

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC

North Seattle Lateral and Meter Upgrade Project Facilities

2021 Cost of Service Forecast

Rate Base and Return

Average Rate Base:

Gas Plant in Service	\$	63,057,544
Accumulated Depreciation		(4,439,398)
Net Plant	\$	58,618,146
Accumulated Deferred Income Taxes	\$	(1,756,431)
Working Capital	\$	12,060
Total Average Rate Base	\$	56,873,775
Weighted Overall Cost of Capital per Facilities Agreement		10.00%
Return	\$	5,687,378

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC
North Seattle Lateral Upgrade Project Facilities
2021 Cost of Service Forecast
Supporting Work Paper Assumptions

General Overview

Per the Commission's Order Issuing Certificate and Approving Abandonment in Docket No. CP17-441,¹ 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** North Seattle Lateral Upgrade Facilities cost of service is projected annually and includes all costs associated with the North Seattle Lateral Upgrade 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 North Seattle Lateral Upgrade 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. RP12-490.²

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

Depreciation Expense

Direct depreciation expense for the gross direct North Seattle Lateral Upgrade Facilities is 4 percent based on a straight-line methodology over 25 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 21 percent. The state income tax rate utilized is 3.8 percent. The taxable portion of the return is based on Northwest's estimate of the project's equity capital.

¹ *Northwest Pipeline LLC*, 164 FERC ¶ 61,038 (2018).

² *Northwest Pipeline Corp.*, 139 FERC ¶ 61,071 (2012).

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 North Seattle Lateral Upgrade 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 North Seattle Lateral Upgrade 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 North Seattle Lateral Upgrade 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 North Seattle Lateral Upgrade Facilities capacity is 172,799 Dth per day. This capacity is used in calculating a capacity release rate as directed in the Commission's Order.