

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Northwest Pipeline LLC

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Docket No. RP22-____-000

**PETITION FOR APPROVAL OF
PRE-FILING STIPULATION AND SETTLEMENT AGREEMENT**

Pursuant to Rule 207(a)(5) of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.207(a)(5), Northwest Pipeline LLC (“Northwest”), with the support or non-opposition of the Settling Parties,¹ respectfully petitions the Commission for approval of the enclosed pre-filing Stipulation and Settlement Agreement (“Settlement”). The Settlement generally reduces Northwest’s FERC Gas Tariff (“Tariff”) rates, resolves other rate issues, establishes a Modernization and Emissions Reduction Program (“MER Program”), and satisfies Northwest’s rate case comeback obligation under Northwest’s settlement in Docket No. RP17-346-000 (“2017 Settlement”).² Northwest believes that the Settlement is uncontested and requests approval by November 15, 2022.

In support, Northwest states as follows:

¹ The Settling Parties are those that support or do not oppose the Settlement, as set forth in Appendix A to the Settlement.

² *Northwest Pipeline LLC*, 160 FERC ¶ 61,008 (2017).

I.
IDENTITY OF PETITIONER AND CONTACTS

All communications regarding this petition should be served on the following

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II.
BACKGROUND

This Settlement results from discussions among Northwest and its shippers to reach a settlement of rate issues in lieu of Northwest filing a general rate case under section 4 of the Natural Gas Act (“NGA”). Otherwise, Northwest would be required to file a rate case by August 31, 2022, pursuant to section 12.4 of the 2017 Settlement.³

³ Section 12.4 of the 2017 Settlement originally required Northwest to file a rate case with rates to become effective no later than January 1, 2023, which meant a filing deadline of July 1, 2022 to accommodate notice and a five-month suspension period. However, in response to an unopposed petition to amend the 2017 Settlement, the Commission approved an amendment to section 12.4 extending Northwest’s requirement to file a rate case with rates to become effective no later than March 1, 2023, which meant a filing deadline of August 31, 2022. *Northwest Pipeline LLC*, 180 FERC ¶ 61,068 (2022).

Given Northwest's rate comeback obligation, Northwest reached out to its shippers late in 2021 to gauge interest in working towards a rate settlement. The Settling Parties agreed that there would be benefits to reaching a mutual resolution of rate issues to avoid the costs and uncertainties of participation in a formal rate proceeding. Thus, Northwest and the other Settling Parties engaged in settlement discussions from September 2021 through June 2022.

To facilitate the negotiations, Northwest provided the other Settling Parties information regarding costs, revenues, billing determinants, and other data needed to evaluate rates. Northwest also answered multiple rounds of data requests from the other Settling Parties. Northwest also provided extensive project data and cost information relating to its proposed MER Program. The Settling Parties held several meetings to discuss the data and related rates, Tariff, MER Program, and other issues of concern. The Settling Parties engaged in good faith negotiations, including the exchange of multiple offers and counteroffers that ultimately resulted in the Settlement.

The Settlement reflects numerous compromises among all Settling Parties. Those compromises resulted in an interrelated package of agreements that balance diverse interests and provide benefits to all parties, which together comprise the enclosed Settlement. In advance of filing the Settlement, Northwest circulated drafts to the other Settling Parties for review and comment. Northwest knows of no opposition to the Settlement and believes it is uncontested. Northwest and the other Settling Parties urge the Commission to expeditiously approve the Settlement as a single package, without modification.

III. SUMMARY OF SETTLEMENT TERMS

The terms of the Settlement are briefly summarized as follows:⁴

Background: These paragraphs explain the background facts and circumstances leading to the Settlement.

Article I – Indivisibility of Settlement Terms: Article I explains how the Settlement is a carefully crafted and integrated package that the Settling Parties request be approved in its entirety, without modification or condition.

Article II – Scope of Settlement: Article II defines the Settling Parties and limits the Settlement to only the issues expressly set forth therein.

Article III – Settlement Rates: The Settlement Rates shall be those shown in Appendix B and in the *pro forma* tariff sheets in Appendix E. If the Commission approves the Settlement before January 1, 2023, then the Settlement Rates shall become effective January 1, 2023. If the Commission approves the Settlement after January 1, 2023, then Northwest will make refunds, with interest, of any amounts collected above the Settlement Rates back to January 1, 2023.

Article IV – Other Settlement Matters: Section 4.1 identifies the state and federal income tax rates used in computing the Settlement Rates and the annual amount of net excess deferred income taxes (“EDIT”) that are amortized in the Settlement Rates. Section 4.2 provides that Northwest will continue using the same rate design principles agreed to

⁴ This summary of the Settlement terms is provided for the convenience of the Commission. In the event of any conflict between the statements in this petition and the terms contained in the Settlement, the terms of the Settlement control.

in its settlement in Docket No. RP12-490 (“2012 Settlement”)⁵ and its 2017 Settlement. Section 4.3 confirms that the Settlement Rates are based on a straight fixed variable rate design. Section 4.4 fixes the amount of the existing Columbia Gorge Expansion Project surcharge. Section 4.5 eliminates Northwest’s computation of leap year rates based on 366 days and allows Northwest to compute rates for all years based on 365 days.

Article V – Depreciation, Amortization, and Negative Salvage Rates:

Section 5.1 provides that Northwest’s depreciation, amortization, and negative salvage rates are set forth in Appendix C. Section 5.2 states that Northwest will continue to use separate sub-accounts to record net negative salvage. Section 5.3 confirms that Northwest may continue using accelerated depreciation and following Generally Accepted Accounting Principles and the Internal Revenue Code of 1954.

Article VI – U.S. Federal Corporate Income Tax Rate: Sections 6.1 through 6.4 state that if the U.S. federal income tax rate applicable to corporations should be reduced or increased for any taxable period(s) during the Settlement Term, then Northwest will record a regulatory liability or asset reflecting such change, as shown in Appendix D to the Settlement. It explains how the applicable amount will be determined and how Northwest will refund or amortize the balance, with interest, in that account after the Settlement Term. Section 6.5 describes how Northwest will refund the balance, with interest, in the regulatory liability account that was recorded pursuant to Article VI of the 2017 Settlement due to a reduction in the U.S. federal corporate income tax rate.

Article VII – Net Excess Deferred Income Taxes: Article VII identifies Northwest’s protected and unprotected EDIT amounts and the periods over which each

⁵ See *Northwest Pipeline GP*, 139 FERC ¶ 61,071 (2012).

will be amortized. It allows Northwest to modify its accounting for and/or amortization of EDIT as necessary to remain eligible for accelerated depreciation but provides that Northwest shall not adjust the Settlement Rates to reflect any such modified accounting for and/or amortization of EDIT.

Article VIII – Post-Retirement Benefits Other Than Pensions: Article VIII refers to the surviving terms of Article VI of Northwest’s 2012 Settlement relating to its ongoing treatment of Post-Retirement Benefits Other than Pensions (“PBOP”), and updates the amount of Northwest’s regulatory liability related to PBOPs.

Article IX – Washington State Carbon/Greenhouse Gas Tax Regulatory Asset/Liability: During the Settlement Term, Northwest may establish a regulatory asset to record the cost of carbon/greenhouse gas related taxes assessed by the state of Washington and must establish a regulatory liability to record credits received as part of a carbon/greenhouse gas related tax assessment program authorized by the state of Washington. Northwest may include such properly recorded costs and/or credits in the rates proposed in Northwest’s next NGA section 4 or 5 general rate case filing or pre-filing settlement, subject to challenge rights retained by the other Settling Parties. Such costs and/or credits shall be amortized, with interest, over a period of no less than three (3) years after the Settlement Term and shall not receive rate base treatment.

Article X – Federal Carbon/Greenhouse Gas Tax Regulatory Asset/Liability: From January 1, 2025, until the end of the Settlement Term, Northwest may establish a regulatory asset to record the cost of carbon/greenhouse gas related taxes assessed by any federal governmental body and must establish a regulatory liability to record credits received as part of a carbon/greenhouse gas related tax assessment program authorized by any federal governmental body. Northwest may include such properly recorded costs

and/or credits in the rates proposed in Northwest’s next NGA section 4 or 5 general rate case filing or pre-filing settlement, subject to challenge rights retained by the other Settling Parties. Such costs and/or credits shall be amortized, with interest, over a period of no less than three (3) years after the Settlement Term and shall not receive rate base treatment.

Article XI – Return on Equity for NGA Section 7(c) Projects and Calculating Allowance for Funds Used During Construction: Northwest shall use a rate of return on equity no higher than 12.50% in computing initial incremental recourse rates for NGA section 7(c) projects filed after January 1, 2023, and the allowance for funds used during construction for capital construction projects performed after January 1, 2023. Northwest shall not use a higher return on equity for either purpose until approved by the Commission in a subsequent NGA section 4 or 5 general rate case filing or pre-filing settlement.

Article XII – Elimination of South End Displacement Reliance: To enhance firm service reliability on the south end of Northwest’s system, the Settling Parties agree to amend: (1) the Settlement Agreement for Reduction in Displacement Reliance dated May 1, 2001; and (2) the Settlement Agreement for Reduction in Displacement Reliance Through the Columbia River Gorge Corridor dated July 1, 2001 (collectively the “Displacement Agreements”). Beginning April 1, 2024, such amendments will reduce the total capacity of primary firm service that Northwest may contract on the south end of its system to a level that is supported by its physical capacity. Beginning April 1, 2024, Northwest may contract capacity above the physical capacity of the south end of its system provided such contracts are subordinate to primary firm service.

Article XIII – Modernization and Emissions Reduction Program Cost Recovery Mechanism: Section 13.1 establishes a cost recovery mechanism (“CRM”) for Northwest’s MER Program. Appendix E contains the *pro forma* tariff sheets implementing

the MER Program and CRM through a new Section 30 of the General Terms and Conditions (“GTCs”) of the Tariff. The CRM establishes a “CRM Surcharge” for the “Eligible Facilities” included in the “Eligible Facilities Plan”. Appendix F-1 sets forth the Eligible Facilities Plan, which may be updated pursuant to Section 30.3 of Appendix E. Appendix F-2 contains a calculation of an illustrative annual CRM Surcharge with estimated “Revenue Requirement”. Appendix F-3 identifies the “Rate Base Multiplier” that Northwest will use in calculating the annual CRM Surcharge based upon the then applicable U.S. federal income tax rate for corporations. Except for substitutions or additions to the Eligible Facilities Plan, which are separately addressed in Section 30.3(c) of Appendix E, proposed amendments to the MER Program and CRM must have the prior requisite “Approval” of the “CRM Shippers” in accordance with the processes established in Section 30.3(c) of Appendix E. Section 13.2 addresses the recording of a regulatory asset and/or liability for costs and/or credits resulting from carbon/greenhouse gas emissions or reductions at the Eligible Facilities if such costs and/or credits are not covered by Articles IX or X. Northwest may include such properly recorded costs and/or credits in the rates proposed in Northwest’s next NGA section 4 or 5 general rate case filing or pre-filing settlement, subject to challenge rights retained by the other Settling Parties. Such costs and/or credits shall be amortized, with interest, over a period of no less than three (3) years after the Settlement Term and shall not receive rate base treatment. Section 13.3 requires Northwest to report any reductions in carbon/greenhouse gas emissions achieved through the MER Program in Northwest’s next NGA section 4 or 5 general rate case filing or pre-filing settlement.

Article XIV – Comments of Settling Parties: Article XIV states that the Settling Parties may not submit comments to the Commission that oppose any provision of the

Settlement.

Article XV – Contesting Parties: Article XV defines the Contesting Parties and explains that if there are any Contesting Parties, Northwest shall retain all rights to file rate or tariff changes pursuant to NGA section 4 that will be applicable to the Contesting Parties. Contesting Parties forego any rights or obligations under the Settlement.

Article XVI – Effectiveness and Term: Article XVI provides that the Settlement satisfies the 2017 Settlement’s rate filing requirement and shall become effective January 1, 2023, if approved by a Final Commission Order. It also describes when and how the Settlement will become effective if it is approved by the Commission with modification or condition and details the procedures to be followed if the Commission approves the Settlement with modification or condition. It provides that if a Settling Party other than Northwest no longer wishes to participate in this Settlement because of a modification or condition, then such Settling Party shall be deemed to be a Contesting Party. It explains the consequences and procedures if the Settlement is withdrawn by Northwest because of a modification or condition or if the Settlement is rejected by the Commission in its entirety. It also defines the Settlement Term.

Article XVII – Moratorium and Mandatory Filing Requirement: Article XVII defines the Moratorium on changes to the Settlement through January 1, 2026, during which the Settling Parties are prohibited from taking certain actions inconsistent with the Settlement. It provides the standard of review to be applied if the Commission were to consider any change to the terms of the Settlement during the Moratorium. It also requires Northwest to file an NGA Section 4 general rate case with rates to become effective not later than April 1, 2028, unless Northwest has entered a pre-filing settlement that is not opposed by the Settling Parties, or an NGA section 5 general rate case has been filed on or

before April 1, 2028, regarding Northwest's rates.

Article XVIII – Reservations: Article XVIII states that the provisions of the Settlement are not severable and if the Settlement is not approved, then it shall be treated as privileged. The Commission's approval of this Settlement shall constitute a finding that it is fair and reasonable and in the public interest. The Settlement does not establish precedent, long standing practice, or settled practice of the Commission. No party shall be deemed to be the drafter of the Settlement, which shall be interpreted in accordance with the laws of Utah.

**IV.
REQUEST FOR EXPEDITIOUS APPROVAL OF THE SETTLEMENT
BY NOVEMBER 15, 2022**

The Commission should expeditiously approve the Settlement by November 15, 2022, so that the Settlement Rates and terms can be implemented by January 1, 2023, as contemplated by the Settlement. As discussed above, the Settlement results from negotiations among Northwest and its shippers to resolve general rate issues and alleviate the need for Northwest to file an NGA section 4 rate case before August 31, 2022. The Settlement will generally reduce Northwest Tariff rates, resolve other rate issues, establish the MER Program and satisfy Northwest's rate case comeback obligation under Northwest's 2017 Settlement. The Settlement also includes a Moratorium on rate changes until January 1, 2026, which will provide rate stability and predictability to all users of the system.

The Settlement results from months of good faith negotiations among the Settling Parties. The Settlement reflects an interrelated package of compromises that will benefit all system users. Northwest, on behalf of all Settling Parties, requests that the Commission

expeditiously approve the Settlement by November 15, 2022, so that the rate reductions and other benefits of the Settlement can be implemented by January 1, 2023.

**V.
CONCLUSION**

WHEREFORE, Northwest, with the support or non-opposition of the other Settling Parties, respectfully requests that the Commission expeditiously grant this petition and approve the Settlement by November 15, 2022.

Respectfully submitted,



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