



NORTHWEST PIPELINE LLC
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February 28, 2017

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

Re: Northwest Pipeline LLC
Docket No. RP17-

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”):

Tenth 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. CP12-471.¹

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, 2017, 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.

Ms. Kimberly D. Bose
February 28, 2017
Page 2 of 2

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:

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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

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 \$3,417,062 and is billed in equal monthly one-twelfth increments. The daily incremental facility charge is \$0.14651 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
2013	\$0.09549	2017	\$0.07471	2021	\$0.05409
2014	\$0.09255	2018	\$0.06876	2022	\$0.05273
2015	\$0.08661	2019	\$0.06282	2023	\$0.05137
2016	\$0.08044	2020	\$0.05671	2024	\$0.05023

January 1, 2025 - March 31, 2025 \$0.02442

STATEMENT OF RATES (Continued)

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

Footnotes (Continued)

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January 1, 2025 - March 31, 2025 \$0.02442

NORTHWEST PIPELINE LLC
South Seattle Lateral Facilities
2017 Cost of Service Forecast
Summary

Operation and Maintenance Expense	\$60,069
Depreciation Expense	\$1,421,979
Taxes Other Than Income Taxes	\$201,921
State Income Tax	\$69,269
Federal Income Taxes	\$460,636
Return	\$1,203,188
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Total Cost of Service	\$3,417,062
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Capacity Release Rate Development:

Cost of Service	\$3,417,062
Annual Billing Determinants (Dth)	23,323,500
Capacity Release Rate (Dth/d)	\$0.14651

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC
South Seattle Lateral Facilities
2017 Cost of Service Forecast
Operation and Maintenance Expenses

Operation and Maintenance Expenses	\$12,075
Administrative and General Expenses	<u>\$47,994</u>
Total Operation and Maintenance Expense	<u><u>\$60,069</u></u>

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC

South Seattle Lateral Facilities

2017 Cost of Service Forecast

Depreciation Expense and Taxes Other Than Income Taxes

Depreciation Expense	\$1,421,979
Taxes Other Than Income Taxes:	
Ad Valorem Tax	\$200,765
Payroll Taxes	\$890
Franchise and Sundry Taxes	\$266
Total Taxes Other Than Income Taxes	\$201,921

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC
South Seattle Lateral Facilities
2017 Cost of Service Forecast
Federal and State Income Taxes

Taxable Portion of Return	\$855,467
State Taxable Income (Grossed-up for Taxes /(1-.3825))	\$1,385,372
State Income Tax Rate	<u>5.00%</u>
State Income Tax at 5.00%	<u><u>\$69,269</u></u>
Federal Taxable Income	\$1,316,103
Federal Income Tax Rate	<u>35.00%</u>
Federal Income Tax	<u><u>\$460,636</u></u>

(See Workpaper Assumptions)

NORTHWEST PIPELINE LLC
South Seattle Lateral Facilities
2017 Cost of Service Forecast
Rate Base and Return

Average Rate Base:

Gas Plant in Service	\$20,418,742
Accumulated Depreciation	<u>(\$5,113,026)</u>
Net Plant	\$15,305,716
Accumulated Deferred Income Taxes	(\$3,276,814)
Working Capital	<u>\$2,979</u>
Total Average Rate Base	\$12,031,881
Weighted Overall Cost of Capital per Facilities Agreement	<u>10.00%</u>
Return	<u><u>\$1,203,188</u></u>

(See Workpaper Assumptions)

**NORTHWEST PIPELINE LLC
South Seattle Lateral Facilities
2017 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 O&M is accumulated in a separate cost center.

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. 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.

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).

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.