

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

Northwest Pipeline LLC

)

Docket No. RP19-_____

**PETITION FOR A WAIVER OF THE REQUIREMENT
TO FILE FERC FORM NO. 501-G**

Pursuant to Rule 207 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission” or “FERC”), 18 C.F.R. § 385.207, Northwest Pipeline LLC (“Northwest”) respectfully submits this petition for a waiver of the requirement in 18 C.F.R. § 260.402(b) to file the FERC Form No. 501-G. As shown below, a waiver is appropriate in light of Northwest’s Commission-approved Stipulation and Settlement Agreement dated January 23, 2017, in Docket No. RP17-346-000 (“2017 Settlement”),¹ which established specific procedures governing Northwest’s implementation of changes to the federal corporate income tax rate.

Northwest also respectfully requests that the Commission act on this petition by no later than November 19, 2018, to allow Northwest sufficient time to prepare and file the FERC Form No. 501-G by the Group III filing deadline of December 6, 2018, if the requested waiver should be denied.

In support of this petition, Northwest respectfully states the following:

¹ Petition of Northwest Pipeline LLC for Approval of Settlement, Docket No. RP17-346-000 (Jan. 23, 2017).

I

DESCRIPTION OF PETITIONER

Northwest is organized as a limited liability company under the laws of Delaware and is authorized to do business in the states of Colorado, Idaho, New Mexico, Oregon, Washington, Wyoming, and Utah. Northwest is a natural gas company under the Natural Gas Act² (“NGA”). Northwest's principal place of business is located at 295 Chipeta Way, Salt Lake City, Utah 84108. As an open-access transporter, Northwest utilizes its transmission system to provide transportation services to both on-system and off-system markets in the states of Washington, Oregon, Idaho, Nevada, Utah, Wyoming, Colorado, New Mexico, California, and Arizona.

The names, titles, and mailing addresses of the persons to whom all correspondence and communications concerning this request should be addressed are:

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² 15 U.S.C. § 717.

II

BACKGROUND

On July 18, 2018, the Commission issued a final rule in *Interstate and Intrastate Natural Gas Pipelines; Rate Changes Relating to Federal Income Tax Rate*, Order No. 849, 164 FERC ¶ 61,031 (2018). Order No. 849 establishes procedures for determining whether interstate natural gas pipelines may be collecting unjust and unreasonable rates in light of the income tax rate reductions provided by the Tax Cuts and Jobs Act³ and the Commission’s *United Airlines* Issuances⁴ relating to master limited partnership (“MLP”) pipelines.⁵ Specifically, Order No. 849 requires interstate natural gas pipelines with cost-based rates that filed a 2017 FERC Form No. 2 or 2-A to file the FERC Form No. 501-G. The FERC Form No. 501-G is a one-time informational filing designed to estimate the impact of the Tax Cuts and Jobs Act and the *United Airlines* Issuances on the revenue requirements of interstate natural gas pipelines. *Id.* at P 30.

With respect to the Commission’s policy addressing the *United Airlines* Issuances, Order No. 849 clarified that “a natural gas company organized as a pass-through entity all of whose income or losses are consolidated on the federal income tax

³ Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017) (“Tax Cuts and Jobs Act”). Among other things, the Tax Cuts and Jobs Act reduced the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018.

⁴ The “*United Airlines* Issuances” refers to the Commission’s revised policy and precedent described in footnote 4 of Order No. 849. The *United Airlines* Issuances provide that MLP pipelines will generally no longer be permitted to recover income tax allowances in their cost of service. Order No. 849 at PP 6-9.

⁵ An “MLP pipeline” is defined in Order No. 849 as a pipeline that does not pay taxes itself and is a wholly-owned subsidiary of a master limited partnership. *Id.* at P 3 n.7.

return of its corporate parent is considered to be subject to the federal corporate income tax and is thus eligible for a tax allowance.” *Id.* at PP 3, 32.

Order No. 849 also established four voluntary options for pipelines to address the impacts of the tax changes or explain why no action is needed: (1) a limited rate reduction filing pursuant to section 4⁶ of the NGA; (2) a commitment to file a general NGA section 4 rate case before December 31, 2018; (3) an explanation why no rate change is needed; and (4) no action. Order No. 849 at P 31. The primary objectives of the FERC Form No. 501-G and the optional filings are to encourage pipelines to voluntarily reduce their rates to reflect: (1) the reduction in the U.S. federal corporate income tax rate under the Tax Cuts and Jobs Act; and (2), if applicable, the elimination of an income tax allowance for MLP pipelines under the *United Airlines* Issuances.

However, Order No. 849 recognizes that not all pipelines should be required to file a FERC Form No. 501-G. Accordingly, Order No. 849 exempts certain pipelines from filing the FERC Form No. 501-G, and provides procedures for other pipelines to request waiver of the filing requirement. *Id.* at PP 159, 162. For example, an interstate natural gas pipeline that filed an uncontested, prepackaged settlement of its rates *after* March 26, 2018, will not be required to file the FERC Form No. 501-G because the settling parties would have been aware of, and taken into account, the Commission’s Notice of Proposed Rulemaking⁷ and the *United Airlines* Issuances when their settlement

⁶ 15 U.S.C. §717c.

⁷ See *Interstate and Intrastate Natural Gas Pipelines; Rate Changes Relating to Federal Income Tax Rate*, Notice of Proposed Rulemaking, 162 FERC ¶ 61,226, at P 3 (2018), where the Commission first proposed imposing an informational filing requirement on interstate natural gas pipelines to evaluate the impact of the

was reached. Order No. 849 at P 160. Order No. 849 also recognizes that a pipeline that filed an uncontested, prepackaged settlement of its rates *prior* to March 26, 2018, may also have good cause not to file the FERC Form No. 501-G:

[I]f an individual pipeline believes that the issue of whether a pre-March 26, 2018 settlement justifies not adjusting its rates at this time can be resolved without the need to file the FERC Form No. 501-G, it may file a request for a waiver of the requirement to file the FERC Form No. 501-G, with an explanation of why its pre-March 26, 2018 settlement justifies no change in its rates to reflect the Tax Cuts and Jobs Act and/or the *United Airlines* Issuances.

Id. at P 162.

As more fully discussed below, Northwest's facts and circumstances warrant a waiver of the FERC Form No. 501-G filing requirement. Northwest's uncontested, prepackaged 2017 Settlement provides specific procedures to implement the federal corporate income tax reduction and Northwest's current organizational structure makes it eligible for a tax allowance under the Commission's policy implementing the *United Airlines* Issuances. Accordingly, the Commission's objectives for the FERC Form No. 501-G are fully satisfied.

III

NORTHWEST'S 2017 SETTLEMENT IMPOSES A REDUCTION IN NORTHWEST'S RECOVERED TAXES IN RESPONSE TO THE TAX CUTS AND JOBS ACT

Northwest's 2017 Settlement was an uncontested prepackaged agreement filed in lieu of its obligation to file a NGA general section 4 rate case. The Commission

Tax Cuts and Jobs Act and *United Airlines* Issuances on their rates.

approved the uncontested 2017 Settlement on August 18, 2017. *Northwest Pipeline LLC*, 160 FERC ¶ 61,008 (2017).⁸

The 2017 Settlement was the result of “[n]umerous and extensive meetings and discussions among Northwest and its shippers,” which “successfully resolved their issues in a practical and carefully constructed fashion.” 2017 Settlement at 1-2; *see also* 2017 Settlement at Article I (“This Settlement is a carefully crafted compromise among many parties with diverse and often conflicting interests.”).

In addition to lowering Northwest’s rates in Article III beginning January 1, 2018 and October 1, 2018, another key feature of the 2017 Settlement is the parties’ agreement in Article VI to specific procedures for Northwest to follow in the event of any changes to the federal corporate income tax rate. Section 6.1 of the 2017 Settlement provides that if the U.S. federal corporate income tax rate should be reduced during the term of the 2017 Settlement, then Northwest shall record in a regulatory liability account to be returned to the settling parties other than Northwest: (a) the dollar amount shown in Appendix E for the reduced tax rate multiplied by (b) the number of years and/or partial years (prorated monthly) during the term of the 2017 Settlement that the reduced tax rate is in effect. Northwest shall amortize the balance of this regulatory liability account over a period of five years beginning with the effective date of Northwest’s new rates in the first post-moratorium NGA section 4 or 5 general rate case filing or pre-filing settlement. Appendix E of the 2017 Settlement addresses reduced U.S. federal corporate income tax rates ranging from 34 percent down to 0 percent.

⁸ The complete copy of the 2017 Settlement is attached hereto as Exhibit A.

Accordingly, through the 2017 Settlement, Northwest and its shippers have determined how Northwest's recovered tax costs should be reduced in response to the Tax Cuts and Jobs Act. This was one of the negotiated provisions underpinning the 2017 Settlement. Therefore, no purpose will be served by requiring Northwest to compile and file the one-time financial information required by the FERC Form No. 501-G and Northwest's filing of the FERC Form No. 501-G should be waived. See *Eastern Shore Natural Gas Company*, 165 FERC ¶ 61,006 (2018), granting the pipeline's requested waiver of the FERC Form No. 501-G because its uncontested settlement predating March 26, 2018, had already addressed the new lower corporate tax rate from the Tax Cuts and Jobs Act.

IV

NORTHWEST'S CURRENT ORGANIZATIONAL STRUCTURE RENDERS THE KEY HOLDING OF THE *UNITED AIRLINES* ISSUANCES INAPPLICABLE TO NORTHWEST

The *United Airlines* Issuances culminated in the Commission's *Inquiry Regarding the Commission's Policy for Recovery of Income Tax Costs*, 162 FERC ¶ 61,227 ("Revised Policy Statement"), *order on reh'g*, 164 FERC ¶ 61,030 (2018). The key holding in the Revised Policy Statement is that MLP pipelines will no longer be permitted to recover an income tax allowance in their cost of service because a double recovery results when an MLP pipeline is granted both an income tax allowance and a return on equity determined through the discounted cash flow method. Revised Policy Statement at P 8. However, the Commission deferred providing guidance on whether other pass-through business entities can continue to recover an income tax allowance. See *Id.* at P 45.

The Commission subsequently resolved such issue in Order No. 849, which provides in relevant part that “a natural gas company organized as a pass-through entity all of whose income or loss are consolidated on the federal income tax return of its corporate parent is considered to be subject to the federal corporate income tax, and is thus eligible for a tax allowance.” Order No. 849 at P 3. The Commission acknowledged that “other pass-through entities” includes limited liability companies such as Northwest. *Id.* at P 56.

Prior to the Revised Policy Statement, Northwest was a pass-through entity whose parent was an MLP pipeline.⁹ However, that changed on August 10, 2018, when Northwest’s then parent and MLP pipeline, Williams Partners L.P., was wholly acquired by The Williams Companies, Inc., a Delaware corporation.¹⁰ Now all of Northwest’s income or loss will be consolidated on the federal income tax return of its new corporate parent, The Williams Companies, Inc.

Given these changes in its organizational structure, Northwest remains eligible to receive an income tax allowance and the key holding in the *United Airlines* Issuances is inapplicable to Northwest. Moreover, since Northwest will continue to have a tax allowance under the Commission’s Revised Policy Statement and Order No. 849, Northwest adjusted its accumulated deferred income taxes (“ADIT”) to reflect the

⁹ Northwest, a Delaware limited liability company, paid no taxes itself and was wholly owned by Williams Partners L.P., a Delaware master limited partnership.

¹⁰ The Williams Companies, Inc., Current Report (Form 8-K) (Aug. 9, 2018). Retrieved from <https://www.sec.gov/Archives/edgar/data/107263/000119312518246104/d599321d8k.htm>.

reduction in the tax rate.¹¹ Accordingly, Northwest will implement all aspects of the Commission's revised tax policies.

V

CONCLUSION

WHEREFORE, for the reasons set forth above, Northwest respectfully requests that the Commission grant it a waiver of the requirement to file the FERC Form No. 501-G because: Northwest's 2017 Settlement already imposes a reduction in Northwest's recovered tax costs in response to the Tax Cuts and Jobs Act; Northwest's current organizational structure renders the key holding in the *United Airlines* Issuances inapplicable to Northwest; and Northwest has already established a regulatory liability for the excess ADIT resulting from the Tax Cuts and Jobs Act that will be amortized over the remaining book life of its pipeline assets. Because Northwest has a Group III filing deadline of December 6, 2018, for the FERC Form No. 501-G, Northwest also requests that the Commission act on this requested waiver by November 19, 2018, to allow

¹¹ Northwest adjusted its December 31, 2017 ADIT balance and recorded a corresponding regulatory liability to account for the reduction in the federal corporate income tax rate. Upon receiving the Commission's approval, Northwest will begin amortizing this regulatory liability, and reflect the amortization in its rates, over the remaining book life of its pipeline assets beginning on the effective date of Northwest's new rates in its first post-moratorium NGA section 4 or 5 general rate case filing or pre-filing settlement. See *Regulation Implementing Tax Normalization for Certain Items Reflecting Timing Differences in the Recognition of Expenses or Revenues for Ratemaking and Income Tax Purposes*, Order No. 144, 1977–1981 FERC Stats. & Regs., Regs. Preambles ¶ 30,254 (1981), *order denying reh'g*, Order No. 144-A, 1982–1985 FERC Stats. & Regs., Regs. Preambles ¶ 30,340 (1982), *aff'd, Pub. Sys. v. FERC*, 709 F.2d 73 (1983), where the Commission advises that before a pipeline implements a proposed method to adjust deferred income taxes in response to changes in tax rates, such method must be approved by the Commission in the pipeline's next rate proceeding. Order No. 144 at p. 31,519; *see also* 18 C.F.R § 154.305(d).

Northwest sufficient time to prepare such filing if the requested waiver should be denied.

Respectfully submitted,

NORTHWEST PIPELINE LLC

David J. Madsen

Director, Business Development & Regulatory Affairs

DATED this 19th day of October, 2018.

EXHIBIT A
2017 SETTLEMENT

parties exchanged documentation, including several offers and counteroffers. This Settlement is the product of the documents exchanged and these extensive meetings and discussions.

Through this Settlement, the Settling Parties⁴ have successfully resolved their issues in a practical and carefully constructed fashion, eliminating the need for testimony, discovery, hearing and briefing of the matters resolved. The avoidance of litigation is a valuable outcome, benefiting the Settling Parties, the Commission and the public interest.

Northwest does not expect this Settlement to be contested because 100 percent of the shippers who actively participated in the settlement discussions support this Settlement. Of Northwest's long-term firm transportation and storage capacity, 92 percent support, and 8 percent do not oppose this Settlement.

The Settling Parties agree that if this Settlement is timely approved by the Commission, then Northwest will have satisfied the 2017 Rate Filing requirement as to the Settling Parties. Accordingly, the Settling Parties have requested that the Commission approve this Settlement on or before March 1, 2017, to avoid the burden of Northwest having to prepare and file the 2017 Rate Filing and for the other Settling Parties having to respond to such filing.

ARTICLE I
INDIVISIBILITY OF SETTLEMENT TERMS

The Settling Parties have engaged in extensive settlement negotiations in an effort to resolve among themselves issues that may have been raised in the 2017 Rate Filing and this Settlement provides for a reasonable negotiated resolution of those issues. This Settlement is a carefully crafted compromise among many parties with diverse and often conflicting interests. This Settlement is an integrated package and the Settling Parties request that it be approved in its entirety, without modification or condition.

⁴ "Settling Parties" is defined in Article II of the Settlement.

ARTICLE II
SCOPE OF SETTLEMENT

This Settlement shall apply to all Settling Parties. A “Settling Party” is (a) any party identified in Appendix A or (b) any party or shipper not identified in Appendix A that either supports, or does not oppose this Settlement as a whole and/or any of its underlying provisions. This Settlement represents a negotiated resolution of only the issues expressly set forth in this Settlement.

ARTICLE III
ANNUAL COST-OF-SERVICE

The rates established by this Settlement (“Settlement Rates”) are determined on the basis of an annual cost-of-service of \$440 million, and consist of two phases of rates. Phase 1 Rates, as set forth in Appendix B, will be effective from January 1, 2018, through September 30, 2018, and Phase 2 Rates, as set forth on Appendix C, will be effective from October 1, 2018, through the remaining Settlement Term (as defined in Section 11.7).

ARTICLE IV
RATE DESIGN

The Settlement Rates incorporate the following specific principles with respect to rate design:

Section 4.1

General Transmission System: The rates for all transportation Rate Schedules are based on a straight fixed variable (“SFV”) rate design.

Section 4.2

Storage: The rates for the Plymouth LNG and Jackson Prairie Rate Schedules reflect an agreement between the Settling Parties to keep the rates the same as those established in the 2012 Settlement.

Section 4.3

Evergreen 15-Year Contract Roll-In: The rates for Rate Schedule TF-1 (Large Customer), TF-1 (25-Year Evergreen), Rate Schedule TF-2 and the Rate Schedule TI-1 to be effective January 1, 2018, through September 30, 2018, as shown on Appendix B, reflect the allocation of costs to the TF-1 (15-

Year Evergreen) contracts. The rates for Rate Schedule TF-1 (Large Customer), TF-1 (25-Year Evergreen), Rate Schedule TF-2, and the Rate Schedule TI-1 to be effective October 1, 2018, through the remainder of the Settlement Term, as shown on Appendix C, reflect the roll-in of the TF-1 (15-Year Evergreen) contracts that will expire on September 30, 2018.

ARTICLE V
DEPRECIATION, AMORTIZATION
AND NET NEGATIVE SALVAGE RATES

Section 5.1

The depreciation, amortization and net negative salvage rates used in deriving the Settlement Rates are shown in Appendix D. Effective January 1, 2018, and continuing through the Settlement Term, Northwest will utilize the depreciation, amortization and net negative salvage rates in Appendix D for recording depreciation, amortization and net negative salvage expenses.

Section 5.2

Northwest will continue to use separate sub-accounts to record net negative salvage.

Section 5.3

Nothing in this Settlement shall preclude Northwest from continuing to utilize accelerated depreciation for tax purposes nor from continuing to follow Generally Accepted Accounting Principles and the Internal Revenue Code of 1954, as amended, and regulations promulgated thereunder (collectively, the “Code”), which utilize tax normalization.

ARTICLE VI
U.S. FEDERAL CORPORATE INCOME TAX RATE

Section 6.1

If the current U.S. federal income tax rate of 35 percent applicable to corporations should be reduced for any taxable period(s) between January 1, 2018, and the end of the Settlement Term (“Reduced Tax Rate”), then Northwest shall record in a regulatory liability account, to be ultimately returned to the Settling Parties other than Northwest: (a) the dollar amount shown in Appendix E for the

Reduced Tax Rate⁵ multiplied by (b) the number of years and/or partial years (prorated monthly) during the Settlement Term that the Reduced Tax Rate is in effect. Northwest shall amortize the balance of the regulatory liability account over a period of 5 years beginning with the effective date of Northwest's new rates in the first Post-Moratorium⁶ NGA Section 4 or 5 general rate case filing or pre-filing settlement.

Section 6.2

If the current U.S. federal income tax rate of 35 percent applicable to corporations should be increased for any taxable period(s) between January 1, 2018, and the end of the Settlement Term ("Increased Tax Rate"), then Northwest shall record in a regulatory asset account, to be ultimately recovered by Northwest: (a) the dollar amount shown in Appendix E for the Increased Tax Rate⁷ multiplied by (b) the number of years and/or partial years (prorated monthly) during the Settlement Term that the Increased Tax Rate is in effect. Northwest shall amortize the balance of the regulatory asset account over a period of 5 years beginning with the effective date of Northwest's new rates in the first Post-Moratorium NGA Section 4 or 5 general rate case filing or pre-filing settlement.

Section 6.3

If the current U.S. federal income tax rate applicable to corporations of 35 percent should decrease or increase for any taxable period during the Settlement Term, then the terms and provisions of this Article VI shall continue in effect beyond the Settlement Term until the applicable five-year amortization period is complete.

⁵ Any fraction of a percent shall be rounded to the nearest one-tenth percent and the difference between the dollar amounts reflected in Appendix E shall be interpolated accordingly.

⁶ The "Moratorium" is defined in Section 12.1. The phrase "Post-Moratorium" means an action having an effective date any time on or after October 2, 2018.

⁷ Any fraction of a percent shall be rounded to the nearest one-tenth percent and the difference between the dollar amounts reflected in Appendix E shall be interpolated accordingly.

ARTICLE VII
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

Article VI of the 2012 Settlement addresses the ongoing treatment of Post-Retirement Benefits Other than Pensions (“PBOP”). Section 6.7 of Article VI of the 2012 Settlement provides that, “With the exception of Section 6.1, the terms and provisions of this Article VI shall continue in effect beyond the Settlement Term until the Commission, in response to any party carrying the burden of persuasion, determines to modify or change the terms and provisions relating to PBOPs as set forth herein.” Section 6.1 sets forth the amount of the regulatory liability that existed at that time, which has now been updated to be \$30,586,547 as of December 31, 2016, in FERC Account No. 254.

ARTICLE VIII
SETTLEMENT RATES

The Settlement Rates shown in Appendix B shall become effective January 1, 2018, and remain in effect through September 30, 2018.⁸ The Settlement Rates shown in Appendix C shall become effective October 1, 2018, and remain in effect through the remainder of the Settlement Term. The Settlement Rates are computed consistent with the terms of this Settlement and are reflected as daily rates on the *pro forma* tariff sheets submitted herewith in Appendix F. This Settlement becoming effective in accordance with Article XI shall constitute the Commission authority necessary for Northwest to place into effect final tariff sheets reflecting the Settlement Rates.

ARTICLE IX
COMMENTS OF SETTLING PARTIES

Settling Parties agree that, to the extent that any comments are filed by a Settling Party with the Commission in response to the submission of this Settlement, such comments will not be in opposition to any provision of this Settlement.

⁸ To be consistent with the “Gas Day” defined in Northwest’s Tariff, the Settlement Rates will become effective at 8:00 a.m. Mountain Standard Time.

ARTICLE X
CONTESTED SETTLEMENT PROCEDURES

Parties who contest one or more provisions of this Settlement will be deemed to oppose this Settlement and shall be known as “Contesting Parties.” To the extent this Settlement is approved by the Commission, this Settlement shall become effective as to the Settling Parties (subject to their rights described in Article XI) notwithstanding the objections of Contesting Parties. As to any Contesting Party excluded from the terms of this Settlement pursuant to this Article X, Northwest will file an NGA Section 4 general rate case by no later than June 30, 2017, consistent with the 2017 Rate Filing requirement, and may submit additional NGA Section 4 general rate case filings affecting the Contesting Parties at any time thereafter. Northwest will have the same rights as to the Contesting Parties in such Section 4 proceeding(s) as it would have had absent this Settlement. Contesting Parties shall not have any rights or obligations under this Settlement. Except as otherwise expressly provided in this Settlement, any Commission order during the Settlement Term related to any NGA Section 4 or 5 general rate case filing shall only become effective as to Contesting Parties. Further, no rate, surcharge, or allocation of costs applicable to any Settling Party shall be modified as a result of the election of any other party to become a Contesting Party.

ARTICLE XI
EFFECTIVENESS AND TERM

Section 11.1

If the Commission issues an order approving this Settlement without modification or condition, then: (a) the Settling Parties waive any and all rights to file requests for rehearing, clarification and/or reconsideration of such an order and (b) this Settlement shall become effective on the date that such an order becomes a “Final Order.”⁹ If the Commission issues an order approving this Settlement subject to

⁹ A “Final Order” means an order by the Commission for which no request for rehearing or petition for review or certiorari is pending and for which the statutory time period within which to seek rehearing, review or certiorari has expired.

modification or condition, then this Settlement shall become effective on the date that such an order becomes a Final Order, subject to the rights of the Settling Parties enumerated in this Article XI.

Section 11.2

If the Commission issues an order approving this Settlement subject to modification or condition, then within seven (7) calendar days of the date of such an order, the Settling Parties will initiate a good-faith meet-and-confer process to: (a) determine whether the Commission-imposed modification or condition can be accepted by all Settling Parties, or, if not, then (b) make such mutually agreeable changes to this Settlement as are necessary so it is acceptable to all the Settling Parties. If within fourteen (14) calendar days of the date of such an order the Settling Parties are unable to mutually agree as provided for in (a) or (b) in the preceding sentence, then the obligation to meet and confer in good faith shall cease and the Settling Parties may pursue their rights set forth in Sections 11.3, 11.4, 11.5 and 11.6.

Section 11.3

If the Commission issues an order approving this Settlement subject to modification or condition, then within twenty-one (21) calendar days of the issuance of such an order and following the good faith efforts prescribed in Section 11.2, Northwest shall provide written notice to the Commission and all parties in this proceeding stating whether it will withdraw this Settlement and, if it does not withdraw this Settlement, whether it will seek rehearing of such order. Failure to provide such notice shall be deemed Northwest's election not to withdraw this Settlement, but shall not prevent Northwest from seeking rehearing. If Northwest does not withdraw this Settlement, then this Settlement shall remain in effect with the modification or condition required by the Commission, subject to the outcome of any request for rehearing. If Northwest elects to file a request for rehearing, it must be consistent with the terms of this Settlement and no other Settling Party shall oppose such a request for rehearing.¹⁰ Within

¹⁰ However, another Settling Party may challenge whether Northwest's request for rehearing is, in fact, consistent with the terms of this Settlement.

seven (7) calendar days of a Final Order denying any request for rehearing that is consistent with this Settlement, Northwest shall have the option to withdraw this Settlement by providing written notice of withdrawal of this Settlement to the Commission and all parties in this proceeding.

Section 11.4

If the Commission issues an order approving this Settlement subject to modification or condition, then within twenty-one (21) calendar days of the issuance of such an order and following the good faith efforts prescribed in Section 11.2, each Settling Party that no longer supports the settlement, other than Northwest shall provide written notice to the Commission and all parties in this proceeding stating it will no longer continue participating in this Settlement. Failure to provide such notice shall be deemed such Settling Party's election to continue its participation in this Settlement, but shall not prevent such Settling Party from seeking rehearing. If such Settling Party continues participating in this Settlement, then such Settling Party shall be bound by this Settlement as modified or conditioned by the Commission, subject to the outcome of any request for rehearing. If such Settling Party elects to file a request for rehearing, it must be consistent with the terms of this Settlement and no other Settling Party will oppose such request for rehearing.¹¹ Within seven (7) calendar days of a Final Order denying any request for rehearing that is consistent with this Settlement, any Settling Party other than Northwest shall have the option to cease participating in this Settlement by providing written notice of withdrawal from participation in this Settlement to the Commission and all parties in this proceeding.

Section 11.5

If a Settling Party other than Northwest provides notice in compliance with Section 11.4 that it no longer wishes to participate in this Settlement, then such Settling Party shall cease to be a Settling Party and shall be deemed to be a Contesting Party as of the date of such notice. Within seven (7) calendar days of receipt of a notice that any Settling Party other than Northwest elects to become a

¹¹ However, another Settling Party may challenge whether such Settling Party's request for rehearing is, in fact, consistent with the terms of this Settlement.

Contesting Party, Northwest shall have the option, but not the obligation, to withdraw this Settlement by providing written notice of withdrawal of this Settlement to the Commission and all parties in this proceeding.

Section 11.6

If Northwest withdraws this Settlement in compliance with this Article XI or this Settlement is otherwise rejected in its entirety in a Final Order, then all Settling Parties' rights, obligations and commitments under this Settlement are deemed null and void, and all Settling Parties are returned to the *status quo ante*.

Section 11.7

The term of this Settlement shall begin on the effective date determined in accordance with this Article XI and shall end the day before Northwest's new rates become effective pursuant to the first Post-Moratorium NGA Section 4 or 5 general rate case filing or pre-filing settlement ("Settlement Term").¹²

ARTICLE XII MORATORIUM AND MANDATORY FILING REQUIREMENT

Section 12.1

This Settlement establishes a moratorium on any Settling Party proposing any NGA Section 4 or 5 changes to the levels of Northwest's general rates or other matters specifically addressed and resolved by this Settlement that would seek to place such new rates or changes into effect as among the Settling Parties any earlier than October 2, 2018 ("Moratorium"). The Moratorium will not preclude Northwest from making other filings at FERC that do not conflict with or change the provisions of this Settlement such as: requests for authorization to construct and operate new facilities; requests to provide new services not covered by this Settlement; requests for incremental, maximum recourse and/or other rates and/or rate schedules associated with such new facilities or new services; requests for new or modified

¹² However, there are certain provisions of this Settlement that will by their express terms survive beyond the end of the Settlement Term.

terms or conditions of service; entering into discounted rate agreements; entering into negotiated rate agreements; or other tariff changes that do not change the provisions of this Settlement, including, but not limited to, adjustments for fuel, rate adjustments for the recovery of surcharges for items such as the Commission’s Annual Charge Adjustment and contributions to the Gas Technology Institute, or compliance tariff changes required under this Settlement or by the Commission.

Section 12.2

Neither Northwest nor any other Settling Party shall be precluded from seeking enforcement of the terms of this Settlement.

Section 12.3

To the extent that the Commission considers any change to the provisions of this Settlement during the Moratorium, the standard of review for any changes to this Settlement proposed by a Settling Party shall be the *Mobile-Sierra* “public interest” standard.¹³ The standard of review for changes proposed by a non-Settling Party or the Commission, acting *sua sponte*, shall be the ordinary “just and reasonable” standard.¹⁴

Section 12.4

Northwest will file an NGA Section 4 general rate case at FERC for rates to become effective not later than January 1, 2023, unless: (a) Northwest has entered into a pre-filing settlement or (b) a Post-Moratorium NGA Section 5 general rate case has been filed on or before January 1, 2023, regarding Northwest’s rates.

¹³ *United Gas Pipe Line v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), and *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County*, 554 U.S. 527 (2008) (*Morgan Stanley*).

¹⁴ See *Morgan Stanley*, 554 U.S. at 535.

ARTICLE XIII
RESERVATIONS

Section 13.1

The various provisions of this Settlement are not severable. If this Settlement does not become effective in accordance with Article XI, then it shall be privileged, and all discussions held and materials provided by any party in reaching this Settlement shall be treated as if it were subject to Rule 602 of the Commission's Rules of Practice and Procedure, 18 C.F.R §385.602 (2016), regardless of whether Rule 602 applies. The provisions of this Settlement relate only to the specific matters resolved by this Settlement and no Settling Party waives any claim or right which it otherwise may have with respect to any matters not expressly provided for in this Settlement.

Section 13.2

The Commission's approval of this Settlement shall constitute a finding that the Settlement is fair and reasonable and in the public interest, but shall not constitute a determination on the merits of the specific provisions of this Settlement. The Commission's approval of this Settlement shall not constitute Commission precedent regarding any principle or issue. The methods or practices observed in deriving rates and the presence or absence of methods of establishing rates as referenced in this Settlement shall not be used to prejudice any otherwise available rights or arguments of any participant in a future proceeding, other than to enforce the terms of this Settlement or collect rates due for the service provided while this Settlement remains in effect, and shall not be used as evidence that a particular method is a "long-standing practice" as that term is used in *Columbia Gas Transmission Corp. v. FERC*, 628 F.2d 578 (D.C. Cir. 1979), or a "settled practice" as that term is used in *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980).

Section 13.3

No party shall be deemed the drafter of this Settlement, and this Settlement shall not be construed against any party as the drafter.

Section 13.4

This Settlement shall be interpreted in accordance with and governed by the laws of the State of Utah, without regard to its conflicts of laws principles.

ARTICLE XIV
POTENTIAL TIMING ISSUES

Section 14.1

If the Settlement approval process is not completed¹⁵ before June 30, 2017, then Northwest will file an NGA Section 4 general rate case to satisfy the 2017 Rate Filing requirement. The other Settling Parties shall have the right to respond to such filing without limitation or restriction. If the Settlement approval process is completed after June 30, 2017, but before January 1, 2018, then Northwest will withdraw the 2017 Rate Filing as to the other Settling Parties. If the Settlement approval process is completed on, or after January 1, 2018, then Northwest will withdraw the 2017 Rate Filing as to the other Settling Parties and refunds and surcharges will be addressed in accordance with Section 14.2.

Section 14.2

If the Settlement approval process is completed by January 1, 2018, then no refund or surcharge will be due any Settling Party. If the Settlement approval process is completed after January 1, 2018, then any refunds and surcharges resulting from the 2017 Rate Filing will be assessed so as to place the Settling Parties in the same position as if the Settlement approval process had been completed by January 1, 2018.

ARTICLE XV
NO RECENT RATE REVIEW

This Settlement does not constitute a recent rate review under the Commission's *Policy Statement on Cost Recovery Mechanisms for Modernization of Natural Gas Facilities*, 151 FERC ¶

¹⁵ Completion of the Settlement approval process means a Final Order by the Commission from which: (a) Northwest has no remaining right to withdraw pursuant to Sections 11.3 or 11.5 (if applicable) and (b) no other Settling Party has a remaining right to cease its participation pursuant to Section 11.4 (if applicable).

61,047, *clarification denied*, 152 F.E.R.C. ¶ 61,046 (2015) (“Policy Statement”). This Article XV shall not preclude Northwest from requesting Commission approval of a cost recovery mechanism pursuant to the Policy Statement that would take effect after the Moratorium.

DATED this 23rd day of January, 2017.

Respectfully submitted

NORTHWEST PIPELINE LLC



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Appendix A	Settling Parties
Appendix B	Summary of Daily Settlement Rates Exclusive of Surcharges Effective January 1, 2018, through September 30, 2018
Appendix C	Summary of Daily Settlement Rates Exclusive of Surcharges effective October 1, 2018
Appendix D	Summary of Depreciation, Amortization and Net Negative Salvage Rates
Appendix E	Regulatory Asset or Liability Related to Change in U.S. Federal Corporate Income Tax Rate
Appendix F	<i>Pro Forma</i> Tariff Sheets

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Petition for Approval of Settlement and Stipulation and Settlement Agreement on each of Northwest Pipeline LLC's shippers and affected state regulatory commissions.

Dated this 23rd day of January, 2017.



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**Northwest Pipeline LLC
Docket No. RP17-
Settling Parties**

Supporting:

Avista Corporation
Cardinal FG Company
Cascade Natural Gas Corporation
Citadel Energy Marketing LLC
City of Blanding
City Of Ellensburg
City Of Enumclaw
Cross Timbers Energy Services, Inc.
Cyanco Company, LLC
EP Minerals, LLC
FortisBC Energy Inc.
Georgia-Pacific LLC
Harvey's Tahoe Management Co., Inc.
Idaho Power Company
Idahoan Foods, LLC
IGI Resources, Inc.
Intermountain Gas Company
International Paper
Kinect Energy Group
Longview Fibre Paper and Packaging, Inc.
Newmont USA Ltd
Northwest Industrial Gas Users
Northwest Natural Gas Company
Northwest Pipeline LLC
Occidental Energy Marketing, Inc.
Portland General Electric Company
Premier Magnesia, LLC
Puget Sound Energy, Inc.
Questar Gas
Roseburg Forest Products
Shell Energy North America (US), L.P.
Sierra Pacific Power Company
Snohomish County PUD No. 1
Southwest Gas Corporation
Town Of Rangely
United States Gypsum Company

**Northwest Pipeline LLC
Docket No. RP17-
Settling Parties
(continued)**

Not Opposing:

Black Hills Gas Distribution, LLC

Chevron U.S.A. Inc.

Clearwater Paper Corporation

Columbia Properties Tahoe, LLC dba Mont Bleu Resort Casino & Spa

Columbia Pacific Bio-Refinery

Evraz Inc. NA

Frederickson Power LP

Marathon Oil Company

Morgan Stanley Capital Group Inc.

Nippon Dynawave Packaging Co.

North Pacific Paper Company, LLC

Pacificorp

Public Utility District No. 1 of Clark County

The Boeing Company

TransAlta Energy Marketing (US) Inc.

Weyerhaeuser NR Company

NORTHWEST PIPELINE LLC
Docket No. RP17-
Summary of Daily Settlement Rates 1/
Exclusive of Surcharges
Effective January 1, 2018

<u>Line</u>	<u>Rate Schedule</u> (a)	<u>Rate</u> (b)
1	TF-1	
2	Reservation Charge - Large Customer	\$0.39294
3	- Evergreen - 15-year	\$0.35077
4	- Evergreen - 25-year	\$0.32093
5	Volumetric Charge - Large Customer	\$0.00832
6	- Evergreen - 15-year	\$0.00832
7	- Evergreen - 25-year	\$0.00832
8	- Small Customer	\$0.69427
9	TF-2	
10	Reservation Charge	\$0.39294
11	Volumetric Charge	\$0.00832
12	TI-1	
13	Maximum Volumetric Charge 2/	\$0.40126
14	Minimum Volumetric Charge	\$0.00832
15	SGS-2F Pre-Expansion	
16	Demand Charge	\$0.01562
17	Capacity Demand Charge	\$0.00057
18	SGS-2F Expansion	
19	Demand Charge	\$0.04056
20	Capacity Demand Charge	\$0.00348
21	SGS-2I	
22	Volumetric Charge	\$0.00224
23	SGS-2F Volumetric Bid Rates Pre-Expansion	
24	Withdrawal Charge	\$0.01562
25	Storage Charge	\$0.00057
26	SGS-2F Volumetric Bid Rates Expansion	
27	Withdrawal Charge	\$0.04056
28	Storage Charge	\$0.00348
29	LS-2F	
30	Demand Charge	\$0.02587
31	Capacity Demand Charge	\$0.00331
32	Liquefaction Charge	\$0.90855
33	Vaporization Charge	\$0.03386
34	LS-2I 3/	
35	Maximum Volumetric Charge	\$0.00662
36	Minimum Volumetric Charge	\$0.00000
37	LS-2F Volumetric Bid 3/	
38	Vaporization Demand Related Charge	\$0.02587
39	Storage Capacity Charge	\$0.00331
40	DEX-1	
41	Maximum Volumetric Charge	\$0.40126
42	Minimum Volumetric Charge	\$0.00000
43	PAL	
44	Maximum Volumetric Charge	\$0.40126
45	Minimum Volumetric Charge	\$0.00000
46	Facilities Reservation Surcharge for the Columbia Gorge 1999 Expansion 4/	\$0.09855

1/ Reflects reservation, demand and capacity demand charges as daily rates.

2/ Designed on a 100% load factor basis of the Rate Schedule TF-1 (Large Customer) rates.

3/ LS-2I and LS-2F volumetric bid service will also be assessed Rate Schedule LS-2F liquefaction and vaporization charges.

4/ Rates for the years 2018 forward are as follows (surcharge ends March 31, 2025):

2018	\$0.09855
2019	\$0.09189
2020	\$0.08667
2021	\$0.08194
2022	\$0.07696
2023	\$0.07199
2024	\$0.06680
2025	\$0.06552

NORTHWEST PIPELINE LLC
Docket No. RP17-
Summary of Daily Settlement Rates 1/
Exclusive of Surcharges
Effective October 1, 2018

<u>Line</u>	<u>Rate Schedule</u> (a)	<u>Rate</u> (b)
1	TF-1	
2	Reservation Charge - Large Customer	\$0.39033
3	- Evergreen - 25-year	\$0.32039
5	Volumetric Charge - Large Customer	\$0.00832
6	- Evergreen - 25-year	\$0.00832
7	- Small Customer	\$0.69427
8	TF-2	
9	Reservation Charge	\$0.39033
10	Volumetric Charge	\$0.00832
11	TI-1	
12	Maximum Volumetric Charge 2/	\$0.39865
13	Minimum Volumetric Charge	\$0.00832
14	SGS-2F Pre-Expansion	
15	Demand Charge	\$0.01562
16	Capacity Demand Charge	\$0.00057
17	SGS-2F Expansion	
18	Demand Charge	\$0.04056
19	Capacity Demand Charge	\$0.00348
20	SGS-2I	
21	Volumetric Charge	\$0.00224
22	SGS-2F Volumetric Bid Rates Pre-Expansion	
23	Withdrawal Charge	\$0.01562
24	Storage Charge	\$0.00057
25	SGS-2F Volumetric Bid Rates Expansion	
26	Withdrawal Charge	\$0.04056
27	Storage Charge	\$0.00348
28	LS-2F	
29	Demand Charge	\$0.02587
30	Capacity Demand Charge	\$0.00331
31	Liquefaction Charge	\$0.90855
32	Vaporization Charge	\$0.03386
33	LS-2I 3/	
34	Maximum Volumetric Charge	\$0.00662
35	Minimum Volumetric Charge	\$0.00000
36	LS-2F Volumetric Bid 3/	
37	Vaporization Demand Related Charge	\$0.02587
38	Storage Capacity Charge	\$0.00331
39	DEX-1	
40	Maximum Volumetric Charge	\$0.39865
41	Minimum Volumetric Charge	\$0.00000
42	PAL	
43	Maximum Volumetric Charge	\$0.39865
44	Minimum Volumetric Charge	\$0.00000
45	Facilities Reservation Surcharge for the Columbia Gorge 1999 Expansion 4/	\$0.09855

1/ Reflects reservation, demand and capacity demand charges as daily rates.

2/ Designed on a 100% load factor basis of the Rate Schedule TF-1 (Large Customer) rates.

3/ LS-2I and LS-2F volumetric bid service will also be assessed Rate Schedule LS-2F liquefaction and vaporization charges.

4/ Rates for the years 2018 forward are as follows (surcharge ends March 31, 2025):

2018	\$0.09855
2019	\$0.09189
2020	\$0.08667
2021	\$0.08194
2022	\$0.07696
2023	\$0.07199
2024	\$0.06680
2025	\$0.06552

NORTHWEST PIPELINE LLC
Docket No. RP17-
Summary of Depreciation, Amortization and Net Negative Salvage Rates

<u>Line</u> (a)	<u>Description</u> (b)	<u>Straight</u> <u>Line</u> <u>Rate</u> (c)	<u>Net</u> <u>Negative</u> <u>Salvage</u> <u>Rate</u> (d)	<u>Total</u> <u>Rate</u> (e)
1	General System Transmission	2.50%	0.30%	2.80%
2	Evergreen 15-Year	2.95%	0.30%	3.25%
3	Evergreen 25-Year	2.95%	0.30%	3.25%
4	Other Transmission:			
5	Albertson's	6.67%	0.30%	6.97%
6	Berwick	3.92%	0.30%	4.22%
7	Centralia	5.00%	0.30%	5.30%
8	Columbia Gorge	4.44%	0.30%	4.74%
9	Elmore	3.33%	0.30%	3.63%
10	Nampa	6.67%	0.30%	6.97%
11	North Seattle	6.67%	0.30%	6.97%
12	Olympia	6.67%	0.30%	6.97%
13	South Seattle	6.67%	0.30%	6.97%
14	Tumwater	5.00%	0.30%	5.30%
15	Underground Storage Plant (Pre-Expansion and Expansion)	2.23%	0.53%	2.76%
16	Other Storage Plant – LNG	1.45%	0.15%	1.60%
17	General Plant:			
18	Structures and Improvements 1/	LOL	None	LOL
19	Office Furniture	6.67%	None	6.67%
20	Computer Hardware	33.33%	None	33.33%
21	Computer Software	20.00%	None	20.00%
22	Office Equipment	6.67%	None	6.67%
23	Transportation Equipment	25.00%	None	25.00%
24	Tools, Shop, and Garage Equipment	6.67%	None	6.67%
25	Laboratory Equipment	10.00%	None	10.00%
26	Power Operated Equipment	12.00%	None	12.00%
27	Communications Equipment	6.67%	None	6.67%
28	Communications Equipment -Telephone	6.67%	None	6.67%
29	Communications Structures	4.00%	None	4.00%
30	Communications SCADA	10.00%	None	10.00%
31	Miscellaneous Equipment	10.00%	None	10.00%
32	Intangible Plant:			
33	Organization	4.00%	None	4.00%
34	Franchises and Consents	4.00%	None	4.00%
35	Miscellaneous Intangible Plant	6.67%	None	6.67%

1/ LOL means "Life of Lease".

Northwest Pipeline LLC
Docket No. RP17-
Regulatory Asset or Liability Related to Change in Federal Income Tax Rate

Line	Federal Income Tax Rate 1/	Change From 35% Rate
(a)	(b)	(c)
1	<u>Rate Increases</u>	
2	36%	2,079,044
3	37%	4,224,089
4	38%	6,438,329
5	39%	8,725,167
6	40%	11,088,233
7	41%	13,531,403
8	42%	16,058,820
9	43%	18,674,919
10	44%	21,384,450
11	45%	24,192,509
12	46%	27,104,570
13	47%	30,126,520
14	48%	33,264,699
15	49%	36,525,944
16	50%	39,917,639
17	51%	43,447,770
18	52%	47,124,991
19	53%	50,958,688
20	54%	54,959,068
21	55%	59,137,243
22	56%	63,505,335
23	57%	68,076,594
24	58%	72,865,532
25	59%	77,888,076
26	60%	83,161,748
27	61%	88,705,865
28	62%	94,541,777
29	63%	100,693,144
30	64%	107,186,253
31	65%	114,050,398
32	66%	121,318,315
33	67%	129,026,712
34	68%	137,216,885
35	69%	145,935,455
36	70%	155,235,263

1/ Any fraction of a percent shall be rounded to the nearest one-tenth percent and the difference between the dollar amounts reflected above shall be interpolated accordingly.

Northwest Pipeline LLC
Docket No. RP17-
Regulatory Asset or Liability Related to Change in Federal Income Tax Rate
(continued)

Line	Federal Income Tax Rate 1/	Change From 35% Rate
(a)	(b)	(c)
1	<u>Rate Reductions</u>	
2	34%	(2,016,042)
3	33%	(3,971,904)
4	32%	(5,870,241)
5	31%	(7,713,553)
6	30%	(9,504,200)
7	29%	(11,244,405)
8	28%	(12,936,272)
9	27%	(14,581,786)
10	26%	(16,182,827)
11	25%	(17,741,173)
12	24%	(19,258,510)
13	23%	(20,736,436)
14	22%	(22,176,466)
15	21%	(23,580,040)
16	20%	(24,948,524)
17	19%	(26,283,219)
18	18%	(27,585,360)
19	17%	(28,856,125)
20	16%	(30,096,633)
21	15%	(31,307,952)
22	14%	(32,491,102)
23	13%	(33,647,052)
24	12%	(34,776,731)
25	11%	(35,881,024)
26	10%	(36,960,777)
27	9%	(38,016,799)
28	8%	(39,049,864)
29	7%	(40,060,713)
30	6%	(41,050,054)
31	5%	(42,018,568)
32	4%	(42,966,903)
33	3%	(43,895,686)
34	2%	(44,805,513)
35	1%	(45,696,961)
36	0%	(46,570,579)

1/ Any fraction of a percent shall be rounded to the nearest one-tenth percent and the difference between the dollar amounts reflected above shall be interpolated accordingly.

**NORTHWEST PIPELINE LLC
Docket No. RP17-
Pro Forma Tariff Sheets**

RATE SETTLEMENT PRO FORMA TARIFF SHEET - EFFECTIVE 01/01/2018

STATEMENT OF RATES
 Effective Rates Applicable to
 Rate Schedules TF-1, TF-2, TI-1, TFL-1 and TIL-1
 (Dollars per Dth)

Rate Schedule and Type of Rate	Base Tariff Rate(1),(3)	
	Minimum	Maximum
Rate Schedule TF-1 (4)(5)		
Reservation		
(Large Customer)		
System-Wide	.00000	.39294
15 Year Evergreen Exp.	.00000	.35077
25 Year Evergreen Exp.	.00000	.32093
Volumetric (2)		
(Large Customer)		
System-Wide	.00832	.00832
15 Year Evergreen Exp.	.00832	.00832
25 Year Evergreen Exp.	.00832	.00832
(Small Customer) (6)	.00832	.69427
Scheduled Overrun (2)	.00832	.40126
Rate Schedule TF-2 (4)(5)		
Reservation	.00000	.39294
Volumetric	.00832	.00832
Scheduled Daily Overrun	.00832	.40126
Annual Overrun	.00832	.40126
Rate Schedule TI-1 (2)		
Volumetric (7)	.00832	.40126
Rate Schedule TFL-1 (4)(5)		
Reservation	-	-
Volumetric (2)	-	-
Scheduled Overrun (2)	-	-
Rate Schedule TIL-1 (2)		
Volumetric	-	-

RATE SETTLEMENT PRO FORMA TARIFF SHEET - EFFECTIVE 01/01/2018

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 \$3,625,910 and is billed in equal monthly one-twelfth increments. The daily incremental facility charge is \$0.15546 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

RATE SETTLEMENT PRO FORMA TARIFF SHEET - EFFECTIVE 01/01/2018

STATEMENT OF RATES (Continued)

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

(Dollars per Dth)

Footnotes (Continued)

- (4) All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

For Rate Schedule TF-1, the 15-Year and 25-Year Evergreen Expansion reservation and volumetric rates apply to Shippers receiving service under Rate Schedule TF-1 Evergreen Expansion service agreements. The System-Wide reservation and volumetric rates apply to Shippers receiving service under all other Rate Schedule TF-1 service agreements.

For Rate Schedule TF-1, the 15-Year and 25-Year Evergreen Expansion maximum base tariff reservation rates are comprised of \$0.34641 and \$0.31657 for transmission costs and \$0.00436 and \$0.00436 for storage costs, respectively. The System-Wide maximum base tariff reservation rates for Rate Schedule TF-1 and the maximum base tariff reservation rates for Rate Schedule TF-2 are comprised of \$0.38858 for transmission costs and \$0.00436 for storage costs.

For Rate Schedule TF-1 (Large Customer), the maximum base tariff volumetric rates applicable to Shippers receiving service under Rate Schedule TF-1 Evergreen Expansion service agreements are comprised of \$0.00806 for transmission costs and \$0.00026 for storage costs. The maximum base tariff volumetric rates for all other services under Rate Schedule TF-1 (Large Customer) and for services under Rate Schedule TF-2 are comprised of \$0.00806 for transmission costs and \$0.00026 for storage costs.

RATE SETTLEMENT PRO FORMA TARIFF SHEET - EFFECTIVE 01/01/2018

STATEMENT OF RATES
 Effective Rates Applicable to
 Rate Schedules TF-1, TF-2, TI-1, TFL-1 and TIL-1
 (Dollars per Dth)

Rate Schedule and Type of Rate	Base Tariff Rate(1),(3)	
	Minimum	Maximum
Rate Schedule TF-1 (4)(5) Reservation (Large Customer)		
System-Wide	.00000	.39294-41000
15 Year Evergreen Exp.	.00000	.35077-36263
25 Year Evergreen Exp.	.00000	.32093-34234
Volumetric (2) (Large Customer)		
System-Wide	.00832-00813	.00832-03000
15 Year Evergreen Exp.	.00832-00813	.00832-00813
25 Year Evergreen Exp.	.00832-00813	.00832-00813
(Small Customer) (6)	.00832-00813	.69427-72155
Scheduled Overrun (2)	.00832-00813	.40126-44000
Rate Schedule TF-2 (4)(5) Reservation	.00000	.39294-41000
Volumetric	.00832-00813	.00832-03000
Scheduled Daily Overrun	.00832-00813	.40126-44000
Annual Overrun	.00832-00813	.40126-44000
Rate Schedule TI-1 (2) Volumetric (7)	.00832-00813	.40126-44000
Rate Schedule TFL-1 (4)(5) Reservation	-	-
Volumetric (2)	-	-
Scheduled Overrun (2)	-	-
Rate Schedule TIL-1 (2) Volumetric	-	-

RATE SETTLEMENT PRO FORMA TARIFF SHEET - EFFECTIVE 01/01/2018

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 \$3,625,910 and is billed in equal monthly one-twelfth increments. The daily incremental facility charge is \$0.15546 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				
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 ~~\$0.065520~~ 0.02442

RATE SETTLEMENT PRO FORMA TARIFF SHEET - EFFECTIVE 01/01/2018

STATEMENT OF RATES (Continued)

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

(Dollars per Dth)

Footnotes (Continued)

- (4) All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

For Rate Schedule TF-1, the 15-Year and 25-Year Evergreen Expansion reservation and volumetric rates apply to Shippers receiving service under Rate Schedule TF-1 Evergreen Expansion service agreements. The System-Wide reservation and volumetric rates apply to Shippers receiving service under all other Rate Schedule TF-1 service agreements.

For Rate Schedule TF-1, the 15-Year and 25-Year Evergreen Expansion maximum base tariff reservation rates are comprised of ~~\$0.346410.35843~~ and ~~\$0.316570.33814~~ for transmission costs and ~~\$0.004360.00420~~ and ~~\$0.004360.00420~~ for storage costs, respectively. The System-Wide maximum base tariff reservation rates for Rate Schedule TF-1 and the maximum base tariff reservation rates for Rate Schedule TF-2 are comprised of ~~\$0.388580.40580~~ for transmission costs and ~~\$0.004360.00420~~ for storage costs.

For Rate Schedule TF-1 (Large Customer), the maximum base tariff volumetric rates applicable to Shippers receiving service under Rate Schedule TF-1 Evergreen Expansion service agreements are comprised of ~~\$0.008060.00775~~ for transmission costs and ~~\$0.000260.00038~~ for storage costs. The maximum base tariff volumetric rates for all other services under Rate Schedule TF-1 (Large Customer) and for services under Rate Schedule TF-2 are comprised of ~~\$0.008060.02962~~ for transmission costs and ~~\$0.000260.00038~~ for storage costs.

RATE SETTLEMENT PRO FORMA TARIFF SHEET - EFFECTIVE 10/01/2018

STATEMENT OF RATES
 Effective Rates Applicable to
 Rate Schedules TF-1, TF-2, TI-1, TFL-1 and TIL-1
 (Dollars per Dth)

Rate Schedule and Type of Rate	Base Tariff Rate(1),(3)	
	Minimum	Maximum
Rate Schedule TF-1 (4)(5) Reservation (Large Customer) System-Wide	.00000	.39033
25 Year Evergreen Exp.	.00000	.32039
Volumetric (2) (Large Customer) System-Wide	.00832	.00832
25 Year Evergreen Exp.	.00832	.00832
(Small Customer) (6)	.00832	.69427
Scheduled Overrun (2)	.00832	.39865
Rate Schedule TF-2 (4)(5) Reservation	.00000	.39033
Volumetric	.00832	.00832
Scheduled Daily Overrun	.00832	.39865
Annual Overrun	.00832	.39865
Rate Schedule TI-1 (2) Volumetric (7)	.00832	.39865
Rate Schedule TFL-1 (4)(5) Reservation	-	-
Volumetric (2)	-	-
Scheduled Overrun (2)	-	-
Rate Schedule TIL-1 (2) Volumetric	-	-

RATE SETTLEMENT PRO FORMA TARIFF SHEET - EFFECTIVE 10/01/2018

STATEMENT OF RATES (Continued)

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

(Dollars per Dth)

Footnotes (Continued)

- (4) All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

For Rate Schedule TF-1, the 25-Year Evergreen Expansion reservation and volumetric rates apply to Shippers receiving service under Rate Schedule TF-1 Evergreen Expansion service agreements. The System-Wide reservation and volumetric rates apply to Shippers receiving service under all other Rate Schedule TF-1 service agreements.

For Rate Schedule TF-1, the 25-Year Evergreen Expansion maximum base tariff reservation rates are comprised of \$0.31603 for transmission costs and \$0.00436 for storage costs. The System-Wide maximum base tariff reservation rates for Rate Schedule TF-1 and the maximum base tariff reservation rates for Rate Schedule TF-2 are comprised of \$0.38597 for transmission costs and \$0.00436 for storage costs.

For Rate Schedule TF-1 (Large Customer), the maximum base tariff volumetric rates applicable to Shippers receiving service under Rate Schedule TF-1 Evergreen Expansion service agreements are comprised of \$0.00806 for transmission costs and \$0.00026 for storage costs. The maximum base tariff volumetric rates for all other services under Rate Schedule TF-1 (Large Customer) and for services under Rate Schedule TF-2 are comprised of \$0.00806 for transmission costs and \$0.00026 for storage costs.

RATE SETTLEMENT PRO FORMA TARIFF SHEET - EFFECTIVE 10/01/2018

STATEMENT OF RATES
 Effective Rates Applicable to
 Rate Schedules TF-1, TF-2, TI-1, TFL-1 and TIL-1
 (Dollars per Dth)

Rate Schedule and Type of Rate	Base Tariff Rate(1),(3)	
	Minimum	Maximum
Rate Schedule TF-1 (4)(5)		
Reservation		
(Large Customer)		
System-Wide	.00000	.39033 -.39294
15 Year Evergreen Exp.	.00000	.35077
25 Year Evergreen Exp.	.00000	.32039 -.32093
Volumetric (2)		
(Large Customer)		
System-Wide	.00832	.00832
15 Year Evergreen Exp.	.00832	.00832
25 Year Evergreen Exp.	.00832	.00832
(Small Customer) (6)	.00832	.69427
Scheduled Overrun (2)	.00832	.39865 -.40126
Rate Schedule TF-2 (4)(5)		
Reservation	.00000	.39033 -.39294
Volumetric	.00832	.00832
Scheduled Daily Overrun	.00832	.39865 -.40126
Annual Overrun	.00832	.39865 -.40126
Rate Schedule TI-1 (2)		
Volumetric (7)	.00832	.39865 -.40126
Rate Schedule TFL-1 (4)(5)		
Reservation	-	-
Volumetric (2)	-	-
Scheduled Overrun (2)	-	-
Rate Schedule TIL-1 (2)		
Volumetric	-	-

RATE SETTLEMENT PROFORMA TARIFF SHEET - EFFECTIVE 10/01/2018

STATEMENT OF RATES (Continued)

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

(Dollars per Dth)

Footnotes (Continued)

- (4) All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

For Rate Schedule TF-1, the ~~15-Year and~~ 25-Year Evergreen Expansion reservation and volumetric rates apply to Shippers receiving service under Rate Schedule TF-1 Evergreen Expansion service agreements. The System-Wide reservation and volumetric rates apply to Shippers receiving service under all other Rate Schedule TF-1 service agreements.

For Rate Schedule TF-1, the ~~15-Year and~~ 25-Year Evergreen Expansion maximum base tariff reservation rates are comprised of ~~\$0.34641 and \$0.316030.31657~~ for transmission costs and ~~\$0.00436 and~~ \$0.00436 for storage costs, ~~respectively~~. The System-Wide maximum base tariff reservation rates for Rate Schedule TF-1 and the maximum base tariff reservation rates for Rate Schedule TF-2 are comprised of ~~\$0.385970.38858~~ for transmission costs and \$0.00436 for storage costs.

For Rate Schedule TF-1 (Large Customer), the maximum base tariff volumetric rates applicable to Shippers receiving service under Rate Schedule TF-1 Evergreen Expansion service agreements are comprised of \$0.00806 for transmission costs and \$0.00026 for storage costs. The maximum base tariff volumetric rates for all other services under Rate Schedule TF-1 (Large Customer) and for services under Rate Schedule TF-2 are comprised of \$0.00806 for transmission costs and \$0.00026 for storage costs.