

149 FERC ¶ 61,070
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;
Philip D. Moeller, Tony Clark,
and Norman C. Bay.

Northwest Pipeline LLC

Docket No. RP14-1283-000

ORDER ACCEPTING TARIFF RECORDS

(Issued October 23, 2014)

1. On September 26, 2014, Northwest Pipeline LLC (Northwest) filed revised tariff records¹ to: (1) reduce the limit on the cumulative Receiving Party Imbalance tolerance levels during the months leading up to and including the heating season; (2) modify the allocation of Receiving Party Imbalances when a Receiving Party has more than one service agreement; (3) increase Northwest's daily unauthorized overrun and underrun entitlement charges during critical operational periods; (4) modify Northwest's customer-specific entitlement mechanism to allow Northwest to entitle specific Receiving Parties whose daily actions are causing operational concerns; and (5) modify the daily unauthorized overrun and underrun entitlement tolerance levels for Receiving Parties. The Commission accepts the tariff records effective October 27, 2014, as proposed.²

¹ The proposed tariff records are shown in the Appendix to this order.

² In Northwest's transmittal to the September 26, 2014 filing, Northwest stated "Northwest hereby moves that the proposed Tariff sheets be made effective October 27, 2014, *or at the end of any suspension period which may be imposed by the Commission.*" (Emphasis added.) 18 C.F.R. § 154.7(a)(9) (2014) of the Commission's regulations provides two options regarding the filing of a motion to place suspended rates into effect pursuant to section 4(e) of the Natural Gas Act. In the case of a minimal suspension, the pipeline may include in its filing a motion to (1) place the proposed rates into effect at the end of the suspension period; or (2) reserve the right to file a later motion. Northwest includes with its filing a motion to place the proposed tariff provisions into effect at the end of any suspension period. Pursuant to section 154.7(a)(9), such a motion only applies to minimal suspensions and cannot apply to five-month suspensions. Thus, if the Commission had suspended the proposed tariff records for any period other than the minimum period, the motion included in Northwest's filing would have been ineffective for purposes of moving the proposed tariff records into effect at the end of the suspension period.

Public Notice and Interventions

2. Public notice of the filing was issued on September 29, 2014. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2014)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2014)), all timely filed motions to intervene and any unopposed motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Puget Sound Energy, Inc. (Puget Sound) and Northwest Industrial Gas Users³ filed comments in support of Northwest's proposals. Northwest Natural Gas Company (NW Natural) filed a protest limited to one aspect of Northwest's proposed revisions: the increase in the penalty-free volume tolerance from 1,000 to 2,000 dekatherms (Dths) before penalties would apply. NW Natural's protest is discussed below.

Proposals

3. Northwest proposes five changes to its tariff which it states will help maintain system balancing flexibility, reduce entitlement and operational flow orders, and ensure that Northwest will be able to meet its firm service obligations.

4. First, Northwest states that under the General Terms and Conditions (GT&C) Section 15.3, Receiving Party Imbalances and Penalties, of its tariff, each Receiving Party⁴ is given a tolerance before the application of penalties that allows a cumulative monthly Receiving Party Imbalance of the greater of 5,000 Dths or 5 percent above or below its total monthly confirmed nominations without incurring penalties. Northwest states that if all Receiving Parties were to incur the maximum cumulative monthly imbalance within the penalty-free tolerance levels simultaneously, Northwest's system balancing flexibility would be depleted. To improve the reliability of its balancing flexibility, Northwest proposes to impose a Receiving Party cumulative imbalance tolerance limit of the greater of 5,000 Dths or 3 percent of its total monthly confirmed nominations during the period of August through February while retaining the existing cumulative imbalance tolerance limit during the rest of the year.

³ Northwest Industrial Gas Users (NWIGU) is an association of more than forty industrial end users of natural gas in Oregon, Washington, and Idaho.

⁴ A Receiving Party is the delivery point operator who controls the facilities into which natural gas is delivered for Shipper. A Receiving Party Imbalance results when there is a difference between scheduled deliveries and actual measured deliveries for a given delivery point operator.

5. Second, Northwest states that its current GT&C Section 15.1 sets forth the procedures for assigning which service agreement a Receiving Party's imbalance will reside on in the event that a Receiving Party has executed more than one service agreement with Northwest. Northwest notes that this language is outdated. Northwest proposes to delete Section 15.1, and modify Section 15.2 to state that Receiving Party imbalances will be placed on an executed service agreement as designated by the Receiving Party.

6. Third, Northwest states that its current unauthorized overrun penalty charges assessed to a Receiving Party that takes natural gas in excess of the penalty-free volume tolerance during a declared daily unauthorized overrun entitlement period is \$5 per Dth for the first 2 percent of unauthorized quantities and \$10 per Dth for any additional unauthorized quantities above the 2 percent. Northwest notes that in the 2013-2014 winter the highest reported price of spot natural gas on Northwest was \$30.38 per Dth. Northwest argues that the large difference between Northwest's unauthorized overrun charge penalty and the price of spot natural gas creates an economic incentive for Receiving Parties to choose to purchase less natural gas than they know they will use because it is cheaper to pay the \$5 and \$10 per Dth unauthorized overrun charge penalties than to purchase a more expensive natural gas supply. Northwest states that Receiving Parties that use more natural gas than what has been scheduled for delivery on critical days threaten the operational integrity of Northwest's system, and could impair Northwest's ability to provide schedule firm service. Northwest proposes to increase its current \$5 and \$10 per Dth charges for unauthorized overruns to the greater of \$10 per Dth or 150 percent of the highest midpoint price at key pricing points on its system.

7. Fourth, Northwest's tariff currently allows Northwest to declare a customer-specific overrun or underrun entitlement for a portion of the system during a critical operational period. However, once declared, any Receiving Party who exceeds its previous day's nominations by 10 percent are then subject to a customer-specific entitlement penalty for any future unauthorized overrun/underrun volumes, even if its past actions have not led to the operational problems. Northwest proposes to modify its customer-specific entitlement provision to allow Northwest to declare a customer-specific unauthorized overrun or underrun entitlement for a specific Receiving Party whose cumulative imbalance is out of tolerance and whose continued daily behavior of creating imbalances is causing operational concerns. Northwest states that the proposed customer-specific entitlement provision does not require the reduction of the existing Receiving Party Imbalance but would penalize a Receiving Party for causing its out-of-tolerance current cumulative imbalance to grow above the authorized overrun or underrun level declared by Northwest during critical operational periods. This change, Northwest continues, would allow Northwest to target the specific Receiving Party causing the operational concerns without impacting other Receiving Parties whose actions have been acceptable and are in line with the overall cumulative Receiving Party Imbalance limitations.

8. Finally, Northwest states that its current GT&C Section 15.5, Daily Overrun and Underrun Provisions, identifies three different stages at which an unauthorized overrun entitlement can be declared. Each stage identifies the threshold percentage that a Receiving Party may overrun or underrun its scheduled quantities without being penalized. Section 15.5(d) states that penalties only apply to volumes that exceed the stated penalty threshold percentage or 1,000 Dths, whichever is larger. Northwest proposes to modify the penalty-free volume tolerance for daily unauthorized overruns and underruns from 1,000 to 2,000 Dths. Northwest states that this will provide flexibility for Receiving Parties during the entitlement stages without threatening the operational integrity of Northwest's system or affecting other Receiving Parties.

9. Northwest states that prior to filing these proposed changes, it discussed the changes with its customers several times. Puget Sound and NWIGU filed comments in support of Northwest's proposals. They state that Northwest provided additional information at the meetings, and they believe that the proposed modifications are appropriately packaged together to eliminate the economic incentive to pay the entitlement charges.

10. NW Natural protested the proposed increase in the small volume tolerance from 1,000 to 2,000 Dths before penalties would apply. NW Natural argues that this upward tolerance revision is inconsistent with the general objective of Northwest's filing, which is designed to tighten up its balancing provisions and increase penalty rates to maintain the operational integrity of the system. NW Natural argues that the proposed change does not provide appropriate flexibility for Receiving Parties with larger volume receipt amounts, because the proposed tolerance change will provide more flexibility for smaller Receiving Parties only. NW Natural asserts this small tolerance change could negatively impact the current flexibility on Northwest's system because it moderates the need to balance supplies with demand for smaller Receiving Parties. NWIGU, for its part, comments that there is no evidence of any negative impact to Northwest's system from increasing the small volume tolerance for daily unauthorized overruns and underruns from 1,000 to 2,000 Dths per day.

Discussion

11. The Commission accepts Northwest's proposed changes, effective October 27, 2014. With the exception of Northwest's proposal to increase the penalty-free volume tolerance for daily unauthorized overruns and underruns from 1,000 to 2,000 Dths, the proposals are either supported by Northwest's customers or no adverse comments were filed.

12. NW Natural believes that the proposed increase in the penalty-free volume tolerance from 1,000 to 2,000 Dths before penalties would apply does not commensurately benefit large customers like it, and may be counter to the general objective of Northwest's filing: maintaining the operational integrity of the system. Section 284.12(b)(2)(v) (Penalties) of the Commission's regulations provides that

pipelines may include penalties only to the extent necessary to prevent the impairment of reliable service.⁵ Northwest, as operator of its system, is in the best position to determine whether increasing the penalty-free tolerance for large shippers as well as small would adversely affect the reliability of service on its system. The Commission perceives no basis for finding that the increase in small customer tolerances will endanger operational integrity, and affirms the pipeline's operational judgment that it will not impair Northwest's ability to provide reliable service.

13. NW Natural argues that the proposed change does not provide appropriate flexibility for Receiving Parties with larger volume receipt amounts, such as NW Natural. This is no change in the currently effective percentage deviation penalty provisions, which affect larger shippers. Specifically, Northwest's GT&C section 15 currently provides that deviation penalties apply to a Receiving Party only when the deviation is the greater of 1,000 Dth or one of three percentages of the Declared Entitlement volumes. Thus, Receiving Parties with larger Declared Entitlements are more likely subject to the different percentage-based penalty-free tolerances than Receiving Parties with small Declared Entitlements. This differentiation will not change, nor will any of the three percentages used in the calculation. NW Natural has not shown that Northwest's currently effective penalty-free percentage tolerances applicable to Receiving Parties with large Declared Entitlements are no longer just and reasonable. NW Natural's protest is therefore denied.

The Commission orders:

The tariff records listed in the Appendix to this order are accepted effective October 27, 2014.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

⁵ 18 C.F.R. § 284.12(b)(2)(v) (2014).

Appendix
Tariff Records Accepted Effective October 27, 2014

Northwest Pipeline LLC
FERC NGA Gas Tariff
Fifth Revised Volume No. 1

[Sheet No. 5-A, Statement of Rates: TF-1, TF-2, TI-1, TFL-1 and TIL-1, 3.0.0](#)
[Sheet No. 5-D, Statement of Rates: TF-1, TF-2, TI-1, TFL-1 and TIL-1, 4.0.0](#)
[Sheet No. 229, GT&C - Operating Conditions - Declared Entitlement Period, 2.0.0](#)
[Sheet No. 229-A, GT&C - Operating Conditions - Records of Sched Quantities, 2.0.0](#)
[Sheet No. 233, GT&C - Deliveries and Imbalances, 3.0.0](#)
[Sheet No. 234, GT&C - Deliveries and Imbalances, 3.0.0](#)
[Sheet No. 235, GT&C - Deliveries and Imbalances, 2.0.0](#)
[Sheet No. 236, GT&C - Deliveries and Imbalances, 3.0.0](#)
[Sheet No. 237, GT&C - Deliveries and Imbalances, 2.0.0](#)
[Sheet No. 237-A, GT&C - Deliveries and Imbalances, 3.0.0](#)