108 FERC ¶ 61,324
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

September 30, 2004

In Reply Refer To:
Northwest Pipeline Corporation
Docket No. RP04-509-000

Northwest Pipeline Corporation
P.O. Box 58900
Salt Lake City, UT 84158-0900

Attention: Gary K. Kotter
Manager, Certificates and Tariffs

Reference: Tariff Sheets

Dear Mr. Kotter:

1. On August 27, 2004, Northwest Pipeline Corporation (Northwest) filed tariff sheets[1] to revise its Rate Schedule TF-1 and General Terms and Conditions (GTC) to allow it to post a prearranged deal for available capacity for a primary term of 31 days or less for a competitive bidding period of only one hour. Northwest's filing also would allow a load factor based discount rate to include a minimum average load factor condition for billing purposes. The tariff sheets are accepted effective October 1, 2004, subject to Northwest filing revised tariff sheets within fifteen days as discussed below. Approval of Northwest's proposal will provide customers and pipeline alike with more flexibility in availability and pricing of pipeline services.

2. Northwest states that section 25 of its GTC allows it to prearrange the sale of capacity for primary terms of 31 days or less; however, under the current tariff, Northwest must post any such prearranged deal on its website for a minimum 24 hour competitive bidding period. Northwest's current proposal would allow it to post the prearranged deal for a competitive bidding period of only one hour. Northwest states that

[1] Third Revised Volume No. 1 to FERC Gas Tariff: Seventh Revised Sheet No. 19-A, Sixth Revised Sheet No. 20, Fifth Revised Sheet No. 21, Second Revised Sheet No. 21-A, Seventh Revised Sheet No. 275, Second Revised Sheet No. 302-C.

this would enable it to better respond to rapidly changing needs of the marketplace. According to Northwest, it would also put pipeline-offered capacity on a basis more comparable to released capacity, for which prearranged deals of 31 days or less can be made without any competitive bidding at all.

3. Northwest states that its current Rate Schedule TF-1 specifies that it may offer a discount based upon the daily utilization of a customer's contract demand. Under such a discount, the reservation charge for the month is the sum over all days of the month of the stated rate per Dth (which could be the maximum rate), plus applicable surcharges, times the contract demand times that day's load factor. Northwest proposes to allow itself to specify a *minimum* average monthly load factor, so that the monthly reservation charge would be the greater of: a) the reservation charge described above or b) the sum of the daily charges, using the stated rate per Dth (plus applicable surcharges) times the contract demand times the minimum load factor. Northwest clarifies that the minimum charge is a billing condition only and does not require the customer to actually flow any minimum amount of gas.

4. Public notice of the filing was issued on September 1, 2004, with interventions and protests due as provided in section 154.210 of the Commission's Regulations. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §385.214 (2003), timely filed motions to intervene and motions 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. Several parties filed to intervene. Comments were jointly filed by IGI Resources, Inc. and BP Energy Company (jointly BP).

5. BP does not take issue with the idea of Northwest having the ability to respond quickly to market conditions, but BP does object to Northwest's proposal insofar as it allows Northwest to post the prearranged deal at any time of day or night. Under such conditions, a prospective shipper might not notice the posting until it was already or nearly expired. According to BP, a shipper needs a certain amount of time to review the posting, conduct an economic analysis and gain appropriate approvals before making a competitive bid. BP points out that under capacity release, prearranged deals must be posted at a certain time of day. Therefore, BP requests that in order to make pipeline-offered capacity comparable to released capacity, the pipeline should be required to post the prearranged deals subject to a one-hour bid period at a predictable time each day.

6. Northwest's tariff has allowed for prearranged deals for available pipeline capacity for quite some time.[2] The innovation in this filing is to allow it to respond more quickly to changing short term market conditions by consummating shorter term deals (for a

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[2] *See* 85 FERC ¶ 61,335 (1998).

month or less) without the need for an extended bidding period. No party disputes the need for this flexibility, or otherwise protests. The only issue is with Northwest's ability to post the deal for competitive bidding at any time of the day.

7. The Commission finds Northwest's proposal to be just and reasonable with one exception. In a fast-moving market, it is reasonable that the parties would want to be able to make deals quickly. This proposal will put pipeline capacity on a more nearly equal footing with released capacity, where prearranged deals for a month or less do not require any competitive bidding at all.[3] Further, the Commission has allowed other pipelines to use prearranged deals under similar circumstances.[4]

8. However, the Commission agrees with BP that a one hour posting period done any time of day imposes undue burdens on shippers who may want to bid on capacity, and may result in such shippers not being able to bid at all. This may have a discriminatory result.

9. The Commission addressed similar concerns in *Texas Gas Transmission Corporation* (Texas Gas), a case involving an auction proposal, where the Commission acknowledged that requiring potential bidders to continuously monitor a pipeline website posed onerous burdens on customers.[5] In *Texas Gas*, the Commission required the pipeline to structure its auction so that customers would know with certainty when the auction will occur. The Commission finds that a similar requirement is needed for posting of prearranged deals in this case. Accordingly, Northwest is required to re-file within fifteen days setting forth specific times of day that Northwest will file prearranged deals subject to one hour bidding.

By direction of the Commission.

Linda Mitry,
Acting Secretary.

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[3] North American Energy Standards Board, Standard 5.3.2.

[4] *See* Texas Gas Transmission LLC, FERC Gas Tariff, Original Sheet No. 115.

[5] 101 FERC ¶ 61,408 (2002), P 19.