

130 FERC ¶ 61,245
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

March 26, 2010

In Reply Refer To:
Paiute Pipeline Company
Docket Nos. RP09-406-000
RP09-406-001

Paiute Pipeline Company
Post Office Box 94197
Las Vegas, Nevada 89193-4197

Attention: Edward C. McMurtrie
Vice President/General Manager

Reference: Offer of Settlement

Dear Mr. McMurtrie:

1. On November 3, 2009, Paiute Pipeline Company (Paiute) filed an Offer of Settlement (Settlement) intended to resolve all issues in the above-referenced proceeding. On November 13, 2009, Commission Trial Staff and Sierra Pacific Power Company filed timely comments supporting the Settlement. On November 19, 2009, the Presiding Judge certified the Settlement as uncontested.
2. The main Settlement provisions may be summarized as follows.
3. Article II of the Settlement provides for a reduction of approximately \$3,025,930 in the originally proposed annual revenue requirement, with a stipulated jurisdictional annual cost of service, exclusive of applicable surcharge amounts, of \$31,560,000. Article II also sets forth the agreed-upon settlement rates, incorporating a pre-tax rate of return of 12.51 percent. Subject to certain conditions and limitations, Paiute will charge a discounted base interruptible transportation rate of \$0.2250 per Dth. As a general matter, the \$0.2250 per Dth discounted rate will not be available to shippers who turn back

capacity through contract termination or reduction, or, in certain defined situations, to shippers who release capacity to such turnback shippers.

4. Article II also provides for rolled-in pricing treatment of the costs and billing determinants attributable to certain facilities which previously have been accorded incremental pricing treatment under the original certificate authorizations granted in Docket Nos. CP94-29 and CP99-599. Article II provides that Commission approval of the Settlement will constitute a finding that rolled-in pricing treatment of the costs and billing determinants attributable to such facilities is just and reasonable, and that Paiute is relieved of any further obligation to maintain separate subaccounts to track, record, and report separately the costs associated with such facilities.

5. Article III provides that Paiute shall file appropriate revised tariff sheets to effectuate the agreed-upon tariff changes and to make refunds, including interest, pursuant to the Settlement.

6. Article IV concerns depreciation and negative salvage rates; Article V addresses Paiute's accounting for post-retirement benefits other than pensions in accordance with the provisions of Statement of Financial Accounting Standards No. 106 and the Commission's policy statement in Docket No. PL93-1-000; and Article VI relates to certain federal income tax matters.

7. Article VII provides that a final Commission order approving the Settlement constitutes all authorization as necessary to effectuate its provisions.

8. Article VIII provides that any future modification of the Settlement, other than as expressly provided for therein, will be reviewed under the *Mobile-Sierra* public interest standard of review (*see United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956); *FPC v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956)). The standard of review applicable to the Commission's acting on its own motion or on a non-settling third party's request for review of any provision of the Settlement shall be the most stringent standard permissible under applicable law.

9. Article IX provides that Paiute will not submit a general rate change filing (other than certain specified rate adjustments) prior to February 28, 2011, nor later than February 28, 2014.

10. Article X provides that this proceeding shall be deemed terminated upon the acceptance by the Commission of Paiute's report of refunds made in accordance with the Settlement.

11. The Settlement is fair and reasonable and in the public interest, and is hereby approved. Paiute is directed to make refunds and to file revised tariff sheets in accordance with and as prescribed by the Settlement. The Commission's approval of this Settlement does not constitute approval of, or precedent regarding, any principle or issue in these proceedings, except to the limited extent expressly provided in the Settlement.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.