Docket No. RP16-___-000
Exhibit No. ANR-001

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ANR Pipeline Company) Docket No. RP16 -___-000

Summary of the Prepared Direct Testimony of Jay White

Mr. White is the Vice President, Marketing for TransCanada, U.S. Pipelines. His testimony provides a broad overview of ANR Pipeline Company's ("ANR") system and why this rate filing is required at this time. To that end, Mr. White explains when ANR's rates were last reviewed and provides a summary of the industry and market changes that have occurred since the last rate case. Mr. White then discusses the significant commercial and business risks that ANR faces going into the future as a result of these changes. Finally, Mr. White introduces ANR's other witnesses.

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ANR Pipeline Company	)	Docket No. RP16 -___-000

PREPARED DIRECT TESTIMONY OF JAY WHITE ON BEHALF OF ANR PIPELINE COMPANY

January 29, 2016

Glossary of Terms

ANR	ANR Pipeline Company
Bcf	Billion cubic feet
Commission	Federal Energy Regulatory Commission
Lebanon Lateral	The jointly-owned lateral extending from Glen Karn, Indiana to Lebanon, Ohio
LDC	Local distribution company
NGA	Natural Gas Act
ROE	Return on equity
SE Area	Southeast Area
SE Mainline	Southeast Mainline
SW Area	Southwest Area
SW Mainline	Southwest Mainline
Tcf	Trillion cubic feet

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Prepared Direct Testimony of Jay White

Q: What is your name and business address?

A: My name is Jay White. My business address is TransCanada Corporation, 700 Louisiana Street, Houston, Texas 77002.

Q: What is your occupation?

A: I am the Vice President, Marketing for TransCanada, U.S. Pipelines. I am filing testimony on behalf of ANR Pipeline Company ("ANR").

Q: Please describe your educational background and your occupational experience as they are related to your testimony in this proceeding.

A: I graduated from the University of Oklahoma in 1999 with a Bachelor of Science degree in Meteorology. I continued my education at the University of Oklahoma, graduating in May 2001 with a Masters Degree in Business Administration. I have been employed with TransCanada since May 2003 in several positions, including Business Analyst, Manager of Pricing, Manager of Pricing and Analysis, Director of Business Development, Director of Marketing, and my current role as Vice-President of Marketing. My responsibilities include ANR revenue generation and financial performance, relationship management, and the identification and development of commercial opportunities on the ANR system.

Q: Have you ever testified before the Federal Energy Regulatory Commission ("Commission") or any other energy regulatory commission?

A: No.

Q: What is the purpose of your testimony in this proceeding?

A: I provide a broad overview of ANR's system, a high level description of the current market situation facing ANR, and a description of the major components that underlie this filing. I also introduce ANR's other witnesses.

Q: Please generally describe the ANR system.

A: ANR is a corporation organized and existing under the laws of the State of Delaware, and has its principal place of business at 700 Louisiana Street, Houston, Texas, 77002. ANR is a "natural-gas company" as defined by the Natural Gas Act ("NGA"), 15 U.S.C. § 717a(6), and is engaged in the business of transporting natural gas in interstate commerce, subject to the jurisdiction of the Commission.

ANR's system consists of approximately 9,400 miles of pipeline and nearly 216 billion cubic feet ("Bcf") of storage, and delivers more than 1 trillion cubic feet ("Tcf") of natural gas annually, with a peak-day delivery capacity of more than 6 Bcf. ANR's facilities include two main pipelines: the Southwest Mainline ("SW Mainline"), which is the oldest portion of the ANR system entering service in 1949, extending from Texas north through Oklahoma, Kansas, Missouri, Iowa, Illinois and into Wisconsin with a segment extending through Indiana and into Michigan, and the Southeast Mainline ("SE Mainline"), which originally went into service in 1956, extending from Louisiana north through Arkansas, Mississippi, Tennessee, Kentucky, Indiana, Ohio, and into Michigan. A segment of pipeline through northern Indiana, Ohio, and Michigan connects the two main branches. Broadly speaking, the ANR system has historically been divided into five major areas: two traditional production areas, the Southwest Area ("SW Area") and the Southeast Area ("SE Area"); one traditional market area, the Northern Area; and the SW Mainline and SE Mainline, which historically linked the two traditional production areas to the traditional market area.

ANR currently utilizes its capacity to connect existing markets in its traditional market area, the Northern Area, as well as emerging net markets in and near Louisiana, with traditional supply in Texas, Oklahoma, and the Gulf Coast region, as well as newer supply to ANR from Canada, the Rocky Mountains, and the Appalachian and other unconventional production areas. Through its numerous interconnections with other major interstate pipelines, ANR provides firm and interruptible transportation and storage service to a vast number of customers across its system with the majority of deliveries in its traditional service area in the Northern Area, and to emerging markets in the Gulf Coast region.

Q: When were ANR's rates last reviewed?

A: With the exception of certain incremental rates for particular projects, and rates for new services implemented after November 1, 1997, ANR's current rates for service were established as part of a settlement of its last general NGA section 4 rate case in 1997, nearly twenty years ago.

Q: Please explain what prompted ANR to propose a rate change at this time.

A: It has been over 22 years since ANR filed its last rate case. During that time, ANR's shippers have enjoyed rate and service stability. Under TransCanada's ownership since 2007, ANR has proactively managed and operated the pipeline in a manner that has preserved that rate and service stability, postponing as long as possible the necessity to file to change its base transportation and storage rates.

As discussed below, and as explained in considerable detail by other ANR witnesses, ANR is proposing a rate change at this time because of transformational industry developments since the implementation of the last rate change nearly twenty years ago. ANR's rates have not been reset since the restructuring of the natural gas industry in the early 1990s. The industry has changed in significant ways during the intervening twenty years. The market evolution, major supply basin shifts, changes to ANR's customer and contract profile, and the resulting impacts on ANR's operations have together given rise to the need to adjust ANR's existing rate zone structure and rates. Moreover, as a result of these changes, ANR's operation of its system has likewise evolved and ANR has been required to make large capital expenditures to modernize its system to ensure continued safe and reliable services for its customers. These market changes and related capital expenditures have resulted in ANR's actual realized return on equity ("ROE") dipping to approximately three percent in the last three years.

Q: In addition to your proposed rate-related changes, is ANR proposing any changes to its transportation and storage services?

A: No, ANR has elected to focus this filing on addressing its ongoing under-recovery of costs that is a result of the circumstances I have identified above and that are described more fully in my testimony and in the testimony submitted in ANR's filing. ANR's preference is to focus strictly on the financial circumstance of the pipeline, rather than reconfiguring services and associated flexibilities that customers have enjoyed for over twenty years.

Q: Can you briefly describe the current market situation ANR faces?

A: Yes, as described in greater detail by ANR witness Towne, the natural gas market has undergone a series of transformative changes that have significantly affected where

ANR's natural gas supply is sourced, and have also resulted in the development and expansion of markets in non-traditional market areas served by ANR. These changes originally included a significant increase in natural gas supply into ANR from non-traditional sources such as Western Canada and the Rocky Mountains, and have now evolved to include Appalachian and other unconventional production areas while supply from ANR's traditional supply sources, off shore Gulf of Mexico and SW Area receipts, have declined. This significant development of new geographical sources of supply led originally to the construction of new and expanded pipeline capacity to export supply from the Rockies eastward and has evolved to include substantial pipeline development and expansions into and within ANR's traditional market area. Furthermore, as explained in greater detail by ANR witness Towne, changing supply mixes, particularly the introduction of massive shale production in the Marcellus and Utica shale basins, have resulted in changing market centers as traditionally supply-short areas, such as the Northeast, become supply-long, and declining offshore production and new demand has resulted in the development of an emerging net market in and near Louisiana, which has traditionally been a supply-long region. As discussed by ANR witnesses Bennett and Towne, the increase in domestic natural gas production reduces the need for storage-sourced supply to meet winter peak demand requirements. Furthermore, nearly 1 Tcf of U.S. underground storage working gas capacity has been added since ANR's last rate case. The combination of these factors has put considerable pressure on the demand for, and value of, long-term storage. The majority of ANR's storage contracts expire over the next several years leaving ANR exposed to the structural challenges present in the storage market.

Q: In general, how have the market changes that have taken place over the last twenty years affected ANR?

A: These tremendous changes have had profound impacts on ANR's current business and operations. These impacts include but are not limited to: significant flow changes on ANR's system (including flow reversals); increased pipeline competition in ANR's Northern Area markets resulting in increased transportation service discounting; low transportation values on ANR's SW Mainline as a result of increased production in the Marcellus/Utica regions in combination with increasing demands from exports to Mexico; changes to ANR's customer portfolio and how those customers utilize ANR services; decreased requirement for ANR's long-term storage services and, as a result, a devaluation of its long-term storage rates; disruption of certain long-standing third-party transportation arrangements to the point where those arrangements are no longer viable; and the need for ANR to modernize its system to meet the new operating parameters brought about by these market changes. I discuss each of these below.

Q: Can you describe the most significant flow changes that have occurred?

A: As ANR witness Towne details, receipts between Eunice, Louisiana and Defiance, Ohio on the SE Mainline have substantially increased, while deliveries on this segment have substantially decreased, which is a transformational change since ANR's last rate case filing. This has supported continued development of the SE Area market that is defined by a highly competitive natural gas transportation market supported by large pipeline infrastructure capacity. The development of Utica/Marcellus supply and the new emerging market demand in and near Louisiana resulted in significant demand for north-to-south transportation on the SE Mainline, including support for ANR's Southeast Mainline System Reversal Project. In addition, ANR has expanded and modified its

Lebanon Lateral facilities to enable east-to-west flows into the SE Mainline in order to accommodate new Appalachian supplies. As a result, ANR secured nearly two Bcf a day of firm natural gas transportation commitments on its SE Mainline at maximum rates for an average term of 23 years. Nevertheless, as discussed in more detail by ANR witnesses Carpenter and Bennett, this fact does not mitigate larger risks and challenges that ANR continues to face in an environment defined more than ever by increasing competition, energy price volatility, and greater requirements to meet its firm obligations safely and reliably.

Q: Please discuss the increased pipeline competition that has been built into ANR's Northern Area markets.

A: As discussed in greater detail by ANR witnesses Towne and Carpenter, ANR's traditional market areas have seen increased competition from capacity additions transporting Canadian supplies into the ANR Northern Area in northern Illinois and into Wisconsin and Michigan. Moreover, ANR was impacted by new pipeline construction that traversed its traditional Northern Area market, including Guardian Pipeline, L.L.C. and Vector Pipeline L.P.

Q: Are there any new pipeline projects being built into ANR's Northern Area market?

A: Yes, two new pipeline projects, Spectra Energy's Nexus Gas Transmission Project and Energy Transfer Partners' Rover Pipeline Project, are planned to directly compete with ANR in ANR's market area. As ANR witness Bennett explains, these two new projects alone will provide an additional 4.75 Bcf/d of incremental capacity to directly compete into ANR's Northern Area. This will significantly reduce ANR's transportation value to markets in the Northern Area while also displacing existing deliveries into the Midwest region.

Q: How has ANR's SW Mainline been affected by these market changes?

A: As discussed in greater detail by ANR witness Bennett, ANR's SW Mainline has been significantly affected by the increased production in the Utica/Marcellus basins which has severely depressed the value of transportation on the SW Mainline to the Northern Area. Coupled with increasing demand for exports to Mexico from the Waha Hub in Texas, this will further reduce volumes available to the SW Mainline. As a result, ANR lacks competitively priced production to fill increasing available capacity on the SW Mainline, resulting in further decontracting. Consequently, ANR faces significant business risk from future capacity expirations combined with very low transportation values.

Q: Have these market changes impacted ANR's customer profile and associated shipper credit risk?

A: Yes, as discussed by ANR witness Towne, historically ANR's customers were largely local distribution companies ("LDC"), with minimal demand for transportation services by natural gas-fired generation facilities and natural gas producers. However, the natural gas market changes discussed above have resulted in major changes to ANR's overall customer profile. In particular, ANR's SE Mainline System Reversal Project is underpinned by natural gas producers, whose demands, unlike LDC demand, are not seasonally variable. As ANR witness Bennett discusses, the current customer makeup on the SE Mainline for southbound flows is 99.7 percent producers and 0.3 percent LDC/end users. Additionally, as discussed by ANR witnesses Bennett and Carpenter, the recent increase in energy price volatility has affected producers more than others, resulting in an increased risk for ANR due to those shippers' evolving credit challenges. As ANR witness Carpenter demonstrates, ANR has amongst the highest exposure to producer shippers, and given the significant financial pressure shale gas producers are currently facing, ANR has less protection from long-term contracts than other peer pipelines. As a result, ANR faces comparatively higher business risk than its peer pipelines.

Q: Has ANR's firm storage service been devalued by these market changes and increased competition?

A: Yes, ANR's storage service in its market area is increasingly sold on a shorter-term basis at discounted rates resulting in a significant devaluation in ANR's long-term storage capacity. As discussed by ANR witnesses Bennett and Carpenter, ANR faces a rapidly increasing amount of unsubscribed storage capacity on its system, with more than half of its contracted storage capacity expiring in the next several years as a result of the dynamics discussed by ANR witnesses Towne and Bennett. Additionally, the declining intrinsic and extrinsic value of storage results primarily from two concurrent trends: first, increased domestic production that reduces the need for storage to meet winter peak demand, and second, the significant build in storage inventory capacity. As ANR witness Carpenter explains, ANR faces considerable business risk in its storage market as a result of these market changes coupled with the fact that ANR obtains a greater fraction of operating revenue from storage than any of the proxy group pipelines.

Q: Have these market changes also impacted ANR's historic reliance on third party transportation contracts to help meet ANR's firm service obligations to its shippers?

A: Yes, as discussed in depth by ANR witness Pollard, supply changes and resulting transportation flows have had a significant impact on ANR's ability to utilize no and low fee third-party transportation agreements and exchanges that historically allowed ANR to meet its firm service obligations and provide fully-integrated transportation and storage services. As a result of significant market changes, ANR could no longer rely on these historical arrangements to meet its firm service obligations, requiring ANR to prudently enter into various higher-cost Part 284 contracts to replicate these historical agreements to continue to meet its firm service obligations to its shippers and continue to provide operational and system benefits and flexibility to all of ANR's shippers.

Q: Has ANR had to modernize or modify its system to adequately respond to these market changes?

A: Yes, as described in greater detail by ANR witness Hampton, ANR has had to make significant capital expenditures to address aging infrastructure, obsolete equipment, engine and compressor reliability, and automation upgrades to ensure overall system reliability and safety as it accommodates increased and changing flows. As ANR witness Hampton further explains, these significant capital expenditures are expected to continue for many years into the future.

Q: Given the significant market changes that have occurred since ANR's last rate case and in view of the impacts those changes have had upon ANR, does ANR have significant commercial and business risk in this new environment?

A: Yes, as discussed in greater detail by ANR witnesses Bennett and Carpenter, ANR faces increasing competition for market share driven by continued development of the Utica and Marcellus shale fields. ANR faces stiff competition into its traditional core markets, with five competing pipelines into Wisconsin and soon to be six or seven competing pipelines into Michigan. Additionally, ANR lost the Ohio market, a traditionally large market, due to Marcellus production with no offsetting gains in other Great Lakes markets. Furthermore, ANR's counterparty risk is heightened, and because ANR is not directly connected to Marcellus/Utica production or new, high-value liquefied natural gas and Mexico export markets, it faces increased remarketing risk should some of its long-term shippers default. Additionally, ANR faces considerable cost exposure from operating obsolete equipment and compressor units. Prior to these market changes, this exposure was manageable given relatively low contracting levels, but now ANR has considerably increased risk given the changes discussed above, including higher utilization rates and lower tolerance for down-time for short-term maintenance fixes. ANR also has more risk exposure from highly discounted shorter-term storage contracts that comprise a significant portion of ANR's storage contracts, with more than half of its contracted storage capacity set to expire in the next several years. Finally, ANR has more exposure to declining basis differentials and spread value than its competitors with postage stamp rates, market based rates, or direct connections to market rich or supply rich areas.

Q: Do you see these new risks continuing into the foreseeable future?

A: Yes, in my view these risks will remain the same or become even more significant over the next several years.

Q: Has ANR experienced a decline in its realized ROE over the last several years?

A: Yes, a primary reason why ANR is filing a section 4 rate case at this time is because ANR's actual realized ROE has dropped to approximately three percent in the last three years.

Q: What major rate design changes does ANR propose in this filing to reflect and address its new market and operational realities?

A: To address these issues, ANR is revising its rates to reflect an updated cost of service of approximately $925 million. ANR is also proposing a rate design change intended to increase potential recovery of costs. As discussed by ANR witnesses Roscher and Towne, ANR is proposing in its Preferred Case to establish a four-zone rate structure to effectively separate its system into supply zones and market zones that accurately reflect the evolved, new natural gas market realities discussed above. This zone configuration, which would be implemented on a prospective basis upon approval by the Commission, will provide ANR's customers a unique opportunity to access the various supplies and emerging markets now available to ANR. In addition, as ANR witness Roscher explains in greater detail, ANR is proposing to implement term-differentiated rates for firm storage services in order to redistribute cost responsibility from shippers with longer contract terms to shippers with shorter contract terms.

Q: How do ANR's various proposals in this case affect the maximum recourse rate for firm transportation service?

A: As a result of the changes proposed herein, ANR's maximum recourse rate for firm transportation service (FTS-1, FTS-3, ETS, and NNS) will, on a revenue-based, weighted-average basis, increase approximately 92 percent.

Q: How do ANR's various proposals in this case affect the maximum recourse rate for storage service?

A: As a result of the changes proposed herein, ANR's maximum recourse rate for firm storage service under Rate Schedule FSS will, on a revenue-based, weighted-average basis, decrease approximately two percent.

Q: Is ANR's proposed transportation rate increase justified?

A: Yes, ANR is entitled to have a reasonable opportunity to recover its costs. The fundamental market changes and the significant capital expenditures required to modernize ANR's system to ensure system reliability and safety fully justify the proposed rate increase.

Q: Is ANR considering a management adjustment to its filed rates?

A: Yes. Even though ANR's proposed rate increase is entirely supported and justified, ANR will consider placing lower rates into effect at the conclusion of the suspension period if ANR feels that significant progress towards a settlement has been made in the months following the initial filing.

Q: Please describe the other significant aspects of ANR's filing, and the responsible witness for each.

A: A total of 17 witnesses (including me) are sponsoring direct testimony in this proceeding.

- ANR witness John Roscher addresses ANR's proposal to change ANR's rate design to a four-zone structure based upon the market changes affecting ANR's operations as well as its supply and market areas. Additionally, Mr. Roscher discusses certain proposed modifications to ANR's tariff and current rate design.
- ANR witness Paul Towne is providing an overview of the ANR pipeline system, including system operations and storage assets. Mr. Towne will also provide a detailed assessment of the various market changes that have occurred since ANR's last rate case and how those changes have affected ANR's sources of natural gas supply as well as its market areas. Finally, Mr. Towne will discuss how these various changes support ANR's proposed zone design changes.
- ANR witness John Hampton provides support for the extensive capital costs that ANR has expended during the base period in this case and will expend during the adjustment period. Additionally, Mr. Hampton discusses ANR's need to continue to make substantial capital investments over the next three years (and beyond) to modernize its system in order to ensure that ANR will be able to continue to provide safe, reliable, and

efficient service in the future given the significant market and supply changes affecting ANR's system.

- ANR witness Michael Vilbert provides testimony describing the appropriate range of ROE for ANR. Dr. Vilbert also supports the proxy group that is used in determining the ROE and that is also used by ANR witness Carpenter in his comparative business risk evaluation.
- ANR witness Lee Bennett provides a forward-looking discussion of the commercial environment and business risks that ANR anticipates that it will face in the near term. Mr. Bennett focuses on ANR's business risk as it relates to ANR's SW Mainline, storage and storage-related transportation, and ANR's SE Mainline.
- ANR witness Paul Carpenter reviews the business risk facing ANR and evaluates how ANR's business risk compares with a proxy group of other U.S. pipelines regulated by the Commission. Based on that analysis, Dr. Carpenter recommends a 100 basis point adder to ANR witness Vilbert's median ROE of 13.19 percent.
- ANR witness Alexander Kirk provides an expert assessment of gas supplies available to ANR as well as demand factors for ANR's services to determine the economic life of the ANR system, in support of depreciation rates sponsored by ANR witness Crowley. Based on his analysis, Mr. Kirk recommends an economic life of 35 years.
- ANR witness James Taylor testifies regarding the cost of retiring and removing facilities for development of a net negative salvage rate, in support of ANR witness Crowley.
- ANR witness Patrick Crowley addresses depreciation and negative salvage. Mr. Crowley recommends an appropriate transmission plant depreciation rate, based on an economic life of the facilities, 3.18 percent, and a transmission negative salvage rate of 1.46

percent. Based on the same economic life, Mr. Crowley recommends an appropriate storage plant depreciation rate of 1.91 percent and a storage negative salvage rate of 0.70 percent.

- ANR witness Joseph Pollard discusses the history of ANR's third-party transportation and storage contracts and associated Account No. 858 costs, and describes how changing market conditions and natural gas flow patterns have rendered certain Part 157 contracts no longer viable. Mr. Pollard discusses ANR's prudent decision to mimic these long-standing contracts with new Part 284 contracts to ensure ANR's continued ability to meet its firm service obligations, to provide integrated storage and transportation services. Mr. Pollard also explains how all ANR shippers benefit from these contractual arrangements.
- ANR witness Nathan Brown addresses cost-of-service issues. Mr. Brown establishes ANR's overall cost-of-service for the twelve-month base period ending September 30, 2015, adjusted for known and measurable changes for the test period ending June 30, 2016, as $924,950,880. This cost-of-service is based on ANR's actual capital structure of 35 percent debt/65 percent equity, a transmission plant depreciation rate of 3.18 percent, and a rate of return on equity of 14.19 percent.
- ANR witness Greg Barry addresses the methodology used to functionalize, classify, and allocate costs in the development of ANR's reservation and delivery rates for its numerous gathering, transmission, and storage services. Mr. Barry also discusses certain revenue crediting for ANR's non-core services, the impact of certain discount adjustments, and the development of rates for each of ANR's services given its proposed rate design.

- ANR witness Garrett Word addresses billing determinants and revenues. As part of his testimony, Mr. Word addresses known and measurable changes to billing determinants in the test period and identifies all long-term discounted rate contracts for which ANR is seeking a discount adjustment.
- ANR witness Bruce Hopper describes the competitive environment which led ANR to enter into the negotiated rate contracts for which ANR is seeking a discount-type adjustment in this case.
- ANR witness David Burman addresses ANR's proposal to roll in the costs and revenues of seven expansion facilities and demonstrates that doing so would be consistent with Commission policy.
- ANR witness Jeff Keck addresses ANR's proposal to roll in fuel costs associated with three expansion facilities and demonstrates that doing so would be consistent with Commission policy. Mr. Keck also discusses the system benefits associated with ANR's Cold Springs 1 storage facility as well as the design requirements to transport gas to and from ANR's off-system storage assets via transportation by others.

Q: Does this conclude your testimony?

A: Yes, it does.

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ANR Pipeline Company) Docket No. RP16-____-000

State of Texas)
) ss.
County of Harris)

AFFIDAVIT OF JAY WHITE

Jay White, being first duly sworn, on oath states that he is the witness whose testimony appears on the preceding pages entitled "Prepared Direct Testimony of Jay White"; that, if asked the questions which appear in the text of said testimony, he would give the answers that are therein set forth; and that affiant adopts the aforesaid testimony as Jay White's sworn testimony in this proceeding.

Jay White

SWORN TO AND SUBSCRIBED BEFORE ME THIS 22nd DAY OF January, 2016

Notary Public
My Commission Expires:

NOTARY PUBLIC STATE OF TEXAS
SARA TATE
Notary Public, State of Texas
Comm. Expires 11-24-2019
Notary ID 130450901