

the time it entered into new TBO contracts with Great Lakes, and how it determined that those new TBOs with Great Lakes were the most cost-effective and flexible alternatives available to ANR. Mr. Pollard also describes how ANR manages its portfolio of TBOs to ensure that it is reserving the appropriate amount of TBO capacity to meet its needs and the firm requirements of its customers.

Docket No. RP16-____-000

Exhibit No. ANR-062

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

ANR Pipeline Company

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Docket No. RP16 - ____-000

**PREPARED DIRECT TESTIMONY
OF JOSEPH E. POLLARD ON BEHALF OF
ANR PIPELINE COMPANY**

January 29, 2016

Glossary of Terms

ANR	ANR Pipeline Company
Bcf	Billion cubic feet
Bcf/d	Billion cubic feet per day
Commission	Federal Energy Regulatory Commission
Consumers	Consumers Energy Company
DTE	DTE Energy
Dth/d	Dekatherms per day
Enable	Enable Gas Transmission, LLC
GLGT	Great Lakes Gas Transmission Limited Partnership
Great Lakes	Great Lakes Gas Transmission Limited Partnership
Guardian	Guardian Pipeline, L.L.C.
Michigan Leg	A segment of ANR's SW Mainline extending through Indiana and into Michigan
MLN	Michigan Leg North
MLS	Michigan Leg South
Northern Natural	Northern Natural Gas Company
SBO	Storage by others
SE Area	Southeast Area
SE Mainline	Southeast Mainline
SW Area	Southwest Area
SW Mainline	Southwest Mainline
TBO	Transportation by others
TCPL	TransCanada Pipelines Limited

Tie Line A line from Defiance, Ohio to Bridgman, Michigan that
 connects ANR's SE and SW Mainlines

Vector Vector Pipeline L.P.

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

ANR Pipeline Company

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Docket No. RP16 - ____ -000

Prepared Direct Testimony of Joseph E. Pollard

1 **Q: What is your name and business address?**

2 A: My name is Joseph E. Pollard. My business address is TransCanada Corporation, 700
3 Louisiana Street, Houston, Texas 77002.

4 **Q: What is your occupation?**

5 A: I am the Director, Long Term Marketing for TransCanada, U.S. Pipelines. I am filing
6 testimony on behalf of ANR Pipeline Company (“ANR”).

7 **Q: Please describe your educational background and your occupational experiences as
8 they are related to your testimony in this proceeding.**

9 A: I graduated from Grand Valley State University in 1979 with a Bachelor of Business
10 Administration degree, majoring in Accounting. In 1989, I received my master of
11 business administration from the University of Detroit. From 1979 to 1995, I worked for
12 Great Lakes Gas Transmission Company (“Great Lakes” or “GLGT”) where I held
13 positions of increasing responsibilities including promotion in 1993 to Director of
14 Transportation Services. In 1995, I began working for ANR as Director, Customer
15 Information Services, and in February 2001, I was made Director, Transportation
16 Services. In July 2014, I was made Director, Long Term Marketing.

17 **Q: Have you ever testified before the Federal Energy Regulatory Commission
18 (“Commission”) or any other energy regulatory commission?**

19 A: Yes, I filed testimony and testified before this Commission in ANR Pipeline Co., Docket
20 No. RP02-335-000, and ANR Pipeline Co., Docket No. RP07-439-000.

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

2 A: In my testimony, I support ANR's need for transportation contracts on third parties (often
3 referred to as "transportation by others" or "TBOs") required to support the pipeline's
4 historical integrated system and storage operations and to meet ANR's existing firm
5 service obligations. Included in the category of TBOs are certain third-party storage
6 contracts (referred to as "storage by others" or "SBOs"), but I refer generally to TBOs in
7 my testimony. I also support the recovery of the costs associated with those contracts.

8 In the first part of my testimony, I explain why ANR requires its existing TBO
9 contracts in order to provide service to all of its customers and to provide integrated
10 transportation and storage services, which benefit customers across the entire ANR
11 system. I then explain how ANR's ability to satisfy the firm requirements of its
12 customers could be adversely impacted if ANR did not hold the TBO contracts. I also
13 discuss the costs of ANR's TBOs and the numerous system benefits they provide as well
14 as their revenue contribution across the system. In the second part of my testimony, I
15 describe how recent developments in the natural gas market affected ANR's ability to
16 rely on its portfolio of TBOs with Great Lakes, how ANR evaluated the alternatives that
17 were available to it at the time it entered into new TBO contracts with Great Lakes, and
18 how it determined that those new TBOs with Great Lakes were the most cost-effective
19 and flexible alternatives available to ANR.

20 **Q: Are you sponsoring any exhibits in addition to your testimony?**

21 A: Yes. I am sponsoring the following exhibits:

22 Exhibit No. ANR-063 Summary Description of Current System Integration TBOs

23 Exhibit No. ANR-064 Copies of Current System Integration TBO Contracts

1	Exhibit No. ANR-065	Comparison of Capacity with or without System
2		Integration TBOs
3	Exhibit No. ANR-066	Summary Description of Historical TBOs
4	Exhibit No. ANR-067	Summary Description of Other SBO and TBO Contracts
5	Exhibit No. ANR-068	Map of Key Locations on ANR's System
6	Exhibit No. ANR-069	Map Depicting System Integration TBO Functions
7	Exhibit No. ANR-070	ANR Storage Fields and TBO Routes
8	Exhibit No. ANR-071	Description of TBO Differences Current and Past
9	Exhibit No. ANR-072	X-1 Replacement
10	Exhibit No. ANR-073	Costs of New ANR construction
11	Exhibit No. ANR-074	Guardian Option for Storage to Wisconsin
12	Exhibit No. ANR-075	Cost Estimates for Guardian Expansion Options
13	Exhibit No. ANR-076	DTE Option – Farwell/Deward
14	Exhibit No. ANR-077	DTE/Vector Option – Muttonville/Farwell
15	Exhibit No. ANR-078	DTE Option – Muttonville/Farwell

16 **ANR's Need for TBO Capacity**

17 **Q: As an overarching matter, why are the TBO contracts that ANR holds today**
18 **important?**

19 A: Simply put, the TBOs allow ANR to meet its customers' firm service requirements and
20 they have served that purpose for decades. Without them, ANR would not be able to
21 provide the kind of flexible services it has historically provided to its customers, and
22 without them ANR could not provide the firm and other services that customers have
23 contracted for on the pipeline. ANR's system is designed to be operated as an integrated
24 asset, and the TBO capacity ANR holds is a critical part of ANR's integrated operations
25 and firm capacity design. ANR had held TBOs on various pipelines and used that

1 capacity to meet its firm customer commitments for a period of approximately 40 years
2 and through the restructuring of the industry that took place in the late 1980s and early
3 1990s, even as all pipelines were required to restructure their services and reduce their
4 contracts held on other pipelines. ANR's current TBOs are no less essential today and
5 are fundamental to ANR's ability to continue to meet its customers' firm service
6 requirements, as I explain in greater detail below. Moreover, as I also explain below,
7 they serve important operational and reliability functions that benefit all customers on
8 ANR's system.

9 **Q: Could ANR meet its firm requirements across the system without the TBO**
10 **contracts?**

11 A: No, it could not. ANR relies on the TBOs in order to meet its firm service obligations.
12 An important subset of these contracts for purposes of my testimony consists of TBOs
13 with Great Lakes, DTE Energy ("DTE"), and Consumers Energy Company
14 ("Consumers"). I refer to these TBOs as the "System Integration TBOs." These TBOs
15 provide capacity on ANR's Michigan Leg North ("MLN"), Michigan Leg South
16 ("MLS"), Tie Line, Northern Illinois and Wisconsin segments during the winter and
17 summer periods. Without these TBOs, ANR would be at risk of being unable to make
18 any firm deliveries utilizing any one of these segments, as I will describe in greater detail
19 below. Moreover, without these TBOs, ANR would not be able to operate its storage
20 assets on an integrated basis, and it would not even have access to nine storage fields,
21 comprising approximately 75 percent of ANR's storage deliverability, that are physically
22 discontinuous to its system. Thus, ANR would not be able to provide the overall system
23 benefits to its customers associated with operating storage on an integrated basis.

24 **Q: Please describe the System Integration TBOs and the costs associated with them.**

1 A: The System Integration TBOs consist of eleven contracts held by ANR for transportation
2 service on DTE, Great Lakes, and Consumers. A summary description of each of these
3 contracts is set forth in Exhibit No. ANR-063. A copy of each of these contracts is
4 included in Exhibit No. ANR-064. The costs incurred by ANR under these contracts
5 during the test period in this case are identified in Schedule I-4 (Exhibit No. ANR-175),
6 and amount to approximately \$81.5 million. I would note that Schedule I-4 includes one
7 contract with Enable Gas Transmission, LLC (“Enable”) that expired at the end of May
8 2015, and thus is no longer in effect.

9 **Q: Do these TBO contracts benefit ANR’s shippers and yield a revenue contribution**
10 **for the system?**

11 A: Yes, the System Integration TBOs yield many benefits for ANR’s shippers, including a
12 revenue contribution. These benefits are discussed in far more detail below but include
13 the following: (1) the Great Lakes TBOs connect ANR’s discontinuous storage fields in
14 northern and southeastern Michigan to ANR’s Northern Area, and also provide an
15 essential operational loop of ANR’s system along its MLN and MLS, as well as for
16 pipeline segments North of Sandwich and South of Fortune Lake (i.e., Northern Illinois
17 and Wisconsin); (2) the TBOs on DTE function as an operational loop of ANR’s MLN
18 and Tie Line facilities; (3) the System Integration TBOs support numerous services
19 offered by ANR; and (4) the System Integration TBOs provide operational and reliability
20 benefits to the system. Thus, the system benefits from these TBOs advantage all
21 customers on ANR’s system.

22 One illustration of how the System Integration TBOs are integral to the operations
23 of ANR’s system, benefit all customers and yield a system revenue contribution is shown
24 on Exhibit No. ANR-065, which depicts ANR’s system capacity with and without the

1 System Integration TBOs. This exhibit identifies the additional transportation capacity
2 that is made available to ANR's customers during the winter and summer periods as a
3 result of the System Integration TBOs. For example, as shown on page 2 of Exhibit No.
4 ANR-065, these TBOs increase ANR's winter capacity on its MLN and Tie Line by 2.0
5 Bcf/d. During the summer months, as shown on page 4 of Exhibit No. ANR-065, the
6 System Integration TBOs add approximately 600,000 Dth/d of capacity on ANR's MLN
7 and Tie Line. The winter and summer capacity created by the System Integration TBOs
8 can result in up to an additional \$68 million of annual revenue and fuel savings, for the
9 benefit of ANR and its customers.

10 **Q: Are these System Integration TBO contracts the same contracts that were in effect**
11 **on ANR at the time of the last rate case settlement?**

12 A: No, Exhibit No. ANR-066 identifies and describes the TBO contracts that were in effect
13 for much of the period since ANR's last rate case settlement in Docket No. RP94-43.
14 Some of those contracts remain in place today. Others, particularly certain TBO
15 contracts on Great Lakes, became inoperable due to market changes as I discuss more
16 fully below, requiring ANR to execute new, more flexible Part 284 contracts on Great
17 Lakes to replicate the services provided under the historical contracts.

18 **Q. Does ANR currently hold any other TBOs other than the System Integration TBOs**
19 **discussed above?**

20 A. Yes, ANR currently holds certain other TBOs as well as SBOs. A description of each of
21 these contracts is presented in Exhibit No. ANR-067.

22 **Q: Please provide an overview of ANR's system.**

23 A. Exhibit No. ANR-068 consists of a map that identifies various key locations on the ANR
24 system. As explained in greater detail in the testimony of ANR witness Towne, the ANR
25 system consists primarily of two mainlines, the Southeast Mainline ("SE Mainline") and

1 the Southwest Mainline (“SW Mainline”), that historically transported gas from supply
2 areas in the Gulf Coast and Midcontinent regions to the Northern Area (primarily
3 Michigan, Illinois, and Wisconsin). Also, with the development of new shale supplies,
4 ANR has seen an increase of new interconnects along its SE Mainline from which these
5 new supplies can be delivered to current and developing markets. In addition, ANR has
6 storage fields located in northern and southeastern Michigan. Some of these storage
7 fields are directly connected to ANR’s pipeline system, while others are physically
8 discontinuous to ANR’s system (and are often referred to as ANR’s “discontinuous”
9 storage fields). ANR’s Northern Area is connected to the two mainlines just north and
10 east of its Sandwich, Illinois compressor station and north and west of its Defiance, Ohio
11 compressor station. There are a few other segments on the ANR system where it will be
12 beneficial to understand ANR’s historical nomenclature. The segment between Woolfolk
13 and Bridgman, Michigan is referred to as MLN and the segment between Bridgman and
14 Sandwich is known as MLS. The segment from Defiance to Bridgman is called the Tie
15 Line.

16 **Q: What general functions does ANR’s System Integration TBO capacity perform?**

17 A: Exhibit No. ANR-069 is a map of ANR’s storage facilities, which illustrates the
18 interconnections with DTE, Great Lakes and Consumers. Exhibit No. ANR-070 shows
19 the contract routes associated with the TBO contracts. As shown on these exhibits, the
20 capacity ANR holds on Consumers and DTE connects certain of ANR’s discontinuous
21 storage fields in northern and southeastern Michigan to ANR’s Northern Area. The
22 capacity ANR holds on DTE also functions as an operational loop of ANR’s MLN and
23 Tie Line facilities. The capacity ANR holds on Great Lakes connects *all* of ANR’s
24 discontinuous storage fields in the northern and southeastern areas of Michigan to its

1 Northern Area. Additionally, Great Lakes provides a key operational loop of ANR's
2 system along the MLN and MLS, as well as for pipeline segments North of Sandwich and
3 South of Fortune Lake (i.e., Northern Illinois and Wisconsin). Currently, Great Lakes is
4 the only pipeline that exists which can serve as an operational loop of this critical section
5 of ANR's system and can provide the capacity required by ANR to meet its firm
6 customer obligations. Taken together, the System Integration TBO capacity integrates
7 ANR's discontinuous storage fields, supports transportation into and through ANR's
8 Northern Area, and provides broad benefits throughout the ANR system as outlined next.

9 **Q: Why are these System Integration TBO contracts essential to ANR's operation of its**
10 **system and its ability to meet its firm service obligations?**

11 **A:** First, ANR's pipeline capacity in specific segments of ANR's pipeline system is
12 insufficient to handle its full contractual obligations without relying upon the System
13 Integration TBO capacity. For example, ANR's physical pipeline system enters
14 Wisconsin at the southern end of the state. Simply put, the physical capacity of ANR's
15 pipeline system is insufficient to meet its firm winter contractual obligations in
16 Wisconsin as well as markets across the MLN, MLS, and Northern Illinois segments. As
17 a result, ANR must also rely on third-party transportation, specifically certain of its Great
18 Lakes TBO contracts, to create an operational loop of ANR to meet its contractual
19 obligations on the MLN, MLS, Northern Illinois and Wisconsin segments.

20 Second, as I have noted, the System Integration TBOs provide the mechanism for
21 connecting ANR's significant discontinuous storage fields to its system. The ability to
22 aggregate ANR's storage fields and take advantage of the unique performance
23 characteristics of each field maximizes the total working storage capacity available and

1 sustainable maximum daily withdrawal quantity, which is essential for ANR to be able to
2 meet the collective firm requirements of its customers.

3 Third, the ability to operate ANR's storage as an integrated whole by means of
4 the System Integration TBOs supports a number of other services, including Firm Storage
5 Service (FSS), FTS-3 Firm Transportation Service, No-Notice Service (NNS), Deferred
6 Delivery Service (DDS), ITS-3 Interruptible Transportation Service, and Small
7 Transportation Service (STS).

8 Fourth, the System Integration TBOs provide overall operational and reliability
9 benefits to the system. These contracts assist ANR in protecting against system outages
10 and enable ANR to balance its system. The enhanced operational flexibility provided by
11 these arrangements increases ANR's ability to respond rapidly to the shifting needs of its
12 customers, such as LDCs, power generators, or other end users that may need to start up
13 quickly or rapidly shift their flow profile in order to meet demand. In addition, customers
14 have more flexibility to utilize secondary firm capacity adding more segmentation and
15 contract utilization, which augments the value those customers can achieve through
16 capacity release. Also, ANR would not be able to manage imbalances on its system as
17 efficiently because ANR currently relies on the System Integration TBOs to enable its
18 customers to be out of balance up to ten percent, which is significantly higher than most
19 other pipelines. Thus, the system benefits from these TBOs advantage all customers on
20 ANR's system, and not merely those customers who contract for storage service, or have
21 transportation routes on the MLN, MLS, Tie Line, Northern Illinois or Wisconsin.

22 **Q: Can you explain the role that storage plays on the ANR system and how the System**
23 **Integration TBOs are used to integrate ANR's storage assets?**

1 A: Yes, storage plays a significant role on ANR's system, comprising approximately 40
2 percent of winter deliverability. ANR owns, leases and contracts for 216 Bcf of gas with
3 withdrawal capacity in the winter of approximately 3.1 Bcf. Six storage fields are
4 directly connected to ANR's system while a total of nine storage fields are discontinuous
5 to ANR's system. In sum, approximately 75 percent of ANR's storage deliverability is
6 discontinuous from its system. Therefore, ANR requires transportation from third-party
7 pipelines to get the gas to ANR's integrated network of facilities. The System Integration
8 TBOs on DTE, Consumers and Great Lakes effectively provide an operational loop
9 allowing ANR to meet its firm customer obligations and maintains the integrated storage
10 operations of ANR's system. Page 1 of Exhibit No. ANR-070 shows the transportation
11 facilities and routes that are used to integrate ANR's storage fields.

12 Second, the presence of storage on ANR has allowed it to supply weather-
13 sensitive heating load and meet its winter peak-day demand, as well as support the other
14 benefits for all customers that I have described previously. ANR's system was primarily
15 designed and constructed to serve base load markets and temperature-sensitive markets
16 characterized by high winter demand and low summer demand.

17 Third, ANR operates its storage facilities on an integrated basis, rather than
18 allocating capacity in individual storage facilities to individual customers, which provides
19 significant benefits to the ANR system and to its customers, as I described earlier in my
20 testimony. The System Integration TBO capacity is critical to ANR's ability to achieve
21 the operation efficiencies built into the system design to operate storage as an integrated
22 network.

23 **Q: How does ANR operate its system storage on a fully integrated basis?**

1 A: The capabilities of ANR's integrated storage operations are a significant component of
2 the design of ANR's system. ANR operates and sells its storage on an integrated basis.
3 ANR aggregates all of its storage as if it was a single storage field. Storage customers do
4 not buy storage from a specific field. Instead, customers buy storage from ANR's
5 integrated complex of storage fields. Customers utilizing their storage gas as supply or
6 market for their related transportation contracts must nominate that gas from/to what is
7 called a "logical" point near the Woolfolk compressor station. What this means is that all
8 storage-related supply is aggregated and nominated from this logical point, which is not a
9 physical receipt or delivery point on the system. This logical point is then designated as
10 the primary receipt or delivery point on the customer's transportation contract. ANR then
11 determines which fields will be utilized on a daily basis to meet the customer's
12 aggregated nominations and no-notice service requirements. ANR also determines which
13 third-party pipeline transportation contracts to use depending on the storage fields
14 selected for each day's injection/withdrawal requirements, as well as any operational
15 issues on ANR's transmission network.

16 ANR's customers have no specific transportation or storage contracts associated
17 with the third-party pipeline transportation. Instead, ANR operates and uses the System
18 Integration TBO capacity to meet the requirements of all of its customers, and only
19 considers the total capacity (sum of capacity provided by ANR's own facilities and its
20 TBO contracts) when contracting for transportation and storage services. In addition,
21 ANR operates its integrated storage fields and System Integration TBO capacity to meet
22 its customers' firm requirements and does so in a manner that maintains the maximum
23 efficiency of its operations while managing storage and transmission facility maintenance

1 and unplanned outages throughout ANR's pipeline system. ANR's integrated operation
2 of its system in this manner benefits all of its customers by maximizing flexibility and
3 enhancing reliability by reducing the impacts of maintenance and unplanned outages.

4 **Q: Do ANR's integrated storage operations provide any system design economies or**
5 **savings?**

6 A: Yes, without integrated storage, ANR would need to construct hundreds of millions of
7 dollars of facilities and ANR's system would have to be extensively expanded to be able
8 to deliver its full winter peak day requirements into the market area without the use of
9 storage. Exhibit No. ANR-065 depicts the ANR system with and without the System
10 Integration TBOs, and shows the additional capacity that is made available for ANR's
11 customers by virtue of those TBOs. Exhibit No. ANR-070 shows how ANR uses the
12 System Integration TBOs. It is important to note that even if ANR built these new
13 facilities, ANR would not be able to provide the same level of service as its system
14 storage currently provides. As I have explained previously, ANR's integrated storage
15 provides multiple benefits to all of ANR's customers. Simply expanding the system
16 would not replicate these benefits in their entirety.

17 **Q: Can you provide an example of how ANR uses a particular System Integration TBO**
18 **contract for the benefit of its integrated system operations and the benefit of its**
19 **customers?**

20 A: Yes, during the winter of 2014/2015 ANR had scheduled major repairs at its Sandwich
21 compressor station. During that outage ANR was restricting capacity on its MLS and
22 Northern Illinois and Wisconsin segments. However, ANR was able to rely more heavily
23 on its FT17593 contract with Great Lakes to continue firm services to customers in
24 northern Illinois and Wisconsin. This benefited other customers that may have utilized

1 transportation from storage or transportation from ANR's SE or SW Mainlines to reach
2 those markets during this very cold winter.

3 **Q: Has the Commission previously recognized the central role that TBOs have played**
4 **in integrating the ANR system and preserving ANR's ability to meet its firm service**
5 **obligations?**

6 A: Yes, the Commission has long recognized the critical role that ANR's upstream capacity
7 arrangements on Great Lakes, DTE, Consumers and others have played in enabling ANR
8 to meet the firm requirements of its customers. In its Order No. 636 restructuring
9 proceeding, ANR explained to the Commission that it owned or leased multiple storage
10 facilities located within the state of Michigan, and that it needed to retain capacity on
11 Great Lakes and other systems, both intrastate and interstate, in order to provide firm and
12 reliable service to its customers. Specifically, ANR required the use of capacity on Great
13 Lakes and other third-party pipeline systems in conjunction with its own system to move
14 gas from receipt and delivery points within the ANR system as part of the operations of
15 its integrated storage network and meet its firm service obligations. ANR explained that
16 it was able to optimize utilization of its multiple storage fields by operating them on an
17 integrated basis, using the Great Lakes capacity and other upstream arrangements to
18 transport its storage volumes to a common point on its system. ANR requested that the
19 Commission allow ANR to retain this capacity, rather than allocate it to individual
20 customers. The Commission agreed with ANR that the configuration of ANR's storage
21 complex and operational considerations supported ANR's proposal to retain its TBOs
22 associated with the integration of storage.

23 **Recent Changes to ANR's TBO Portfolio**

24 **Q: Have ANR's TBO arrangements changed over time?**

1 A: Yes, ANR reviews its TBO needs as contracts approach expiration dates, and determines
2 whether to allow contracts to terminate or to extend them. For example, ANR formerly
3 held two TBO contracts on Northern Natural Gas Company (“Northern Natural”), but
4 those agreements were terminated in August 2003 and October 2004. More recently, as
5 explained by ANR witness Bennett, the impact of Utica/Marcellus shale production has
6 put downward pressure on demand and basis values on ANR’s SW Mainline. Therefore,
7 ANR allowed its TBO contract with Enable to expire in May 2015. In addition, ANR’s
8 TBO arrangements with Great Lakes have evolved significantly in recent years.

9 **Q: Please explain the evolution of ANR’s TBOs with Great Lakes.**

10 A: Exhibit No. ANR-071 summarizes the differences between ANR’s historical contracts on
11 Great Lakes and its current contracts on Great Lakes. Although the primary system
12 operational requirements that supported the need for these contracts still exist today, the
13 original Great Lakes TBO contracts and their related costs have changed.

14 **Q: Please describe the role played by the former Great Lakes TBOs in ANR’s**
15 **operations.**

16 A: ANR’s integrated storage and system operations relied heavily on the historical Part 157
17 individually-certificated exchange and transportation agreements that ANR had entered
18 into with Great Lakes. ANR, Great Lakes and TransCanada Pipelines Limited (“TCPL”)
19 were parties to the X-1 Exchange Agreement, a no-fee exchange arrangement pursuant to
20 which, subject to the receipt of gas from TCPL, Great Lakes receives up to 506,500 Dth
21 per day from TCPL and supplies it to ANR at the Fortune Lake Interconnection and ANR
22 redelivers a thermally equivalent quantity to Great Lakes at the Farwell Interconnection
23 or other mutually agreed upon points, for redelivery to TCPL at the St. Clair
24 Interconnection. TCPL’s flow of gas from the Emerson Interconnection to the St. Clair

1 Interconnection provided the basis for the exchange of gas under the X-1 Exchange
2 Agreement. In addition, ANR had transportation agreements on Great Lakes to fully
3 integrate its storage complex and these agreements had seasonal flows that also relied on
4 the X-1 Exchange Agreement.

5 **Q. Have there been operational changes since ANR's last rate case that have impacted**
6 **these historic TBO arrangements on the Great Lakes system?**

7 **A.** Yes, although ANR's operation of its Northern Area system and its need for the Great
8 Lakes TBO arrangements have not changed in any significant way, there have been
9 changes in TCPL's flows on Great Lakes that have affected Great Lakes' operations and
10 have rendered the prior ANR arrangements with Great Lakes inoperable. In recent years,
11 as a result of changes in the natural gas marketplace such as the development of
12 significant natural gas production in the eastern United States, particularly from the Utica
13 and Marcellus shale formations, TCPL has experienced a decreased need for west-to-east
14 transportation, and as a result it has significantly decreased its flows on the Great Lakes
15 system. TCPL's historic peak flow on Great Lakes was 1,296,965 Dth/d. Effective
16 November 1, 2012, TCPL reduced its forward haul contract demand on Great Lakes from
17 698,727 Dth/d to 100,000 Dth/d, and on November 1, 2014, TCPL further reduced that
18 forward haul contract to zero. As a result, ANR could no longer rely on the TCPL
19 eastbound flows to provide the 506,500 Dth/d that ANR was to receive from Great Lakes
20 at the Fortune Lake Interconnection under the X-1 Exchange Agreement. In light of
21 these developments, ANR entered into new Part 284 open access transportation
22 agreements to support its firm customer requirements for transportation and storage
23 services.

1 **Q: Given these market and operational changes impacting ANR's system, does ANR**
2 **still require TBO contracts on Great Lakes in order to meet its firm service**
3 **obligations and integrate its storage?**

4 A: Yes, ANR's system design and integrated storage operations are reliant on the Great
5 Lakes TBO arrangements to meet its firm contractual obligations. Without these TBO
6 arrangements ANR would be unable to meet its firm service obligations. In addition, the
7 other benefits outlined earlier in my testimony would not be available.

8 **Q: Are ANR's current Great Lakes TBO contracts essentially consistent with the**
9 **historic TBO contracts?**

10 A: From a volume standpoint, yes. See Exhibit No. ANR-063 for a detailed description of
11 the current Great Lakes TBO contracts.

12 **Q. Do the Part 284 Great Lakes TBOs have any additional flexibility that was not**
13 **available under the Part 157 contracts?**

14 A. Yes, the current transportation contracts that ANR has on Great Lakes are all Part 284
15 open access transportation agreements. These agreements enjoy all of the flexibility of
16 Great Lakes' open access tariff, including secondary receipt/delivery points,
17 segmentation, capacity release and right of first refusal, that were not previously available
18 under the Part 157 transportation agreements.

19 **Q. Have the costs associated with holding TBO contracts required to meet ANR's firm**
20 **service obligations changed over time?**

21 A. Yes, when it approved the original Part 157 individually-certificated services, the
22 Commission recognized the uniqueness of the exchange and transportation agreements
23 when setting the rates for those contracts. These exchange and transportation agreements
24 provided all parties benefits that supported the rates to be paid by ANR. Great Lakes
25 customers benefited from these agreements through fuel savings, lower operation and
26 maintenance costs, outage protection, enhanced reliability, and the availability of

1 additional transportation capacity that reduced Great Lakes' need to construct additional
2 facilities. ANR and its customers benefited from the reduced rates that were paid to
3 Great Lakes. When the X-1 became basically inoperable, there were no longer any
4 benefits accruing to Great Lakes and its customers to support the no-fee exchange or low
5 transportation rates. However, ANR continues to have firm service obligations that rely
6 upon the services previously provided by the exchange and transportation agreements,
7 and thus it needed to replace the X-1, and subsequently the other Part 157 transportation
8 agreements. The new Part 284 contracts were the most cost-effective and flexible options
9 available to ANR. These contracts provide the same flexibility that all open access
10 customers on Great Lakes enjoy and pay for; however, ANR's overall TBO costs have
11 approximately doubled, from around \$40 million to \$81.5 million. Most of this increase
12 is due to ANR's need to address the inoperability of the X-1 arrangement.

13 I would add that although the TBO costs have increased, ANR has actively
14 worked to ensure that it holds only the TBO capacity that it requires to operate its system
15 and meet its customers' requirements. As I noted above, ANR no longer has TBOs with
16 Northern Natural or Enable, because ANR determined that those contracts were no longer
17 necessary. In addition, as I discuss below, ANR has reduced its Great Lakes TBO
18 capacity since it entered into the current Part 284 contracts.

19 **Q: Did ANR evaluate other alternatives to its current TBO contracts on Great Lakes?**

20 A: Yes, ANR evaluated other alternatives to the new TBO contracts on Great Lakes such as
21 the construction of new ANR facilities to replicate X-1 as well as breaking up the X-1
22 services and securing piecemeal alternatives from other pipelines. Ultimately, ANR
23 determined that the Great Lakes TBOs were the least-cost viable alternative to replicate

1 the no-longer-viable historical arrangements, given that ANR still required those services
2 to meet its firm obligations. Exhibit No. ANR-072 depicts the transportation routes that
3 ANR needs in order to enjoy the flexibility formerly provided under the X-1 arrangement.
4 Exhibit No. ANR-112 to the testimony of ANR witness Keck shows ANR's system
5 design volumetric requirements at critical locations for connecting ANR's discontinuous
6 storage to its system during the summer and winter seasons. It is these system design
7 requirements that determine the transportation routes and capacity requirements for
8 ANR's integrated storage. Because Great Lakes is the only existing pipeline that could
9 accomplish all routes required by ANR, any piecemeal approach would diminish ANR's
10 ability to negotiate transportation agreements that would meet ANR's operational
11 requirements as well as reduce overall costs. For example, ANR was able to negotiate
12 with Great Lakes for multiple primary receipt/delivery points and seasonal routes with
13 unique quantities, which provides ANR with the operational flexibility that it needs in
14 order to operate its system reliably and efficiently.

15 **Q: What alternatives did ANR consider?**

16 A: ANR considered four basic alternatives, in addition to the Great Lakes solution that
17 ultimately was selected. Specifically, ANR considered constructing its own facilities to
18 replicate all or portions of the X-1 service. It also considered securing piecemeal
19 alternatives from existing pipelines to replace individual portions of the X-1: storage to
20 Wisconsin; South Chester to Farwell; Farwell to Deward; and Muttonville to Farwell. In
21 each case, ANR determined that the alternatives were unequal to the total value of
22 arrangements with Great Lakes. Great Lakes was ANR's least cost, viable alternative
23 and provided greater flexibility.

24 **Q: Why did ANR reject constructing its own facilities as an alternative?**

1 A: For ANR to replace the transportation component of the X-1 Agreement from the
2 Woolfolk area into Wisconsin, ANR would require facility modifications from its Farwell
3 Interconnection to its Woolfolk compressor station, an expansion of its MLN facilities
4 between the Woolfolk compressor station and the Bridgman compressor station, another
5 expansion on its MLS facilities between the Bridgman compressor station and the
6 Sandwich compressor station, and finally an expansion of its Northern Illinois and
7 Wisconsin system with gas coming from the south at ANR's Sandwich compressor
8 station. These modifications and expansions are depicted on Exhibit No. ANR-072. The
9 costs of these facility expansions were estimated at approximately \$862 million (see
10 Exhibit No. ANR-073, Northern Storage to Wisconsin estimate). For ANR to replace the
11 functionality required for the Deward and South Chester storage fields, ANR would need
12 to spend an additional \$294 million (see Exhibit No. ANR-073, Northern Storage to
13 Woolfolk and Kalkaska to Detroit A/B (Woolfolk)). These facility modifications would
14 take years to complete and would likely face stiff opposition from landowners and
15 environmental groups. Thus, ANR ultimately rejected this alternative as expensive and
16 uncertain.

17 **Q: What were the results of ANR's evaluation of alternatives for the storage to**
18 **Wisconsin route?**

19 A: Aside from transportation on Great Lakes, there are no available pipeline options that
20 would allow ANR to meet its firm obligations to transport gas from storage into
21 Wisconsin. Great Lakes is the only existing pipeline that can provide service to ANR's
22 market in northern Illinois and Wisconsin from its integrated storage facilities.

23 However, ANR did evaluate new construction solutions. Specifically, ANR
24 reviewed the possibility of expansion of the Guardian Pipeline, L.L.C. ("Guardian")

1 system to transport more volume into Wisconsin; this option is depicted on Exhibit No.
2 ANR-074. ANR performed a facility review to determine the facilities and costs required
3 to expand Guardian into Wisconsin; the cost estimates for the expansion facilities ranged
4 from approximately \$456 million to \$847 million (see Exhibit No. ANR-075), depending
5 on the capacity and horsepower to be added. Also, new laterals would need to be built by
6 either the LDC or ANR to connect delivery meters to the Guardian system, which will
7 add more costs. In addition, ANR determined that it would need to expend at least \$500
8 million to expand ANR facilities in the MLN and MLS to deliver the gas to Guardian.
9 As the total costs for a Guardian build with an ANR expansion greatly exceeded the
10 Great Lakes costs, ANR rejected this alternative.

11 **Q: Did ANR have any existing pipeline alternatives to TBOs on Great Lakes to replace**
12 **the Chester to Farwell route?**

13 A: No, aside from Great Lakes, there are no existing pipelines on which ANR could have
14 replicated this route. ANR's only alternative to capacity on Great Lakes would have
15 been new construction.

16 **Q: Was there an existing pipeline alternative to replace the Farwell to Deward route?**

17 A: Yes, but it was a limited alternative. As depicted on Exhibit No. ANR-076, DTE could
18 replicate a portion of the Great Lakes service transporting gas during the summer period
19 from Farwell to Deward. DTE had 175,000 Dth/d of summer capacity from the Woolfolk
20 (Detroit A/B) Interconnection to the Kalkaska Interconnection. However, the 175,000
21 Dth/d of DTE capacity was insufficient to meet ANR's system requirements and
22 additional facility modifications would have been required on ANR. Also, ANR would
23 still have needed transportation on Great Lakes in addition to the DTE capacity, which
24 would have resulted in rate stacking given that this path already was included on ANR's

1 Great Lakes contract FT17593. Thus, ANR rejected this option as unequal to the total
2 value of arrangements provided by Great Lakes.

3 **Q: What were the results of ANR's evaluation of alternatives for the Muttonville to**
4 **Farwell route?**

5 A: There were two alternatives to replicate this portion of the X-1, one involving Vector
6 Pipeline L.P. ("Vector") and DTE (see Exhibit No. ANR-077) and the other involving
7 DTE alone (see Exhibit No. ANR-078).

8 First, ANR reviewed the possibility of delivering gas to DTE at the Muttonville
9 Interconnection, with DTE delivering the gas to Vector and then Vector redelivering the
10 gas to ANR at a new interconnection between Vector and ANR. ANR would then
11 redeliver this gas to Great Lakes at the Farwell Interconnection. However, ANR
12 determined that DTE did not have available capacity, and it would have been necessary
13 for Vector to construct facilities to deliver into ANR. In addition, ANR would have
14 needed to expand its MLS and MLN facilities. ANR would still have required Great
15 Lakes transportation from Farwell to Deward. ANR customers would not have benefited
16 from the rate stacking of Vector and DTE in addition to the transportation costs on Great
17 Lakes. Therefore, ANR rejected this alternative as being unequal to the Great Lakes
18 alternative.

19 Second, ANR reviewed an option under which it would construct facilities from
20 Muttonville to DTE at Belle River Mills. DTE would then transport gas from Belle River
21 Mills to Farwell. However, DTE had no available summer capacity and its winter
22 capacity was limited. Also, ANR still would have required transportation on Great Lakes
23 from Farwell to the Fortune Lake Interconnection. As a result, there would have been no
24 reduction in costs to ANR customers since ANR would still require Great Lakes capacity

1 and ANR would incur additional costs associated with DTE. Again, ANR rejected this
2 alternative as unequal to the Great Lakes alternative.

3 **Q: Why did ANR enter into the replacement contracts for the T-8, T-9, and T-10 Part**
4 **157 arrangements?**

5 A: The original terms of these contracts had expired, and Great Lakes had given ANR
6 notices of termination for each of the contracts. ANR considered whether to require
7 Great Lakes to file to abandon these individually certificated Part 157 contracts.
8 However, ANR was aware that current Commission policy favors the phasing out of Part
9 157 service agreements in favor of Part 284 open access service agreements. Thus,
10 ANR's view was that the Commission was likely to look favorably on a Great Lakes
11 filing to abandon these legacy agreements, especially given the fact that the original term
12 of these contracts had expired and the services were available under Great Lakes' current
13 open access tariff. If ANR were to lose on its abandonment challenge, ANR would be in
14 the difficult position of needing capacity to meet its customer obligations and having to
15 replace that capacity in an expedited fashion. In addition, Great Lakes would likely have
16 been required to post that capacity on its website, making that capacity available to all its
17 customers. There would be no guarantee that ANR would be successful in securing the
18 capacity that was required to meet its customers' firm service commitments. Therefore,
19 in the best interests of ANR and its customers who need and benefit from this capacity,
20 ANR took the necessary steps to ensure that it could and can continue to have the access
21 to Great Lakes capacity to meet its customers' firm service obligations. Regulatory
22 conversion to Part 284 service protected ANR's ability to meet its customer requirements
23 at the least cost. Regulatory conversion also protected against the risk of ANR losing the
24 capacity, given that the regulations provide for a waiver of the posting requirements.

1 **Q: When it entered into the current Great Lakes TBOs, did ANR simply seek to**
2 **replicate the capacity under the prior TBOs, or did it undertake a fresh evaluation**
3 **of its capacity requirements?**

4 A: ANR did not simply assume that it required as much capacity as it had required at the
5 time, decades ago, when it entered into the prior TBOs. Rather, ANR sought to ensure
6 that it contracted for only the amount of capacity that it needed. As I noted previously,
7 Exhibit No. ANR-112 shows the capacity that ANR requires along each route during the
8 winter and summer. In determining how much capacity to contract for on Great Lakes,
9 ANR used this analytical tool to ensure that it did not over-contract and thus incur
10 unnecessary costs.

11 **Q: Does ANR continue to evaluate all of its TBO requirements?**

12 A: Yes, as I noted above, ANR regularly evaluates its TBO requirements when contracts
13 come up for expiration or renewal. ANR does so in order to ensure that it is meeting its
14 TBO requirements in the most efficient and cost-effective manner, consistent with its
15 obligations to manage its system in a prudent manner. ANR entered into one-year
16 recourse rate contracts with Great Lakes, for example, so that it could evaluate its needs
17 under those contracts on an annual basis, while still retaining the right of first refusal to
18 continue the contracts in effect at the levels needed by ANR. ANR has reduced its MDQ
19 on Great Lakes under contract FT18138 by 441,379 Dth/d because it determined that the
20 capacity was no longer needed to meet its system requirements.

21 **Q: How is ANR proposing to recover the costs associated with its TBO contracts?**

22 A: ANR's TBO costs are included in Account No. 858 and will be included in the system-
23 wide access charge, as explained by ANR witness Roscher. As I understand it, that is
24 consistent with the Commission's historic treatment of such costs.

25 **Q: Does this conclude your testimony?**

1 A: Yes.

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

ANR Pipeline Company)

Docket No. RP16-____-000

State of Texas)
) ss.
County of Harris)

AFFIDAVIT OF JOSEPH E. POLLARD

Joseph E. Pollard, being first duly sworn, on oath states that he is the witness whose testimony appears on the preceding pages entitled "Prepared Direct Testimony of Joseph E. Pollard"; 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 Joseph E. Pollard's sworn testimony in this proceeding.



Joseph E. Pollard

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



Notary Public
My Commission Expires:

