

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

ANR Pipeline Company)

Docket No. RP16 -____-000

Summary of the Prepared Direct Testimony of Garrett B. Word

Mr. Word is the Director, Commercial Design for TransCanada, U.S. Pipelines. His testimony discusses various components of Statement G, including ANR's reporting of actual revenues and billing determinants for the twelve-month base period, as adjusted to reflect two months of actual data and known and measurable changes anticipated to occur within the nine-month adjustment period.

Mr. Word's testimony is divided into two sections. The first section discusses Statement G and presents a revenue and billing determinant analysis. Mr. Word also discusses Schedules G-1 and G-2. As part of his G-2 discussion, Mr. Word describes the adjustments associated with long-term firm transportation and storage contracts, including an identification of specific contracts ANR expects to expire as a result of not being extended as well as those that do not have a right of first refusal. Mr. Word also describes the adjustments associated with short-term firm transportation and storage contracts as well as interruptible transportation contracts. The second section discusses ANR's proposal for a discount adjustment for its discounted contracts and a discount-type adjustment for certain negotiated rate contracts as well as ANR's process for approving discounts.

**UNITED STATES OF AMERICA
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ANR Pipeline Company

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Docket No. RP16 - ____-000

**PREPARED DIRECT TESTIMONY
OF GARRETT B. WORD ON BEHALF OF
ANR PIPELINE COMPANY**

January 29, 2016

Glossary of Terms

Adjustment Period	The nine-month period ending July 31, 2016
ANR	ANR Pipeline Company
Base Period	The twelve-month period ending October 31, 2015
Dth	Dekatherm
ROFR	Right of first refusal
SE Mainline	Southeast Mainline
SW Mainline	Southwest Mainline

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Prepared Direct Testimony of Garrett B. Word

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

2 A: My name is Garrett B. Word. 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, Commercial Design 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 experience as
8 they are related to your testimony in this proceeding?**

9 A: I graduated from Texas Tech University in 2001 with a Bachelor of Science degree in
10 Electrical Engineering and an Arts minor in Mathematics. Beginning in 2001, I was
11 employed by El Paso Corporation in a variety of technical roles related to natural gas
12 transmission. This included work as an Electrical Design Engineer and Automation
13 Engineer. This eventually progressed to a role as an Engineering Project Manager whose
14 responsibilities included implementation of both maintenance projects on our existing
15 assets as well as capital projects to implement new gas transmission facilities. In 2007,
16 as part of a purchase of the ANR assets, I came to work at TransCanada. In that time I
17 have been involved in a number of roles both technical and commercial. This has
18 included work as a hydraulic engineer, managing pipeline capacity and operations,
19 managing a group responsible for planning pipeline operations, managing one of our

1 nominations and scheduling groups and finally, managing our Pricing and Business
2 Analysis team. This final group is responsible for, among other things, analyzing our
3 core business from a revenue standpoint.

4 **Q: Have you ever testified before the Federal Energy Regulatory Commission or any**
5 **other energy regulatory commission?**

6 A: No.

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

8 A: I am providing testimony regarding various components of Statement G. In particular,
9 my testimony addresses ANR's reporting of actual revenues and billing determinants for
10 the 12-month base period ending October 31, 2015 ("Base Period"), as adjusted to reflect
11 two months of actual data and known and measurable changes anticipated to occur within
12 the nine-month adjustment period, which concludes on July 31, 2016 ("Adjustment
13 Period"). Additionally, I will identify the discount contracts for which ANR is seeking a
14 discount adjustment in this case.

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

16 A: Yes, I am sponsoring the following Exhibits:

17 Exhibit No. ANR-082 Discounted FT Contracts

18 Exhibit No. ANR-083 Discounted IT Contracts

19 Exhibit No. ANR-084 Discounted Storage Contracts

20 Exhibit No. ANR-085 FT Contract Turnback During Adjustment Period

21 Exhibit No. ANR-086 New FT Contracts During Adjustment Period

22 Exhibit No. ANR-134 Statement G – Primary Case (Summary Data)

23 Exhibit No. ANR-135 Statement G – Preferred Case (Summary Data)

24 Exhibit No. ANR-136 Schedule G-1 (Base Period)

1	Exhibit No. ANR-137	Schedule G-2 – Primary Case (Adjustment Period)
2	Exhibit No. ANR-138	Schedule G-2 – Preferred Case (Adjustment Period)
3	Exhibit No. ANR-139	Schedule G-3 (Reconciliation of Base Period to Adjustment
4		Period)

5 **Revenue and Billing Determinant Analysis**

6 **Statement G (Summary Data)**

7 **Q: What does Statement G contain?**

8 A: Statement G summarizes and compares on a monthly and annual basis ANR's Base
9 Period and Adjustment Period monthly revenue and billing determinant totals as shown
10 in Schedules G-1 and G-2, respectively. The reconciliation of differences between the
11 Base Period and Adjustment Period totals is provided in detail in Schedule G-3.

12 **Schedule G-1 (Base Period)**

13 **Q: What does Schedule G-1 contain?**

14 A: Schedule G-1 sets forth ANR's Base Period actual revenues and billing determinants on a
15 monthly basis, categorized by rate schedule, and therein grouped by shipper, contract,
16 and transportation path.

17 **Q: How are capacity release revenues and billing determinants treated in Schedule G-1?**

18
19 A: In Schedule G-1, quantities and related revenues associated with capacity release activity
20 are reflected by contract.

21 **Q: Were there any discounted firm transportation contracts in place during the base period?**

22
23 A: Yes, please see Exhibit No. ANR-082 for a list of discounted firm transportation
24 contracts organized on the basis of whether they are long-term or short-term contracts.

25 **Q: Did ANR discount interruptible transportation service during the base period?**

1 A: Yes, Exhibit No. ANR-083 lists all interruptible transportation contracts, including ones
2 with discounts, which were in place during the Base Period.

3 **Q: Did ANR discount firm storage service during the base period?**

4 A: Yes, Exhibit No. ANR-084 lists ANR's discounted storage contracts that were in effect
5 during the Base Period.

6 **Q: Were any of these discounts granted to affiliates?**

7 A: No.

8 **Q: Were there any negotiated rate contracts in place during the base period?**

9 A: Yes, the negotiated rate contracts are identified in Schedule G-1.

10 **Schedule G-2 (Adjustment Period)**

11 **Q: What does Schedule G-2 contain?**

12 A: Schedule G-2 contains ANR's Base Period revenues and billing determinants, adjusted
13 for known and measurable changes that are expected to occur during the Adjustment
14 Period.

15 **Q: Please describe the adjustments associated with long-term firm transportation**
16 **contracts.**

17 A: We have adjusted reservation quantities associated with long-term firm contracts to
18 reflect several known and measurable developments:

19 1. Contract Turnback

20 Shippers holding 281,499 Dth of long-term firm capacity, under various winter,
21 summer or annual contracts, with expiration dates before or during the
22 Adjustment Period, did not renew all or a portion of their contracts. These
23 contracts are listed in Exhibit No. ANR-085. The reservation quantities for these

1 contracts have been removed in the Adjustment Period to reflect shipper turnback
2 of these contract volumes.

3 2. Contract Expiration

4 Shippers holding ten discounted long-term firm contracts with expiration dates
5 before or during the Adjustment Period and that do not contain right of first
6 refusal (“ROFR”) provisions have been removed in the Adjustment Period. These
7 contracts are as follows:

Contract	Party Name	Product	Start	End
115522	PINE PRAIRIE ENERGY CENTER, LLC	FTS-1	11/1/2009	10/31/2015
116490	PINE PRAIRIE ENERGY CENTER, LLC	FTS-1	1/12/2010	10/31/2015
117272	PINE PRAIRIE ENERGY CENTER, LLC	FTS-1	9/1/2010	10/31/2015
109718	PANHANDLE EASTERN PIPE LINE COMPANY, LP	FTS-1	4/1/2004	3/31/2016
125057	ENBRIDGE MARKETING (U.S.) L.P.	FTS-1	11/1/2014	10/31/2015
125058	SHELL ENERGY NORTH AMERICA (US), L.P.	FTS-1	11/1/2014	10/31/2015
125059	OCCIDENTAL ENERGY MARKETING, INC.	FTS-1	11/1/2014	10/31/2015
122271	TENASKA MARKETING VENTURES	FTS-1	4/1/2013	3/31/2016
124171	DUKE ENERGY KENTUCKY, INC.	FTS-1	11/1/2014	3/31/2016
110497	WISCONSIN PUBLIC SERVICE CORPORATION	FTS-1	11/1/2005	10/31/2015

8
9 3. New Contracts

10 Exhibit No. ANR-086 identifies 70 contracts that will begin during the
11 Adjustment Period. These contracts will be annualized for the period.

12 **Q: Please describe the adjustments associated with long-term firm storage contracts.**

13 A: We have adjusted reservation quantities associated with long-term firm storage contracts
14 to reflect several known and measurable developments:

15 1. Contract Turnback

16 Shippers holding two long-term firm storage contracts with expiration dates
17 before or during the Adjustment Period expired but were replaced with new

1 contracts that are reflected in Section 3 (New Contracts) of this discussion. Those
 2 two contracts are as follows:

Contract	Party Name	Product	Start	End
31050	INTERSTATE POWER AND LIGHT COMPANY	FSS	11/1/1993	3/31/2016
109979	WISCONSIN ELECTRIC POWER COMPANY	FSS	6/1/2005	10/31/2015

3

4 2. Contract Expiration

5 Shippers holding the following six discounted long-term firm storage contracts
 6 with expiration dates before or during the Adjustment Period, and that do not
 7 contain ROFR provisions, were assumed to not be renewed and have been
 8 removed in the Adjustment Period:

Contract	Party Name	Service	Eff Date	Disc Date
ID		Type		
109719	PANHANDLE EASTERN PIPE LINE COMPANY, LP	FSS	4/1/2004	3/31/2016
124172	DUKE ENERGY KENTUCKY, INC.	FSS	4/1/2014	3/31/2016
124578	CIMA ENERGY, LTD.	FSS	4/1/2014	3/31/2016
124767	BP CANADA ENERGY MARKETING CORP.	FSS	6/1/2014	3/31/2016
125640	TENASKA GAS STORAGE, LLC	FSS	12/5/2014	3/31/2016

9

10 3. New Contracts

11 There are nine long-term firm storage contracts that will begin during the
 12 Adjustment Period. These contracts will be annualized for the period.

Contract ID	Party Name	Service Type	Eff Date	Disc Date
124084	WISCONSIN GAS LLC	FSS	4/1/2016	3/31/2026
125814	J. ARON & COMPANY	FSS	11/1/2015	3/31/2017
125831	GREEN PLAINS TRADE GROUP LLC	FSS	11/1/2015	3/31/2017
125909	KOCH ENERGY SERVICES, LLC	FSS	12/1/2015	3/31/2017
126188	WISCONSIN ELECTRIC POWER COMPANY	FSS	11/1/2015	3/31/2019
126505	NRG POWER MARKETING LLC	FSS	4/1/2016	3/31/2019
126520	INTERSTATE POWER AND LIGHT COMPANY	FSS	4/1/2016	3/31/2021
126592	J. ARON & COMPANY	FSS	4/1/2016	3/31/2018
126721	TENASKA GAS STORAGE, LLC	FSS	4/1/2016	3/31/2018

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2 **Q: Please describe the adjustments associated with short-term firm storage contracts.**

3 A: The storage withdrawal season in the winter of 2014/2015 was fairly robust when
4 compared to the past ten seasons. This not only drove short-term activity for storage on
5 ANR, but it resulted in low inventories in ANR customers' accounts. The 2015/2016
6 winter is anticipated to be a mild winter, with significant net injections even late into the
7 month of November. This trend should produce some value for ANR as customers roll
8 their balances into April 2016. ANR expects this value to help mitigate the weaker
9 market fundamentals driving storage for the 2016/2017 winter season and bring
10 subscribed volumes in line with what was seen in the Base Period. As such, the Base
11 Period utilization rates will be used for the Adjustment Period except where actual short-
12 term firm storage reservation quantities were available.

13 **Q: Please describe the adjustments associated with interruptible transportation**
14 **contracts.**

15 A: Delivery quantities associated with IT volumes were not modified in the Adjustment
16 Period, with the exception that actual Adjustment Period delivery quantities were utilized
17 for months where they were available.

1 Parking and Lending and Wheeling service utilization reflect similar total usage
2 levels as the Base Period, adjusted to provide for a constant transportation value across
3 all months of the Adjustment Period.

4 **Q: Please describe the adjustments associated with short-term firm transportation**
5 **contracts.**

6 A: The Adjustment Period utilizes actual short-term firm reservation quantities for any
7 months that they were available. Base Period utilization rates are being applied to
8 segments ML-1, ML-2, ML-3, and ML-7 for the Adjustment Period. ML-4, ML-5, and
9 ML-6 short-term firm reservation quantities are being adjusted to reflect competitive
10 pressures and changes in market fundamentals out of the Anadarko Basin.

11 **Q: Can you expand on that by describing the competitive pressure that ANR faces on**
12 **its system with respect to short-term firm and interruptible transportation**
13 **contracting?**

14 A: The ANR system is generally divided into segments, and contracting is typically either
15 compartmentalized to those segments or links them together. These segments can have
16 different profiles based on what supply they connect to and what markets they serve. As
17 relevant to this discussion, the principal segments are the Southeast Mainline (“SE
18 Mainline”) (ML-2 and ML-3), the Southwest Mainline (“SW Mainline”) (ML-5 and ML-
19 6), and the Northern Area (ML-7), and Storage (located in the Northern Area). ANR
20 witness Towne describes these segments in detail, including supply and market
21 characteristics, and also discusses the past competitive pressures that have affected ANR.
22 ANR witness Bennett describes the current and anticipated competitive environment that
23 faces ANR in each of these segments.

24 As ANR witness Bennett explains, the SE Mainline is contracted close to
25 maximum capacity on a long-term basis. This is expected to continue through the end of

1 the Adjustment Period. Accordingly, ANR has simply applied the Base Period short-
2 term firm and interruptible volumes when forward looking to the Adjustment Period. On
3 the other side of the ANR system, the overall average contract term profile on the SW
4 Mainline is much shorter. As ANR witness Bennett explains, long-term contracting on
5 the SW Mainline has dropped off considerably compared to historical time periods.
6 Accordingly, ANR has adjusted all short-term firm and interruptible activity for the
7 summer of the Adjustment Period to zero. Any incremental short-term activity in the
8 winter portion of the Adjustment Period has been adjusted to match base period activity.

9 With respect to ANR's Northern Area (including Storage), ANR witness Bennett
10 describes the significant competitive challenges that ANR faces due to the presence of
11 multiple transportation options available that access a broad variety of supply options.
12 However, ANR anticipates that it will maintain Base Period levels of short term firm and
13 interruptible volumes during the Adjustment Period, except as noted above with respect
14 to short-term storage, due to the anticipated mild weather conditions expected for winter
15 2015/2016.

16 **Schedule G-3 (Reconciliation of Base Period to Adjustment Period)**

17 **Q: What does Schedule G-3 contain?**

18 **A:** Schedule G-3 provides a line item reconciliation of the base and adjustment periods.
19 Categorized by rate schedule, specific contractual adjustments and assumptions leading
20 to all other adjustments are shown as additions or subtractions to the original base period
21 determinants and revenues in order to show how the adjustment period totals in Schedule
22 G-2 were derived.

1 **Discount Adjustments**

2 **Q: Is ANR proposing any discount adjustments for discounted rate contracts?**

3 A: Yes, ANR is proposing a discount adjustment for its discounted rate contracts. ANR
4 witness Roscher describes the crediting methodology used by ANR in calculating the
5 discount adjustment.

6 **Q: Can you discuss ANR's process for approving discounts?**

7 A: ANR discounts in order to meet competition and thus to maximize usage of its pipeline
8 capacity. ANR requires appropriate documentation justifying discounts requested by
9 customers and ANR has an internal approval process for all discounted rate contracts.

10 **Q: Is ANR proposing any discount-type adjustments for negotiated rate contracts?**

11 A: Yes, those contracts are identified in testimony provided by ANR witness Hopper. ANR
12 witness Hopper describes in detail the competitive circumstances which led to ANR
13 entering into these negotiated rate contracts, and ANR witness Roscher describes the
14 crediting methodology employed in calculating the discount adjustment.

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

16 A: Yes, it does.

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ANR Pipeline Company

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Docket No. RP16-____-000

State of Texas

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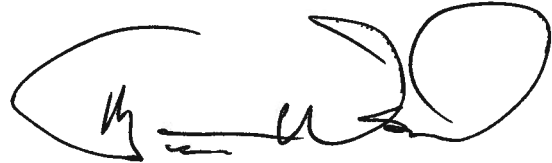
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County of Harris

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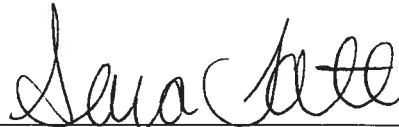
AFFIDAVIT OF GARRETT B. WORD

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



Garrett B. Word

SWORN TO AND SUBSCRIBED BEFORE ME THIS 25th DAY OF January, 2016



Notary Public

My Commission Expires:

