

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell, Joseph T. Kelliher,  
and Suedeem G. Kelly.

ANR Pipeline Company

Docket No. CP04-79-000

ORDER ISSUING CERTIFICATE

(Issued August 9, 2004)

1. On March 10, 2004, ANR Pipeline Company (ANR) filed an application under sections 7(b) and 7(c) of the Natural Gas Act (NGA) for authority to perform certain enhancements to its storage system (Realignment Project) in order to optimize its operations by matching inventory and deliverability to market demand. ANR proposes to convert a total of 4.1 Bcf of base gas to working gas in three Michigan storage fields, abandon by sale an inefficient off-system storage field, construct and operate injection/withdrawal wells and separation equipment at one field, and construct and operate appurtenant equipment at two fields to enhance late season deliverability.
2. Approval of ANR's proposal will serve the public interest by allowing ANR to improve the overall efficiency of its entire storage system. Accordingly, the Commission is granting ANR's requested certificate and abandonment authorizations, subject to the conditions herein.

**Background**

3. The ANR pipeline system extends from Texas and Oklahoma, as well as the producing areas in the Gulf Coast, to points in Wisconsin and Michigan. ANR provides storage, transportation, and various capacity-related services on an open-access basis to qualifying shippers.
4. ANR has provided interstate natural gas storage services to its customers for a number of decades. These services and associated facilities have evolved through the years to meet the changing regulatory framework and to meet changing market requirements. In the early 1990s, ANR performed projects that enhanced the

deliverability of some of its storage fields, resulting in ANR's ability to provide storage service in a more efficient manner. As a result of the enhancements and ANR's assessment of the then current market demand, ANR was granted authority to abandon the operation of several storage fields that were more expensive to operate relative to other fields with comparable deliverability.<sup>1</sup>

5. ANR currently owns five natural gas storage reservoirs and leases five others located in the state of Michigan. All of these fields are jurisdictional and operated by ANR in interstate commerce. The combined working gas capacity of these fields is approximately 126.3 Bcf. Additionally, ANR holds storage capacity of approximately 76.5 Bcf pursuant to storage agreements with two of its affiliated companies, ANR Storage Company (ANR Storage) and Blue Lake Gas Storage (Blue Lake).

6. As part of a continuing effort to assess the efficiency of its storage fields and market demand, ANR held open seasons for storage capacity in September 2003 and January 2004. Because it received no qualifying bids for firm capacity, ANR concluded that there was insufficient market demand for its existing storage space and began investigating options of reducing its storage field capacity and improving the efficiency of its operations. The proposals contained in its Realignment Project result from that investigation.

### **Details of the Realignment Project**

7. The Realignment Project involves four natural gas storage fields in Michigan. ANR proposes to convert a total of 4.1 Bcf of base gas to working gas at three storage fields and to abandon by sale the Capac Storage Field (Capac) to Mid Michigan Gas Storage Company (Mid Michigan), an affiliated non-jurisdictional company. In addition to the realignment of base gas to working gas, ANR will construct injection/withdrawal wells and install separation equipment at one field and appurtenant equipment at two other fields to enhance late season deliverability.

8. The Project will result in a net decrease of ANR's Maximum Storage Quantity of 9.5 Bcf and in a net decrease of late season deliverability of 38 MMcf/d. Following these decreases in deliverability and capacity, ANR will still have approximately 24.5 Bcf of unsubscribed capacity and 355 MMcf/d of unsubscribed deliverability available. ANR does not propose to increase maximum reservoir pressure at any of these facilities. The overall cost of the project is \$9,771,539. The following describes ANR's planned activities at each of the storage fields.

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<sup>1</sup> ANR Pipeline Company, 85 FERC ¶ 62,044 (1998).

### **South Chester Storage Field**

9. The South Chester Storage Field (South Chester) is owned and operated by ANR. It is a depleted gas reservoir converted to natural gas storage operation in 1980. The Commission initially authorized a total storage capacity of 19.5 Bcf for the field.<sup>2</sup> ANR proposes no change to maximum reservoir pressure or to maximum reservoir capacity, but it will make certain facility enhancements and convert 0.6 Bcf of base gas capacity to working storage capacity. ANR states that this modest reduction in base gas capacity will not have a significant impact on the field's operational characteristics.

10. The South Chester's deliverability is limited by compression horsepower. In order to increase the late season suction pressure to the compressor, and thereby the compressors' throughput capability, ANR will modify an existing dehydration unit and add aerial cooling fans. These improvements will allow ANR to increase the late season deliverability from approximately 200 MMcf/d to 212 MMcf/d while preserving gas quality at lower field capacity and pressures. The proposed improvements will occur entirely within an existing compressor station yard.

### **Central Charlton 1 Storage Field**

11. The Central Charlton 1 Storage Field (Central Charlton) is owned and operated by ANR. It is a depleted gas reservoir converted to natural gas storage in 1982. The Commission initially authorized a total storage capacity of 19.0 Bcf.<sup>3</sup> ANR proposes to convert 0.5 Bcf of base gas capacity to working storage capacity. ANR proposes no change to maximum reservoir pressure or maximum reservoir capacity, but will install a new gas cooler and larger separator, and modify an existing glycol injection regeneration unit. These improvements will allow ANR to increase the late season deliverability from approximately 200 MMcf/d to 218 MMcf/d while preserving gas quality at lower field capacity and pressures.

### **Lincoln-Freeman Storage Field**

12. The Lincoln-Freeman Storage Field (Lincoln-Freeman) is owned by Mid Michigan and operated by ANR under a lease.<sup>4</sup> Lincoln-Freeman is a depleted gas

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<sup>2</sup> Michigan Wisconsin Pipeline Company, 7 FERC ¶ 61,042 (1979).

<sup>3</sup> Michigan Wisconsin Pipeline Company, 14 FERC ¶ 61,008 (1981).

<sup>4</sup> Michigan Consolidated Gas Company (Michigan Consolidated) and Michigan Wisconsin Pipeline Company (Mich-Wisc) were the joint applicants to the original

reservoir converted to storage during the 1950s. The field was initially authorized a total storage capacity of 38.2 Bcf, which was subsequently revised to 35.2 Bcf. ANR proposes to convert 3.0 Bcf of base gas capacity to working storage capacity and to increase the late season deliverability by 20 MMcf/d; drill eight new injection/withdrawal wells; install new gathering lines; replace a 2600 foot segment of an 8-inch and 10-inch header pipeline with 12-inch pipe; change the compressor cylinder valves and plug unloaders on two compressor units; and install a larger filter separator vessel as well as other valves and appurtenances. Approximately 200 feet of 4-inch to 6-inch pipe will be installed to connect each well to the storage gathering lines.

### **Capac Storage Field**

13. The Capac Storage Field (Capac) is owned by ANR. ANR proposes to abandon Capac by sale to Mid Michigan. Capac is an off-system facility that is connected to ANR's pipeline system by Great Lakes Gas Transmission L.P. The field is a depleted gas reservoir converted to a storage reservoir in 1978.<sup>5</sup> Capac has a total capacity of 38.2 Bcf. Capac is one of ANR's less efficient fields, in that it requires a higher ratio of base gas to working gas than most other ANR fields and its last day deliverability is comparatively low. In addition, the field does not lend itself to economic enhancements due to its physical characteristics, such as depth, thin storage zone, low reservoir permeability and large surface area of 12,000 acres. ANR plans to remove the remaining working gas volume during the first withdrawal season following Commission approval of the abandonment. Thereafter, ANR will sell the facility at net book value to Mid Michigan as soon as practicable. At that time Mid Michigan will proceed to withdraw the base gas and ultimately abandon the field. Mid Michigan will bear all of the expenses related to the abandonment and removal of all surface facilities and gathering pipelines.

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certificate application. Michigan Wisconsin Pipeline Company, 9 FPC 152 (1950). Michigan Consolidated was the owner/lessor and Mich-Wisc was the lessee. In 1984, Mich-Wisc's name was changed to ANR Pipeline Company. In 1981, Michigan Consolidated was sold to and became a wholly-owned subsidiary of Primark Corporation and in 1988 was spun-off to MCN Corporation. The leased fields were transferred from Michigan Consolidated to Primark Storage Leasing Corporation. In 1996, American Natural Resources purchased the stock of Primark Storage Leasing Corporation and its storage fields and renamed the entity Mid Michigan Gas Storage. In this manner, Mid Michigan is successor-in-interest.

<sup>5</sup> Michigan Wisconsin Pipeline Company, 59 FPC 533 (1977).

### **Notice and Interventions**

14. Public notice of ANR's application was published in the *Federal Register* on March 25, 2004 (69 Fed. Reg. 15313), with comments, protests and interventions due on or before April 9, 2004. Atlanta Gas Light Company, Aquila Networks, Wisconsin Public Service Corporation, Wisconsin Electric Power Company, ProLiance Energy LLC, Madison Gas & Electric Company, Baltimore Gas and Electric Company, Public Service Commission of Wisconsin, Michcon Gas Company, Duke Energy Trading & Marketing LLC, Tenaska Marketing Ventures, Semco Energy Gas Company, Wisconsin Distributor Group, and Virginia Power Energy Marketing, Inc. filed timely motions to intervene.<sup>6</sup> Virginia Power Energy Marketing, Inc.'s filing included a protest which was withdrawn. Consumers Energy Company (Consumers) filed a late motion to intervene. Granting Consumers' motion at this stage of the proceeding will not cause undue delay or prejudice any party. Therefore, for good cause shown, the Commission will grant Consumers' motion.

### **Discussion**

15. Since the construction, operation, and abandonment of the proposed facilities would involve the transportation of natural gas in interstate commerce, such proposal is subject to the Commission's jurisdiction under sections 7(c) and 7(b) of the NGA.<sup>7</sup>

16. On September 15, 1999, the Commission issued a Policy Statement to provide guidance as to how we will evaluate proposals for certificating new construction.<sup>8</sup> The Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. The Policy Statement explains that in deciding whether to authorize the construction of major new pipeline facilities, the commission balances the public benefits against the potential adverse consequences. Our goal is to give appropriate consideration to the enhancement

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<sup>6</sup> Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214.

<sup>7</sup> As defined in section 284.1 of the Commission's regulations, transportation includes storage, exchange, backhaul, displacement or other methods of transportation. 18 C.F.R. § 284.1.

<sup>8</sup> Certification of New Interstate Natural Gas Pipeline Facilities (Policy Statement) 88 FERC ¶ 61,227 (1999), *order clarifying statement of policy*, 90 FERC ¶61,128 (2000), *order further clarifying statement of policy*, 92 FERC ¶ 61,094 (2000).

of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, the avoidance of unnecessary disruptions of the environment, and the unneeded exercise of eminent domain in evaluating new pipeline construction.

17. Under this policy, the threshold requirement for pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from existing customers. The next step is to determine whether the applicant has made efforts to eliminate or minimize any adverse effects the project might have on the applicant's existing customers, existing pipelines in the market and their captive customers, or landowners and communities affected by the new construction. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, the Commission will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will the Commission proceed to complete the environmental analysis where other interests are considered.

18. The Policy Statement provides that increasing the rates of existing customers to pay for projects designed solely to improve reliability or flexibility of service for those existing customers is not a subsidy and that the costs of those projects may be rolled in.<sup>9</sup> Since the proposed project will serve to optimize the performance, efficiency, and reliability of ANR's overall operations to benefit its existing customers, it is consistent with the Policy Statement to permit ANR to roll-in the project costs as part of its storage function cost of service in its next general section 4 rate proceeding.<sup>10</sup>

19. We also find that the project will have minimal adverse impacts. While the proposed actions will result in a net 9.5 Bcf decrease in storage capacity and a decrease of 38 MMcf/d in late season deliverability, ANR will still have approximately 24.5 Bcf of unsubscribed storage capacity and approximately 355 MMcf/d of unsubscribed deliverability available. ANR sold none of the available capacity or deliverability through two open season offerings. Since ANR has a surplus of storage capacity and deliverability, the proposal will not adversely affect existing pipelines in the market and their captive customers. Likewise, ANR's existing customers will not experience any degradation in service. Further, the proposed construction will have minimal impact on

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<sup>9</sup> See Policy Statement, 88 FERC ¶ 61,227 at 61,726, n.12 (1999).

<sup>10</sup> *Id.*; see also, e.g., Texas Eastern Transmission Corp., 95 FERC ¶ 62,031 (2000); Columbia Gulf Transmission Co., 93 FERC ¶ 62,156 (2000).

landowners because the proposed activities will occur within existing rights of way or within the fenced and graveled yard of the compressor stations.

20. We have performed an engineering analysis of the application to determine the feasibility of the proposed conversions of base gas to working gas capacity and the construction of the eight new wells. Based on the geological, engineering, and storage operation data provided, we find that the deliverabilities of the South Chester, Central Charlton, and Lincoln-Freeman fields presently are limited by the surface facilities and that the proposed enhancements to the surface facilities will enable ANR to maintain the new withdrawal rates at the lower field pressures without sacrificing the quality of gas service. The conversion of base gas to working gas capacity will not change the overall total certificated capacities of the South Chester, Central Charlton, and Lincoln-Freeman fields. In addition, the construction of eight new wells in the Lincoln-Freeman field will enable ANR to access areas of that field that have been poorly drained and improve the withdrawal capability of the field.

21. Prior to abandoning the Capac field by sale to Mid Michigan, ANR will remove 13.6 Bcf of working gas capacity during the next withdrawal season. Following the sale of the field, Mid Michigan will remove the remaining 24.6 Bcf of base gas over the next 15 years or more.

22. The total 4.1 Bcf of base gas converted to working gas at South Chester, Central Charlton, and Lincoln-Freeman will replace approximately one-third of the storage capacity reduction associated with the abandonment of the Capac field. After these changes, ANR will still have over 24 Bcf of unsubscribed storage capacity. The modifications will improve the overall efficiency of ANR's storage operations.

23. Issuance of the certificate and abandonment authorizations requested by ANR will enable it to maintain performance, reliability, and efficiency of its storage operations, with minimal adverse impact on ANR's existing customers and landowners affected by the proposal. Balancing the public benefits against the adverse effects of this proposal, we find that approval of ANR's proposal is required by the public convenience and necessity.

### **Environmental Assessment**

24. Our staff prepared an environmental assessment (EA) for ANR's proposal. The EA addresses geology, soils, water resources, floodplains, wetlands, vegetation, wildlife, threatened and endangered species, cultural resources, visual resources, air quality and noise, and alternatives. Based on the discussion in the EA, we conclude that if constructed, replaced, abandoned, or operated in accordance with ANR's application and supplements filed May 20, 21, and 28, 2004, and the conditions contained in the appendix

to this order, approval of the proposal would not constitute a major Federal action significantly affecting the quality of the human environment.

25. Any state or local permits issued with respect to the jurisdictional facilities authorized herein must be consistent with the conditions of this certificate. The Commission encourages cooperation between interstate pipelines and local authorities. However, this does not mean that state and local agencies, through application of state or local laws, may prohibit or unreasonably delay the construction or operation of facilities approved by this Commission.<sup>11</sup>

26. At a hearing held on July 28, 2004, the Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application, and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

The Commission orders:

(A) A certificate of public convenience and necessity pursuant to section 7(c) of the NGA is issued in Docket No. CP04-79-000, authorizing ANR to construct and operate and perform certain enhancements to its storage system, as more fully described in the application and in the body of this order.

(B) The certificate granted in Ordering Paragraph (A) above and rights thereunder are conditioned upon ANR's compliance with all applicable Commission regulations under the NGA, particularly paragraphs (a), (c), (e), and (g) of section 157.20 of such regulations.

(C) The activities authorized by this order shall be completed by ANR within two years from the date this order is issued, pursuant to paragraph (b) of section 157.20 of the Commission's regulations.

(D) The certificate issued in Ordering Paragraph (A) above is conditioned upon ANR's compliance with the environmental conditions set forth in the Appendix to this order. ANR shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other federal, state, or

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<sup>11</sup> See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); *National Fuel Gas Supply v. Public Service Commission*, 894 F.2d 571 (2d Cir. 1990); and *Iroquois Gas Transmission System, L.P., et al.*, 52 FERC ¶ 61,091 (1990) and 59 FERC ¶ 61,094 (1992).

local agencies on the same day that such agency notifies ANR. ANR shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

(E) ANR is authorized under the certificate granted by Ordering Paragraph (A) above to convert a total of 4.1 Bcf of base gas capacity to working gas capacity, all as described in its application and in the body of this order.

(F) ANR is authorized pursuant to section 7(b) of the NGA to abandon by sale the Capac Storage Field, all as described in the application and in the body of this order.

(G) The untimely motion to intervene of Consumers Energy Company is granted.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.

## Appendix

As recommended in the Environmental Assessment (EA), this authorization includes the following conditions:

1. ANR shall follow the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests) and as identified in the EA, unless modified by this Order. ANR must:
  - a. request any modification to these procedures, measures, or conditions in a filing with the Secretary of the Commission (Secretary);
  - b. justify each modification relative to site-specific conditions;
  - c. explain how that modification provides an equal or greater level of environmental protection than the original measure; and
  - d. receive approval in writing from the Director of the Office of Energy Projects (OEP) **before using that modification.**
2. The Director of OEP has delegation authority to take whatever steps are necessary to ensure the protection of all environmental resources during construction and operation of the project. This authority shall allow:
  - a. the modification of conditions of this Order; and
  - b. the design and implementation of any additional measures deemed necessary (including stop work authority) to assure continued compliance with the intent of the environmental conditions as well as the avoidance or mitigation of adverse environmental impact resulting from project construction and operation.
3. ANR shall file a noise survey with the Secretary **no later than 60 days** after placing the authorized air cooler unit at the Central Charlton 1 Storage Field Compressor Station in service. If the noise attributable to the operation of the authorized unit at the station at full load exceeds an  $L_{dn}$  of 55 dBA at any nearby noise sensitive area, ANR shall install additional noise controls to meet that level **within 1 year** of the in-service date. ANR shall confirm compliance with the  $L_{dn}$  of 55 dBA requirement by filing a second noise survey with the Secretary **no later than 60 days** after ANR installs the additional noise controls.