170 FERC ¶ 61,234
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Richard Glick and Bernard L. McNamee.

ANR Pipeline Company Docket No. CP20-1-000

ORDER ISSUING CERTIFICATE AND APPROVING ABANDONMENT

(Issued March 19, 2020)

1. On October 1, 2019, ANR Pipeline Company (ANR) filed an application pursuant to sections 7(b) and 7(c) of the Natural Gas Act (NGA)[1] and Part 157 of the Commission's regulations[2] requesting authorization to acquire five natural gas storage facilities in Michigan which ANR currently leases from its affiliate, Mid Michigan Gas Storage Company (Mid Michigan).[3] Specifically, ANR proposes to: (1) acquire the five storage facilities; (2) abandon the existing leases with Mid Michigan; and (3) establish a new lease with Mid Michigan for base gas in the storage fields.[4] For the reasons discussed below, we grant the requested authorizations, subject to conditions.

---

[1] 15 U.S.C. § 717f(b), (c) (2018).

[2] 18 C.F.R. pt. 157 (2019).

[3] Mid Michigan (formerly Michigan Consolidated) is a "Hinshaw" pipeline under section 1(c) of the NGA, exempt from the Commission's jurisdiction. *Mich. Consolidated Gas Co.*, 14 FPC 535 (1955).

[4] ANR also requests that the Commission amend the applicable certificates of public convenience and necessity for the leased storage facilities to remove Mid Michigan as the owner/lessor and change ANR from lessee to owner. Because we are approving ANR's acquisition and the abandonment of the existing leases, it is unnecessary to amend the current certificates as well.

I. Background and Proposal

2. ANR,[5] a corporation organized under Delaware law, is a natural gas company as defined by section 2(6) of the NGA[6] engaged in the transportation and storage of natural gas in interstate commerce. ANR's interstate transmission system consists of approximately 9,400 miles of pipeline extending from Texas and Oklahoma to Wisconsin and Michigan. ANR also operates ten natural gas storage facilities in central Michigan, owning five and leasing five from Mid Michigan.

3. ANR leases from Mid Michigan and operates the Austin, Goodwell, Lincoln-Freeman, Loreed, and Reed City storage facilities,[7] and pays lease fees based on the cost of service from the facilities.[8] Table 1 shows the quantities of base gas, working gas, and total storage capacity for each of the five leased storage fields.[9]

---

[5] ANR is an indirect, wholly owned subsidiary of TransCanada PipeLine USA Ltd. ANR Application at 3.

[6] 15 U.S.C. § 717a(6).

[7] *Michigan-Wisconsin Pipe Line Co.*, 9 FPC 127 (1950) (authorizing ANR (formerly Michigan-Wisconsin) to operate the Austin and Goodwell storage fields under a lease with Mid-Michigan (formerly Michigan Consolidated)); *Michigan-Wisconsin Pipe Line Co.*, 9 FPC 152 (1950) (authorizing ANR to lease and operate the Lincoln-Freeman and Reed City fields); *Michigan Wisconsin Pipe Line Co.*, 35 FPC 777 (1966) (authorizing ANR to lease and operate the Loreed storage field).

[8] The storage fields are all depleted oil or gas reservoirs that were developed for natural gas storage. ANR states that in addition to the facilities that it leases from Mid Michigan, ANR also owns related certificated storage facilities at the leased storage fields and owns quantities of base gas in the leased storage fields.

[9] ANR Application at 11–14.

Table 1: Certificated Quantities of Total Storage Capacity, Working Gas, and Base Gas of Leased Storage Fields

Leased Storage Fields	Total Storage Capacity (Bcf)	Working Gas (Bcf)	Total Base Gas (Bcf)[10]	MM-Owned Base Gas (Bcf)
Austin	23.1	7.0	16.1	6.2
Goodwell	31.7	21.3	10.4	2.9
Lincoln-Freeman	35.7	18.5	17.2	10.6
Loreed	42.2	19.0	23.2	7.2
Reed City	28.9	15.2	13.7	7.6
Totals	**161.6**	**81.0**	**80.6**	**34.5**

4. ANR proposes to acquire the five leased storage facilities from Mid Michigan and abandon the existing leases. ANR states that its proposal is necessary to maintain existing services for its customers because Mid Michigan intends to divest itself of the leased storage assets. ANR asserts that it operates the leased fields in combination with its own storage assets on an integrated basis to meet its storage and transportation commitments.[11] ANR notes that the current combined working gas capacity of the leased and ANR-owned storage facilities is 135 billion cubic feet (Bcf), with 81 Bcf of that capacity—or 60%—attributable to the five leased fields.[12] ANR further states it does not propose to change the certificated parameters of any of the storage fields.[13]

5. ANR states that it will acquire the storage facilities at net book value. The depreciable facilities have a net book value of zero, and the book value of the non-depreciable land assets is approximately $1.6 million.

---

[10] The total base gas in the storage fields includes non-native base gas owned by ANR (21.7 Bcf), Mid Michigan-owned native and non-native gas that will be subject to the interim lease arrangement (34.5 Bcf), and Mid Michigan-owned base gas to be acquired by ANR at Mid Michigan's book value of zero (24.4 Bcf). ANR February 12, 2020 Response to Data Request at 2.

[11] ANR Application at 6, 9.

[12] ANR also holds 69 Bcf of storage capacity with two affiliates, ANR Storage Company and Blue Lake Gas Storage Company.

[13] ANR Application at 16–17. *See also ANR Pipeline Co.*, 149 FERC ¶ 62,132, at tbl. (2014) (delegated order) (outlining the certificated capacity and deliverability parameters for the 10 ANR-operated storage fields).

6. ANR also proposes to establish a new interim lease agreement with Mid Michigan to lease the Mid Michigan-owned base gas in the storage fields.[14] The interim lease will allow ANR to continue to use the Mid Michigan-owned base gas to operate the storage facilities while ANR purchases replacement base gas over time. Specifically, ANR would periodically hold an open season to solicit offers for the purchase of base gas, and, as ANR purchases its own base gas, the quantity of Mid Michigan-owned base gas covered in the interim lease will decrease until it reaches zero.[15] ANR states that it will notify the Commission with the specifics of each transaction as they occur, including an update on the quantities of base gas leased from Mid Michigan and owned by ANR.

II. Notice and Interventions

7. Notice of ANR's application was published in the *Federal Register* on October 9, 2019, establishing October 24, 2019, as the deadline for filing comments and motions to intervene.[16] No comments were filed. The following entities submitted timely, unopposed motions to intervene: Antero Resources Corporation; CenterPoint Energy Resources Corporation; Exelon Corporation; Northern Illinois Gas Company; NJR Energy Services; SEMCO Energy Gas Company; and WEC Energy Group, Inc.[17] Timely, unopposed motions to intervene are granted pursuant to Rule 214 of the Commission's Rules of Practice and Procedure.[18]

---

[14] ANR Application at Ex. R.

[15] ANR also requests that the Commission automatically amend the applicable certificates of convenience and necessity with each incremental base gas transaction so that ANR's ownership of base gas in the currently leased fields increases by the quantity of gas purchased in each transaction.

[16] 84 Fed. Reg. 54,138 (2019).

[17] WEC Energy Group, Inc. is comprised of: Minnesota Energy Resources Corp.; Michigan Gas Utilities Corp.; North Shore Gas Co.; The Peoples Gas Light & Coke Co.; Wisconsin Electric Power Co.; Wisconsin Gas, LLC; Wisconsin Public Service Corp.; and Upper Michigan Energy Resources Corp.

[18] 18 C.F.R. § 385.214(c) (2019).

III. Discussion

8. Because the leased storage facilities are used to provide natural gas storage service in interstate commerce, subject to the Commission's jurisdiction, ANR's proposal is subject to the requirements of subsections (b), (c), and (e) of section 7 of the NGA.[19]

A. Lease Abandonment

9. Section 7(b) of the NGA provides that a natural gas company may abandon jurisdictional facilities or services only if the Commission finds the abandonment is permitted by the "present or future public convenience or necessity."[20] The Commission has stated that continuity and stability of existing service are the primary considerations in assessing whether the public convenience or necessity permit the abandonment.[21]

10. The Commission examines abandonment applications on a case-by-case basis. In deciding whether a proposed abandonment is warranted, the Commission considers all relevant factors, but the criteria vary with the circumstances of the particular proposal. If the Commission finds that an applicant's proposed abandonment will not jeopardize the continuity of existing gas transportation services, it will defer to the applicant's business judgment.[22]

11. In this case, ANR has shown that the proposal would provide ANR ownership and direct control over all the currently leased storage facilities necessary for its jurisdictional storage and transportation services, thus ensuring ANR will continue to meet its current transportation and storage commitments. In addition, as ANR states, granting the abandonment would not result in any changes to certificated physical parameters of the storage fields. Therefore, the abandonment would not result in the degradation of service to ANR's customers.

12. For the reasons discussed above, we find that the public convenience and necessity permits ANR's proposed abandonment of the lease agreements for the five storage facilities. Consistent with Commission policy, we will require ANR to file a notification

---

[19] 15 U.S.C. § 717f(b), (c), (e).

[20] *Id.* § 717f(b).

[21] *El Paso Nat. Gas Co., LLC*, 148 FERC ¶ 61,226, at P 11 (2014).

[22] *See, e.g.*, *Trunkline Gas Co.*, 145 FERC ¶ 61,108, at P 65 (2013) (citing *N. Nat. Gas Co.*, 142 FERC ¶ 61,120 (2013)).

with the Commission in this docket, within 10 days of the date of abandonment of the lease arrangements with Mid Michigan, providing the abandonment's effective date.[23]

B. Acquisition of Storage Assets

13. In considering ANR's proposal to acquire the currently leased storage assets from Mid Michigan, because an acquisition of facilities is a substitute for new construction, we look to the Certificate Policy Statement's guidance for evaluating proposals to certificate new construction.[24] The Certificate Policy Statement establishes criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. The Certificate Policy Statement explains that, in deciding whether to authorize the construction of major new natural gas facilities, the Commission balances the public benefits against the potential adverse consequences. The Commission's goal is to give appropriate consideration to the enhancement 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.

14. Under this policy, the threshold requirement for applicants 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 construction of the new natural gas facilities. 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

---

[23] *See, e.g.*, *Columbia Gas Transmission, LLC*, 145 FERC ¶ 61,028 (2013).

[24] *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227, *corrected*, 89 FERC ¶ 61,040 (1999), *clarified*, 90 FERC ¶ 61,128, *further clarified*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement); *see e.g. Chandeleur Pipe Line Co.*, 108 FERC ¶ 61,181, at P 8 (2004) (noting that the Certificate Policy Statement provides guidance on evaluating proposals for certificating new pipeline construction or acquiring existing facilities); *see also Tenn. Gas Pipeline Co., LLC*, 163 FERC ¶ 61,007, at P 15 (2018) (evaluating a proposal to purchase and operate storage facilities using the criteria in the Certificate Policy Statement for new construction).

outweigh the adverse effects on economic interests will the Commission proceed to consider the environmental analysis where other interests are addressed.

15. As stated, the threshold requirement is that the applicant must financially support the project without relying on subsidization from its existing customers. The Commission has determined that it is not a subsidy for existing customers to pay for projects that are designed to replace existing capacity or improve the reliability of service to existing customers.[25] Here, ANR's proposal is designed to maintain services for existing customers by acquiring the five leased storage facilities. ANR states that the change in ownership of the storage facilities will not change the certificated physical parameters of the leased fields nor will it result in any degradation of service for existing customers. Additionally, the cost to acquire the leased facilities at net book value is significantly lower than the cost to develop new storage fields to replace the leased capacity. Accordingly, we find that there will be no subsidization of the project by existing customers.

16. We also find that because ANR's acquisition is designed to maintain existing service, there will be no adverse impacts on ANR's shippers, nor is there any evidence the proposal will adversely affect any other pipelines or their customers. The proposal is not intended to replace service on other pipelines, and no other pipelines or their captive customers have objected to the proposal. Thus, we find that the proposed acquisition of the currently leased storage facilities will not adversely affect ANR's existing customers or other pipelines and their captive customers. Similarly, the proposal will not adversely affect landowners and communities because it will not involve any construction.

17. ANR's proposal will allow it to obtain ownership and direct control over all the currently leased storage facilities necessary to maintain its existing storage and transportation services, at a cost significantly lower than the cost to develop new storage fields to replace the leased capacity. Accordingly, we find ANR has demonstrated that its proposal will benefit its existing customers while having no adverse economic effects on existing customers, other pipelines and their captive customers, or landowners and surrounding communities. Therefore, we conclude that the project is consistent with the criteria set forth in the Certificate Policy Statement.

C. Interim Lease for Mid Michigan-Owned Base Gas

18. Although the proposed lease arrangement is not a lease of pipeline capacity, but rather the lease of specific quantities of base gas, we will review the proposed lease arrangement consistent with the Commission's precedent for leases of pipeline capacity.

---

[25] Certificate Policy Statement, 88 FERC at 61,746 n.12; *see also Columbia Gas Transmission*, *LLC*, 156 FERC ¶ 61,125, at P 15 (2016) (citing *Kern River Gas Transmission Co.*, 153 FERC ¶ 61,302, at P 12 (2015)).

The Commission's practice has been to approve a lease if it finds that: (1) there are benefits for using a lease arrangement; (2) the charges for service under the lease are less than, or equal to, the charges for comparable service on the same facilities; and (3) the lease arrangement does not adversely affect existing customers.[26] The lease arrangement as proposed between ANR and Mid Michigan satisfies these requirements.

19. First, the Commission has found that leases in general have several potential public benefits. Leases can promote efficient use of existing facilities, avoid construction of duplicative facilities, reduce the risk of overbuilding, reduce costs, minimize environmental impacts, and result in administrative efficiencies for shippers.[27] Here, the proposed lease agreement will allow ANR to continue to use the Mid Michigan-owned base gas to fulfill its storage obligations to existing customers without service interruptions until ANR is able to purchase an equivalent amount of base gas.

20. Second, Commission policy requires parties to demonstrate that lease payments are less than, or equal to, the lessor's firm transportation rates for comparable service over the term of the lease. Because there is no comparable service for the proposed lease arrangement, such a comparison cannot be made. However, ANR and Mid Michigan have agreed on a monthly lease payment that is calculated based on the value of the remaining base gas in the storage fields. This recognizes the contribution that this base gas makes in ANR's operation of its storage fields. Because ANR needs the base gas to remain in the storage facilities over the transition period, the lease is short-term, and the lease payments recognize the declining quantity of Mid Michigan-owned gas remaining in storage. Therefore, we find that entering into the interim lease arrangement is acceptable.

21. Third, we find that the lease arrangement will not adversely affect ANR's existing customers. As stated, the lease is necessary to ensure that ANR has sufficient quantities of base gas to maintain its current storage and transportation service commitments. The lease is for a limited duration and allows ANR to use a transparent, arms-length process to acquire the base gas needed to operate the storage fields. Therefore, existing shippers will not be negatively impacted by the lease arrangement between ANR and Mid Michigan.

22. As discussed above, we find that there are significant benefits to the lease arrangement, the lease payments are satisfactory, and the project will not negatively

---

[26] *See, e.g.*, *Texas Gas Transmission, LLC*, 113 FERC ¶ 61,185, at P 10 (2005); *Islander E. Pipeline Co., LLC*, 100 FERC ¶ 61,276, at P 69 (2002).

[27] *See, e.g.*, *Portland Nat. Gas Transmission Sys.*, 165 FERC ¶ 62,092, at P 9 (2018); *NEXUS Gas Transmission, LLC*, 160 FERC ¶ 61,022, at P 58 (2017); *Constitution Pipeline Co., LLC*, 149 FERC ¶ 61,199, at P 37 (2014).

impact other customers. Therefore, we find that the proposed lease arrangement is required by the public convenience and necessity and approve the lease agreement.[28]

23. ANR states that it will file with the Commission a notification of the specifics of each base gas purchase transaction as it occurs. ANR should include in the notification the open season notice, transaction date, purchase price of the base gas, quantity purchased, and ownership status of the base gas in each storage field as the leased base gas quantity incrementally declines and the quantity of replacement base gas purchased and owned by ANR incrementally increases. We direct ANR to submit these notification filings within 30 days of each transaction. Additionally, once ANR has purchased all the necessary base gas and the lease terminates, ANR must seek authorization to abandon the lease under section 7(b) of the NGA within 30 days.[29]

D. Pre-Determination of Rolled-In Rates

24. ANR proposes to acquire the storage facilities at net book value and to incrementally purchase the base gas at market value. While ANR does not request a pre-determination regarding rolled-in rate treatment, it is the Commission's policy to make such a finding, where appropriate.[30]

25. To support a pre-determination that a pipeline may roll the costs of a project into its system-wide rates in its next NGA section 4 general rate proceeding, a pipeline must demonstrate that rolling in the costs associated with the new facilities will not result in existing customers subsidizing the expansion.[31] As discussed above, the primary purpose of the proposed project is to acquire the storage facilities and base gas quantities to maintain existing services for the benefit of existing customers. The Certificate Policy Statement recognizes the appropriateness of rolled-in rate treatment for projects that improve the reliability of service to existing customers or improve service by replacing

---

[28] Because we are approving the lease agreement as a whole and the lease contemplates the gradual replacement of the leased base gas, it is not necessary to pre-approve amendments to the certificate each time ANR replaces leased base gas with ANR-owned base gas.

[29] 15 U.S.C. ¶ 717f(b).

[30] *See Trunkline Gas Co., LLC*, 135 FERC ¶ 61,019, at P 27 (2011) (granting a pre-determination of rolled-in rates, even though the applicant did not request it, because a pre-determination better enables existing and potential shippers to make decisions to protect their interests).

[31] *Columbia Gas Transmission, LLC*, 166 FERC ¶ 61,037, at P 30 (2019).

existing capacity.[32] Accordingly, we will grant ANR a pre-determination favoring rolled-in rate treatment in a future NGA section 4 general rate proceeding, absent any significant change in circumstances.

E. Environmental Analysis

26. On October 8, 2019, Commission staff issued an Environmental Assessment Report finding that ANR's proposal qualifies as a categorical exclusion under section 380.4(a)(27) of the Commission's regulations.[33]

F. Conclusion

27. Based on our Certificate Policy Statement determination and the fact that the proposal will have no impacts on the environment, we find under section 7 of the NGA that the public convenience and necessity requires approval of ANR's proposal to acquire and operate the five previously leased storage facilities as discussed herein.

28. 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, and all comments, and upon consideration of the record,

The Commission orders:

(A) A certificate of public convenience and necessity is issued to ANR authorizing it to acquire and operate the five previously leased storage facilities and to lease the Mid Michigan-owned base gas in these fields on an interim basis, as described herein, and more fully described in the application.

(B) ANR must file with the Commission a notification of the specifics of each transaction as described above, including the open season notice, the purchase price of the base gas, quantity purchased, and ownership status of the base gas in each storage field, within 30 days of each transaction.

(C) ANR's request to abandon the existing lease arrangements for the five Mid Michigan-owned storage facilities, as described herein, and as more fully described in the application and subsequent filings by the applicant, is granted.

---

[32] Certificate Policy Statement, 88 FERC at 61,746 n.12.

[33] 18 C.F.R. § 380.4(a)(27) (2019) (stating that the Commission will not prepare an environmental assessment or environmental impact statement for the sale, exchange, or transportation of natural gas under sections 4, 5, and 7 of the Natural Gas Act that does not require construction of facilities).

(D) ANR must notify the Commission within 10 days of the date of abandonment of the lease arrangements with Mid Michigan, providing the effective date of the abandonment.

(E) Once ANR has purchased all the necessary base gas from Mid Michigan and the interim lease terminates, ANR must seek authorization from the Commission within 30 days to abandon the interim lease with Mid Michigan, as more fully described in this order.

(F) ANR shall account for the proposed transaction in accordance with Gas Plant Instruction No. 5 and Account 102, Gas Plant Purchased or Sold, of the Uniform System of Accounts.[34] ANR shall submit the proposed accounting entries within six months of the date that the transaction is consummated, and the accounting submissions shall provide all the accounting entries and amounts related to the transfer along with narrative explanations describing the basis for the entries.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

[34] *See id.* pt. 201.