Written Statement

Leslie Kalmbach, Vice President, Enable Midstream Partners, LP

Federal Energy Regulatory Commission

Technical Conference on Environmental Regulations and Electric Reliability, Wholesale Electricity Markets, and Energy Infrastructure

Docket No. AD15-4

1. Introduction.

Good afternoon, Commissioners and staff. My name is Leslie Kalmbach. I am Vice President of Regulatory and FERC Compliance for Enable Midstream Partners, LP. Enable Midstream owns and operates approximately 8,000 miles of interstate natural gas pipelines through its wholly-owned subsidiaries Enable Gas Transmission, LLC (EGT), and Enable Mississippi River Transmission, LLC (MRT), and through Southeast Supply Header, LLC, of which Enable Midstream owns 49.90 percent. Enable Midstream's assets also include Enable Oklahoma Intrastate Transmission, LLC, an intrastate pipeline that offers service under Section 311 of the Natural Gas Policy Act of 1978, and 8 storage facilities comprising approximately 90 billion cubic feet of natural gas storage capacity. Enable Midstream operates in 10 states, including Missouri, Illinois, Texas, Arkansas, Kansas and Oklahoma. The Enable Midstream pipelines serve power generators across their systems and in the central region of the United States. Enable Midstream appreciates the opportunity to provide input on the development of pipeline infrastructure for the central region that may be necessary for states to comply with the Environmental Protection Agency's (EPA) Clean Power Plan, and gas transmission issues that may arise as a result of increased gas-fired generation.

2. Infrastructure construction schedule certainty is vital to meet Clean Power Plan Deadlines.

The EPA's front-loaded compliance timeline for generators, beginning in 2020, raises practical concerns for many as to whether the pipeline industry can physically construct needed pipeline infrastructure in a timely manner if electric utilities and generators likely will not know until 2017 or 2018, at the earliest, whether they will need to contract for pipeline capacity and, importantly, for how much.

Enable Midstream appreciates the effectiveness with which the Commission performs its role in reviewing pipeline certificate applications, and understands the magnitude of the workload the Commission currently manages in that area. As we consider the likelihood of increased infrastructure development, the need for schedule certainty is of utmost importance if infrastructure is to be completed in a timely and efficient manner.

Currently, the Commission lacks the authority to enforce permitting deadlines for other federal and state agencies – and the time to obtain required federal authorization from agencies other than FERC has increased significantly since the 2005 passage of the Energy Policy Act – a law intended to streamline and expedite permitting. The effects of permitting delays are far-reaching with increased project costs, missed in-service dates, and customers and communities missing out on the benefits of affordable natural gas to fuel industry, create jobs, contribute to tax base and lower consumer costs. Enable Midstream supports Federal legislation to enhance the Commission's ability to enforce deadlines.

Enable Midstream respectfully offers the following ideas to promote schedule certainty and improve efficiencies in the certificate review process:

- Programmatic approach to agency consultation, permitting and compliance issues. As the lead permitting agency, the Commission, with third-party consultation support, could develop programmatic solutions to permitting and compliance issues. For example, a standard set of mitigation measures could be developed for a particular endangered species. Uniform solutions would enhance construction schedule certainty, as well as provide consistent minimization and mitigation measures;
- Increased staffing levels in the Commission offices affected by increased levels of natural gas infrastructure activity;
- Higher cost limitations under the blanket certificate program (currently $32.4 million); and
- Increased use of technology in the permitting agencies' processes, including acceptance aerial surveys.

Enable Midstream is not suggesting that the Commission skip critical steps or proceed without appropriate levels of environmental prudence and review. Enhanced coordination and commitment to a common and definite schedule among the various resource agencies engaged in permitting and approving pipeline projects is critical to meeting national environmental goals.

3. Generators and electric utilities must fully analyze their gas infrastructure and service needs.

When considering the need for new pipeline infrastructure to comply with the Clean Power Plan's requirements, it is important to recognize that in order for generators to provide reliable service, they will need to have assurance that pipeline capacity will be available for their use during peak gas demand periods, not just off-peak periods. Historically, many generators have employed an interruptible or short-term pipeline capacity strategy. Yet, during periods of peak demand, interruptible transportation may not be available on capacity constrained pipelines if firm transportation customers are using their full contractual requirements. Whether additional pipeline infrastructure will be necessary is very location specific.

4. Pipelines have a successful track record of building infrastructure, yet pipelines only can build after a customer determines its capacity requirements and signs a long-term firm transportation contract.

There is no doubt that the natural gas pipeline industry can, if asked, serve the electric sector, along with the other market demands flowing from the abundant and cheap supply of this reliable source of energy. The pipeline industry has demonstrated over the decades that its infrastructure construction model works effectively. Over the last 10 years, interstate natural gas pipelines have constructed more than 10,000 miles of pipe.

Interstate natural gas pipelines do not build on speculation; they build in response to their customers' needs, and the facilities they build are anchored by long-term firm agreements. Infrastructure designed to serve a specific customer or group of customers is usually priced so that the customers benefitting from the project bear the costs of the facilities, as opposed to looking to existing ratepayers to subsidize the costs of such facilities.

As a rule of thumb, large-scale pipeline facilities take 3-4 years from project marketing to in-service date, although depending on the region, the process can take even longer. If generators

delay contracting for pipeline infrastructure until after the EPA's approval of the applicable state implementation plan, there appears to be a low likelihood that significant pipeline construction can be completed by the interim deadline of 2020. However, we are confident that the necessary infrastructure can be put in place in sufficient time to meet the 2030 final compliance deadline.

Interstate pipelines operate in a highly competitive environment. For example, in the central region, Enable Midstream's interstate pipelines compete for projects with intrastate and other interstate pipelines to build pipeline infrastructure for new or increased load. Because decisions about how to comply with the Clean Power Plan rest with generators and state and federal regulators, pipeline companies must await those choices before a pipeline can ascertain the amount and location of pipeline capacity that may be needed.

Additionally, the EPA's assumption, if correct, that natural gas demand will decline in the several years before the 2030 implementation date from its peak in earlier years could have a chilling effect on building necessary infrastructure to comply with the Clean Power Plan. Pipelines are long-life assets, and pipeline companies cannot be assured of recovery of their investments without long-term contracts. In addition, it is understandable why a shipper would not sign a 15-year contract (2020-2035) for pipeline transportation if some of the demand for gas will decrease by 2030.

5. Pipelines can serve generators reliably and design services to meet their needs.

As electric utilities and generators determine their pipeline capacity needs to comply with the Clean Power Plan, it will be important to factor in the type of transportation service they expect to use. Interstate pipelines actively search for new market opportunities to build/expand pipelines and to market services. Although the natural gas pipeline industry neither has nor needs regional or centralized planning because the interstate model is driven by the customer's commitment to contracts to support the construction, pipelines welcome the opportunity to consult with generators, ISOs/RTOs, and state and federal regulators to discuss these contracting opportunities.

There are no operational impediments to serving electric generators that have contracted for the appropriate pipeline transportation service. Pipelines can and do develop enhanced or

specialized services to meet the needs of firm shippers. Accomplishing this, however, requires the pipeline to allocate and dedicate facilities to assure that the service is reliably available. If there is unsubscribed capacity, the pipeline can use those facilities to offer a customized service so long as it is offered on a non-discriminatory basis. In constrained markets, however, the pipeline must construct new facilities, which requires the long-term commitment of firm shippers.

Typical firm transportation service is based on ratable flows, or uniform rates of gas flow across the gas day, e.g., a shipper holding a firm contract with a maximum daily transportation quantity of 2400 dth/d is entitled to no more than 100 dth per hour on a firm basis. Thus, a ratable contract cannot be converted into a non-ratable contract without affecting the shipper's maximum daily transportation quantity.

If a generator expects to be dispatched on a base rate basis, a basic firm service should suffice. If a generator expects to have less predictable run requirements, many pipelines, including EGT and MRT, offer premium services that provide the capability to respond quickly to unanticipated changes in a customer's demand for gas service.

If a generator requires non-ratable flow on a firm basis, a pipeline's facilities and the shipper's contracted services must be designed to accommodate those needs, since pipelines must stand ready at all times to serve peak contractual obligations. In order to provide such service, pipelines must have sufficient capacity, compression, and often storage or other ancillary services available to accommodate the hourly swings possible with such service.

In fact, EGT was one of the first pipelines to offer a service tailored to generators. Under this service, Rate Schedule EFT, shippers are permitted to take gas at non-ratable flow, that is, it permits a shipper to transport gas faster or slower than 1/24 of the scheduled capacity over a 24 hour period. Working closely with its customers, EGT has modified the terms of Rate Schedule EFT multiple times since its inception in response to customers' changing dispatch requirements. In addition, EGT also provides "no-notice service" as defined in the Commission's Order No. 636 (Rate Schedule NNTS) and offers a reverse storage service (Rate Schedule RSS), both of which permit non-ratable flows.

Services such as Rate Schedules EFT, RSS and NNTS are premium services because they require the use of pipeline assets in a manner that differs from ratable service. For example, EGT is able to provide these services to its customers because it had the pipeline and/or storage capacity to support the required gas flow and pressure requirements in the particular location the customer needed them. The generators that avail themselves of the premium services EGT offers are part of vertically integrated utilities that can recover the costs of these services.

We recognize that not all pipeline customers want or need these specialized services. For example, MRT currently does not offer a rate schedule tailored to generators, but it provides no-notice service to customers who hold both firm transportation and firm storage capacity and has done so since Order No. 636 restructuring.

If a pipeline currently does not have such services, it can work with its customers to design such services, and any necessary infrastructure additions to support the services, to meet the customers' needs. To facilitate new pipeline infrastructure, there is a need for proper electric market signals and cost recovery mechanisms to ensure the fuel delivery that customers need to meet their performance obligations.