

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Maritimes & Northeast Pipeline, L.L.C. §
 § Docket No. RP04-____-000
 §

**PREPARED DIRECT TESTIMONY OF
SABRA L. HARRINGTON
ON BEHALF OF
MARITIMES & NORTHEAST PIPELINE, L.L.C.**

1 **Q. 1 Please state your full name, title, and current place of employment.**

2 A. My name is Sabra L. Harrington. I am the Vice President, Controller and
3 Treasurer for M&N Management Company, the Managing Member of Maritimes
4 & Northeast Pipeline, L.L.C. (“Maritimes”), and the Vice President and
5 Controller for Duke Energy Gas Transmission Corporation (“DEGT”). DEGT's
6 offices are located at 5400 Westheimer Court, Houston, Texas 77056. Since
7 M&N Management Company has only a limited number of employees, many of
8 Maritimes’ administrative functions are supported by employees that, like myself,
9 split their time between Maritimes and DEGT responsibilities.

10 **Q. 2 Please briefly summarize your educational and professional background.**

11 A. I graduated with honors from Stephen F. Austin State University in Nacogdoches,
12 Texas, earning a bachelor of business administration degree in accounting and am
13 a certified public accountant. After college, I worked for Arthur Andersen for
14 four years as an auditor and then took a position with a predecessor of DEGT. In
15 my 15 years with DEGT and its predecessors, I have held a number of accounting
16 positions of increasing responsibility in the controller’s department, gaining a
17 significant amount of experience working with the company’s pipeline systems

1 and corporate reporting areas. These positions have included Manager of Public
2 Reports (Corporate), Manager of Gas Accounting and Revenue Billing (Midwest
3 Pipelines), and Director of Accounting (Northeast Pipelines). I was the controller
4 for DEGT's pipelines in the U.S. immediately prior to my current position as Vice
5 President and Controller of DEGT.

6 **Q. 3 On whose behalf are you testifying in this proceeding?**

7 A. I am testifying on behalf of Maritimes.

8 **Q. 4 Have you previously testified before the Federal Energy Regulatory**
9 **Commission?**

10 A. Yes. I have previously sponsored testimony for DEGT pipeline companies in
11 proceedings before the Commission.

12 **Q. 5 What is the purpose of your testimony in this proceeding?**

13 A. The purpose of my testimony is to verify that the base period data submitted in
14 this proceeding by Maritimes reflects Maritimes' books and records, and to
15 identify Maritimes' current capital structure and cost of debt.

16 **BOOKS AND RECORDS**

17 **Q. 6 Were Maritimes' books and records for the base period in this proceeding**
18 **prepared under your supervision and direction?**

19 A. Yes.

20 **Q. 7 Can you please verify for the record that the cost statements, supporting**
21 **data, and workpapers in the statements and schedules filed in this**
22 **proceeding that purport to reflect the books of Maritimes do, in fact, set**
23 **forth the results shown by such books?**

24 A. The cost statements, supporting data, and workpapers set forth in the statements
25 and schedules filed in this proceeding do in fact reflect and set forth the results

1 shown by the books of Maritimes as of February 29, 2004, adjusted as described
2 therein.

3 **CAPITAL STRUCTURE AND COST OF DEBT**

4 **Q. 8 How did you determine the capital structure of Maritimes?**

5 A. Since Maritimes has long-term debt that carries its own bond rating and is not
6 guaranteed by its parents, I used the capital structure of Maritimes, as it is
7 projected to be on its books as of November 30, 2004, as opposed to the capital
8 structure of its parent companies. The appropriateness of using Maritimes'
9 projected capital structure under such circumstances is confirmed by Professor J.
10 Peter Williamson in the testimony he has filed on behalf of Maritimes in this
11 proceeding.

12 **Q. 9 What is the projected capital structure of Maritimes?**

13 A. Maritimes' projected total capitalization, as adjusted, of \$697,909,756 is
14 comprised of \$392,607,284 of long-term debt, and \$305,302,472 of equity. The
15 resulting debt to equity ratio of Maritimes' projected capitalization is 56.25
16 percent debt to 43.75 percent equity.

17 **Q. 10 How did you calculate Maritimes' projected total capitalization as of**
18 **November 30, 2004?**

19 A. As shown on Statement F-2, I started with the actual base period capitalization for
20 Maritimes on its books as of February 29, 2004, which was \$718,432,666,
21 \$413,130,194 of which was long-term debt and \$305,302,472 of which was
22 equity. I then adjusted the base period debt amount by the amount of principal
23 that Maritimes is scheduled to repay to its long-term debt-holders between March
24 1, 2004 and November 30, 2004, the end of the test period for this proceeding.

1 Once this adjustment is factored in, the projected total capitalization amount, as of
2 November 30, 2004, is \$697,909,756.

3 **Q. 11 What is Maritimes' cost of long-term debt projected to be as of November 30,**
4 **2004?**

5 A. The projected cost of Maritimes' long-term debt is 6.98 percent.

6 **Q. 12 How did you calculate Maritimes' projected cost of long-term debt?**

7 A. I calculated the cost of long-term debt by determining the weighted average of
8 (i) the actual interest rate that Maritimes is paying on its outstanding long-term
9 bonds, which is 7.7 percent plus annual amortization of \$300,208 of issuance
10 costs, (ii) the actual interest rate on the Overrun Tranche (Statement F-3, Part 1,
11 Line 3) of Maritimes' long-term bank debt, which is 4.595 percent, and (iii) the
12 effective interest rate on the Bank Tranche (Statement F-3, Part 1, Line 2) of
13 Maritimes' long-term bank debt, which I project will be 4.713 percent at the end
14 of the test period. This calculation is shown in Statement F-3, Part 1.

15 **Q. 13 Does this conclude your prepared direct testimony?**

16 A. Yes, it does.

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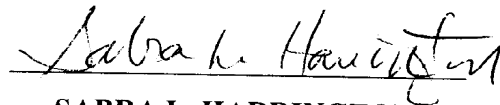
Maritimes & Northeast Pipeline, L.L.C.

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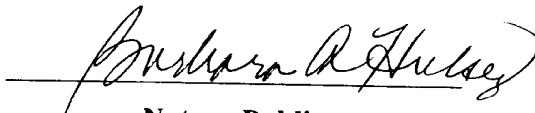
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AFFIDAVIT OF SABRA L. HARRINGTON

SABRA L. HARRINGTON, being first duly sworn, on oath states that she is the witness whose Prepared Direct Testimony is filed herein; that, if asked the questions which appear in the text of aforesaid Prepared Direct Testimony, affiant would give the answers that are herein set forth; and that affiant adopts the aforesaid Prepared Direct Testimony as her sworn, direct testimony in this proceeding.


SABRA L. HARRINGTON

SUBSCRIBED AND SWORN TO before me, a Notary Public in and for the State of Texas, County of Harris, this 22nd day of June, 2004.


Notary Public

My commission expires: 10-2-04

