

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Saltville Gas Storage Company L.L.C.                   §  
   §                   Docket No. RP08-\_\_\_\_-000  
   §

**PREPARED DIRECT TESTIMONY OF  
LISA A. MOORE  
ON BEHALF OF  
SALTVILLE GAS STORAGE COMPANY L.L.C.**

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

2   A.   My name is Lisa A. Moore. I am the Director of Rate Strategy in the Rates and  
3       Economic Analysis Group of the Regulatory Affairs Department of Spectra  
4       Energy Transmission, LLC (“Spectra”). Spectra’s main office is located on 5400  
5       Westheimer Court, Houston, Texas 77056. Employees of Spectra perform  
6       administrative functions for Saltville Gas Storage Company L.L.C. (“Saltville”).  
7       In that regard, I am responsible for various cost of service components in rate  
8       proceedings for Spectra’s FERC-regulated entities, such as Saltville.

9   **Q. 2   What is your educational background?**

10  A.   I received a Master of Business Administration degree from the Wharton School  
11       of Business in Philadelphia, Pennsylvania and a Bachelor of Science degree in  
12       Economics and Finance from Douglass College, Rutgers University in New  
13       Brunswick, New Jersey.

14  **Q. 3   Please describe the course of your professional career and the scope of your**  
15  **current duties and responsibilities for Spectra.**

16  A.   I have worked in the energy industry for over eight years and have gained  
17       experience in the business from roles in various groups, including mergers and  
18       acquisitions, financial planning and forecasting, business development and

1 strategic planning, and government and regulatory affairs. My professional career  
2 began in the investment banking industry, where I was employed for  
3 approximately 10 years as an equity research analyst with coverage of a number  
4 of electric utility companies.

5 **Q. 4 On whose behalf are you testifying in this proceeding?**

6 A. I am testifying on behalf of Saltville.

7 **Q. 5 Have you previously testified before the Federal Energy Regulatory**  
8 **Commission?**

9 A. No.

10 **Q. 6 What is the purpose of your testimony in this proceeding?**

11 A. The purpose of my testimony is to sponsor specific statements and schedules,  
12 including schedules reflecting Saltville's operating and maintenance expenses,  
13 that support the cost of service underlying the proposed storage rates in this  
14 proceeding.

15 **Q. 7 What statements, schedules, or exhibits are you sponsoring in conjunction**  
16 **with your direct testimony?**

17 A. I am sponsoring the following statements, schedules, and work papers related  
18 thereto: Overall Cost of Service (Statement A); Rate Base and Return (Statement  
19 B, Schedules B-1 and B-2); Cost of Plant (Statement C and Schedules C-1, C-2,  
20 C-3 and C-4); Accumulated Provisions for Depreciation, Depletion, and  
21 Amortization (Statement D); Working Capital (Statement E and Schedule E-2);  
22 Operating and Maintenance Expenses (H Statements and Schedules);  
23 Depreciation, Depletion, and Amortization (Statement H-2); and Taxes Other  
24 Than Income Taxes (Statement H-4).

1   **Q. 8   Were these statements and schedules prepared by you or under your**  
2   **direction or supervision?**

3   A.    Yes, all of these statements and schedules were prepared under my direction and  
4        supervision.

5   **Q. 9   What base period has been used in preparing Saltville's rate case?**

6   A.    The base period is the twelve months ended November 30, 2007, adjusted for  
7        known and measurable changes through August 31, 2008. Base period data has  
8        been taken from Saltville's books and records, which are prepared and maintained  
9        in conformity with the Uniform System of Accounts prescribed by the  
10       Commission. Mr. Frederick S. Bush, the Chief Accounting Officer for Saltville,  
11       verifies that the cost statements and supporting data submitted in this filing set  
12       forth the results shown by such books and records as of November 30, 2007,  
13       adjusted as described.

14   **Q. 10   What adjustments were made to the actual operating and maintenance data**  
15   **for the twelve months ended November 30, 2007?**

16   A.    The bases for the majority of the adjustments to Saltville's base period operating  
17        and maintenance ("O&M") expenses are: (1) the inclusion of costs related to the  
18        acquisition of the storage assets of Spectra Energy Virginia Pipeline Company  
19        ("Virginia Storage") and Spectra Energy Early Grove Company ("Early Grove");  
20        (2) the elimination of costs as a result of the sale of Saltville's evaporator plant  
21        and associated assets; (3) changes to the Spectra Energy corporate structure and  
22        cost increases related to Saltville's operations, both discussed in more detail  
23        below; (4) the elimination of compressor fuel costs in conjunction with the  
24        establishment of a company use gas and fuel charge, as explained by Mr. Gregg  
25        E. McBride in his Prepared Direct Testimony; and (5) revisions to certain of the

1 intra-company cost allocation methodologies used by a number of departments  
2 within Spectra Energy Corporation.

3 **Q. 11 What adjustments were made to the actual cost of plant data for the twelve**  
4 **months ended November 30, 2007?**

5 A. There were a number of adjustments made to Saltville's cost of plant. The more  
6 significant adjustments to the cost of plant relate to: (i) the acquisition of the  
7 storage assets of Virginia Storage and Early Grove, (ii) projected costs associated  
8 with the addition of a new meter station at Chilhowie to support deliveries into the  
9 system of East Tennessee Natural Gas, LLC; and (iii) projected costs to reflect the  
10 addition of base gas at Saltville.

11 **Q. 12 Please explain the statements which detail the process and calculations**  
12 **described above, beginning with Statement A.**

13 A. Statement A summarizes the items included in Saltville's cost of service for the  
14 base period as adjusted, totaling \$29,359,600 as shown on Line 8 thereof. The  
15 cost of service consists of O&M, depreciation, depletion and amortization  
16 ("DD&A") of gas plant in service, income and other taxes, revenue credits and an  
17 overall rate of return of 10.75% on test period rate base. Line 1 reflects total  
18 O&M expenses, as shown on Statement H-1. Line 2 of Statement A reflects  
19 DD&A as adjusted, and as detailed on Statement H-2, Page 1 of 1, Line 34.  
20 Income and other taxes, which are shown on Lines 3 through 5, are further  
21 detailed on Statements H-3 and H-4. Revenue credits are reflected on Statement  
22 G-5, Line 7. The amount shown for return is reflected on Line 10 of Statement B.

23 **Q. 13 Please explain Statement B.**

24 A. Statement B summarizes the rate base and return as derived in Schedules B-1 and  
25 B-2 and Statements C, D, E and F-2. The rate base consists of the sum of net

1 plant and working capital, less accumulated deferred income taxes. The rate base  
2 for the storage facilities is \$103.1 million. The overall rate of return of 10.75%  
3 yields an overall return on rate base of \$11.1 million.

4 **Q. 14 Please describe the contents of Statement C and its supporting schedules.**

5 A. Statement C provides a summary of the cost of plant. The total cost of plant as  
6 shown on Statement B (Line 2) includes the plant items detailed on Statement C,  
7 excluding Construction Work in Progress as shown on Line 12 of Statement C.  
8 The cost of plant is based on the actual plant cost as of November 30, 2007,  
9 adjusted for additions and reductions through the test period, August 31, 2008.  
10 Schedule C-1 shows a break out of the plant by FERC Account number.  
11 Schedule C-1.1 provides detail on test period adjustments to plant. Schedule C-2  
12 presents details of major plant additions during the adjusted base period.  
13 Schedule C-3 reflects storage plant costs by storage field. Schedule C-4 provides  
14 description of the methods and procedures followed in capitalizing allowance for  
15 funds used during construction.

16 **Q. 15 What is contained in Statement D?**

17 A. Statement D details the DD&A by gas plant account number for the base period  
18 as adjusted. The amount in Column N, Line 10, ties to the accumulated DD&A on  
19 Statement B, Line 3. Schedule D provides test period adjustment detail.

20 **Q. 16 Please explain Statement E and Schedule E-2.**

21 A. Statement E details the components of working capital shown in Statement B,  
22 Line 6, as part of rate base. Statement E shows these components in summary  
23 form, the supporting details of which are set out in Schedule E-2.

1 **Q. 17 Please explain Statement H-1.**

2 A. Statement H-1 is a summary by FERC account of O&M expenses for each month  
3 of the base period, the adjustments to such O&M expenses, and the total as-  
4 adjusted O&M expenses included in Saltville's cost of service. A number of  
5 adjustments have been made to the base period O&M expenses and are detailed in  
6 Schedule H-1.1.

7 **Q. 18 Please describe the adjustments to O&M expenses which are detailed in**  
8 **Schedule H-1.1 and the reasons for making those adjustments.**

9 A. Schedule H-1.1 provides both a summary of and details on the various  
10 adjustments that are reflected on Statement H-1. Adjustment Nos. 1 and 2 reflect  
11 the inclusion of costs associated with the acquisition of the Virginia Storage and  
12 Early Grove storage facilities, respectively. Adjustment No. 3 eliminates O&M  
13 expenses related to Saltville's evaporator plant and associated assets, which were  
14 sold in June 2007.

15 Adjustment Nos. 4, 5, 8, 12-14 and 16-17 reflect changes in allocated  
16 costs due to a new corporate structure following the January 2007 spin-off of  
17 Spectra Energy Corp from Duke Energy Corporation and revisions to intra-  
18 company cost allocation methodologies to more appropriately assign intra-  
19 company costs to Saltville. The corporate structure changes for Spectra Energy  
20 Corp include the establishment of Treasury and Investor Relations functions,  
21 which were previously provided by Duke Energy Corporation, as well as  
22 expanded Legal, Accounting and Human Resources functions.

23 Adjustment Nos. 6, 10 and 11 relate primarily to increases in costs due to  
24 well logging, gallery sizing, inventory checks and mechanical integrity testing at

1 the caverns, as well as a compressor overhaul. Adjustment No. 7 removes  
2 Compressor Fuel costs from operating and maintenance expenses due to the  
3 proposed collection of these costs via a company use and fuel charge, as discussed  
4 by Mr. McBride. The Electric Power cost changes reflected in Adjustment No. 9  
5 are primarily driven by rate increases of the service provider, AEP. Adjustment  
6 No. 15 reverses a number of accounting adjustments made during the base period  
7 that are not expected to continue during the test period, most of which relates to  
8 bad debt reserves and a capitalized cost true-up. Adjustment No. 18 represents an  
9 adjustment to reflect a full twelve months of allocated building rental payments.

10 **Q. 19 Please explain Statement H-2.**

11 A. Statement H-2 details the DD&A for the base period, as adjusted. Statement H-2,  
12 Column D reflects current Commission approved rates for Saltville underground  
13 storage plant and continues existing depreciation/amortization rates for all other  
14 plant items. Saltville proposes amortization of a regulatory asset, related to a cost  
15 reduction initiative, over three years, for a 33.33% annual rate, as reflected in  
16 Column E. No changes to existing depreciation/amortization rates are proposed.

17 **Q. 20 What is reflected in Statement H-4?**

18 A. Statement H-4 shows taxes other than income taxes by type of tax, as well as  
19 payroll taxes, as adjusted.

20 **Q. 21 Does this conclude your prepared direct testimony?**

21 A. Yes, it does.