

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Maritimes & Northeast Pipeline, L.L.C. § Docket No. RP04-____-000
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**PREPARED DIRECT TESTIMONY
OF
WILLIAM C. PENNEY, JR.
ON BEHALF OF
MARITIMES & NORTHEAST PIPELINE, L.L.C.**

1 **Q. 1 Please state your name and business address.**

2 A. My name is William C. Penney, Jr. My business address is 890 Winter Street,
3 Suite 300, Waltham, Massachusetts 02451.

4 **Q. 2 By whom are you employed and in what capacity?**

5 A. I am Vice President and General Manager of M&N Management Company,
6 Managing Member of Maritimes & Northeast Pipeline, L.L.C. (“Maritimes”).
7 M&N Management Company is a wholly-owned subsidiary of Duke Energy Gas
8 Transmission Corporation (“DEGT”).

9 **Q. 3 What is your educational background?**

10 A. I received a Bachelor of Science Degree in Civil Engineering from the University
11 of Massachusetts Lowell in 1975 and a Master of Science Degree in Civil
12 Engineering in 1984 from Northeastern University at Boston. I also earned a
13 Master of Business Administration degree in 1992 from Bentley College at
14 Waltham, Massachusetts.

1 **Q. 4 Please describe the course of your professional career and the scope of your**
2 **current duties and responsibilities for Maritimes.**

3 A. Early in my career, I worked in various engineering positions for Stone &
4 Webster Engineering Corporation and Fay, Spofford & Thorndike Engineers,
5 Inc., both of Boston, and Koppers Company of Pittsburgh. I joined Algonquin
6 Gas Transmission Company (“Algonquin”) in 1983 as a civil engineer and
7 became senior civil engineer the following year. Through a series of mergers and
8 acquisitions, Algonquin is now a wholly-owned subsidiary of DEGT. I served in
9 positions of increasing responsibility for DEGT and its predecessors between
10 1986 and 1999, including Chief Inspector, Supervisor and Manager of Project
11 Engineering, General Manager of Engineering and Vice President and Project
12 Manager for Maritimes. I was named to my current position in July 1999.

13 **Q. 5 Do you belong to any professional organizations?**

14 A. Yes. I am a member of the American Gas Association, the Northeast Gas
15 Association, the American Society of Civil Engineers, the Society of Gas
16 Lighters, the National Society of Professional Engineers, and the Boston Society
17 of Civil Engineers. I am on the board of directors for the North Shore Chamber
18 of Commerce and the advisory board for the University of Massachusetts Lowell.
19 I am a registered professional engineer in the Commonwealth of Massachusetts.

20 **Q. 6 Have you previously testified before the Federal Energy Regulatory**
21 **Commission?**

22 A. Yes. I sponsored testimony on behalf of Maritimes in Docket No. RP02-134.

23 **Q. 7 What is the purpose of your prepared direct testimony in this proceeding?**

24 A. I am appearing on behalf of Maritimes to (i) support the level of billing
25 determinants upon which Maritimes has derived rates for this current filing,

1 (ii) explain the status of the firm capacity subscriptions on Maritimes' Phase III
2 Facilities (or "Phase III"), which represent an extension of Maritimes' mainline
3 facilities from Methuen, Massachusetts to an interconnection in Beverly,
4 Massachusetts with Algonquin ("Beverly Delivery Point"), (iii) explain the actual
5 usage of Phase III since Maritimes placed such facilities into service on
6 November 24, 2003, and (iv) explain the benefits Maritimes' existing long-term
7 firm shippers have accrued with the addition of Phase III.

8 **Q. 8 Are you sponsoring any statements, schedules or exhibits in conjunction with**
9 **your direct testimony?**

10 A. Yes. I am co-sponsoring, along with Mr. Joe A. Payne, the Revenues and Billing
11 Determinants statements and schedules (Statement G, Schedules G-1 and G-2). I
12 am co-sponsoring, along with Mr. Gregg E. McBride, the Summary of Billing
13 Determinants (Schedule J-1). In addition, I am sponsoring the following exhibits:
14 (i) Existing Long-term Firm Service Agreements for the Overall Maritimes
15 Project (Exhibit No. __ (WCP-2)), (ii) Base Period Throughput by Month
16 (Exhibit No. __ (WCP-3)), (iii) Average Daily Receipt Quantity at Goldboro
17 Processing Plant (Exhibit No. __ (WCP-4)), (iv) Average Daily Quantity
18 Delivered to Canadian Maritime Markets (Exhibit No. __ (WCP-5)), (v)
19 Average Daily Throughput on Phase III—December 2003 through April 2004
20 (Exhibit No. __ (WCP-6)), (vi) Average Daily Throughput into Tennessee at
21 Dracut—December 2003 through April 2004 (Exhibit No. __ (WCP-7)), and
22 (vii) Firm Capacity Subscription Before and After In-Service Date of Phase III
23 (WCP-8).

1 **Q. 9 Were the schedules, statements and exhibits described in your previous**
2 **answer prepared by you or under your direction and supervision?**

3 A. I prepared, or directed and supervised or co-sponsored, along with Mr. Payne and
4 Mr. McBride, the preparation of, each statement, schedule and exhibit described
5 in my previous answer.

6 **I. REVENUES AND BILLING DETERMINANTS**

7 **Q. 10 Turning to the revenues and billing determinants for the base period, please**
8 **explain what is contained in the Statement G that Maritimes included in this**
9 **current filing.**

10 A. Statement G sets forth, by rate schedule and rate component, the annual quantities
11 and revenues for the base period.

12 **Q. 11 What is the total annual revenue reflected in Statement G?**

13 A. The total annual revenue reflected in Statement G for the base period is
14 \$108,283,554. This reflects \$91,948,608 of revenue associated with Maritimes'
15 long-term firm service agreements under Rate Schedule MN365, \$13,811,363 of
16 revenue associated with short-term firm and interruptible service agreements, and
17 \$2,533,665 of revenue associated with firm lateral line services.

18 **Q. 12 Did you make any adjustments to the annual revenue?**

19 A. Yes. Statement G reflects \$151,564,401 in revenue, for the twelve months ended
20 February 29, 2004, as adjusted. This reflects \$141,251,061 of revenue associated
21 with Maritimes' long-term firm service agreements under Rate Schedule MN365,
22 \$7,835,820 of revenue associated with interruptible service agreements under
23 Rate Schedule MNIT, and \$2,477,520 of revenue associated with firm lateral line
24 services under Rate Schedule MNLFT.

1 **Q. 13 Why does your adjusted annual revenue not include an amount for short-**
2 **term firm transportation?**

3 A. Maritimes currently has no short-term firm transportation agreements in effect. In
4 addition, it is very unlikely that Maritimes will execute any agreements for short-
5 term firm service, in light of the fact that average daily flows on the mainline have
6 been significantly less than the throughput capability of the mainline. More
7 importantly, any quantity associated with a short-term firm service agreement that
8 Maritimes may enter into by the end of the test period would almost certainly
9 replace a similar quantity of interruptible transportation service.

10 **Q. 14 Does the adjusted annual revenue amount set forth in Statement G reflect**
11 **any revenue other than from long-term firm service under Rate Schedule**
12 **MN365 and interruptible service under Rate Schedule MNIT?**

13 A. With the exception of \$2.5 million associated with lateral line services, the
14 adjusted annual revenue amount on Statement G reflects revenue only from long-
15 term firm agreements under Rate Schedule MN365 and interruptible service under
16 Rate Schedule MNIT.

17 **Q. 15 Why does the adjusted annual revenue amount not reflect revenue from**
18 **other sources?**

19 A. As noted in my answer to a previous question, there is no basis for including
20 additional revenue associated with short-term firm transportation agreements.
21 The only other transportation services that Maritimes offers under its FERC Gas
22 Tariff are firm services under Rate Schedules MN151, MN90 and MNOP. No
23 shipper has ever entered into an agreement for service under one of these rate
24 schedules, and therefore, the adjusted annual revenue amount does not include
25 revenue from such rate schedules. Maritimes also offers parking and lending
26 service under Rate Schedule MNPAL and title transfer tracking service under

1 Rate Schedule MNTTT. No shipper has ever nominated for service under either
2 of these rate schedules, and therefore, neither service is reflected in the annual
3 revenue amount. Maritimes offers no services other than those discussed in this
4 answer.

5 **Q. 16 Have you adjusted the level of throughput for billing determinant purposes?**

6 A. Yes.

7 **Q. 17 Please explain.**

8 A. I adjusted mainline throughput for the test period to 380,575 dekatherms per day
9 (“Dth/d”), and the throughput on the Westbrook Lateral, which is assessed the
10 lateral line rate that applies to that lateral, to 8,000 Dth/d, which approximates the
11 actual average daily throughput on the lateral during the base period.

12 **Q. 18 Please summarize the agreements in effect for firm mainline transportation**
13 **service on the Maritimes system.**

14 A. As reflected on the table attached to my testimony, which is designated as Exhibit
15 No. ___ (WCP-2), Maritimes currently has long-term firm service agreements
16 under Rate Schedule MN365 in effect for a total Maximum Daily Transportation
17 Quantity (“MDTQ”) of 360,575 Dth/d of U.S. mainline capacity.

18 **Q. 19 What portions of the mainline do these agreements cover?**

19 A. Each of these agreements with Maritimes has a primary point of receipt located at
20 the interconnection between Maritimes’ mainline facilities and the mainline
21 facilities of Maritimes’ Canadian pipeline affiliate, Maritimes & Northeast
22 Pipeline Limited Partnership (“Maritimes-Canada”), at the U.S./Canadian border.
23 Each of these agreements has the interconnection between Maritimes and
24 Tennessee Gas Pipeline Company (“Tennessee”) in Dracut, Massachusetts, as a

1 primary point of delivery and the Beverly Delivery Point as an alternative primary
2 point of delivery, with each point having a Maximum Daily Delivery Obligation
3 (“MDDO”) equal to the MDTQ under the agreement. Each existing firm shipper
4 has the contractual right to deliver its entire MDTQ from the U.S.-Canada border
5 on a primary firm basis into Tennessee at Dracut or into Algonquin at the Beverly
6 Delivery Point, so long as the total quantity delivered for the shipper’s account
7 does not exceed its MDTQ on any particular day. These points are located at the
8 two termini of Maritimes’ mainline.

9 **Q. 20 Who are the shippers under these agreements?**

10 A. The largest shipper is Mobil Natural Gas Inc. (“MNGI”), an indirect subsidiary of
11 ExxonMobil Corporation. Maritimes’ firm service agreement with MNGI has a
12 20-year term, with an MDTQ of 185,335 Dth/d. Maritimes also has a long-term
13 firm service agreement with Salmon Resources Ltd. (“Salmon”), a subsidiary of
14 Shell Canada Limited. The agreement with Salmon has a 15-year term, with an
15 MDTQ of 100,000 Dth/d. The shippers under the remainder of the long-term firm
16 service agreements include Boston Gas Company (d/b/a KeySpan Energy
17 Delivery New England) (an MDTQ of 43,200 Dth/d for a seven-year term), Coral
18 Energy Resources, L.P. (an MDTQ of 30,240 Dth/d for a 10-year term) and
19 Mosbacher Operating Ltd. (an MDTQ of 1,800 Dth/d for a 10-year term). I note
20 that Maritimes’ system was placed in-service in 1999, thus, all of the contracts
21 listed above are now in the fifth year of their respective primary terms.

1 **Q. 21 Does Maritimes have any other firm transportation agreements that are**
2 **currently in effect?**

3 A. Yes, there are three others (Casco Bay Energy Company, Bangor Gas and
4 Newington Energy). They involve service under Rate Schedule MNLFT, which
5 is the rate schedule that governs Maritimes' firm lateral line service. Each lateral
6 on the Maritimes system has a separately stated maximum recourse rate designed
7 to recover the costs associated only with that lateral. I will discuss these MNLFT
8 agreements and the billing determinants associated with Maritimes' lateral line
9 rates later in my testimony.

10 **Q. 22 Are there any firm service agreements on the existing mainline facilities that**
11 **Maritimes has executed, but are not yet in effect?**

12 A. No.

13 **Q. 23 Are there any other service agreements of any kind in effect for service on**
14 **the existing mainline facilities?**

15 A. Yes. Maritimes has thirteen (13) interruptible service agreements in effect under
16 Rate Schedule MNIT. Maritimes also has one shipper who has executed an
17 agreement for parking and lending service under Rate Schedule MNPAL, and an
18 agreement for title transfer tracking under Rate Schedule MNTTT, although, to
19 date, this shipper has not nominated service under either agreement. Finally,
20 Maritimes flows a significant quantity of gas under capacity release transactions,
21 which are transactions under which a firm shipper temporarily releases all or a
22 portion of the firm capacity that it is not using at the time of the release to third
23 parties.

1 **Q. 24 What level of throughput did Maritimes achieve during the base period, the**
2 **twelve-month period ending February 29, 2004?**

3 A. As reflected on the table designated as Exhibit No. __ (WCP-3), average daily
4 throughput during the base period was approximately 393,000 Dth/d.

5 **Q. 25 Why does your adjusted mainline throughput not reflect the average daily**
6 **throughput for the base period of 393,000 Dth/d?**

7 A. The 380,575 Dth/d average daily throughput reflects the maximum quantities
8 Maritimes can rely on from the contractual commitments associated with its long-
9 term firm transportation contracts and its interruptible transportation contracts.
10 This estimated throughput quantity reflects the current long-term firm
11 transportation subscriptions on the mainline of 360,575 Dth/d and an additional
12 20,000 Dth/d of assumed interruptible transportation flow.

13 **Q. 26 How did you arrive at 380,575 Dth/d as the adjusted throughput quantity?**

14 A. Because the throughput on the Maritimes system is dictated essentially by a single
15 supply source—the Sable Offshore Energy Project (“SOEP”)—the projected level of
16 daily throughput on the United States portion of the system is simply the
17 approximate difference between the deliverability of the SOEP on an average day
18 and the quantity of SOEP production that is consumed in Canada on that day. I
19 used this simple formula in arriving at the adjusted throughput quantity of
20 380,575 Dth/d.

21 **Q. 27 Please explain.**

22 A. As shown on the chart attached to my testimony, designated as Exhibit
23 No. __ (WCP-4), the average daily receipt quantity into Maritimes-Canada’s
24 system at the tailgate of the Goldboro, Nova Scotia processing plant during the
25 base period was 461,000 Dth/d. The Goldboro plant is the processing plant for

1 the SOEP production. As shown on the chart attached to my testimony,
2 designated as Exhibit No. __ (WCP-5), the average daily quantity of natural gas
3 consumed in Canadian markets located on Maritimes-Canada's system during the
4 base period was 65,000 Dth/d, resulting in approximately 396,000 Dth/d of
5 average daily deliveries into the Maritimes system at the U.S.-Canada border
6 during the base period. I noted earlier that Maritimes' throughput for the base
7 period was 393,000 Dth/d. In the above analysis, I have been using approximate
8 numbers to establish this calculation thus resulting in the minor difference
9 between these two numbers.

10 **Q. 28 How did you apply this formula to arrive at the 380,575 Dth/d quantity?**

11 A. The formula actually supported a much lower throughput quantity. As explained
12 by Mr. Leon W. Giese in his testimony, the deliverability of the SOEP has been
13 steadily declining. Once fuel usage on the SOEP gathering facilities and
14 shrinkage at the Goldboro processing plant are taken into consideration, the
15 estimate of the total average daily quantity of gas that will enter the Maritimes-
16 Canada system at the tailgate of the Goldboro processing plant during
17 November 2004, the last month of the test period, will be approximately 405,000
18 Dth/d. Further, as explained by Mr. John J. Reed in his testimony, the average
19 daily consumption of SOEP production in Canada is expected to remain stable or
20 perhaps increase from the quantity of 65,000 Dth/d experienced by Maritimes
21 during the base period. In fact, the currently contracted firm transportation on
22 Maritimes-Canada with Canadian primary delivery points (and no downstream FT
23 rights on Maritimes) is approximately 195,000 Dth/d, as shown on my Exhibit
24 No. __ (WCP-2). Consequently, the projected throughput level utilizing base

1 period data, as adjusted, supports a mainline throughput quantity that is
2 significantly lower than the 380,575 Dth/d I recommended for use in the design of
3 the mainline rates in this proceeding.

4 **Q. 29 Did you factor in fuel in your analysis of the total amount of gas available for**
5 **transportation into Maritimes' system?**

6 A. No, but the result of such analysis would be a lower amount of gas available for
7 transportation into Maritimes' system. The fuel retainage percentage on
8 Maritimes-Canada is 0.5%. On Maritimes, the fuel retainage percentage is 1.1%.
9 Thus, if you begin with Mr. Giese's November 2004 figure of 405,000 Dth/d
10 entering Maritimes-Canada at Goldboro, subtract Maritimes-Canada's fuel
11 retainage amount of 2,025 Dth/d (405,000 Dth/d multiplied by 0.5%), and
12 subtract the average quantity of gas consumed in Canada, approximately 65,000
13 Dth/d, you end up with approximately 337,975 Dth/d at the Canadian/U.S. border.
14 Once such gas—337,975 Dth/d—enters Maritimes, in the U.S., you must subtract
15 an additional 3,718 Dth/d for Maritimes' fuel retainage amount (337,975 times
16 1.1%) and you end up with approximately 334,257 Dth/d available for
17 transportation on Maritimes to points in the Northeastern U.S.

18 **Q. 30 Why did you recommend 380,575 Dth/d for rate design purposes?**

19 A. First, let me say that the level of billing determinants employed in this filing are
20 certainly justified and, indeed, the billing determinants could be considerably
21 lower. It was appropriate to design the mainline rates based on billing
22 determinants at least equal to the quantity of mainline firm capacity currently
23 subscribed, which is 360,575 Dth/d. Although I would expect to see very little
24 interruptible throughput on the system based on the fact that deliveries into the

1 Maritimes system from Maritimes-Canada at the U.S./Canadian border are likely
2 to be significantly below the quantity of mainline firm capacity currently
3 subscribed, Maritimes factored in an additional 20,000 Dth/d for interruptible
4 throughput for rate design purposes. Thus, while using 380,575 Dth/d for billing
5 determinants is certainly justified, by utilizing this figure for rate design purposes,
6 Maritimes has left itself exposed for considerable under-recovery of its cost of
7 service, and thus, Maritimes has taken on substantial risk. While I think
8 Maritimes' billing determinants should be considerably lower, I note, as Mr.
9 Kruse testifies, that Maritimes is attempting to mitigate the rate increase and to
10 encourage settlement discussions with its shippers.

11 **Q. 31 Turning to the firm lateral line rates under Rate Schedule MNLFT, what**
12 **level of billing determinants did you recommend to Mr. McBride for deriving**
13 **the Rate Schedule MNLFT lateral line rates?**

14 A. I recommended 50,000 Dth/d for billing determinants for the Bangor
15 Gas/Bucksport Lateral, 90,000 Dth/d for billing determinants for the Newington
16 Lateral, 140,000 Dth/d for billing determinants on the Veazie Lateral and 8,000
17 Dth/d for billing determinants on the Westbrook Lateral. The billing determinants
18 for the Bangor Gas/Bucksport lateral is the same as the determinants underlying
19 its existing rates.

20 **Q. 32 How did you determine the level of billing determinants for each of these**
21 **laterals?**

22 A. For the Bangor Gas/Bucksport Lateral, the Newington Lateral and the Veazie
23 Lateral, I based the level of billing determinants on the quantity of long-term firm
24 capacity subscribed under Rate Schedule MNLFT on those laterals. For the
25 Westbrook Lateral, I based the level of billing determinants on the average daily

1 throughput quantity during the base period, as adjusted, which was approximately
2 7,700 Dth/d and rounded this off to 8,000 Dth/d.

3 **Q. 33 What is contained in Schedule J-1?**

4 A. Schedule J-1 compares the projected mainline system throughput from Schedule
5 G-2, 380,575 Dth/d, to the rate design determinants used to derive rates in
6 Schedule J-2. Maritimes has derived rates for Rate Schedules MN365 and MNIT
7 utilizing the projected mainline system throughput quantity from Schedule G-2 as
8 the mainline rate design determinants. As explained by Mr. McBride in his
9 testimony, the rates for Maritimes' other mainline firm rate schedules, MN151,
10 MN90 and MNOP and Rate Schedule MNPALS, are derived from Maritimes'
11 Rate Schedule MN365 rate. Maritimes has no contracts for firm mainline service
12 under these other rate schedules.

13 **Q. 34 Is there anything else contained in Schedule J-1?**

14 A. Yes. Schedule J-1 also compares the projected lateral line system throughput
15 from Schedule G-2 for each of Maritimes' four lateral lines, to the rate design
16 determinants used to derive rates in Schedule J-2. Maritimes has derived rates for
17 Rate Schedule MNLFT by utilizing the projected lateral line throughput quantity
18 from Schedule G-2 as the lateral line rate design determinants. The Rate
19 Schedule MNIT rate for service on each lateral is derived from the 100% load
20 factor Rate Schedule MNLFT rate for the particular lateral.

21 **II. PHASE III**

22 **Q. 35 Has any shipper subscribed firm capacity on the Phase III Facilities?**

23 A. Yes. Each of the long-term firm shippers on Maritimes' mainline system has
24 subscribed capacity under Rate Schedule MN365 on the Phase III Facilities.

1 **Q. 36 Please explain.**

2 A. In accordance with a representation by Maritimes in the Phase III certificate
3 application, Maritimes offered firm capacity on the Phase III Facilities to each of
4 the initial long-term firm shippers on the Maritimes system.

5 **Q. 37 How did Maritimes make this offer?**

6 A. The offer was essentially open to these firm shippers with the understanding that
7 they would have the option to revise their existing firm service agreements to add
8 the new interconnection between Maritimes and Algonquin at the Beverly
9 Delivery Point as an alternate delivery point prior to having the right to flow on
10 Phase III on a primary firm basis. On November 1, 2003, prior to placing Phase
11 III in service, Maritimes formalized this offer by tendering for execution a revised
12 Exhibit B (the exhibit that sets forth the primary points of delivery under the firm
13 service agreement) to each of these firm shippers. The revised Exhibit Bs
14 reflected each firm shipper's existing primary point of delivery, the
15 interconnection between Maritimes and Tennessee at Dracut, and the new Beverly
16 Delivery Point as an alternate primary delivery point.

17 **Q. 38 Why did Maritimes formalize the offer of Phase III capacity in this manner?**

18 A. The procedure provided in Maritimes' FERC Gas Tariff for adding new primary
19 points of delivery to an existing firm transportation agreement is to execute a
20 revised Exhibit B to the agreement. Maritimes was simply following the
21 procedure set forth in its tariff and its representations during the Phase III
22 certificate proceedings.

1 **Q. 39 Did the existing long-term firm shippers execute the revised Exhibit Bs?**

2 A. Yes. Each of the then existing long-term firm shippers executed its respective
3 Exhibit B and returned one fully executed Exhibit B to Maritimes. Emera Inc.
4 released its contract to Coral Energy Resources, L.P., which included the Beverly
5 Delivery Point in the Exhibit B.

6 **Q. 40 Did any new shipper subscribe capacity on Phase III or on any other portion**
7 **of Maritimes' system after Maritimes placed Phase III into service?**

8 A. No. No new shipper has subscribed capacity on Phase III or on any other portion
9 of Maritimes' system since the Phase III in-service date. As shown in Exhibit No.
10 ___ (WCP-8), the existing firm shippers and the Phase III expansion shippers are
11 identical.

12 **Q. 41 How much capacity did each of the existing firm shippers subscribe on Phase**
13 **III?**

14 A. Each existing firm shipper chose to subscribe capacity on Phase III equal to its
15 full MDTQ for deliveries into Tennessee at Dracut. Consequently, as shown in
16 Exhibit No. ___ (WCP-8), each shipper has a primary point of delivery into
17 Tennessee at Dracut and an additional primary point of delivery into Algonquin at
18 Beverly, and each shipper, has an MDDO at both points equal to its full MDTQ
19 under its service agreement.

20 **Q. 42 What is the total quantity of firm capacity subscribed on Phase III?**

21 A. Each existing firm shipper has the contractual right to deliver its entire MDTQ
22 from the U.S.-Canada border on a primary firm basis into Algonquin at the
23 Beverly Delivery Point or into Tennessee at Dracut, so long as the shipper does
24 not exceed its MDTQ on any segment on any particular day. There are no new

1 shippers on Phase III. Therefore, the total quantity of firm capacity subscribed on
2 Phase III is 360,575 Dth/d.

3 **Q. 43 Are the Phase III Facilities in service?**

4 A. Yes. Maritimes placed the Phase III Facilities into service on November 24,
5 2003.

6 **Q. 44 Please explain the operational history of Phase III.**

7 A. As shown on the table attached to my testimony, designated as Exhibit No. ____
8 (WCP-6), throughput on the Phase III Facilities has been significant. The average
9 daily throughput on Phase III to the Beverly Delivery Point for the months of
10 December 2003 through April 2004, was approximately 82,554 Dth/d, with a
11 peak-day throughput of 200,501 Dth that occurred on December 12, 2003.

12 **Q. 45 How does this compare with flows on the Maritimes system to the**
13 **interconnection between Maritimes and Tennessee at Dracut?**

14 A. As shown on the table attached to my testimony as Exhibit No. ____ (WCP-7), the
15 average daily throughput into Tennessee at Dracut for the months of December
16 2003 through April 2004, was approximately 110,449 Dth/d.

17 **Q. 46 With respect to gas flowing to both Dracut and Beverly, was this how it was**
18 **contemplated that Phase III would be utilized?**

19 A. Yes, in our Phase III certificate application and in the Commission's order
20 approving Phase III, it was clear that such use was expected. The Commission
21 stated in its orders approving the Phase III facilities that "[t]he direct access to
22 Algonquin's system will permit Maritimes' shippers to have another pipeline
23 alternative to reach gas markets and allow its shippers to avoid the additional
24 costs of transporting gas on Tennessee as well as additional scheduling and

1 curtailment risks.”¹ Thus, the deliveries to both Dracut and Beverly described
2 above show that since Phase III went into service, such facilities have performed
3 as anticipated.

4 **Q. 47 What shippers have scheduled service on the Phase III Facilities?**

5 A. The vast majority of the quantities delivered into Algonquin at the Beverly
6 Delivery Point are flowing under capacity released by the long-term firm
7 shippers. In fact, gas has flowed on Phase III under each firm shipper’s
8 agreement.

9 **Q. 48 In addition to the alternate delivery point that has been added to all of the**
10 **existing shippers’ contracts, has Phase III enhanced any other rights that**
11 **shippers have on the Maritimes system?**

12 A. Yes. Phase III enhances existing shippers’ ability to maximize the benefits
13 conferred upon them by Order No. 637 and later orders in that proceeding.

14 **Q. 49 Please explain.**

15 A. Pursuant to Order No. 637, Maritimes’ existing shippers now have the right to use
16 flexible points and segment their capacity. By adding an additional delivery point
17 with a major downstream pipeline, all existing and potential firm shippers now
18 have the ability to enjoy this new Commission-sanctioned right and can access
19 this additional point on a secondary basis, although, as I noted earlier, each
20 existing firm shipper has already added this point on a primary firm basis.

21 **Q. 50 Please describe the additional segmentation rights.**

22 A. With respect to segmentation, Phase III creates new opportunities for shippers to
23 segment their capacity on Maritimes’ system through capacity release or through

¹ *Maritimes & Northeast Pipeline, L.L.C.*, 95 FERC ¶ 61,077, at p. 61,226, *order granting certificate*, 97 FERC ¶ 61,345 (2001), *order amending certificate*, 99 FERC ¶ 61,277 (2002).

1 segmenting their own primary firm capacity. For example, shippers who desire to
2 deliver their entire MTDQ on a primary firm basis to Dracut on a particular day
3 now also have the ability on that day to receive additional gas on a secondary
4 basis at Methuen (the interconnection between the Joint Facilities and Phase III)
5 and to deliver those quantities to Algonquin at Beverly. Similarly, shippers who
6 are delivering their MTDQ to Tennessee at Dracut on a primary firm basis could
7 release the Methuen to Beverly segment, *i.e.* Phase III, and recover all or a portion
8 of their reservation charge under their firm contracts from replacement shippers.

9 **Q. 51 Does that conclude your prepared direct testimony?**

10 A. Yes, it does.

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Maritimes & Northeast Pipeline, L.L.C.

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Docket No. RP04-

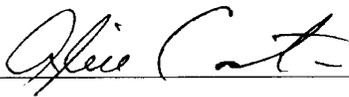
AFFIDAVIT OF WILLIAM C. PENNEY, JR.

WILLIAM C. PENNEY, JR., being first duly sworn, on oath states that he 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 his sworn, direct testimony in this proceeding.



WILLIAM C. PENNEY, JR.

SUBSCRIBED AND SWORN TO before me, a Notary Public in and for the Commonwealth of Massachusetts, County of Middlesex, this 23rd day of June, 2004.



Notary Public

My commission expires: _____

1/28/11

MARITIMES & NORTHEAST PIPELINE, L.L.C.

Existing Long-term Firm Service Agreements for the
Overall Maritimes Project

Canada

Shipper	MDTQ Dth/d
StoraEnso Porthawkesbury	11,000
Sable Offshore Energy Inc.	3,600
CGC, Inc.	1,000
Nova Scotia Power Inc.	61,600
Irving Oil Ltd.	48,000
J.D. Irving Ltd.	15,500
New Brunswick Power Corp.	43,500
Enbridge Gas New Brunswick Inc.	11,169
Total	195,369

U.S.*

Mobil Natural Gas Inc.	185,335
Salmon Resources Ltd.	100,000
Boston Gas Co. (d/b/a KeySpan Energy Delivery New England)	43,200
Coral Energy Resources, L.P.	30,240
Mosbacher Operating Ltd.	1,800
Total	360,575

*Each of the U.S. long-term firm shippers has a corresponding firm service agreement for primary firm deliveries on Maritimes-Canada at the U.S.-Canada border.

MARITIMES & NORTHEAST PIPELINE, L.L.C.

Base Period Throughput by Month

(Daily Average U.S. Receipts by Month at Baileyville 30012)

03/01/2003 through 02/29/2004

Month/Year	Monthly Total Receipts Dth	Daily Avg Recpts Dth
03/03	11,931,491	384,887
04/03	12,504,989	416,833
05/03	13,374,517	431,436
06/03	12,440,152	414,672
07/03	13,121,290	423,267
08/03	10,725,011	345,968
09/03	11,386,184	379,539
10/03	11,900,804	383,897
11/03	10,662,969	355,432
12/03	12,393,794	399,800
01/04	12,490,930	402,933
02/04	11,087,100	382,314
Total / Average Day	144,019,231	393,495

MARITIMES & NORTHEAST PIPELINE, L.L.C.

Average Daily Receipt Quantity at Goldboro Processing Plant
03/01/2003 through 02/29/2004

Month/Year	Monthly Total Receipts GJ	Daily Avg Recpts GJ	Daily Avg Recpts Dth
03/03	15,240,883	491,641	465,986
04/03	15,236,812	507,894	481,390
05/03	16,116,797	519,897	492,767
06/03	14,859,078	495,303	469,456
07/03	15,292,525	493,307	467,565
08/03	14,070,981	453,903	430,217
09/03	13,424,588	447,486	424,135
10/03	14,176,637	457,311	433,447
11/03	13,922,311	464,077	439,860
12/03	15,742,880	507,835	481,334
01/04	15,677,715	505,733	479,342
02/04	14,403,695	496,679	470,761
Total / Average Day	178,164,902	486,789	461,387

MARITIMES & NORTHEAST PIPELINE, L.L.C.

Average Daily Quantity Delivered to Canadian Maritime Markets
03/01/2003 through 02/29/2004

Month/Year	Monthly Total Deliveries GJ	Daily Avg Deliveries GJ	Daily Avg Deliveries Dth
03/03	2,353,359	75,915	71,953
04/03	2,046,951	68,232	64,671
05/03	1,919,230	61,911	58,680
06/03	1,636,102	54,537	51,691
07/03	1,422,799	45,897	43,502
08/03	2,310,617	74,536	70,647
09/03	1,608,208	53,607	50,810
10/03	1,432,268	46,202	43,791
11/03	2,773,375	92,446	87,622
12/03	2,519,878	81,286	77,045
01/04	2,472,773	79,767	75,604
02/04	2,668,271	92,009	87,208
Total / Average Day	25,163,831	68,754	65,166

MARITIMES & NORTHEAST PIPELINE, L.L.C.
 Average Daily Throughput on Phase III
 (Meter Station 30025)
 12/01/2003 through 04/30/2004

Month/Year	Monthly Total Deliveries Dth	Daily Avg Deliveries Dth
12/03	3,132,574	101,051
01/04	3,223,637	103,988
02/04	2,247,387	77,496
03/04	1,690,029	54,517
04/04	2,254,612	75,154
Total / Average Day	12,548,239	82,554
Peak Day	12/12/2003	200,501

MARITIMES & NORTHEAST PIPELINE, L.L.C.

Average Daily Throughput into Tennessee at Dracut (30001)
12/01/2003 through 04/30/2004

Month/Year	Monthly Total Deliveries Dth	Daily Avg Deliveries Dth
12/03	3,449,690	111,280
01/04	4,149,162	133,844
02/04	2,572,952	88,722
03/04	4,002,417	129,110
04/04	2,614,017	87,134
Total / Average Day	16,788,238	110,449

Mainline Firm Service Agreements

Prior to the Phase III In-Service Date

Shipper	Quantity (Dth/d)	Term from In-Service Date	Primary Point of Delivery	Maximum Daily Delivery Obligation (MDDO)
MNGI / Mobil	185, 335	20 years	Dracut into Tennessee	185, 335
Salmon Resources Ltd. / Shell Canada Limited	100,000	15 years	Dracut into Tennessee	100,000
Boston Gas Company	43,200	7 years	Dracut into Tennessee	43,200
Coral Energy Resources, L.P. ¹	30,240	10 years	Dracut into Tennessee	30,240
Mosbacher Operating, Ltd.	1,800	10 years	Dracut into Tennessee	1,800

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Mainline Firm Service Agreements

After the Phase III In-Service Date

Shipper	Quantity (Dth/d)	Term from In-Service Date	Primary Point(s) of Delivery	Maximum Daily Delivery Obligation (MDDO)
MNGI / Mobil	185, 335	20 years	Dracut into Tennessee	185, 335
			Beverly into Algonquin	185, 336
Salmon Resources Ltd. / Shell Canada Limited	100,000	15 years	Dracut into Tennessee	100,000
			Beverly into Algonquin	100,000
Boston Gas Company	43,200	7 years	Dracut into Tennessee	43,200
			Beverly into Algonquin	43,200
Coral Energy Resources, L.P. ¹	30,240	10 years	Dracut into Tennessee	30,240
			Beverly into Algonquin	30,240
Mosbacher Operating, Ltd.	1,800	10 years	Dracut into Tennessee	1,800
			Beverly into Algonquin	1,800

¹ Coral Energy Resources, L.P. acquired this firm capacity pursuant to a permanent capacity release from Emera Offshore Incorporated. This permanent capacity release became effective on December 22, 2003.