

Saltville Gas Storage Company L.L.C.

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Docket No. RP08-____-000

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

2 A. My name is Lon C. Mitchell, Jr. I am the Chief Financial Officer for Spectra

3 Energy Partners, LP (“SEP”), which is a Master Limited Partnership (“MLP”).

4 SEP’s home office is located at 5400 Westheimer Court, Houston, Texas 77056.

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

6 A. I have been the Chief Financial Officer or had significant financial responsibility

7 for a number of entities affiliated with Spectra Energy Corp and its predecessors.

8 I assumed my current position as the Chief Financial Officer of Spectra Energy

9 Partners, LP in October 2006. I was also elected the Chief Financial Officer of

10 Spectra Energy Partners GP, LLC in March 2007. Previously, I acted as the

11 Senior Financial Advisor providing transition support for Spectra Energy Corp. I

12 served as the Group Vice President and Chief Financial Officer of Duke Energy

13 Americas from June 2005 until October 2006. Prior to then, I served as the

14 Senior Vice President and Chief Restructuring Officer for Duke Energy Americas

15 from August 2003 until June 2005; the Senior Vice President and Chief Financial

16 Officer of Duke Energy North America from April 2002 until August 2003; and

17 the Vice President of Duke Energy Merchants from April 2000 until April 2002.

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

2 A. I am testifying on behalf of Saltville Gas Storage Company L.L.C. (“Saltville”).

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

5 A. No.

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

7 A. The purpose of my testimony is to discuss SEP’s base period capitalization,
8 adjustments to the base period capitalization, and the cost of debt which is used to
9 calculate Saltville’s rates in this proceeding. As explained by Mr. Gregg E.
10 McBride in the Prepared Direct Testimony he has filed on behalf of Saltville in
11 this proceeding, SEP will indirectly own Saltville before the end of the test
12 period. The appropriateness of using SEP’s projected capital structure under such
13 circumstances is discussed by Mr. Gregg E. McBride.

14 **Q. 6 Please describe how you arrived at the projected capital structure used in**
15 **this proceeding.**

16 A. The actual base period capitalization for SEP on its books as of November 30,
17 2007, was \$1,479,336,154, \$446,487,500 of which was long-term debt and
18 \$1,032,848,654 of which was equity, which yields a capital structure of
19 approximately 70 percent equity and 30 percent debt. SEP’s initial capitalization
20 was weighted towards equity, with the goal of moving towards an equity-to-debt
21 ratio of approximately 60 percent equity and 40 percent debt. This ratio would
22 support SEP’s current growth strategy. Current expectations for 2008 growth for
23 SEP include approximately \$400 million for capital expenditures, either for third
24 party mergers and acquisitions, or acquisitions from Spectra. This amount
25 includes approximately \$100 million in equity that is expected to be issued to

1 Spectra at the closing of the Saltville acquisition. The current market conditions
2 and SEP's current capitalization would favor issuing debt as a method of raising
3 additional capital. Assuming the issuance of approximately \$250 million of debt
4 as well as the principal that is estimated to be repaid to long-term debt holders, I
5 project the capitalization at the end of the test period to be \$1,804,936,154,
6 comprised of \$687,287,500 of long-term debt and \$1,117,648,654 of equity,
7 which yields a capital structure of approximately 62 percent equity and 38 percent
8 debt.

9 **Q. 7 How did you determine the projected interest rate for the \$250 million**
10 **projected debt issuance discussed above, which is reflected on Line 10 of**
11 **Statement F-3, Part 2?**

12 A. This projected interest rate was based on market indications for recent issuances
13 of comparable MLPs.

14 **Q. 8 How did you calculate SEP's projected cost of long-term debt?**

15 A. I calculated the cost of long-term debt by determining the weighted average of the
16 actual and projected debt costs of SEP, which is shown on Statement F-3, Part 2.

17 **Q. 9 What is SEP's cost of long-term debt projected to be as of August 31, 2008?**

18 A. The projected cost of SEP's long-term debt is 6.27% percent.

19 **Q. 10 What portion of Statement F-2 are you sponsoring?**

20 A. I am supporting base period capitalization and adjustments to the base period
21 capitalization. The adjustment to the base period debt reflects the issuance of the
22 \$250 million debt and the estimated repayment of existing principal. Common
23 equity for the base period was adjusted to reflect the issuance of equity for
24 Saltville acquisition, earnings, and distributions, and I have explained the cost of
25 long term debt above.

1 **Q. 11 Does this conclude your prepared direct testimony?**

2 A. Yes, it does.