

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
JOE A. PAYNE
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 Joe A. Payne, and I am the Project Manager of Strategic Rate
3 Planning, in the Industry Initiatives, Pricing and Regulatory Affairs Department
4 of Spectra Energy Transmission, LLC (“Spectra”). Spectra’s offices are located
5 at 5400 Westheimer Court, Houston, Texas 77056. Employees of Spectra
6 perform administrative functions for Saltville Gas Storage Company L.L.C.
7 (“Saltville”).

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

9 A. I earned a Bachelor of Arts degree in Economics/Management from Curry
10 College in Milton, Massachusetts, in 1976. I earned a Master of Business
11 Administration in 1977 and Master of Science in Accounting in 1979 from the
12 University of Houston at Clear Lake City. I also hold the following accounting
13 certificates: Certified Public Accountant (Texas), Certified Management
14 Accountant and Certified Internal Auditor.

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

17 A. I began my career in 1980 with Texas Eastern Transmission Corporation which,
18 through a series of mergers and acquisitions, is now a wholly-owned subsidiary of

1 Spectra. I started as a Senior Analyst and subsequently worked in several areas of
2 the company in various positions, until I joined the Regulatory Affairs
3 Department as a Senior Rate Analyst in 1989. I was promoted to my current
4 position as Project Manager in 1999. I am responsible, under the supervision of
5 the Director of Strategic Rate Planning, for analyzing revenue and cost of service
6 components as well as rate design in connection with rate case proceedings for
7 Spectra companies.

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

9 A. I am testifying on behalf of Saltville.

10 **Q. 5 Have you previously testified before the Federal Energy Regulatory**
11 **Commission?**

12 A. Yes, I sponsored testimony on behalf of Maritimes & Northeast Pipeline, L.L.C.
13 in Docket No. RP04-360-000 and Gulfstream Natural Gas System, L.L.C. in
14 Docket No. RP05-367-000.

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

16 A. The purpose of my testimony is to sponsor the revenues, credits, billing
17 determinants and gas balance statements and schedules supporting the cost of
18 service underlying the proposed rates for storage and parking and lending services
19 in this proceeding.

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

22 A. I am sponsoring the following statements and schedules: Revenues, Credits and
23 Billing Determinants (Statement G); Base Period Revenues (Schedule G-1); Test
24 Period Revenues (Schedule G-2); Explanation of Adjustments to Base Period

1 Billing Determinants (Schedule G-3); Other Revenues (Schedule G-5) and Gas
2 Balance (Schedule I-5).

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

5 A. Yes, all of these statements and schedules were prepared by me or under my
6 direction and supervision.

7 **Q. 9 Please explain Statement G.**

8 A. Statement G summarizes the revenues, credits and billing determinants for the
9 base period, which is from December 1, 2006 to November 30, 2007. The base
10 period revenues and billing determinants shown on Statement G in Columns D
11 and E do not reflect the acquisition of the Spectra Energy Early Grove Company
12 storage facility ("Early Grove Facility") and the Spectra Energy Virginia Pipeline
13 Company storage facility ("Virginia Storage Facility") (collectively, the "Virginia
14 Storage Project"). The total base period storage service revenues, as adjusted for
15 the nine months ending August 31, 2008 (which reflect the completion of the
16 Virginia Storage Project), total \$29,358,813. A more accurate picture of the
17 revenue impact attributable to this rate case is reflected on Exhibit No. SGS-5,
18 sponsored by Mr. Gregg E. McBride, which shows a 35 percent increase in
19 revenue.

20 **Q. 10 Please describe Schedule G-1.**

21 A. Schedule G-1 provides the detailed supporting data for the revenues and billing
22 determinants for the base period, by customer and by month. Parts 1-4 show the
23 billing determinants detail and parts 5-8 show the revenue detail. The base period

1 revenues and billing determinants shown on Schedule G-1 do not reflect the
2 Virginia Storage Project.

3 **Q. 11 Please describe Schedule G-2.**

4 A. Schedule G-2 provides the detailed supporting data for the revenues and billing
5 determinants for the test period, by customer and by month. Parts 1-2 show the
6 billing determinants detail and parts 3-4 show the revenue detail.

7 **Q. 12 Please describe Schedule G-3.**

8 A. Schedule G-3 provides the supporting data for the proposed billing determinant
9 adjustments to the base period (Schedule G-1), which are reflected in Schedule G-
10 2. The test period adjustments include the following.

11 (i) There are changes in the contractual entitlements. These changes
12 include the expiration of certain contracts, new contracts and projected sales of
13 capacity, as explained by Mr. Patrick T. Gibson in his Prepared Direct Testimony,
14 during the base and test period. This adjustment is reflected on Lines 14-17 and
15 33-36 of Schedule G-3. The actual capacity release volumes and revenues
16 associated with firm capacity release activity are also adjusted because the
17 assumption for the test period is that the contract holders will utilize their own
18 capacity. This adjustment is revenue neutral and has no impact on the rates
19 proposed in this case. The projected injection and withdrawal activity for the test
20 period have been balanced.

21 (ii) There is an adjustment to reflect the inclusion of revenues and billing
22 determinants in connection with the acquisition of the Virginia Storage Project
23 facilities as explained by Mr. McBride in his Prepared Direct Testimony. This
24 adjustment is reflected in Lines 41 through 46 of Schedule G-3.

1 (iii) Mr. Gibson also explains in his Prepared Direct Testimony that
2 Saltville is projecting a decrease in revenue from interruptible services during the
3 test period. Based on his testimony, I have accordingly adjusted interruptible
4 billing determinants, as shown on Lines 18-22.

5 **Q. 13 Please describe Schedule G-5.**

6 A. Schedule G-5 provides the detailed supporting data for other revenues for the base
7 period. The Account 495 adjustment is a prior period adjustment to reflect a
8 booking correction and a reduction in rental revenue of approximately \$1,600.

9 **Q. 14 Please describe Schedule I-5.**

10 A. Schedule I-5 provides the detailed supporting data for the gas balance for the base
11 and test periods, by account number and by month. Part 1 shows the base period
12 detail and part 2 shows the test period detail, which includes the addition of Early
13 Grove and Virginia Storage Facility activity and the projected test period
14 withdrawal / injection activity described above.

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

16 A. Yes, it does.