

**DIRECT TESTIMONY**  
**OF**  
**JANIS FREETLY**

Finance Department  
Financial Analysis Division  
Illinois Commerce Commission

Enbridge Pipelines (Illinois) L.L.C.

Application Pursuant to Sections 8-503, 8-509 and 15-401 of the  
Public Utilities Act/ the Common Carrier by Pipeline Law to  
Construct and Operate a Petroleum Pipeline and, when necessary,  
to take Private Property as provided by the Law of Eminent Domain

Docket No. 07-0446

January 7, 2008

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

2 A. My name is Janis Freetly. My business address is 527 East Capitol Avenue,  
3 Springfield, Illinois 62701.

4 **Q. What is your current position with the Illinois Commerce Commission**  
5 **(“Commission”)?**

6 A. I am currently employed as a Senior Financial Analyst in the Finance Department  
7 of the Financial Analysis Division.

8 **Q. Please describe your qualifications and background.**

9 A. In May of 1995, I earned a Bachelor of Business degree from Western Illinois  
10 University. I received a Master of Business Administration degree, with a  
11 concentration in Finance, from Western Illinois University in May of 1998. I have  
12 been employed by the Commission since September of 1998. I was promoted to  
13 Senior Financial Analyst on August 31, 2001.

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

15 A. The purpose of my testimony is to present my evaluation of Enbridge Pipelines  
16 (Illinois) L.L.C.’s (“Enbridge Illinois”) financial capability to construct, operate and  
17 maintain the proposed pipeline from near Pontiac to Patoka (“Southern Access  
18 Extension Project”).

19 **Q. Please summarize your conclusions.**

20 A. Through its relationship with the Enbridge Inc., Enbridge Illinois is capable of  
21 financing the construction, operation and maintenance of the proposed pipeline  
22 from near Pontiac to Patoka.

23 **Q. What is the estimated total cost of the construction of the proposed**  
24 **pipeline?**

25 **A.** According to Enbridge Illinois' response to Staff Data Request JF-1.01, the total  
26 cost of the proposed pipeline expansion based on August 2007 estimates is  
27 \$499,063,399.

28 **Q. How does Enbridge Illinois plan to finance the proposed construction?**

29 **A.** Construction costs will be financed initially with short-term inter-company loans  
30 from its ultimate parent company, Enbridge, Inc. Post completion of the project,  
31 outstanding short-term debt will be refinanced with a combination of long-term  
32 inter-company debt and equity provided by Enbridge Inc. The combination of  
33 debt and equity used will achieve a target long-term debt capitalization of 45% at  
34 the project level and 60% at the consolidated level.<sup>1</sup>

35 **Q. Please describe Enbridge Inc.**

36 **A.** Enbridge Illinois is owned by Enbridge Inc. ("Enbridge"), a diversified energy  
37 company with operations in a number of segments including liquids pipelines and  
38 gas distribution. Enbridge operates the world's longest crude oil and liquids  
39 pipeline system in Canada and the United States. Enbridge also owns and  
40 operates Canada's largest natural gas distribution company.<sup>2</sup>

41 **Q. Does Enbridge have access to sufficient capital to provide Enbridge Illinois**  
42 **with the capitalization necessary to construct, operate and maintain the**  
43 **proposed pipeline?**

---

<sup>1</sup> Responses to Staff Data Requests JF-1.02 and JF-1.07.

<sup>2</sup> Application Exhibit E, 2006 Annual Report of Enbridge Inc.

44 A. Yes. At September 30, 2007, Enbridge had Cdn\$3.2 billion available under  
45 unused credit facilities, of which Cdn\$0.9 billion was used to support commercial  
46 paper.<sup>3</sup> Enbridge can access funds from the credit facilities to finance expansion  
47 projects. Due to its stable credit ratings, Enbridge also has sufficient access to  
48 capital from debt and equity markets which can be used to repay short-term  
49 borrowings or finance new growth projects over the long-term.

50 Standard & Poor's ("S&P") assigned Enbridge a long-term corporate credit rating  
51 of A- with a stable outlook. According to S&P, an A-rated company has a strong  
52 capacity to meet its financial obligations.<sup>4</sup> The stable outlook reflects S&P's  
53 expectation that Enbridge's aggressive growth strategy will not compromise the  
54 company's strong business profile nor materially weaken the financial profile.  
55 S&P also noted that the company has historically maintained strong access to  
56 debt markets and typically aims to maintain a least Cdn\$1 billion in available  
57 credit.<sup>5</sup>

58 Enbridge's Issuer rating is Baa1 from Moody's Investors Service ("Moody's") with  
59 a stable outlook. Moody's assigns the Baa rating to companies with moderate  
60 credit risk.<sup>6</sup> Moody's considers Enbridge's business risk profile one of the lowest  
61 among its diversified gas peers due to its significant focus on energy businesses  
62 that are either regulated or supported by long-term contracts. However, its low  
63 business risk profile is offset by its relatively weak financial profile. While

---

<sup>3</sup> Interim Report to Shareholders for the nine months ended September 30, 2007, p. 16,  
<http://www.enbridge.com/investor/financialInformation/reportsfilings/>.

<sup>4</sup> S&P Ratings Direct, Research: *S&P Ratings Definitions*, December 10, 2002.

<sup>5</sup> S&P Ratings Direct, *Research Update: Enbridge Inc. A- Rating Affirmed on Strong Market Position; Outlook Stable*, April 27, 2007, <https://www.ratingsdirect.com>.

<sup>6</sup> *Moody's Rating Symbols and Definitions*, March 2007.

64 Moody's believes that there are potential financing and execution risks  
65 associated with Enbridge's extensive organic growth plans, these risks are  
66 consistent with the Baa1 rating and expects that the company will prevent any  
67 further weakening of its financial profile.<sup>7</sup>

68 In response to Staff Data Request JF-2.03, Enbridge provided forecasted  
69 financial ratios through the year 2016. These forecasts show a gradual  
70 strengthening of the financial profile as the various expansion projects are  
71 completed.

72 **Q. What is your recommendation regarding Enbridge Illinois?**

73 A. In my judgment, Enbridge Illinois is capable of financing the construction,  
74 operation and maintenance of the proposed pipeline. The capital for this project  
75 will be provided by Enbridge, which has access to Cdn\$3.2 billion under its credit  
76 facilities. In addition, Enbridge should have sufficient access to long-term debt  
77 and equity capital markets given its strong A- credit rating from S&P and  
78 moderate Baa1 Moody's rating. Having considered Enbridge's aggressive  
79 growth through various expansion projects, both rating agencies have a stable  
80 outlook for Enbridge. Hence, in my judgment, Enbridge is capable of funding the  
81 pipeline expansion proposed in this proceeding.

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

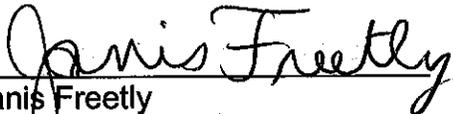
83 A. Yes, it does.

---

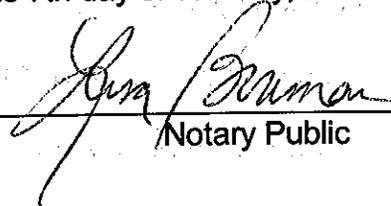
<sup>7</sup> Moody's Global Credit Research, *Credit Opinion: Enbridge Inc.*, March 26, 2007, Company response to Staff Data Request JF-1.03, Attachment A.

VERIFICATION

I, Janis Freetly, being first duly sworn, depose and state that I am a Senior Financial Analyst in the Finance Department of the Financial Analysis Division of the Illinois Commerce Commission; that I sponsor the foregoing Direct Testimony of Janis Freetly; that I have personal knowledge of the information stated in the foregoing Direct Testimony; and that such information is true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Janis Freetly  
Illinois Commerce Commission

Subscribed and sworn to before me  
this 7th day of January, 2008.

  
\_\_\_\_\_  
Notary Public

