

**DIRECT TESTIMONY**  
**OF**  
**SHEENA KIGHT-GARLISCH**

Senior Financial Analyst  
Finance Department  
Financial Analysis Division  
Illinois Commerce Commission

CenterPoint Energy – Illinois Gas Transmission Company

Docket No. 09-0054

May 14, 2009

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

2 A. My name is Sheena Kight-Garlich. My business address is 527 East Capitol  
3 Avenue, Springfield, IL 62701.

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

6 A. I am employed by the Illinois Commerce Commission (“Commission”) as a  
7 Senior Financial Analyst in the Finance Department of the Financial Analysis  
8 Division.

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

10 A. In May of 1998, I received a Bachelor of Business degree in Finance and  
11 Marketing from Western Illinois University in Macomb, Illinois. I earned a Master  
12 of Business Administration degree, with a concentration in Finance, also at  
13 Western Illinois University in May of 2001. I have been employed by the  
14 Commission since January of 2001. I was promoted to Senior Financial Analyst  
15 on October 1, 2004.

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

17 A. The purpose of my testimony is to present my evaluation of CenterPoint Energy-  
18 Illinois Gas Transmission Company’s (“IGTC”) financial capability to construct,  
19 operate and maintain the proposed 2.2 mile pipeline near Glen Carbon and to  
20 abandon 55 miles of pipeline from near Mitchell Station to Patoka.

21 **Q. Please summarize your conclusions.**

22 A. Through its relationship with the CenterPoint Energy Resources Corporation  
23 (“CERC”), IGTC is capable of financing the construction, operation and  
24 maintenance of the proposed pipeline near Glen Carbon and the abandonment  
25 of pipeline from near Mitchell Station to Patoka.

26 **Q. What is the estimated total cost of the construction of the proposed**  
27 **pipeline and abandonment of the existing line?**

28 A. According to IGTC’s response to Staff Data Request SK-1.01, the total cost of  
29 the proposed pipeline and abandonment based on February 2009 estimates is  
30 \$9,550,000.

31 **Q. How does IGTC plan to finance the proposed construction?**

32 A. Construction costs will be financed with funds from operations and inter-company  
33 loans from its parent company, CERC.<sup>1</sup>

34 **Q. Please describe CERC.**

35 A. IGTC is wholly-owned by CERC, a natural gas energy company with operations  
36 in a natural gas distribution, competitive natural gas sales and services, interstate  
37 pipelines, field services and other operations. CERC operates natural gas  
38 distribution and pipelines in six states.<sup>2</sup>

39 **Q. Does CERC have access to sufficient capital to provide IGTC with the**  
40 **capitalization necessary to construct, operate and maintain the proposed**  
41 **2.2 mile pipeline and abandonment of 55 miles of pipeline?**

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<sup>1</sup> Response to Staff Data Request SK-1.02.

<sup>2</sup> CenterPoint Energy Resource Corp., Form 10K, March 11, 2009.

42 A. Yes. At December 31, 2008, CERC had \$205 million available under a \$950  
43 million credit facility.<sup>3</sup> CERC can access funds from the credit facility to finance  
44 expansion projects. Due to its stable credit ratings, CERC also has sufficient  
45 access to capital from debt which can be used to finance new growth projects  
46 over the long-term.

47 Standard & Poor's ("S&P") assigned CERC a long-term corporate credit rating of  
48 BBB with a stable outlook.<sup>4</sup> According to S&P, a BBB-rated company has an  
49 adequate capacity to meet its financial obligations.<sup>5</sup>

50 CERC's Issuer rating is Baa3 from Moody's Investors Service ("Moody's") with a  
51 stable outlook. Moody's assigns the Baa rating to companies with moderate  
52 credit risk.<sup>6</sup> Moody's considers CERC to have a low business risk profile.  
53 However, this is offset by its relatively weak financial profile. Moody's notes that  
54 CERC has strong growth in its pipelines; Moody's views this positively from a  
55 credit perspective.<sup>7</sup>

56 FitchRatings ("Fitch") assigned CERC a long-term credit rating of BBB with a  
57 stable outlook.<sup>8</sup> According to Fitch, a BBB-rated company has good credit  
58 quality and an adequate capacity to meet its financial obligations.<sup>9</sup> Fitch

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<sup>3</sup> CenterPoint Energy Resource Corp., Form 10K, March 11, 2009, p. 12.

<sup>4</sup> S&P Ratings Direct, *Summary: CenterPoint Energy Resources Corp.*, February 4, 2009.

<sup>5</sup> S&P Ratings Direct, *Research: S&P Ratings Definitions*, December 10, 2002.

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

<sup>7</sup> Moody's Global Credit Research, *Credit Opinion: CenterPoint Energy Resources Corp.*, July 22, 2008, Company response to Staff Data Request SK-1.03.

<sup>8</sup> Fitch Ratings Corporates, *CenterPoint Energy Resources Corp.*, July 31, 2008.

<sup>9</sup> Fitch IBCA Rating Definitions.

59 considers CERC to have “adequate liquidity to support its construction  
60 program.”<sup>10</sup>

61 In response to Staff Data Request SK-2.02, IGTC provided forecasted financial  
62 statements through the year 2018. These forecasts show a gradual  
63 strengthening of IGTC’s financial profile as the proposed projects are completed.

64 **Q. What is your recommendation regarding IGTC?**

65 A. In my judgment, IGTC is capable of financing the construction, operation and  
66 maintenance of the proposed pipeline and abandonment of the 55 mile pipeline.  
67 The capital for this project will be provided by CERC, which has access to \$205  
68 million under its credit facilities. In addition, CERC should have sufficient access  
69 to long-term debt given its adequate BBB credit ratings from S&P and Fitch and  
70 moderate Baa3 Moody’s rating. All three rating agencies have a stable outlook  
71 for CERC. Hence, in my judgment, CERC is capable of funding the pipeline  
72 expansion proposed in this proceeding.

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

74 A. Yes, it does.

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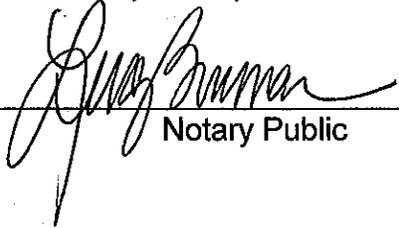
<sup>10</sup> Fitch Ratings Corporates, *CenterPoint Energy Resources Corp.*, July 31, 2008.

VERIFICATION

I, Sheena Kight-Garlich, 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 Sheena Kight-Garlich; 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.

Sheena Kight-Garlich  
Sheena Kight-Garlich  
Illinois Commerce Commission

Subscribed and sworn to before me  
this 14th day of May, 2009.

  
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Notary Public

