

DIRECT TESTIMONY

OF

JANIS FREETLY

Finance Department
Financial Analysis Division
Illinois Commerce Commission

Utilities Services of Illinois, Inc.

Application for Approval of Agreement
And Plan of Merger Among Utilities Services of Illinois, Inc.
And the 23 Operating Subsidiaries of Utilities, Inc.

Docket No. 13-0618

March 12, 2014

PUBLIC VERSION
Confidential Information Identified As
*****BEGIN CONF***XXXX***END CONF*****

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 in my present position since September of
13 1998. I was promoted to Senior Financial Analyst on August 31, 2001.

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

15 A. On November 8, 2013, Utilities, Inc. (“UI”) filed an application for approval of
16 agreement and plan of merger among Utility Services of Illinois. Inc. (“USI”) and
17 the 23 Illinois operating subsidiaries of UI pursuant to Sections 7-101, 7-102, 7-
18 203, 7-204 and 7-204A of the Illinois Public Utilities Act (“Act”). I will present my
19 evaluation of how the merger will affect the ability of UI to raise necessary capital
20 on reasonable terms.

21 **Q. Please describe the proposed reorganization.**

22 A. USI is an Illinois corporation, all of the outstanding stock of which is held by UI.
23 The 23 Illinois Utilities listed in Exhibit A to the Application are the wholly-owned
24 subsidiaries of UI that operate as regulated public utilities in Illinois. In Docket
25 No. 12-0279, the acquisition of UI by Corix Utilities (Illinois) LLC, the Commission
26 ordered the Company to propose a business plan for consolidating the separate
27 Illinois Utilities into a single corporate entity. The purpose of the reorganization
28 is to consolidate the UI Operating Subsidiaries into one entity, with the surviving
29 corporation being USI. Upon consummation of the reorganization, all of the
30 common stock of the Illinois Utilities, wholly-owned by UI, will be cancelled and
31 retired and cease to exist as will the separate corporate existence of each of the
32 absorbed Illinois Utilities. Subsequent to the reorganization, UI will own 100% of
33 the common stock of USI. (Application, 1-2.)

34 **Q. How have the Illinois operating subsidiaries obtained capital?**

35 A. The Illinois operating subsidiaries are 100% equity-financed. They obtained their
36 equity from UI.

37 **Q. Would the proposed reorganization change the method of raising capital
38 for the Illinois operating subsidiaries?**

39 A. The Joint Applicants state that no changes to the process for obtaining funding
40 for the Illinois operating subsidiaries are planned at this time. UI will continue to
41 provide the necessary capital to USI, just as UI has provided the necessary
42 capital to the Illinois Utilities. (Joint Applicants Ex. No. 1.0, 5.)

43 **Q. Does UI have the ability to raise necessary capital on reasonable terms?**

44 A. Yes. On March 4, 2013, UI amended its existing credit facility to ***BEGIN
45 CONF***XX
46 XXXXXXXXX. ***END CONF***¹ As of December 31, 2013, UI had ***BEGIN
47 CONF***XXXXXXXXXXXX***END CONF*** available under the amended credit
48 facility.² In addition, UI had ***BEGIN CONF***XXXXXXX***END CONF*** of
49 cash and cash equivalents as of December 31, 2013.³ Exhibit E to the
50 Application presents the budgeted capital expenditures for the Illinois utilities for
51 the 2014 through 2018 period. The highest annual capital expenditures budgeted
52 for the Illinois utilities is \$2,170,548 in 2017. Hence, UI has the ability to provide
53 the necessary capital to USI.

54 **Q. Does this conclude your direct testimony?**

55 A. Yes, it does.

¹ Company Supplemental Response to Staff DR JF 1.01, UI and Subsidiaries, Consolidated Financial Statements for the Year ended December 31, 2013, 15.

² Company Supplemental Response to Staff DR JF 1.01, UI and Subsidiaries, Consolidated Financial Statements for the Year ended December 31, 2013, 15.

³ Company Supplemental Response to Staff DR JF 1.02, UI and Subsidiaries, Consolidated Financial Statements for the Year ended December 31, 2013, 4.