

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

**NUSTAR PIPELINE )**  
**OPERATING PARTNERSHIP L.P. )**  
**)**  
**Application pursuant to Section 15-401 of the Common )**  
**Carrier by Pipeline Law and Sections 8-503 and 8-509 )**  
**of the Public Utilities Act for a Certificate in Good )**  
**Standing to Operate an Anhydrous Ammonia Pipeline )**  
**as a Common Carrier Pipeline and to Construct and )**  
**Operate an Extension Thereto and When Necessary to )**  
**Take Private Property as Provided by the Law of )**  
**Eminent Domain )**

**Docket No. 15-\_\_\_\_\_**

**DIRECT TESTIMONY OF**

**THOMAS R. SHOAF**

**ON BEHALF OF**

**NUSTAR PIPELINE OPERATING PARTNERSHIP L.P.**

**NUSTAR EXHIBIT 3.0**

**DECEMBER 22, 2015**

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1 **I. WITNESS INTRODUCTION**

2 **Q. Please state your name, present position and business address:**

3 A. My name is Thomas R. Shoaf. I am the Executive Vice President and Chief Financial  
4 Officer of NuStar Energy L.P. (“NuStar Energy”), the ultimate parent company of NuStar  
5 Pipeline Operating Partnership L.P. (“NuStar”), the applicant in this proceeding. My  
6 business address is 19003 IH-10 West, San Antonio, Texas 78257.

7 **Q. What are your duties and responsibilities as Chief Financial Officer?**

8 A. I am responsible for all financial responsibilities of NuStar Energy and its affiliates,  
9 including NuStar, the applicant. This includes, but is not limited to, finance, accounting,  
10 internal audit, budgeting and forecasting, tax, commodity risk compliance, cash  
11 management, credit, and Sarbanes-Oxley compliance.

12 **Q. Please describe your educational and professional background.**

13 A. I obtained my BBA in Accounting from Abilene Christian University in Abilene, Texas.  
14 After college, I started working as a staff accountant at City Public Service in San  
15 Antonio, Texas. I next was employed at Valero Energy, where I was promoted to Vice  
16 President - Structured Finance for Valero Corporate Services Company, a subsidiary of  
17 Valero Energy, in 2001, and served in that position until given a position with NuStar  
18 Energy. I served as Vice President and Controller of NuStar Energy from July 2005 to  
19 February 2012 and Vice President and Controller of NuStar GP Holdings from March  
20 2006 until February 2012. I became a Senior Vice President and Controller of NuStar  
21 Energy and NuStar GP Holdings from February 2012 until my promotion in January  
22 2014 to Executive Vice President and Chief Financial Officer.

23 **II. PURPOSE AND COVERAGE OF TESTIMONY**

24 **Q. What is the purpose of your direct testimony?**

25 A. I am testifying in support of NuStar's request to be issued a certificate in good standing  
26 pursuant to §15-401(a) of the Common Carrier by Pipeline Law ("CCPL"), 220 ILCS  
27 5/15-401(a) for its Illinois ammonia pipeline (the "Illinois Ammonia Pipeline"),  
28 including, if and to the extent required, a certificate in good standing pursuant to §15-  
29 401(a) of the CCPL for NuStar's proposed Decatur Lateral Pipeline ("Decatur Lateral")  
30 and Dalton City Ammonia Terminal ("Dalton City Terminal"), and for orders pursuant to  
31 §8-503 (220 ILCS 5/8-503) and §8-509 (220 ILCS 5/8-509) of the Public Utilities Act  
32 authorizing NuStar to, respectively, construct the proposed Decatur Lateral including the  
33 Dalton City Terminal and acquire easements and other land rights for the construction of  
34 the Decatur Lateral by the use of eminent domain if and as necessary.

35 Specifically, my testimony will explain how NuStar will finance the construction  
36 of the Decatur Lateral and Dalton City Terminal and has the financial ability to finance  
37 the construction.

38 **Q. In addition to your prepared testimony, which is identified as NuStar Exhibit 3.0,**  
39 **are you sponsoring any other exhibits?**

40 A. Yes, I am also sponsoring exhibits identified as NuStar Exhibits 3.1 and 3.2. NuStar  
41 Exhibit 3.1, which is also included as Attachment 7 to NuStar's Application, is NuStar  
42 Energy's 10-K report for the year ended December 31, 2014. NuStar Exhibit 3.2, which  
43 is also included as Attachment 8 to NuStar's Application, is NuStar Energy's 10-Q report  
44 for the quarter ended September 30, 2015. These exhibits were prepared by me or under  
45 my supervision and direction, or I have direct and firsthand knowledge of their contents.

46 **III. FINANCING THE CONSTRUCTION OF THE DECATUR LATERAL**

47 **Q. What is the estimated cost to construct the Decatur Lateral including the Dalton**

48 **City Terminal?**

49 A. The current cost estimate is approximately \$55 – 60 million, comprised of approximately  
50 \$46 - \$50 million for the Decatur Lateral pipeline and approximately \$9 - \$10 million for  
51 the Dalton City Terminal.

52 **Q. What are NuStar’s anticipated sources of financing for the construction of the**  
53 **Decatur Lateral including the Dalton City Terminal?**

54 A. NuStar plans to finance the construction of the Decatur Lateral and the Dalton City  
55 Terminal using general corporate funds of NuStar Energy, NuStar’s parent company,  
56 and/or through the issuance of units (*i.e.*, ownership units in a master limited partnership,  
57 similar to stock in a corporation) if necessary.

58 **Q. Please describe the commitment of NuStar and its affiliates to provide the full**  
59 **financing needed for the development and construction of the Decatur Lateral.**

60 A. NuStar Energy will provide a parent guaranty for NuStar’s construction of the Decatur  
61 Lateral and Dalton City Terminal.

62 **Q. Please describe the financial resources of NuStar and its affiliates.**

63 A. As of September 30, 2015, NuStar had assets of \$1.8 billion, and NuStar Energy, the  
64 parent company of the NuStar organization, had \$5.1 billion in assets. NuStar Energy is  
65 a publically traded partnership with a market capitalization of approximately \$3.5 billion  
66 and an enterprise value of approximately \$6.7 billion as of September 30, 2015. NuStar  
67 Energy currently has credit ratings of Ba1/Stable with Moody’s, BB+/Stable with S&P  
68 and BB/Stable with Fitch. NuStar Energy has a \$1.5 billion credit facility in place with  
69 its bank group. Borrowing availability under the facility at September 30, 2015 was  
70 approximately \$560 million. NuStar Energy’s last capital market activity was August

71 2013 when it raised \$300 million in the debt capital markets. Included in NuStar Exhibits  
72 3.1 and 3.2 are the balance sheets and income statements for NuStar as of December 31,  
73 2014, and September 30, 2015, respectively (see pages 98-108 of the 2014 10-K and  
74 pages 20-27 of the September 30, 2015 10-Q, respectively).

75 **Q. How does the projected construction cost of the Decatur Lateral compare to the**  
76 **assets and revenues of NuStar Energy?**

77 A. As I stated earlier, as of September 30, 2015, NuStar Energy had \$5.1 billion in assets.  
78 Total NuStar Energy revenues for 2015 are estimated to be approximately \$2.3 billion.  
79 Therefore, the current estimated construction cost of \$55 - 60 million for the Decatur  
80 Lateral project is equal to approximately 1% of the assets of NuStar Energy and less than  
81 3% of the estimated 2015 revenues of NuStar Energy

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

83 A. Yes.