

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
American Transmission Systems,)	
Incorporated for Authority)	
to Issue, Sell, or Enter into)	No. 15-0473-EL-AIS
Debt Transactions)	

Applicant, American Transmission Systems, Incorporated (the “Company”) hereby submits this Application, pursuant to O.R.C. §4905.40, and respectfully represents:

1. The Company, an Ohio corporation, is a "public utility" as defined in O.R.C. §4905.02 and is subject to the jurisdiction of the Public Utilities Commission of Ohio (the “Commission”). The Company is primarily engaged in the transmission of electric energy for sale to consumers within the State of Ohio and Commonwealth of Pennsylvania under rates and tariffs approved by the Federal Energy Regulatory Commission (“FERC”).
2. The Company has authorized capital stock as set forth in **Exhibit A** filed herewith, incorporated herein and made a part hereof, the number of shares of which are outstanding as of recent date is also set forth in **Exhibit A**.
3. The Company has issued and there is outstanding as of a recent date evidence of indebtedness maturing more than twelve months after its date of issuance in the aggregate principal amount set forth in **Exhibit A**, duly authorized by order of the Commission.
4. The Company proposes, subject to the authorization of the Commission, to issue new bonds, notes and other evidence of indebtedness maturing more than twelve months after their date of issuance in an amount not to exceed \$400 million in the aggregate (the

“New Debt”). The New Debt may be issued in one or more issuances, and each issuance is expected to be issued in one or more series of the Company’s unsecured notes or debentures. The New Debt will be issued no later than June 30, 2016 or within twelve months of Commission approval, whichever occurs later. The purpose of the New Debt as requested in this Application is to enable the Company to provide funds for the acquisition of property, for the construction, completion, extension, repair, replacement, relocation, or improvement of its facilities, to reimburse its treasury, in part, for monies expended for such purposes, for the refinancing of existing debt, to meet working capital needs, to fund the day-to-day operations of the Company, and for other corporate purposes permitted by law.

5. On December 17, 2014, the Commission authorized the Company to issue, renew or assume liability on notes and other evidences of indebtedness maturing not more than twelve months after the date of such issuance, renewal or assumption of liability (collectively, “Short-Term Notes”) for regulated utility purposes including: current maturities of existing obligations, retirement of securities through open market purchases, redemption of securities through applicable redemption provisions, loans to the FirstEnergy utility money pool, working capital and for general corporate purposes, in aggregate principal amounts at any one time outstanding not to exceed \$500 million (the, “December 2014 Order”).¹ The authorization to issue Short-Term Notes pursuant to the December 2014 Order will terminate on December 31, 2015. The authorization to issue the New Debt requested in this Application is in addition to the Company’s existing authorization to issue Short-Term Notes pursuant to the December 2014 Order.

¹ Case No. 14-1979-EL-AIS.

6. On June 11, 2014, the Commission authorized the Company to issue promissory notes or debentures in an aggregate amount not to exceed \$450 million (collectively, “Long-Term Notes”) to provide funds for the acquisition of property, for the construction, completion, extension, repair, replacement, relocation, or improvement of its facilities, to reimburse its treasury, in part, for monies expended for such purposes, for the refinancing of existing debt, to meet working capital needs, to fund the day-to-day operations of the Company and for other corporate purposes permitted by law (the, “June 2014 Order”).² The authorization to issue Long-Term Notes pursuant to the June 2014 Order terminates on June 30, 2015. The authorization to issue the New Debt requested in this Application is intended to replace, and not supplement, the Company’s remaining authorization³ to issue up to an additional \$50 million of Long-Term Notes, which were authorized by the Commission in the June 2014 Order.
7. The New Debt is proposed to be offered through negotiated private placements. Each series of such New Debt will mature in not less than one or more than 41 years from the date of issuance. The Company proposes that the Commission authorize the issuance of the New Debt based on the financial parameters (including financial terms and underwriting fees, discounts and commissions) set forth in **Exhibit E** so as to assure that the terms of the New Debt are within reasonable limits. The Company proposes to consummate the sale of the New Debt, in one or more issuances, as market conditions appear to be appropriate, or as the need arises, after the Commission’s approval thereof but not later than June 30, 2016.

² Case No. 14-0777-EL-AIS

³ On September 25, 2014, ATSI completed an of Senior Notes in the aggregate principal amount of \$400 million, which mature on September 1, 2044, pursuant to the June 2014 Order; notice of the terms of this issuance was filed with the Commission by letter dated November 25, 2014.

8. The New Debt will be issued pursuant to one or more note purchase agreements. In addition, the New Debt will be issued under either that certain Indenture dated as of September 25, 2014, from the Company to U.S. Bank National Association, as trustee, or one or more indentures for unsecured debt securities between the Company and a trustee selected by the Company. The financing terms and underwriting, placement or arrangement fees and commissions of the New Notes will be within the parameters described in **Exhibit E**. The New Debt may also contain provisions limiting or restricting the incurrence of secured debt by the Company or may contain provisions subordinating the rights of holders of such New Debt to payment thereunder to outstanding senior indebtedness of the Company (including, but not limited to, in connection with offerings of preferred securities by subsidiary trusts or other entities supported by subordinated notes). Any series of New Debt may be issued with the benefit of letters of credit, bond insurance or other similar forms of credit enhancement issued by banks, bond insurance firms or other appropriate financial institutions.
9. The Company hereby undertakes, upon the granting of the authority herein requested, to keep the Commission advised of each issuance of New Debt by providing the Staff with such documents and other information as the Commission Staff may request, and will submit a report following each such issuance showing that the financial terms of such issuance do not exceed the parameters with respect thereto that were approved by the Commission.
10. The Company incorporates herein by reference the following exhibits:
- Exhibit A** Balance sheets of the Company at December 31, 2014, actual and pro forma.
- Exhibit B** Statement of income of the Company for the twelve months ended December 31, 2014, actual and pro forma.

Exhibit C Statement of capitalization of the Company at December 31, 2014.

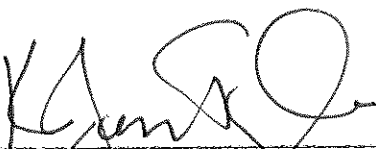
Exhibit D Cash requirements of the Company for 2014 (actual), 2015 (estimated) and 2016 (estimated).

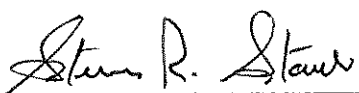
Exhibit E Financing parameters for the New Debt.

WHEREFORE, the Company prays, consistent with the Application and Exhibits filed herein, that an Order be issued by the Commission without hearing as follows:

- (1) That the Commission approves the Company's application to issue and sell or otherwise incur, from time to time by means of negotiated private placements or otherwise, up to \$400 million principal amount of New Debt (exclusive of any other debt permitted to be issued without authorization by the Commission) consistent with the provisions set forth in this Application at the best terms reasonably obtainable by the Company, provided that in all cases such terms are within the parameters described in **Exhibit E**;
- (2) That the Commission finds that the amount of New Debt (or any proceeds thereof) is just and reasonable and provided further that such amount is exclusive of any short-term financing the Company may incur during said period with the Commission's approval;
- (3) That the Commission finds that the purpose to which at least a portion of the New Debt (or any proceeds thereof) shall be applied is reasonably required by the Company to meet its present and prospective public utility obligations;
- (4) That the Commission grants such other relief as it may deem proper; and

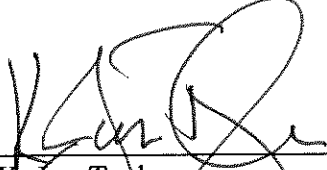
(5) That due to the time sensitive nature of this request, that the Commission issue such Order approving this Application on or before June 3, 2015.

By: 
K. Jon Taylor
Vice President and Controller

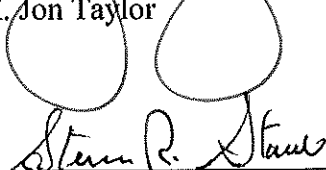
By: 
Steven R. Staub
Vice President and Treasurer

STATE OF OHIO)
) ss.:
SUMMIT COUNTY)

K. Jon Taylor and Steven R. Staub, depose and say that they are Vice President and Controller and Vice President and Treasurer, respectively, of American Transmission Systems, Incorporated, Applicant in the above matter, and that they have read and are fully acquainted and familiar with the contents of the foregoing Application and that the statements therein are true as they verily believe.



K. Jon Taylor



Steve R. Staub

Subscribed and sworn to before me
this 9th day of March, 2015





Lynne Thomas
Notary Public, State of Ohio
My Commission Expires
February 13, 2017



James A. Arcuri
Attorney for Applicant

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
(Unaudited)
Corporate Balance Sheet
As of December 31, 2014
(In thousands)

<u>ASSETS</u>	<u>Actual</u>	Effect of Proposed Transactions <u>Current Filing</u>	<u>Pro Forma</u>
UTILITY PLANT:			
In service	\$ 2,674,937	\$ -	\$ 2,674,937
Less - Accumulated provision for depreciation	829,256	-	829,256
	<u>1,845,681</u>	<u>-</u>	<u>1,845,681</u>
Construction work in progress	372,769	-	372,769
	<u>2,218,450</u>	<u>-</u>	<u>2,218,450</u>
CURRENT ASSETS:			
Cash and cash equivalents	-	372,000	372,000
Receivables-			
Customer	-	-	-
Affiliated companies	7,515	-	7,515
Other	9,362	-	9,362
Notes receivable from associated companies	221,090	-	221,090
Prepayments and other	10,154	-	10,154
	<u>248,121</u>	<u>372,000</u>	<u>620,121</u>
DEFERRED CHARGES:			
Regulatory assets	-	-	-
Property taxes	92,321	-	92,321
Other	12,349	3,867	16,216
	<u>104,670</u>	<u>3,867</u>	<u>108,537</u>
	<u>\$ 2,571,241</u>	<u>\$ 375,867</u>	<u>\$ 2,947,108</u>

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
(Unaudited)
Corporate Balance Sheet
As of December 31, 2014
(In thousands)

<u>CAPITALIZATION AND LIABILITIES</u>	<u>Actual</u>	<u>Effect of Proposed Transactions Current Filing</u>	<u>Pro Forma</u>
CAPITALIZATION:			
Common stockholder's equity-			
Common stock, \$1,000 without par value, authorized 850 shares - 1 share outstanding	\$ 1	\$ -	\$ 1
Other paid in capital	1,051,180	-	1,051,180
Accum. Other comprehensive income (loss)	(325)	-	(325)
Retained earnings	143,894	(15,538)	128,356
Total common stockholder's equity	1,194,750	(15,538)	1,179,212
Long-term debt-			
Long-term debt and other long-term obligations	795,863	400,000	1,195,863
	1,990,613	384,462	2,375,075
CURRENT LIABILITIES:			
Currently payable long-term debt to affiliated companies	-	-	-
Accounts payable-			
Affiliated companies	8,193	-	8,193
Other	29	-	29
Short-term borrowings - affiliated companies			
Accrued taxes	52,011	(8,595)	43,416
Interest accrued	14,958	-	14,958
Other	682	-	682
	75,873	(8,595)	67,278
NONCURRENT LIABILITIES:			
Accumulated deferred income taxes	329,036	-	329,036
Accumulated deferred investment tax credits	5,502	-	5,502
Asset retirement obligation	1,423	-	1,423
Retirement benefits	-	-	-
Property tax credits	92,321	-	92,321
Regulatory liabilities	46,069	-	46,069
Other	30,404	-	30,404
	504,755	-	504,755
	\$ 2,571,241	\$ 375,867	\$ 2,947,108

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
Pro Forma Journal Entries
Current Filing
(In thousands)

	<u>Debit</u>	<u>Credit</u>
Current Assets:		
Cash and Cash Equivalents	\$ 396,000	
Deferred Charges:		
Unamortized Debt Expense	4,000	
Capitalization:		
Long-Term Debt		\$ 400,000
To record the proposed issuances of \$400,000,000, principal amount of long-term debt with an interest rate of 6.0% and related debt issuance costs. To also record the redemption of associated company long-term debt and currently payable long-term debt.		
Capitalization:		
Retained Earnings	\$ 15,538	
Current Liabilities:		
Accrued Taxes	8,595	
Current Assets:		
Cash and Cash Equivalents		\$ 24,000
Deferred Charges:		
Unamortized Debt Expense		133
To record the annual effect on retained earnings resulting from the increase in interest requirements and the amortization of debt expense associated with the above transaction.		

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
(Unaudited)
Corporate Statement of Income
For the Twelve Months Ended December 31, 2014
(In thousands)

	<u>12/31/2014</u>	Effect of Proposed Transactions <u>Current Filing</u>	<u>Pro Forma</u>
OPERATING REVENUES	<u>\$ 241,271</u>	<u>\$ -</u>	<u>\$ 241,271</u>
OPERATING EXPENSES AND TAXES:			
Other operating costs	52,984	-	52,984
Provision for depreciation and amortization	52,341	-	52,341
General taxes	52,689	-	52,689
Income taxes	22,372	(8,595)	13,777
Total operating expenses and taxes	<u>180,386</u>	<u>(8,595)</u>	<u>171,791</u>
OPERATING INCOME	60,885	8,595	69,480
OTHER INCOME:			
Miscellaneous, net	35,805	-	35,805
OTHER INCOME	<u>35,805</u>	<u>-</u>	<u>35,805</u>
INCOME BEFORE NET INTEREST CHARGES	<u>96,690</u>	<u>8,595</u>	<u>105,285</u>
NET INTEREST CHARGES:			
Interest on long-term debt	26,240	24,000	50,240
Allowance for borrowed funds used during construction	(8,217)	-	(8,217)
Other interest expense	3,335	133	3,468
Net interest charges	<u>21,358</u>	<u>24,133</u>	<u>45,491</u>
NET INCOME	<u>\$ 75,332</u>	<u>\$ (15,538)</u>	<u>\$ 59,794</u>

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
Statement of Income
For the Twelve Months Ended December 31, 2014
Estimated Effect of Proposed Transactions
Current Filing
(In thousands)

Interest on long-term debt:		
Annual increase in interest requirements resulting from the proposed issuance of \$400,000,000 of long-term debt with an interest rate of 6.0%.		\$ 24,000
Other interest expense:		
Annual decrease in interest requirements resulting from the redemption of long-term debt to associated companies		-
Annual increase in the amortization of debt expense		133
		<u>\$ 24,133</u>
Operating Income Taxes:		
Decrease in state and local income taxes based on 2.004% of the increase in interest expense.	\$ 484	
Decrease in Federal income tax at 34.2978% on a net decrease of income before Federal income taxes of \$23,649,000 .	<u>8,111</u>	<u>8,595</u>
Decrease in earnings on common stock due to proposed debt issuance		<u><u>\$ 15,538</u></u>

Net Decrease of income before Federal income taxes: \$ 23,649

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
(Unaudited)
SCHEDULE OF PREFERRED STOCK,
PREFERENCE STOCK AND LONG-TERM DEBT

PREFERRED STOCK:

The Company is not authorized to issue preferred stock.

<u>Series</u>	<u>Number of Shares</u>		<u>Redemption Price Per Share</u>	<u>Aggregate Redemption Amount</u>	<u>Outstanding</u>
	<u>Authorized</u>	<u>Outstanding</u>			
No Par Value:					
Undesignated	--	--		--	--

PREFERENCE STOCK:

The Company is not authorized to issue preference stock.

<u>Series</u>	<u>Number of Shares</u>		<u>Redemption Price Per Share</u>	<u>Aggregate Redemption Amount</u>	<u>Involuntary Liquidation Value</u>
	<u>Authorized</u>	<u>Outstanding</u>			
No Par Value:					
Undesignated	--	--		--	--

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
(Unaudited)
SCHEDULE OF PREFERRED STOCK,
PREFERENCE STOCK AND LONG-TERM DEBT (Continued)

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS:

Long-term debt outstanding at December 31, 2014 consists of the following:

(In thousands)

Long term debt:

5.250% Due 2022

\$ 400,000

5.000% Due 2044

\$ 400,000

\$ 800,000

Long-term debt

due within one year

\$ -

Total long-term debt

\$ 800,000

EXHIBIT D

American Transmission Systems, Incorporated 2014 to 2016 Sources and Uses of Funds (\$ millions)

SOURCES OF FUNDS

	Actual 2014	Forecast 2015	Forecast 2016
Debt Obligations	\$ 400	\$ 250	\$ 150
Equity from the Parent	515	240	65
Retained Earnings	75	135	160
Non-cash Items			
AFUDC Equity	(35)	(25)	(15)
Prov for Depr & Amort	50	75	90
Prov for Deferred Taxes & ITC	100	50	60
	\$ 1,105	\$ 725	\$ 510

DISPOSITION OF FUNDS

Construction Expenditures (1)	880	535	615
Long-term Redemptions	-	-	-
Common Dividends	-	-	-
Short-term Debt	-	-	-
Working Capital and Other	225	190	(105)
	\$ 1,105	\$ 725	\$ 510

(1) Excludes AFUDC Equity

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

Financing Parameters

Principal Amount: Up to \$400,000,000

Price to the Company: The Company will receive proceeds equal to the offering price which shall not be less than 96 percent of the aggregate principal amount of the Notes inclusive of any Fees or Commissions indicated below.

Fees or Commissions: For each series or issue, any underwriting or sales commission or placement fee will not exceed 1.65% of the aggregate principal amount of such series.

Interest Rate: The interest rate applicable to the Notes will result in a yield to maturity of the holder thereof which does not exceed 350 basis points about the yield to maturity on United States Treasury Bonds of comparable maturity at the time of pricing or issuance, whichever is earlier.

Maturity: No more than 41 years from the date of issuance.

Redemption Price and Other Terms: For each issue, the optional redemption price will not exceed the greater of (i) 100% of the principal amount of the Notes or Bonds being redeemed and (ii) a make-whole price calculated by reference to the present value of then-remaining scheduled principal and interest payments discounted at a rate derived from the then-current yield on US Treasury securities of comparable maturity. Except to the extent specific limitations are imposed by the terms of the Notes or Bonds as negotiated with the underwriters or purchasers thereof, each series or issue will be redeemable as a whole or in part, at the option of the Company, at any time upon appropriate notice.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

3/11/2015 4:49:00 PM

in

Case No(s). 15-0473-EL-AIS

Summary: Application for Authority to Issue, Sell, or Enter into Debt Transactions electronically filed by Ms. Carrie M Dunn on behalf of American Transmission Systems, Incorporated