

Ohio

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Commission

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Docketing Division
Public Utilities Commission of Ohio

180 East Broad Street
Columbus OH 43215

2017 MAY 31 AM 8:05
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RE: *In the Matter of the Application of American Transmission System, Incorporated for Authority to issue, sell and enter into debt transactions.*

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendation in regard to the application of American Transmission System, Incorporated for authority to issue, sell and enter into debt transactions as described above in Case No. 17-0891-EL-AIS.



Doris McCarter

Division Chief, Forecasting, Markets and Corporate Oversight
Rates and Analysis Department
Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of American)	
Transmission Systems, Incorporated for)	Case No. 17-0891-EL-AIS
Authority to Issue, Sell or Enter into Debt)	
Transactions)	

Staff Review and Recommendation

APPLICATION DESCRIPTION:

On April 3, 2017, American Transmission Systems Incorporated ("ATSI") filed an application with exhibits and as supplemented on May 26, 2017 ("Application"), pursuant to Ohio Revised Code 4905.40, requesting Public Utilities Commission of Ohio (the "Commission"), authority to borrow up to \$150 million of long-term debt ("New Debt") through May 31, 2018. The New Debt would: a) not exceed \$150 million in aggregate principle amount; b) be issued in one or more issuances. The New Debt will be issued to repay existing indebtedness, including amounts outstanding under the FirstEnergy Regulated Money Pool, for capital expenditures, working capital and other corporate purposes.

REVIEW AND ANALYSIS:

ATSI is a subsidiary of FirstEnergy Transmission, LLC ("FET"), which is a wholly-owned subsidiary of FirstEnergy Corporation ("FE"). The New Debt would be offered through negotiated private placements. The New Debt would have a maturity between 1 and 40 years. The New Debt would have an interest rate that results in a yield to maturity that is no more than 2.5% above US Treasury obligations of comparable maturity at the time of pricing or issuance, whichever is earlier. Underwriting fees would not exceed 1.65% of the aggregate principal amount of the series. ATSI expects that the New Debt will have a make whole call option. Additional parameters for the New Debt are provided in the Application.

ATSI's current Moody's and Standard & Poor's ratings are Baa2 and BBB-, respectively.

ATSI currently forecasts construction expenditures of \$380 million and \$334 million for 2017 and 2018, respectively.

The following table summarizes ATSI's actual capitalization as of December 31, 2016, as well as its pro forma capitalization showing the impact of fully utilizing the requested authority.

ATSI
Pro-forma Capitalization

	<u>Actual</u> <u>12/31/2016</u>		<u>Pro forma</u>	
	<u>(\$ millions)</u>	<u>(%)</u>	<u>(\$ millions)</u>	<u>(%)</u>
Long-Term Debt	\$ 940	<u>39%</u>	\$ 1,090	<u>42%</u>
Common Equity	\$ <u>1,484</u>	<u>61%</u>	<u>\$ 1,479</u>	<u>58%</u>
Total Capitalization	\$ <u>2,424</u>	<u>100%</u>	<u>\$ 2,569</u>	<u>100%</u>

RECOMMENDATION:

Upon review of the Application, Staff believes it to be reasonable and recommends its approval with certain conditions imposed. Staff recommends the Commission include a condition as part of its authorization of ATSI's Application that in the event the credit rating of FE or FET falls below investment grade, ATSI will file such notice in this docket within 10 days of such change, so that the Commission may consider whether any safeguards need to be imposed on ATSI.