

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
AMERICAN TRANSMISSION SYSTEMS,
INCORPORATED FOR AUTHORITY TO
ISSUE, SELL, AND ENTER INTO DEBT
TRANSACTIONS.

CASE NO. 18-305-EL-AIS

FINDING AND ORDER

Entered in the Journal on May 30, 2018

I. SUMMARY

{¶ 1} The Commission authorizes the Applicant, within 12 months after the date of this Finding and Order, to issue long-term debt, including that issued pursuant to R.C. 4905.40, in an aggregate amount not to exceed \$200 million, pursuant to the terms and conditions as described in the Application and in this Finding and Order.

II. DISCUSSION

{¶ 2} American Transmission Systems, Incorporated (ATSI or Applicant) is a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4905.40 permits public utilities to "issue stocks, bonds, notes, or other evidences of indebtedness, payable at periods of more than 12 months after their date of issuance, when necessary (1) [f]or the acquisition of property, the construction, completion, extension, renewal, or improvement of its facilities, or the improvement of its service; or (2) [f]or reorganization or readjustment of its indebtedness and capitalization, for the discharge or lawful refunding of its obligation, or for the reimbursement of moneys actually expended for such purposes from income or from any other moneys in the treasury of the public utility * * * not secured or obtained from the issue of stocks, bonds, notes, or other evidences of indebtedness of such public utility * * *" when authorized by the Commission.

{¶ 4} On December 20, 2017, in Case No. 17-2137-EL-AIS, pursuant to its authority under R.C. 4905.401(A), the Commission authorized ATSI to issue, renew or assume liability on notes and other evidences of indebtedness maturing not more than 12 months after the date of such issuance, renewal, or assumption of liability for regulated utility purposes, as well as participate in the utility money pool arrangement (the Money Pool). The Money Pool allows utilities to lend short-term funds to the Money Pool and receive interest income or borrow short-term funds from the Money Pool at rates generally more attractive than those obtained through outside financing.

{¶ 5} On February 27, 2018, ATSI filed its application and exhibits (Application) under the provisions of R.C. 4905.40 in the above-captioned case. ATSI is requesting consent and authority to borrow up to \$200 million of long-term debt (New Debt) within 12 months of Commission approval of the Application. The New Debt would not exceed \$200 million in the aggregate principal amount and would be issued in one or more issuances. Additionally, the Applicant proposes that the long-term debt will be issued to repay existing indebtedness, including amounts outstanding under the Money Pool, capital expenditures, working capital, and other corporate purposes. The Applicant states this request for authorization to issue long-term debt is in addition to the Applicant's prior authorization to issue short-term notes pursuant to the Finding and Order issued in Case No. 17-2137-EL-AIS.

{¶ 6} On May 16, 2018, Staff filed its review and recommendations regarding the Application, providing that, upon Staff's review, Staff believes the Application is reasonable and should be approved by Commission, subject to certain conditions, including, but not limited to: in the event the credit rating of FirstEnergy Corp. falls below investment, 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; and ATSI may use the proceeds from the long-term debt only for the purposes stated in the Application, with the exception of funding ATSI's day-to-day operations which should be funded with cash revenue from operations.

{¶ 7} Upon review of the Application, the Commission finds that the amount of the long-term borrowings, the terms thereof, and the probable cost to ATSI, which are to be no less favorable than the terms described in the Application, do not appear to be unjust or unreasonable. In addition, based on the information contained in the Application, and the exhibits thereto, the purposes to which the proceeds from the borrowings shall be applied appear reasonably to be required by the Applicant to meet its present and prospective obligations to provide utility service. Therefore, the Commission finds that the Application should be approved, subject to all of the conditions recommended by Staff.

{¶ 8} Additionally, the Commission notes that the proposed guidelines or parameters set forth in the Application are intended to facilitate the issuance of the long-term debt on the best terms possible and at lowest cost. The Commission's authorization to consummate these financial transactions, within the parameters set forth in the Application, in no way relieve the Applicant of its responsibility to negotiate and obtain the best terms available.

III. ORDER

{¶ 9} It is, therefore,

{¶ 10} ORDERED, That, subject to the conditions recommended by Staff, ATSI be authorized for 12 months from the date of this Finding and Order, to issue long-term promissory notes or debentures, in the aggregate principal amount of not more than \$200 million, pursuant to the terms and conditions as described in the Application and in this Finding and Order. It is, further,

{¶ 11} ORDERED, That ATSI shall apply the proceeds from the long-term debt for the purposes set forth in this Finding and Order and otherwise in accordance to the provisions of R.C. 4905.40. It is, further,

{¶ 12} ORDERED, That the authorization granted by this Finding and Order shall not be construed as limiting the Commission's determination of the appropriateness of ATSI's

future long-term security offerings issued wholly or in part for the purpose of retiring their outstanding short-term evidences of indebtedness. It is, further,

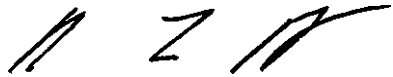
{¶ 13} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation as to the unsecured notes and other evidences of indebtedness or the associated interest on the part of the state of Ohio. It is, further,

{¶ 14} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of ATSI. It is, further,

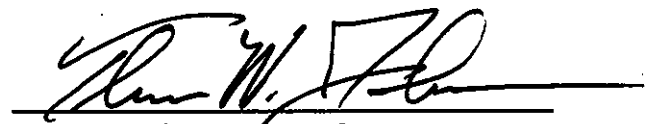
{¶ 15} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation of ATSI. It is, further,


{¶ 16} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

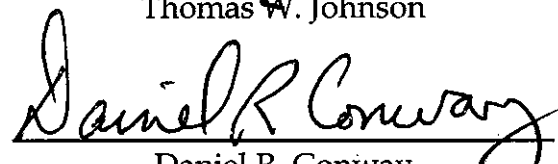
THE PUBLIC UTILITIES COMMISSION OF OHIO


Asim Z. Haque, Chairman


M. Beth Trombold


Thomas W. Johnson

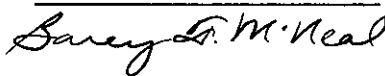

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Entered in the Journal

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Secretary