

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)
Debt Transactions)

No. 09-1071-EL-AIS

Applicant, American Transmission Systems, Incorporated, (hereinafter the "Company" or "Applicant") hereby submits this Application, pursuant to O.R.C. §4905.40, and respectfully shows that:

(1) The Company is an Ohio corporation and a "public utility" within the meaning of Section 201(e) of the Federal Power Act, a "transmitting utility" under Section 3(23) of the Federal Power Act, and is engaged exclusively in the transmission of electricity 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 outstanding at a recent date, is also set forth in Exhibit A.

(3) The Company has issued and there are outstanding as of a recent date evidences of indebtedness maturing more than twelve months after their dates of issuance in the aggregate principal amount set forth in Exhibit A, all duly authorized by orders of the Public Utilities Commission of Ohio ("Commission").

(4) The Company has issued and there are outstanding as of a recent date promissory notes and other evidence of indebtedness maturing not later than twelve months after their dates of issuance, in the aggregate principal amount set forth in Exhibit A, all duly authorized by orders of the Commission.

(5) To enable the Company to provide for the payment of its secured or unsecured obligations and to provide funds for the acquisition of property, for the construction, completion, extension or improvement of its facilities, for the organization or readjustment of its indebtedness, for the discharge or lawful refunding or refinancing of its obligations, the Company proposes, subject to the authorization of this 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"). More specifically, the net proceeds of any issuance of the New Debt (after deduction of discounts and commissions to underwriters, purchasers or agents and other offering expenses) will be applied by the Company for any one or more of the following purposes:

- (i) to repay outstanding associated intercompany notes payable of approximately \$231 million at a 7.75% fixed rate;
- (ii) to help defray a portion of estimated construction expenditures of \$35 million in 2009, \$33 million in 2010 and \$51 million in 2011; and,
- (iii) to align the Company's debt to equity structure closer to industry norm.

The New Debt is expected to be issued in any one or more of the following forms:

- (a) One or more series of the Company's first mortgage bonds or secured notes;
- (b) One or more series of the Company's unsecured notes or debentures.

The New Debt is proposed to be offered by public offerings through underwriters or by private placements, each series of such New Debt matures in not less than one or more than 35 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 F 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 as market conditions appear to be appropriate, or as the need arises, after the issuance by the Commission of an order with respect thereto and, in the case of any public offering, after the effective date of any registration statement required to be filed with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act").

In connection with the issuance of any one or more series of New Debt in a private placement, the Company may agree with the purchasers thereof to subsequently register such New Debt under the Securities Act pursuant to a registration statement filed with the SEC or to exchange or substitute for such New Debt a like amount of New Debt registered under the Securities Act pursuant to a registration statement filed with the SEC. Any New Debt which is exchanged or otherwise substituted ("Exchange Debt ") for a like principal amount of New Debt initially issued pursuant to this Application and the Commission's order related to the same, will be considered to be the equivalent of the original New Debt for which they are exchanged or substituted, and will not be counted in determining the principal amount of New Debt that the Company has authority thereafter to issue under such order, provided that the issuance of the Exchange Debt was authorized by such order. To the extent that the interest rate on the Exchange Debt is different than the interest rate on the originally issued New Debt that is being substituted or exchanged, such different interest rate will be within the parameters set forth in Exhibit F as established on the day that such Exchange Debt is issued.

FIRST MORTGAGE BONDS; SECURED NOTES

(7) Any New Debt issued in the form of first mortgage bonds or secured notes (the "New Bonds") one or more new mortgage indentures, which maybe amended and supplemented by one or more supplemental indentures relating to the New Bonds, and which is intended to be secured by a direct, first priority lien upon all or a portion of the Company's

operating properties used and useful in the conduct of its business now owned or hereafter acquired.

(8) The financing terms and underwriting fees and commissions of the New Bonds will be within the parameters described in Exhibit F hereto. To the extent it appears desirable, the New Bonds may be offered and sold as part of a medium-term note or similar program.

(9) The Company hereby undertakes, upon the granting of the authority herein requested, to keep the Commission advised of each issuance of New Bonds 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.

UNSECURED NOTES

(10) Any New Debt issued in the form of unsecured notes or debentures (collectively the "New Notes") will be issued under one or more new unsecured indentures, which maybe amended and supplemented by one or more supplemental indentures, board resolutions or officer's certificates relating to the New Notes. To the extent it appears desirable, the New Notes may be offered and sold as part of a medium-term note or similar program. The financing terms and underwriting fees and commissions of the New Notes will be within the parameters described in Exhibit F. The New Notes may also contain provisions restricting the incurrence of secured debt by the Company or may contain provisions subordinating the rights of holders of such New Notes 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 Notes 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.

(11) 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.

(12) Attached hereto and made a part hereof are the following exhibits:

- Exhibit A - Balance sheets of the Company at June 30, 2009, actual and pro forma.
- Exhibit B - Statement of income of the Company for the twelve months ended June 30, 2009, actual and pro forma.
- Exhibit C - Statement of capitalization of the Company at June 30, 2009.
- Exhibit D - Estimate of cash requirements of the Company for 2009 – 2011.
- Exhibit E - Estimate of construction expenditures of the Company for 2009 - 2011.
- Exhibit F - Financing parameters for the New Debt.

- (1) WHEREFORE, Applicant prays for an order: Authorizing the Company to issue and sell or otherwise incur, from time to time by means of negotiated public offerings or private placements or otherwise, up to \$400 million principal amount of New Debt (exclusive of any other debt authorized by any other order of this Commission or permitted to be issued without authorization by this Commission) consistent with the provisions set forth in paragraphs 5 through 9 at the best terms obtainable, provided that in all cases such terms are within the parameters described in Exhibit F;
- (2) Finding that the amount of New Debt (or any proceeds thereof) is just and reasonable;
- (3) Finding 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) Granting such other relief as it may deem proper.

Respectfully submitted,
AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

By: MARK T. CLARK
Mark T. Clark
Executive Vice President and
Chief Financial Officer

By: Randy Scilla
Randy Scilla
Assistant Treasurer

Ebony L. Miller
Ebony L. Miller, Attorney for Applicant

STATE OF OHIO)
) ss.:
SUMMIT COUNTY)

Mark T. Clark and Randy Scilla, being duly sworn, depose and say that they are Executive Vice President & Chief Financial Officer and Assistant 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 contained therein are true as they verily believe.

Subscribed and sworn to before me this 5th day of November, 2009

Michele A. Buchtel
Michele A. Buchtel
Notary Public, State of Ohio
Resident of Summit County
My Commission Expires Aug 28, 2011

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
(Unaudited)
Corporate Balance Sheet
As of June 30, 2009
(In thousands)

<u>ASSETS</u>	Effect of Proposed Transactions		
	<u>Actual</u>	<u>Current Filing</u>	<u>Pro Forma</u>
UTILITY PLANT:			
In service	\$ 1,518,697	\$ --	\$ 1,518,697
Less - Accumulated provision for depreciation	844,083	--	844,083
	<u>674,614</u>	<u>--</u>	<u>674,614</u>
Construction work in progress	26,637	--	26,637
	<u>701,251</u>	<u>--</u>	<u>701,251</u>
CURRENT ASSETS:			
Cash and cash equivalents	0	157,586	157,586
Receivables-			
Customer	22,150	--	22,150
Associated companies	1,849	--	1,849
Other	46	--	46
Notes receivable from associated companies	25,991	--	25,991
Prepayments and other	1,077	--	1,077
	<u>51,113</u>	<u>157,586</u>	<u>208,699</u>
DEFERRED CHARGES:			
Regulatory assets	24,332	--	24,332
Property taxes	35,632	--	35,632
Other	127	3,800	3,927
	<u>60,091</u>	<u>3,800</u>	<u>63,891</u>
	<u>\$ 812,455</u>	<u>\$ 161,386</u>	<u>\$ 973,841</u>

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
(Unaudited)
Corporate Balance Sheet
As of June 30, 2009
(In thousands)

<u>CAPITALIZATION AND LIABILITIES</u>	<u>Actual</u>	Effect of Proposed Transactions <u>Current Filing</u>	<u>Pro Forma</u>
CAPITALIZATION:			
Common stockholder's equity-			
Common stock, \$1,000 par value, authorized 850 shares - 1 share outstanding	\$ 1	\$ --	\$ 1
Other paid in capital	279,578	--	279,578
Accum. Other comprehensive income (loss)	(1,681)	--	(1,681)
Retained earnings	152,011	(3,986)	148,025
Total common stockholder's equity	429,909	(3,986)	425,923
Long-term debt-			
Associated companies	230,147	(230,147)	--
Other	--	400,000	400,000
	660,056	165,867	825,923
CURRENT LIABILITIES:			
Currently payable long-term debt to associated companies	2,278	(2,278)	0
Accounts payable-			
Associated companies	13,001	--	13,001
Accrued taxes	25,186	(2,203)	22,983
Other	798	--	798
	41,263	(4,481)	36,782
NONCURRENT LIABILITIES:			
Accumulated deferred income taxes	62,879	--	62,879
Accumulated deferred investment tax credits	9,393	--	9,393
Retirement benefits	2,675	--	2,675
Property tax credits	35,632	--	35,632
Other	557	--	557
	111,136	--	111,136
	\$ 812,455	\$ 161,386	\$ 973,841

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

	<u>Debit</u>	<u>Credit</u>
Current Assets:		
Cash and Cash Equivalents	\$ 163,575	
Capitalization:		
Long-term debt and other long-term obligations to associated companies	230,147	
Deferred Charges:		
Unamortized Debt Expense	4,000	
Current Liabilities:		
Currently payable long-term debt to associated companies	2,278	
 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% 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	\$ 3,986	
Current Liabilities:		
Accrued Taxes	2,203	
 Current Assets:		
Cash and Cash Equivalents		\$ 5,989
Deferred Charges:		
Unamortized Debt Expense		200

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 June 30, 2009
(In thousands)

	Actual	Effect of Proposed Transactions Current Filing	Pro Forma
OPERATING REVENUES	<u>\$ 226,371</u>	<u>\$ --</u>	<u>\$ 226,371</u>
OPERATING EXPENSES AND TAXES:			
Other operating costs	58,937	--	58,937
Provision for depreciation and amortization	49,606	--	49,606
General taxes	32,241	--	32,241
Income taxes	<u>24,959</u>	<u>(2,203)</u>	<u>22,756</u>
Total operating expenses and taxes	<u>165,743</u>	<u>(2,203)</u>	<u>163,540</u>
OPERATING INCOME	60,628	2,203	62,831
OTHER INCOME:			
Miscellaneous, net	<u>(164)</u>	<u>--</u>	<u>(164)</u>
OTHER INCOME	<u>(164)</u>	<u>--</u>	<u>(164)</u>
INCOME BEFORE NET INTEREST CHARGES	<u>60,464</u>	<u>2,203</u>	<u>62,667</u>
NET INTEREST CHARGES:			
Interest on long-term debt	9	24,000	24,009
Allowance for borrowed funds used during construction	(1,009)	--	(1,009)
Other interest expense	<u>19,218</u>	<u>(17,811)</u>	<u>1,407</u>
Net interest charges	<u>18,218</u>	<u>6,189</u>	<u>24,407</u>
NET INCOME	<u>\$ 42,246</u>	<u>\$ (3,986)</u>	<u>\$ 38,260</u>

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
Statement of Income
For the Twelve Months Ended June 30, 2009
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%.		\$ 24,000
Other interest expense:		
Annual decrease in interest requirements resulting from the redemption of long-term debt to associated companies		(18,011)
Annual increase in the amortization of debt expense		<u>200</u>
		\$ 6,189
Operating Income Taxes:		
Decrease in state and local income taxes based on 1.9376% of the increase in interest expense.	\$ 120	
Decrease in Federal income tax at 34.3219% on a net decrease of income before Federal income taxes of \$6,069,000.	<u>2,083</u>	<u>2,203</u>
Decrease in earnings on common stock due to proposed debt issuance		<u>\$ 3,986</u>

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 June 30, 2009 consists of the following:

(In thousands)

Associated Company:

7.750%	Due 2040 - Ohio Edison Company	\$ 163,437
7.750%	Due 2040 - The Toledo Edison Company	37,075
7.750%	Due 2030 - Pennsylvania Power Company	29,635
		<u>\$ 230,147</u>

Associated company long-term debt
due within one year

\$ 2,278

Total long-term debt

\$ 232,425

Note: Associated company long-term debt represent outstanding promissory notes payable given in exchange for the transfer of transmission systems assets from Ohio Edison, The Toledo Edison Company and Pennsylvania Power Company on September 1, 2000. The transfer of ownership and control was approved by the Public Utilities Commission of Ohio in February 2000

American Transmission Systems, Incorporated
2008 to 2011
Estimate of Sources and Uses of Funds
(\$ millions)

SOURCES OF FUNDS

	<u>2008A</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2008-2011</u>
Debt Obligations	\$ -	\$ 400	\$ -	\$ -	\$ 400
Retained Earnings Objective	45	47	48	39	179
Non-cash Charges to Income					
Prov for Depr & Amort	49	50	50	12	161
Prov for Deferred Taxes & ITC	13	8	(0)	14	35
Deferral of New Regulatory Asset	-	-	-	-	-
Pension/OPEB Accrual	0	(0)	(1)	0	(1)
	\$ 106	\$ 505	\$ 97	\$ 65	\$ 773

DISPOSITION OF FUNDS

Construction Expenditures	46	35	33	51	166
Long-term Redemptions	-	231	-	-	231
Common Dividends	24	40	30	25	119
Short-term Debt	18	-	-	-	18
Working Capital and Other	17	198	34	(11)	238
	\$ 106	\$ 505	\$ 97	\$ 65	\$ 773

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

2009-2011 Estimated Construction Expenditures
(\$ in millions)

	2009	2010	2011
Construction Expenditures	\$35	\$33	\$51

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:

- (a) For Notes with a maturity of 10 years or less, 400 basis points above the yield to maturity on United States Treasury Notes of comparable maturity at the time of pricing or issuance, whichever is earlier.
- (b) For Notes with a maturity of more than 10 years, 500 basis points above the yield to maturity on United States Treasury Bonds or Bonds of comparable maturity at the time of pricing or issuance, whichever is earlier.

Maturity: No more than 35 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

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Case No(s). 09-1071-EL-AIS

Summary: Application In the Matter of the Application of American Transmission Systems, Incorporated for Authority to Issue, Sell, or Enter into Debt Transactions.
electronically filed by Ms. Ebony L Miller on behalf of American Transmission Systems, Inc.