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November 19, 2015

PUCO

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Application of American Transmission Systems Incorporated
Company for Authority to Issue, Renew or Assume Liability on Notes and Other
Evidences of Indebtedness Pursuant to O.R.C. §4905.401*

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendation in regard to the application
of American Transmission Systems Incorporated Company for authority to issue long-
term debt in Case No. 15-1581-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)	
Authority to Issue, Renew or Assume)	Case No. 15-1581-EL-AIS
Liability on Notes and)	
Other Evidences of Indebtedness)	
Pursuant to O.R.C. § 4905.401)	

Staff Review and Recommendation

BACKGROUND:

On September 22, 2015, American Transmission Systems Incorporated (the Company) filed an application (Application), with the Public Utilities Commission of Ohio (the Commission), pursuant to Sections 4905.401 and 4905.41 of the Ohio Revised Code(R.C.), seeking authority to issue up to \$500 million of Short-Term Notes (Notes) and to participate in a utility money pool through December 31, 2016. The requested authority represents a renewal of the Company's existing \$500 million of authority that was granted on December 17, 2014 in Case No. 14-1979-EL-AIS, et al (Prior Order)¹.

The Company proposes that the proceeds from the Notes, including loans from the utility money pool, would be used to provide funds for current maturities of existing obligations, retirement and redemption of securities, working capital, and for other corporate purposes.

MONEY-POOL ARRANGEMENT:

FirstEnergy Corp., the Company's ultimate parent company, and its subsidiaries have a utility money pool and a non-utility money pool. The utility money pool is by and among FirstEnergy Corp., FirstEnergy Service Company and the following Participating Companies:

Ohio Companies: Ohio Edison, Cleveland Electric Illuminating Company, Toledo Edison, American Transmission Systems Incorporated (collectively, the Ohio Utility Companies)

¹ Under R.C. 4905.401, Ohio electric utilities are permitted to borrow up to 5% of the par value of all outstanding long-term securities without specific approval of the Commission (Statutory Limitation). The Company's Statutory Limitation as of June 30, 2015 was \$92,555,997. Therefore, the Company's application exceeds the Statutory Limitation by approximately \$407 million.

Non-Ohio Companies: Jersey Central Power & Light Company, Metropolitan Edison Company, Monongahela Power Company, Pennsylvania Power Company (a wholly-owned subsidiary of Ohio Edison), Pennsylvania Electric Company, The Potomac Edison Company, Trans-Allegheny Interstate Line Company, Waverly Electric Power & Light Company, and West Penn Power Company (collectively, the non-Ohio Participating Companies).

A separate non-utility money pool is comprised of FirstEnergy Corp. and its unregulated subsidiary companies.

Utilities can lend short-term funds to the money pool and receive interest income or borrow short-term funds from the money pool at rates that are generally more attractive than those obtained through outside financing.

Funds from the regulated and unregulated money pools cannot be co-mingled.

FirstEnergy Corp. can lend money to the utility money pool but cannot borrow from it. FirstEnergy Service Company acts as an administrative agent for the utility money pool and it can neither lend nor borrow from the utility money pool.

In order to insulate the Ohio Utility Companies from the financial risks associated with non-Ohio Participating Companies with weaker credit quality, the Commission, in its Prior Order: (a) imposed a limit on the aggregate amount loaned by the Ohio Utility Companies through the money pool to non-Ohio Participating Companies of not more than \$1 billion at any one time, (b) restricted money pool loans made to non-Ohio Participating Companies to only be effectuated with Participating Companies that have an investment grade credit rating, and (c) required the Ohio Utility Companies to report details of the Ohio Utility Companies' participation in the money pool, on a quarterly basis.

As of September 30, 2015, the Company had borrowings of \$89 million from the money pool.

The Company has investment grade ratings from both Moody's (Baa2) and Standard and Poor's (BBB-).

STAFF RECOMMENDATION:

Upon review of the Application, Staff believes it to be reasonable and recommends its approval.