

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. 18-0305-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 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 \$200 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 within twelve months of Commission approval. 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 20, 2017, 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 during the 2018 Fiscal Year (the, “December 2017 Order”).<sup>1</sup> 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 2017 Order.

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<sup>1</sup> Case No. 17-2137-EL-AIS.

6. 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 twelve months after Commission approval.
  
7. 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.

8. 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.

9. The Company incorporates herein by reference the following exhibits:

**Exhibit A** Balance sheets of the Company at September 30, 2017, actual and pro forma.

**Exhibit B** Statement of income of the Company for the twelve months ended September 30, 2017, actual and pro forma.

**Exhibit C** Statement of capitalization of the Company at September 30, 2017.


**Exhibit D** Cash requirements of the Company for 2016 (actual), 2017 (estimated), 2018 (estimated) and 2019 (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 \$200 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 May 11, 2018.


By:   
Steven R. Staub  
Vice President and Treasurer

By:   
Ermal Fatusha  
Assistant Treasurer

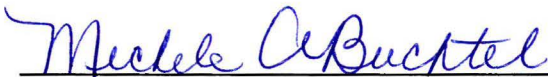
STATE OF OHIO     )  
                                  ) ss.:  
SUMMIT COUNTY    )

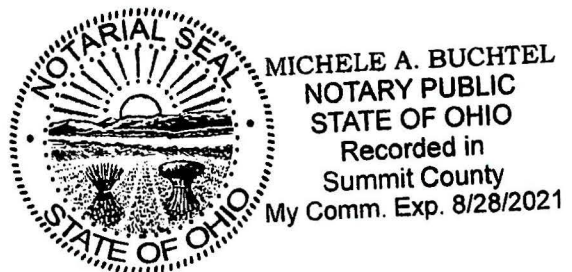
Steven R. Staub and Ermal Fatusha, depose and say that they are Vice President and Treasurer and Assistant Treasurer, respectively, of American Transmission Systems, Incorporated, Applicant in the above matter, and that they have read and are fully acquainted and familiar with the contents of the foregoing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

  
\_\_\_\_\_  
Steven R. Staub

  
\_\_\_\_\_  
Ermal Fatusha

Subscribed and sworn to before  
me this 22<sup>nd</sup> day of February 2018

  
\_\_\_\_\_  
Michele A. Buchtel  
Notary



  
\_\_\_\_\_  
Stephanie J. Bencin  
Attorney for Applicant

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED  
(Unaudited)  
Corporate Balance Sheet  
As of September 30, 2017  
(In millions)

<u>ASSETS</u>	<u>Actual</u>	<u>Effect of Proposed Transactions Current Filing</u>	<u>Pro Forma</u>
UTILITY PLANT:			
In service	\$ 4,090	\$ -	\$ 4,090
Less - Accumulated provision for depreciation	924	-	924
	<u>3,166</u>	<u>-</u>	<u>3,166</u>
Construction work in progress	203	-	203
	<u>3,369</u>	<u>-</u>	<u>3,369</u>
CURRENT ASSETS:			
Cash and cash equivalents	50	188	238
Receivables-			
Affiliated companies	5	-	5
Other	27	-	27
Notes receivable from affiliated companies	10	-	10
Prepayments and other current assets	3	-	3
	<u>95</u>	<u>188</u>	<u>283</u>
DEFERRED CHARGES:			
Regulatory assets	69	-	69
Property taxes	39	-	39
Other	7	-	7
	<u>115</u>	<u>-</u>	<u>115</u>
	<u>\$ 3,579</u>	<u>\$ 188</u>	<u>\$ 3,767</u>



AMERICAN TRANSMISSION SYSTEMS, INCORPORATED  
(Unaudited)  
Corporate Balance Sheet  
As of September 30, 2017  
(In millions)

<u>CAPITALIZATION AND LIABILITIES</u>	<u>Actual</u>	<u>Effect of Proposed Transactions Current Filing</u>	<u>Pro Forma</u>
<b>CAPITALIZATION:</b>			
Common stockholder's equity-			
Common Stock, \$1,000 without par value, authorized 850 shares - 1 share outstanding			
Other paid in capital	1,166	-	1,166
Retained earnings	308	(6)	302
Total common stockholder's equity	1,474	(6)	1,468
Long-term debt-			
Long-term debt and other long-term obligations	1,089	198	1,287
	<u>2,563</u>	<u>192</u>	<u>2,755</u>
<b>CURRENT LIABILITIES:</b>			
Accounts payable-affiliated companies	131		131
Accrued taxes	155	(4)	151
Accrued interest	10	-	10
Other	0		
	<u>296</u>	<u>(4)</u>	<u>291</u>
<b>NONCURRENT LIABILITIES:</b>			
Accumulated deferred income taxes	684	-	684
Property taxes	0	-	0
Regulatory liabilities	0	-	0
Other	36	-	36
	<u>720</u>	<u>-</u>	<u>720</u>
	<u>\$ 3,579</u>	<u>\$ 188</u>	<u>\$ 3,766</u>

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

	<u>Debit</u>	<u>Credit</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 198	
<b>Capitalization:</b>		
Unamortized Debt Expense	2	
Long-Term Debt		\$ 200

To record the proposed issuances of \$200,000,000, principal amount of long-term debt with an interest rate of 5.0% and related debt issuance costs.

<b>Capitalization:</b>		
Retained Earnings	\$ 6	
<b>Current Liabilities:</b>		
Accrued Taxes	4	
<b>Current Assets:</b>		
Cash and Cash Equivalents		\$ 10

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 September 30, 2017  
(In millions)

	<u>Actual</u>	Effect of Proposed Transactions <u>Current Filing</u>	<u>Pro Forma</u>
REVENUES	\$ 624	\$ -	\$ 624
OPERATING EXPENSES			
Other operating expenses	90	-	90
Provision for depreciation and amortization	103	-	103
General taxes	148	(0)	148
Total operating expenses	<u>341</u>	<u>(0)</u>	<u>341</u>
OPERATING INCOME	283	0	283
OTHER INCOME/(EXPENSE):			
Miscellaneous income	2	-	2
Interest expense	(52)	(10)	(62)
Capitalized financing costs	12		12
Total other income (expense)	<u>(39)</u>	<u>(10)</u>	<u>(49)</u>
INCOME BEFORE INCOME TAXES	244	(10)	235
INCOME TAXES	<u>86</u>	<u>(3)</u>	<u>82</u>
NET INCOME	<u>\$ 159</u>	<u>\$ (6)</u>	<u>\$ 152</u>

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED  
Statement of Income  
For the Twelve Months Ended September 30, 2017  
Estimated Effect of Proposed Transactions  
Current Filing  
(In millions)

Interest on long-term debt:	
Annual increase in interest requirements resulting from the proposed issuance of \$200,000,000 of long-term debt with an interest rate of 5.0%.	\$ 10
Other interest expense:	
Annual increase in the amortization of debt expense	<u>\$ 0</u>
<b>Increase in interest expense due to proposed debt issuance</b>	<b>\$ 10</b>
Operating Income Taxes:	
Decrease in state and local income taxes at a rate of 2.019215% on an increase in interest expense.	\$ 0
Decrease in Federal income tax at a rate of 34.293275% on a net decrease of income before Federal income taxes of \$10,066,667.	<u>\$ 3</u>
<b>Decrease in operating income tax due to proposed debt issuance</b>	<b>\$ 4</b>

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 September 30, 2017 consists of the following:

	<u>(In millions)</u>
Long term debt:	
5.250% Senior Notes Series due 2022	\$ 400
4.000% Senior Notes Series due 2026	\$ 75
3.660% Senior Notes Series due 2032	\$ 150
5.000% Senior Notes Series due 2044	\$ 400
5.230% Senior Notes Series due 2045	\$ 75
	<u>\$ 1,100</u>
Unamortized debt discounts	\$ (4)
Unamortized debt issuance costs	\$ (7)
Total long-term debt	<u><u>\$ 1,089</u></u>

## EXHIBIT D

American Transmission Systems, Incorporated  
2016 to 2019  
Sources and Uses of Funds  
(\$ millions)

**SOURCES OF FUNDS**

	Actual <u>2016</u>	Forecast <u>2017</u>	Forecast <u>2018</u>	Forecast <u>2019</u>
Debt Obligations	\$ -	\$ 150	\$ 200	\$ -
Equity from the Parent	65	-	117	-
Retained Earnings	134	164	175	188
Non-cash Items				
AFUDC Equity	(11)	(8)	(9)	(10)
Prov for Depr & Amort	87	109	122	128
Prov for Deferred Taxes & ITC	137	106	87	83
	<u>\$ 412</u>	<u>\$ 521</u>	<u>\$ 690</u>	<u>\$ 390</u>

**DISPOSITION OF FUNDS**

Construction Expenditures (1)	443	457	301	335
Long-term Redemptions	-	-	-	-
Common Dividends/Equity Repurchases	25	135	-	184
Short-term Debt	-	(115)	115	(28)
Working Capital and Other	(57)	44	274	(100)
	<u>\$ 412</u>	<u>\$ 521</u>	<u>\$ 690</u>	<u>\$ 390</u>

(1) Excludes AFUDC Equity

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

Financing Parameters

**Principal Amount:** Up to \$200,000,000

**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 250 basis points about 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 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**

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**Case No(s). 18-0305-EL-AIS**

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