

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. 20-0562-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 for sale to consumers within the State of Ohio and Commonwealth of Pennsylvania under rates and tariffs approved by the Federal Energy Regulatory Commission ("FERC").
1. 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.
2. 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.
3. 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 \$100 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 provide funds for: (i) refinancing existing indebtedness, including amounts outstanding under the FirstEnergy Regulated Money Pool and under its revolving credit agreement; (ii) capital expenditures,; (iii) general corporate purposes permitted by law; and (iv) any combination of the above.

4. On December 18, 2019, 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 2020 Fiscal Year (the “December 2019 Order”).¹ 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 2019 Order.

¹ Case No. 19-1874-EL-AIS.

5. On May 30, 2018, the Commission authorized the Company to issue promissory notes or debentures in an aggregate amount not to exceed \$200 million (collectively, “Long-Term Notes”) 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. (the, “May 2018 Order”).¹ The authorization to issue Long-Term Notes pursuant to the May 2018 Order terminated on May 2019.

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.

¹ Case No. 18-305-EL-AIS

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 December 31, 2019 actual and pro forma.

Exhibit B Statement of income of the Company for the twelve months ended December 31, 2019, actual and pro forma.

Exhibit C Statement of capitalization of the Company at December 31, 2019.

Exhibit D Cash requirements of the Company for 2018 (actual), 2019 (actual) 2020 (estimated) and 2021 (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 \$100 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 20, 2020.

By: Steven R. Staub
Steven R. Staub
Vice President and Treasurer

By: Weizhong Wang
Weizhong Wang
Assistant Treasurer

STATE OF OHIO)
) ss.:
SUMMIT COUNTY)

Steven R. Staub and Weizhong Wang, 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
Steven R. Staub

Weizhong Wang
Weizhong Wang

Subscribed and sworn to before
me this 12th day of March 2020

Tere M. Miller
Notary



Terese M. Miller
Resident Summit County
Notary Public, State of Ohio
My Commission Expires: 04/07/2020

Stephanie J. Bencin
Stephanie J. Bencin
Attorney for Applicant

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
Corporate Balance Sheet
As of December 31, 2019
(In millions)

<u>ASSETS</u>	<u>Actual</u>	<u>Effect of Proposed Transactions Current Filing</u>	<u>Pro Forma</u>
UTILITY PLANT:			
In service	\$ 5,075	\$ -	\$ 5,075
Less - Accumulated provision for depreciation	1,113	-	1,113
	<u>3,962</u>	<u>-</u>	<u>3,962</u>
Construction work in progress	185	-	185
	<u>4,147</u>	<u>-</u>	<u>4,147</u>
CURRENT ASSETS:			
Cash and cash equivalents	-	94	94
Receivables-			
Affiliated companies	3	-	3
Other	24	-	24
Notes receivable from affiliated companies	93	-	93
Prepaid taxes and other	3	-	3
	<u>123</u>	<u>94</u>	<u>217</u>
DEFERRED CHARGES AND OTHER ASSETS:			
Property taxes	221	-	221
Operating lease right-of-use asset	414	-	414
Other	6	-	6
	<u>641</u>	<u>-</u>	<u>641</u>
	<u>\$ 4,911</u>	<u>\$ 94</u>	<u>\$ 5,005</u>

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
Corporate Balance Sheet
As of December 31, 2019
(In millions)

<u>CAPITALIZATION AND LIABILITIES</u>	<u>Actual</u>	<u>Effect of Proposed Transactions Current Filing</u>	<u>Pro Forma</u>
CAPITALIZATION:			
Common stockholder's equity-			
Common Stock, no par value, authorized 850 shares - 1 share outstanding	\$ 1,267	\$ -	\$ 1,267
Retained earnings	706	(4)	702
Total common stockholder's equity	1,973	(4)	1,969
Long-term debt-			
Long-term debt and other long-term obligations	1,290	99	1,389
	3,263	95	3,358
CURRENT LIABILITIES:			
Accounts payable-affiliated companies	41	-	41
Accrued taxes	188	(1)	187
Accrued interest	22	-	22
Other current liabilities	7	-	7
	258	(1)	257
NONCURRENT LIABILITIES:			
Accumulated deferred income taxes	500	-	500
Property taxes	221	-	221
Regulatory liabilities	228	-	228
Noncurrent operating lease obligation	408	-	408
Other	33	-	33
	1,390	-	1,390
	\$ 4,911	\$ 94	\$ 5,005

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

	<u>Debit</u>	<u>Credit</u>
Current Assets:		
Cash and Cash Equivalents	\$ 99	
Capitalization:		
Unamortized Debt Expense	\$ 1	
Long-Term Debt		\$ 100

To record the proposed issuances of \$100,000,000, principal amount of long-term debt with an interest rate of 5.0% and related debt issuance costs.

Capitalization:		
Retained Earnings	\$ 4	
Current Liabilities:		
Accrued Taxes	\$ 1	
Current Assets:		
Cash and Cash Equivalents		\$ 5

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
Corporate Statement of Income
For the Twelve Months Ended December 31, 2019
(In millions)

	<u>Actual</u>	<u>Effect of Proposed Transactions Current Filing</u>	<u>Pro Forma</u>
REVENUES	\$ 758	\$ -	\$ 758
OPERATING EXPENSES			
Other operating expenses	112	-	112
Provision for depreciation and amortization	129	-	129
Deferral of regulatory liabilities, net	7	-	7
General taxes	186	-	186
Total operating expenses	<u>434</u>	<u>-</u>	<u>434</u>
OPERATING INCOME	324	-	324
OTHER INCOME/(EXPENSE):			
Miscellaneous income, net	2	-	2
Pension and OPEB mark-to-market adjustment	(30)	-	(30)
Interest expense	(63)	(5)	(68)
Capitalized financing costs	12	-	12
Total other expense	<u>(79)</u>	<u>(5)</u>	<u>(84)</u>
INCOME BEFORE INCOME TAXES	245	(5)	240
INCOME TAXES	<u>48</u>	<u>(1)</u>	<u>47</u>
NET INCOME	<u>\$ 197</u>	<u>\$ (4)</u>	<u>\$ 193</u>

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
Statement of Income
For the Twelve Months Ended December 31, 2019
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 \$100,000,000 of long-term debt with an interest rate of 5.0%.	\$ 5
Other interest expense:	
Annual increase in the amortization of debt expense	\$ 0
Increase in interest expense due to proposed debt issuance	\$ 5
Operating Income Taxes:	
Decrease in state and local income taxes at a rate of 2.1683% on an increase in interest expense.	\$ 0
Decrease in Federal income tax at a rate of 20.5447% on a net decrease of income before Federal income taxes of \$4,924,333.	\$ 1
Decrease in operating income tax due to proposed debt issuance	\$ 1
Decrease in earnings on common stock due to proposed debt issuance	\$ 4

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
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
SCHEDULE OF PREFERRED STOCK,
PREFERENCE STOCK AND LONG-TERM DEBT (Continued)

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS:

Long-term debt outstanding at December 31, 2019 consists of the following:

		(In millions)
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
4.320% Senior Notes Series due 2030	\$	100
4.380% Senior Notes Series due 2031	\$	100
	\$	<u>1,300</u>
Unamortized debt discounts	\$	(3)
Unamortized debt issuance costs	\$	(7)
Total long-term debt	\$	<u><u>1,290</u></u>

EXHIBIT D

American Transmission Systems, Incorporated
2019 to 2021
Sources and Uses of Funds
(\$ millions)

SOURCES OF FUNDS

	Actual 2019	Forecast 2020	Forecast 2021
Debt Obligations	\$ 100	\$ 100	\$ 100
Equity from the Parent	-	-	-
Retained Earnings	197	213	227
Non-cash Items			
AFUDC Equity	(9)	(15)	(21)
Pension and OPEB mark-to-market adjustment	30		
Prov for Depr & Amort	146	146	151
Prov for Deferred Taxes & ITC	45	46	42
	\$ 509	\$ 490	\$ 499

DISPOSITION OF FUNDS

Construction Expenditures ¹	\$ 424	\$ 344	\$ 323
Long-term Redemptions	-	-	-
Common Dividends	-	65	78
Short-term Debt	59	18	39
Working Capital and Other	26	63	59
	\$ 509	\$ 490	\$ 499

¹Excludes AFUDC Equity

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

Financing Parameters

Principal Amount: Up to \$100,000,000

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 350 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 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.

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Case No(s). 20-0562-EL-AIS

Summary: Application electronically filed by Ms. Christine E. Watchorn on behalf of American Transmission Systems, Incorporated