147 FERC ¶ 61,180
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Philip D. Moeller, John R. Norris,
and Tony Clark.

American Transmission Company LLC
ATC Management Inc.

Docket No. ES14-32-000

ORDER AUTHORIZING ISSUANCES OF SECURITIES

(Issued June 3, 2014)

1. On April 1, 2014, as amended May 9, 2014, American Transmission Company LLC (ATC) and ATC Management Inc. (ATC Management) (collectively, Applicants) filed an application pursuant to section 204 of the Federal Power Act (FPA)[1] (Application) seeking Commission authorization to issue up to $3.1 billion of long-term and short-term debt securities (including up to $300 million of guarantees and other credit support) and up to $2.6 billion of equity interests. We will grant the authorization as discussed below.

I. Background

2. ATC is a Wisconsin limited liability company and a stand-alone transmission-only company that owns and operates electric transmission facilities located in Wisconsin, Michigan, Minnesota, and Illinois. ATC is a transmission-owning member of the Midcontinent Independent System Operator, Inc. (MISO), which renders transmission service over ATC's facilities. ATC Management is a Wisconsin corporation and holds a nominal interest in ATC. ATC Management is the corporate manager of ATC and provides all employees and services to and on behalf of ATC.

II. Application

3. Applicants state that the proceeds from the sale of securities will be used for general corporate purposes including: (1) the financing of capital expenditures for new transmission facilities; (2) the financing of working capital requirements; (3) the

[1] 16 U.S.C. § 824c (2012).

refinancing or acquisition, retirement or redemption of previously issued securities; (4) meeting unexpected contingencies, payment and timing differences, and cash requirements; and (5) other lawful purposes.[2] Applicants state that the requested authorization is for financing that is similar to previously approved financing, which expires on June 30, 2014.[3] Applicants therefore request that the Commission grant their Application for the period of July 1, 2014 to June 30, 2016, and do so by June 1, 2014 in order to make financing arrangements prior to the expiration of their current authorizations.[4]

A. Short-Term and Long-Term Debt Issuances

4. Applicants request authority to issue long-term and short-term debt securities in an amount not to exceed $3.1 billion outstanding at any one time during the authorization period. Applicants also request, as part of this overall $3.1 billion authority to issue debt securities, that they have the ability to (1) undertake transactions to extend the terms of or replace, refund, or refinance existing obligations; and (2) issue new obligations in exchange for existing obligations.[5]

5. Applicants state that the short-term debt may involve institutional borrowings, commercial paper, and privately-placed notes.[6] Applicants also state that they may maintain credit facilities (1) to serve as back-up lines of credit in connection with their commercial paper program, and (2) to borrow against subject to the overall $3.1 billion debt authorization.[7] Applicants also state that the debt may be secured or unsecured, and they will comply with the Commission's *Westar* policy establishing restrictions on all public utility issuances of secured and unsecured debt.[8]

---

[2] Application at 10-11.

[3] *See American Transmission Co. LLC*, 139 FERC ¶ 62,178 (2012).

[4] Application at 2-3.

[5] *Id.* at 4-5.

[6] *Id.* at 5.

[7] *Id.* at 5-6.

[8] *Id.* (citing *Westar Energy, Inc.*, 102 FERC ¶ 61,186, *order on rescinding authorization*, 104 FERC ¶ 61,018 (2003) (*Westar*)).

6. Applicants state that the interest rates will not exceed the 10-year or 30-year Treasury rate at the time of issuance as published on the websites of the Wall Street Journal (http://online.wsj.com/home-page), the Federal Reserve (http://www.federalreserve.gov/releases/h15/current/), and Bloomberg (http://www.bloomberg.com/markets/rate-bonds), plus up to 500 basis points.

B. Equity Interests

7. Applicants request authorization to issue Member Interests and shares of common stock in an aggregate amount of $2.6 billion at any one time outstanding during the authorization period.[9] Applicants also request authorization to issue preferred securities that will pay dividends and may be convertible into other forms of equity, debt, or other securities.[10]

C. Guarantees

8. Applicants request authorization to enter into guarantees, obtain letters of credit, enter into expense agreements or otherwise provide credit support with respect to Applicants' obligations or their affiliates' and members' obligations, in an amount not to exceed $300 million outstanding at any one time and subject to the overall debt authorization limit of $3.1 billion.[11] Applicants state that the guarantees will be issued on an as-needed basis and will use an appropriate method in accordance with accepted accounting principles to determine any required estimates.[12]

D. Waiver Request

9. In order to maintain the greatest possible flexibility when issuing the securities described in the Application, Applicants request waiver of the competitive bidding and negotiated placement requirements found at 18 C.F.R. § 34.2 (2013).[13]

---

[9] *Id.* at 6.

[10] *Id.* at 7.

[11] *Id.* at 7-8.

[12] *Id.* at 8.

[13] Section 34.2 sets forth the Commission's requirements regarding the method of issuance. It states, in part, that utilities may issue securities by either a competitive bid or negotiated placement, provided that competitive bids are obtained from at least two prospective dealers, purchasers or underwriters or negotiated offers are obtained from at least three prospective dealers, purchasers or underwriters. *See* 18 C.F.R. § 34.2(a) (2013).

III. Notice of Filing, Interventions, and Protests

10. Notice of the Application was published in the *Federal Register*, 79 Fed. Reg. 19,324 (2014), with interventions and protests due on or before April 22, 2014. None was filed.

11. Notice of Applicants' Amendment was published in the *Federal Register*, 79 Fed. Reg. 28,706 (2014), with interventions and protests due on or before May 19, 2014. None was filed.

IV. Discussion

12. FPA section 204(a) provides that requests for authorization to issue securities or to assume any obligation or liability as guarantor, indorser, surety, or otherwise in respect of any security of another person shall be granted if the Commission finds that the issuance or assumption: (1) is for some lawful object, within the corporate purposes of the applicant and compatible with the public interest, is necessary or appropriate for or consistent with the proper performance by the applicant of service as a public utility and which will not impair its ability to perform that service; and (2) is reasonably necessary or appropriate for such purposes.[14]

13. Typically, under section 204, the Commission utilizes an interest coverage calculation in order to determine whether the undertaking "will not impair [a public utility's] ability to perform" service as a public utility.[15] And, typically, the Commission bases its finding that a proposed issuance of securities will not impair an applicant's ability to perform service as a public utility upon the applicant's demonstration that it will have an interest coverage ratio that is 2.0 or higher.[16]

14. Applicants have filed, as Exhibits C, D, and E to the Application, *pro forma* financial statements as of December 31, 2013. Exhibit E of the Application shows that Applicants have an interest coverage ratio of 1.57, which is below the Commission's benchmark of 2.0.

---

[14] 16 U.S.C. § 824c(a) (2012).

[15] *Id.*; *see, e.g.*, *Mississippi Power Co.*, 145 FERC ¶ 61,218, at P 19 (2013); *Transource Missouri, LLC*, 145 FERC ¶ 61,146, at P 19 (2013).

[16] *Startrans IO, L.L.C.*, 122 FERC ¶ 61,253, at P 18 (2008) (stating that "this screen is a mid-way number in a range that has been used by lenders and borrowers and provides a buffer against unforeseen, adverse financial events that might impair Startrans IO's ability to perform as a public utility").

15. Applicants state, however, that ATC is a transmission-owing member of MISO, and transmission service is provided over ATC's transmission facilities pursuant to the MISO Tariff and MISO exercises operational control of ATC's transmission facilities. Applicants state that ATC maintains a Commission-accepted formula rate in its company-specific Attachment O to the MISO Tariff that expressly permits ATC to recover its costs associated with the provision of transmission service, specifically including all costs associated with the debt issuances that Applicants have requested.[17] Therefore, while Applicants' interest coverage ratio is below the 2.0 times benchmark, we have an alternate basis to conclude that ATC may reasonably be expected to service its debt and interest expenses without impairing its ability to provide services as a public utility.[18]

16. We find, based on the statements set forth in the Application, that Applicants have demonstrated that the proposed issuances of securities and assumptions of obligations or liabilities sought in the Application: (1) are for a lawful object, within Applicants' corporate purposes, compatible with the public interest, and necessary, appropriate for, or consistent with, ATC's proper performance as a public utility and will not impair its ability to perform such service; and (2) are reasonably necessary and appropriate for such purposes.

17. We grant the requested authorizations effective as of July 1, 2014 and terminating June 30, 2016. We also grant the requested waiver of the Commission's competitive bidding and negotiated placement requirements applicable to long-term debt.

18. In *Westar*, the Commission announced four restrictions on all future public utility issuances of secured and unsecured debt.[19] First, public utilities seeking authorization to issue debt backed by a utility asset must use the proceeds of the debt for utility purposes. Second, if any utility assets that secure debt issuances are divested or "spun off," the debt must follow the asset and also be divested or "spun off." Third, if any of the proceeds from unsecured debt are used for non-utility purposes, the debt must follow the non-utility assets. Specifically, if the non-utility assets are divested or "spun off," then a proportionate share of the debt must follow the divested or "spun off" non-utility assets. Finally, if utility assets financed by unsecured debt are divested or "spun off" to another entity, then a proportionate share of the debt must also be divested or "spun off."

---

[17] *See Midwest Independent Transmission System Operator, Inc.*, Docket No. ER13-1181-000 (May 22, 2013) (delegated letter order).

[18] *See AEP Appalachian Transmission Co., Inc.*, 147 FERC ¶ 61,076, at PP 20-21 (2014); *ITC Great Plains, LLC*, 147 FERC ¶ 61,005, at PP 11-12 (2014); *Transource Missouri, LLC*, 145 FERC ¶ 61,146 at PP 21, 23.

[19] *Westar*, 102 FERC ¶ 61,186 at PP 20-21.

Applicants state that they will comply with the *Westar* conditions, and we will condition our authorization on their abiding by these restrictions.[20]

The Commission orders:

(A) Applicants are hereby authorized to issue short-term and long-term debt securities, in an aggregate amount not to exceed $3.1 billion outstanding at any one time (which includes up to $300 million of guarantees and credit support), subject to the interest rate limitations below; and up to $2.6 billion of equity interests and preferred securities. The short-term debt securities may be issued in the form of commercial paper, or privately placed notes or other forms of short-term debt. The long-term debt securities may be issued in the form of secured or unsecured notes or debentures with banks or institutional lenders. The long-term debt may be convertible or exchangeable into forms of equity or indebtedness, or into other securities.

(B) The interest rates for the short-term or long-term debt securities will not exceed the greater of the 10-year or 30-year Treasury rate at the time of issuance, as published on the websites of the Wall Street Journal (http://online.wsj.com/home-page), the Federal Reserve (http://www.federalreserve.gov/releases/h15/current/), and Bloomberg (http://www.bloomberg.com/markets/rate-bonds), plus up to 500 basis points.

(C) Applicants are authorized to provide guarantees and other credit support to their affiliates or members in an amount not to exceed $300 million and subject to the overall debt authorization limit of $3.1 billion.

(D) The authorizations granted in this order are effective July 1, 2014 and terminate on June 30, 2016.

(E) This authorizations granted in this order are subject to the restrictions on secured and unsecured debt as outlined in *Westar*.

(F) The requested waiver of the Commission's competitive bidding and negotiated placement requirements under 18 C.F.R. § 34.2(a) (2013) is hereby granted.

(G) Applicants must file a Report of Securities Issued, under 18 C.F.R. §§ 34.9, 131.43, and 131.50 (2013), no later than 30 days after the sale or placement of long-term debt or equity securities or the entry into guarantees or assumption of liabilities.

[20] Application at 10.

(H) The authorizations granted in Ordering Paragraphs (A), (B), and (C) above are without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determination of cost or any other matter whatsoever now pending or which may come before this Commission.

(I) Nothing in this order shall be construed to imply any guarantee or obligation on the part of the United States with respect to any security to which this order relates.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.