

## **BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION**

In the Matter of the Joint Application of Fortis Inc.,       )  
ITC Holdings Corp., and ITC Midwest LLC for       ) File No. EM-2016-0212  
Approval of Merger.       )

### **STIPULATION AND AGREEMENT**

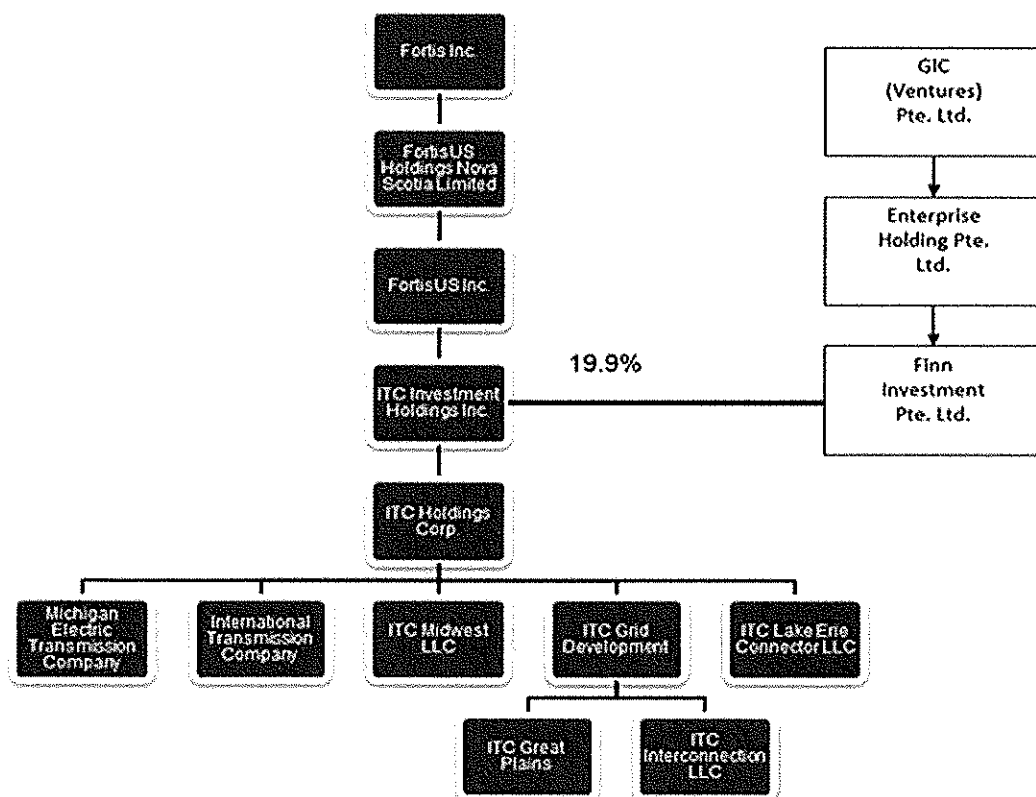
Come Now Fortis Inc. ("Fortis"), ITC Holdings Corp. ("ITC Holdings"), and ITC Midwest LLC ("ITC Midwest") ("Joint Applicants"), and the Staff of the Missouri Public Service Commission ("Staff")(collectively the "Signatories"), by and through their respective undersigned counsel, and pursuant to 4 CSR 240-2.115 request that the Commission approve this Stipulation and Agreement as a comprehensive settlement of all issues relevant to the Joint Application for Approval of Merger filed by Joint Applicants. In support thereof, the Signatories state that the Office of Public Counsel has advised them that it does not oppose Commission approval of this Stipulation and Agreement, and the Signatories further state and agree as follows:

### **BACKGROUND**

1. On May 10, 2016, Joint Applicants filed their Joint Application for Approval of Merger ("Joint Application") with the Commission under Section 393.190 RSMo. requesting an order from the Commission authorizing them to proceed with a transaction by which ITC Holdings will be a wholly-owned subsidiary of ITC Investment Holdings Inc. ("ITC Investment"), which will in turn be a majority-owned subsidiary of FortisUS Inc. ("FortisUS"), and each of ITC Holdings' subsidiaries, including ITC Midwest, will be majority-owned, indirectly, by Fortis (the "Transaction"). Additionally, in connection with the Transaction, Finn Investment Pte. Ltd. ("Finn"), an indirect wholly-

owned subsidiary of GIC (Ventures) Pte. Ltd. ("GIC Ventures"), or another direct or indirect, wholly-owned subsidiary of GIC Ventures, will acquire a 19.9% ownership interest in ITC Investment. GIC Ventures is wholly owned by the Government of Singapore through the Minister for Finance, a statutory corporation set up by the Government of Singapore to own and administer government assets. The following organizational chart reflects the outcome of the proposed Transaction (subject to the foregoing explanation that Finn might be replaced by a different subsidiary of GIC Ventures):

#### Post-Transaction Organizational Chart



2. As is the case currently, as of the closing of the Transaction, and as stated in the verified Joint Application, ITC Midwest will be the only Joint Applicant conducting business in Missouri. It is an independent transmission company exclusively engaged in transmitting electric energy in interstate commerce. It is a Transmission Owner member of Midcontinent Independent System Operator, Inc. ("MISO") and, as such, has turned functional control of its transmission assets over to MISO. ITC Midwest has a FERC-approved MISO formula rate template. MISO is responsible for independently administering ITC Midwest's system in accordance with the MISO Open Access Transmission Tariff ("OATT").

3. As described in the verified Joint Application, ITC Midwest owns approximately 6,600 circuit miles of transmission lines rated at voltages 34.5 kV to 345 kV and accompany transmission towers and poles. It owns station assets, such as transformers and circuit breakers, at approximately 271 substations that either interconnect or connect ITC Midwest's transmission facilities with generation or distribution facilities owned by third parties. ITC Midwest owns the monitoring and metering equipment and other equipment necessary to safely operate its transmission system, as well as warehouses and related equipment. Its transmission facilities are located either on land held in fee, on rights of ways, or on easements.

4. ITC Midwest has transmission facilities in four states: Iowa, Minnesota, Illinois and Missouri.<sup>1</sup>

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<sup>1</sup> ITC Midwest has also obtained "public utility" status in Wisconsin for the purposes of developing the Cardinal-Hickory Creek Transmission Project with American Transmission Company LLC and Dairyland Power Cooperative, but currently does not have any transmission assets or operations in Wisconsin.

5. In Missouri, ITC Midwest is considered by the Commission to be a “public utility” and an “electrical corporation” under Missouri law. As such, the Commission has exercised jurisdiction to grant ITC Midwest a certificate of convenience and necessity (See Case No. EO-2007-0485). ITC Midwest currently uses that certificate in connection with the operation of 9.5 miles of a 161 kV transmission line in Clark County. ITC Midwest has no retail customers in Missouri and is not rate-regulated in the state. The Commission asserts jurisdiction with regard to non-rate matters affecting this Missouri transmission line such as general safety and the transfer of the franchise or property. ITC Midwest is also subject to the regulatory oversight of the Missouri Department of Natural Resources for compliance with all environmental standards and regulations relating to this transmission line.

## **TERMS**

6. The Signatories agree that, post-merger, Fortis and Finn will indirectly own 80.1% and 19.9%, respectively, of ITC Midwest.

7. The Signatories agree that Fortis has the financial capability to acquire and maintain ITC Midwest’s current transmission operations in Missouri. As stated in the Joint Application, Fortis has an “A-” corporate credit rating by Standard & Poor's and an “A (low)” corporate rating by Dominion Bond Rating Service (“DBRS”). As stated in the Joint Application, Fortis has total assets as of December 31, 2015, of approximately US\$23.2 billion and fiscal 2015 revenues of approximately \$5.4 billion. Also, as stated in the Joint Application, ITC Midwest will be supported by Fortis in accessing capital and supported through access to the resources of the much larger and diversified Fortis

family. At the same time, ITC Midwest will maintain management over its operations, as well as its own standalone credit facilities and senior long-term debt instruments.

Staff believes the information Fortis provided in its Application is sufficient to demonstrate it has the financial capability to acquire and maintain ITC Midwest's transmission assets in Missouri.

8. The Signatories agree that Fortis' acquisition of ITC Holdings will not adversely affect the financial and technical ability of ITC Midwest to continue to own, operate and maintain the 9.5 miles of 161 kV transmission line that it owns located in Clark County, Missouri.

10. The Signatories agree that the verified Joint Application meets the Commission's rules and requirements

9. The Signatories recommend that the Commission determine that the Transaction is not detrimental to the public interest pursuant to Section 393.190 RSMo.,<sup>2</sup> authorize the Joint Applicants to consummate the Transaction, and notify the Commission they have consummated the transaction within 10 days of doing so.

10. The Signatories acknowledge and agree that authorizing Joint Applicants to consummate the transactions that are the subject of the Joint Application will affect neither the Certificate of Convenience and Necessity that ITC Midwest obtained from the Commission in Case No. EO-2007-0485 nor the variances from Commission rules the Commission granted ITC Midwest in that case.

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<sup>2</sup> See Commission July 1, 2008, Report and Order in Case No. EM-2007-0374, pp. 226, 228-234, affirmed *State ex rel. Praxair, Inc. v. Missouri Public Service Com'n*, 344 S.w.3d 178 (Mo. Banc 2011).

## **GENERAL PROVISIONS**

A. This Stipulation has resulted from negotiations among the Signatories and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation in total, then this Stipulation shall be void and no Signatory shall be bound by any of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the Signatories to take other positions in other proceedings except as otherwise provided herein. The Signatories agree that any and all discussions related hereto shall be privileged and shall not be subject to discovery, admissible in evidence, or in any way used, described or discussed.

B. This Stipulation is being entered into for the purpose of disposing of all issues in this case. The Signatories represent that the terms of this Stipulation constitute a fair and reasonable resolution of the issues addressed herein, in a manner which is not detrimental to the public interest. Except as otherwise addressed herein, none of the Signatories to this Stipulation shall be deemed to have approved, accepted, agreed, consented or acquiesced to any accounting principle, ratemaking principle or cost of service determination underlying, or supposed to underlie any of the issues provided for herein.

C. The Signatories further understand and agree that the provisions of this Stipulation relate only to the specific matters referred to in the Stipulation, and no Signatory or person waives any claim or right which it otherwise may have with respect to any matter not expressly provided for in this Stipulation. The Signatories further reserve the right to withdraw their support for the settlement in the event that the

Commission modifies the Stipulation in a manner which is adverse to the Signatory, and further, the Signatories reserve the right to contest any such Commission order modifying the settlement in a manner which is adverse to the Signatory contesting such Commission order. The Signatories agree that the details of this Stipulation have no precedential value in any future proceeding not related to enforcement of this agreement.

D. The non-utility Signatory Parties enter into this Stipulation in reliance upon information provided to them by the Joint Applicants and this Stipulation is explicitly predicated upon the truth of representations made by the Joint Applicants.

E. In the event the Commission accepts the specific terms of this Stipulation without modification, the Signatories waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2), RSMo 2000 to call, examine and cross-examine witnesses; their respective rights to present oral argument or written briefs pursuant to Section 536.080.1, RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo 2000; their respective rights to seek rehearing pursuant to Section 386.500, RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510, RSMo 2000. Furthermore, in the event the Commission accepts the specific terms of this Stipulation without modification, the Signatories agree that the Commission may rely upon the verified Joint Application without the necessity of a hearing.

F. Staff shall have the right to provide, at any agenda meeting at which this Stipulation is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that Staff shall, to the extent reasonably

practicable, promptly provide other Signatories with advance notice of when Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or previously designated confidential by any Signatory.

G. To assist the Commission in its review of this Stipulation, the Signatories also request that the Commission advise them of any additional information that the Commission may desire from the Signatories relating to the matters addressed in this Stipulation, including any procedures for furnishing such information to the Commission.

**WHEREFORE**, the Signatories hereto recommend that the Transaction is reasonable and not detrimental to the public interest and respectfully request that the Commission approve this Stipulation and Agreement subject to the conditions contained herein.

Respectfully submitted,

CURTIS, HEINZ,  
GARRETT & O'KEEFE, P.C.

**/s/ Carl J. Lumley**

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Commission

## **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of this document was served upon the parties listed below on this 26 day of August, 2016, by either e-mail or U.S. Mail, postage prepaid.

/s/ Carl J. Lumley  
Carl J. Lumley

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