

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 14th
day of September, 2016.

In the Matter of ITC Midwest LLC's and
Fortis Inc.'s Joint Application for
Approval of Merger.

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File No. EM-2016-0212

**ORDER APPROVING STIPULATION AND AGREEMENT AND GRANTING
JOINT APPLICATION FOR APPROVAL OF MERGER**

Issue Date: September 14, 2016

Effective Date: September 24, 2016

Fortis Inc. ("Fortis") is a publicly traded utility holding company with its principal offices in St. John's, in the province of Newfoundland and Labrador, Canada. Through its subsidiaries in the electric and natural gas utility business, Fortis serves more than 3 million customers in Canada, the Caribbean, and the United States. Fortis formed a wholly-owned direct subsidiary, FortisUS Holdings Nova Scotia Limited, to hold direct subsidiary FortisUS Inc. ("FortisUS").

Currently, ITC Investment Holdings Inc. ("ITC Investment") is a wholly-owned direct subsidiary of FortisUS. Element Acquisition Sub Inc. ("Element") was formed as a direct subsidiary of ITC Investment. As such, Element is an indirect, wholly-owned subsidiary of Fortis.

Incorporated under the laws of Michigan, ITC Holdings Corp. ("ITC Holdings") is a publicly traded holding company headquartered in Novi, Michigan. While ITC Holdings does not conduct business in Missouri, ITC Holdings does own and operate as a wholly-owned direct subsidiary ITC Midwest LLC ("ITC Midwest"), a limited liability company

authorized to conduct business in the State of Missouri. ITC Midwest is an independent transmission company that exclusively engages in transmitting electricity in interstate commerce. In 2007, the Missouri Public Service Commission granted ITC Midwest a Certificate of Convenience and Necessity¹ that authorizes its ownership and operation of approximately 9.5 miles of a 161kV transmission line in Clark County, Missouri. A member of Midcontinent Independent System Operator, Inc. ("MISO"), a regional transmission organization, ITC Midwest currently owns approximately 6,600 circuit miles of transmission lines and facilities in Iowa, Minnesota, Illinois, and Missouri.

Although it owns 9.5 miles of transmission line within the state, ITC Midwest does not serve retail customers in Missouri. As a member of MISO, ITC Midwest turned over functional control of its transmissions assets to MISO, which administers ITC Midwest's system in accordance with MISO's Open Access Transmission Tariff. The Federal Energy Regulatory Commission ("FERC") regulates those tariff rates.

On May 10, 2016, a *Joint Application for Approval of Merger and Motion for Expedited Treatment* was filed by ITC Holdings, Fortis (on behalf of its subsidiaries), and ITC Midwest (jointly, "Joint Applicants"). Joint Applicants request Commission approval of a Merger Agreement signed on February 9 and agreed to by FortisUS, Element, Fortis, and ITC Holdings. Subject to regulatory approval and other obligations, the Merger Agreement proposes Element merge into ITC Holdings, with ITC Holdings being the surviving company.

After the proposed merger (the "Transaction"), ITC Holdings will become a wholly-owned subsidiary of ITC Investment. ITC Investment will in turn be a majority-

¹ See August 30, 2007 Order Granting Certificate of Convenience and Necessity Granting Variances from Certain Commission Rule, and Authorizing Sale of Assets, Case No. EO-2007-0485.

owned subsidiary of FortisUS; thereby causing each of ITC Holdings' subsidiaries – including ITC Midwest – to be majority-owned by Fortis.

The Commission issued notice of the *Joint Application for Approval of Merger and Motion for Expedited Treatment* and set a deadline for intervention, but no applications to intervene were received. On August 26, Joint Applicants and the Commission's Staff (jointly, "Signatories") submitted a *Stipulation and Agreement* for the Commission's approval. Signatories state that the *Stipulation and Agreement* is a comprehensive settlement of all relevant issues concerning the *Joint Application for Approval of Merger and Motion for Expedited Treatment*.

As part of the Transaction, Finn Investment Pte. Ltd. ("Finn"), an indirect wholly-owned subsidiary of GIC (ventures) Pte. Ltd ("GIC Ventures")² will acquire a 19.9 percent ownership interest in ITC Investment, and therefore its subsidiary, ITC Midwest. Fortis will indirectly own the remaining 80.1 percent.³ The Signatories state that Fortis – which currently has an "A-" corporate credit rating by Standards & Poor's and an "A (low)" corporate rating by Dominion Bond Rating Service – has the financial ability to acquire and maintain ITC Midwest's transmission operations in Missouri. Fortis has total assets of approximately \$23.2 billion and fiscal 2015 revenues of approximately \$5.4 billion.⁴

The *Stipulation and Agreement* points out that after the Transaction, ITC Midwest will be supported by Fortis in accessing capital and "resources of the much larger and

² GIC Ventures is wholly owned by the Government of Singapore through a statutory corporation established to own and administer government assets.

³ The *Stipulation and Agreement* allows for another direct or indirect, wholly-owned subsidiary of GIC Ventures to replace Finn.

⁴ Asset values are calculated in U.S. dollars and determined as of December 31, 2015.

diversified Fortis family.” However, ITC Midwest will still control management of its operations, credit facilities, and senior long-term debt instruments. Signatories agree that Fortis’ acquisition of ITC Holdings will not adversely impact the financial or technical ability of ITC Midwest to continue to own, operate, and maintain the 9.5 miles of 161 kV transmission line in Clark County, Missouri. In the *Stipulation and Agreement*, the Signatories also agree that the Commission’s authorization of the Transaction will not affect ITC Midwest’s Certificate of Convenience and Necessity or the variances granted to ITC Midwest in Case No. EO-2007-0485.⁵

While not a party to the *Stipulation and Agreement*, the Signatories state that the Office of the Public Counsel, a party in this matter,⁶ advised them that it does not oppose the *Stipulation and Agreement*. Commission Rule 4 CSR 240-2.115(2) allows other parties seven days to object to a non-unanimous stipulation and agreement. However, if no party timely objects, the Commission is authorized to treat the agreement as a unanimous stipulation and agreement. Since no objections were filed, the Commission will treat the *Stipulation and Agreement* on the Transaction as unanimous.

Pursuant to Section 386.020,⁷ ITC Midwest is considered a “public utility” and an “electrical corporation.” While the Commission does not regulate ITC Midwest’s rates, under Chapters 386 and 393, RSMo 2000, the Commission does maintain jurisdiction

⁵ Since ITC Midwest would have no retail customers in Missouri, the Commission waived the requirement to file depreciation studies in Commission Rule 4 CSR 240-3.175 and the requirement to file fuel and outage reports in Commission Rule 4 CSR 240-3.190.

⁶ Commission Rule 4 CSR 240-2.010(10) establishes both Staff and the Office of the Public Counsel as parties to all matters unless they file a notice of their intention not to participate.

⁷ All statutory references are to the 2013 Cumulative Supplement of the Missouri Revised Statutes, unless indicated otherwise.

concerning non-rate matters involving the portion of ITC Midwest's Missouri transmission line, such as general safety and the transfer of the franchise or property. ITC Midwest must obtain the authorization of the Commission before completing the merger.⁸ When evaluating the proposed merger, the Commission must determine if the merger is "not detrimental to the public interest."⁹ The Commission will not withhold its approval of a proposed transaction unless applicants fail to meet their burden to demonstrate that a transaction is not detrimental to the public interest. In a prior case, the Commission stated that it will use a balancing test to weigh attendant benefits against direct or indirect effects of the transaction that may diminish the provision of safe or adequate service.¹⁰ Joint Applicants committed to FERC not to pledge or encumber ITC Midwest assets for the benefit of an associate company.¹¹

Joint Applicants complied with the filing requirements of Commission Rule 4 CSR 240-3.120. Joint Applicants state that the Transaction will not have any impact on tax revenues of any political subdivisions in Missouri. Having reviewed the *Joint Application for Approval of Merger* and the unanimous *Stipulation and Agreement*, the Commission finds and concludes that the Transaction will not be detrimental to the public and should be authorized.

⁸ Section 393.190.1.

⁹ *State ex rel. City of St. Louis v. Public Service Comm'n*, 73 S.W.2d 393, 400 (Mo. banc 1934).

¹⁰ *In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc., for Approval of the Merger of Aquila, Inc., with a Subsidiary of Great Plains Energy Incorporated and for Other Related Relief*, Report and Order, Case No. EM-2007-0374, p. 229-232, citing *In the Matter of the Application of Union Electric Company, d/b/a AmerenUE, for an Order Authorizing the Sale, Transfer and Assignment of Certain Assets, Real Estate, Leased Property, Easements and Contractual Agreements to Central Illinois Public Service Company, d/b/a AmerenCIPS, and, in Connection Therewith, Certain Other Related Transactions*, Case No. EO-2004-0108.

¹¹ Joint Application for Approval of Merger and Motion for Expedited Treatment, paragraph 20.

Joint Applicants filed a motion requesting the Commission authorize the merger no later than October 1 to allow prompt action on the Transaction for the benefit of Joint Applicants, their customers, and the public. Joint Applicants state that customers and the general public will not be negatively impacted by the requested expedited treatment. Joint Applicants must also obtain approval of the Transaction from several other state and federal regulatory agencies. To allow Joint Applicants to take all necessary actions to consummate the complex transactions, the Commission finds it reasonable to allow this order to go into effect in less than thirty days.

THE COMMISSION ORDERS THAT:

1. The *Stipulation and Agreement* between Fortis Inc., ITC Holdings Corp., ITC Midwest LLC and the Staff of the Missouri Public Service Commission, submitted on August 26, 2016 is approved. The signatories are ordered to comply with the terms of the agreement, which is attached to this order as Attachment A and incorporated herein.

2. The Joint Applicants are authorized to complete the merger transactions described in the *Joint Application for Approval of Merger and Motion for Expedited Treatment*, filed on May 10, 2016 in accordance with the terms of the Merger Agreement, Co-Investment Agreement, and *Stipulation and Agreement*, and to complete all other transaction-related instruments, and to take all other actions as may be reasonably necessary and incidental to the performance of the transactions.

3. Joint Applicants shall notify the Commission within 10 days of the completion of the merger transactions.

4. This order shall become effective on September 24, 2016.

BY THE COMMISSION



Morris L. Woodruff

Morris L. Woodruff
Secretary

Stoll, Kenney, Rupp, and Coleman, CC., concur;
Hall, Chm., absent.

Burton, Senior Regulatory Law Judge.

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

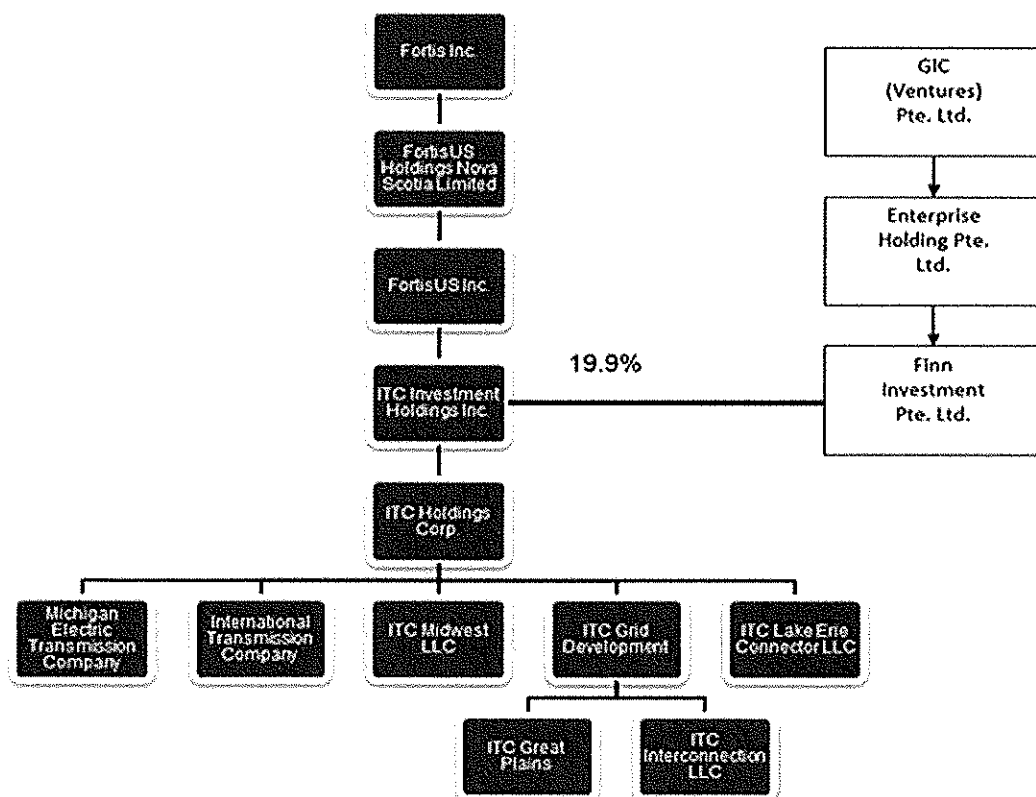
Come Now Fortis Inc. ("Fortis"), ITC Holdings Corp. ("ITC Holdings"), and ITC Midwest LLC ("ITC Midwest") ("Joint Applicants"), and the Staff of the Missouri Public Service Commission ("Staff")(collectively the "Signatories"), by and through their respective undersigned counsel, and pursuant to 4 CSR 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.¹

¹ 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.,² 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.

² 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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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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STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 14th day of September 2016.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

September 14, 2016

File/Case No. EM-2016-0212

**Missouri Public Service
Commission**

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



**Morris L. Woodruff
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.