

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office  
in Jefferson City on the 14<sup>th</sup>  
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 Necessity<sup>1</sup> 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-

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<sup>1</sup> 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")<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup>

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

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

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

<sup>4</sup> 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.<sup>5</sup>

While not a party to the *Stipulation and Agreement*, the Signatories state that the Office of the Public Counsel, a party in this matter,<sup>6</sup> 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,<sup>7</sup> 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

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<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> 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.<sup>8</sup> When evaluating the proposed merger, the Commission must determine if the merger is "not detrimental to the public interest."<sup>9</sup> 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.<sup>10</sup> Joint Applicants committed to FERC not to pledge or encumber ITC Midwest assets for the benefit of an associate company.<sup>11</sup>

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.

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<sup>8</sup> Section 393.190.1.

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

<sup>10</sup> *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.

<sup>11</sup> 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.