

Docket No: 16-0315
R.O.M.: 08/24/16
Deadline: 10/01/16

MEMORANDUM

TO: The Commission
FROM: Glennon P. Dolan, Administrative Law Judge
DATE: August 9, 2016
SUBJECT: Fortis Inc. and ITC Midwest, LLC

Application pursuant to Section 7-204 of the Public Utilities Act for authority to engage in a Reorganization, and for such other approvals as may be required under the Public Utilities Act to effectuate the Reorganization.

RECOMMENDATION: Enter Final Order approving the Reorganization.

I. PROCEDURAL HISTORY

On May 13, 2016, Fortis Inc. ("Fortis") and ITC Midwest, LLC ("ITC Midwest") (collectively, the "Joint Applicants") filed a verified Joint Application requesting that the Illinois Commerce Commission ("Commission") approve, pursuant to Sections 7-204 and 7-204A of the Illinois Public Utilities Act (the "Act"), a proposed reorganization (the "Reorganization") of ITC Midwest and ITC Holdings Corp. ("ITC Holdings"). The Joint Applicants also requested that the Commission make findings related to the Reorganization under Section 7-204(c) of the Act and authorize the Joint Applicants to take such other measures in connection with the Reorganization as may be reasonably necessary to effectuate the Reorganization. Petitions to Intervene were filed by Jo-Carroll Energy, Inc. (NFP) ("Jo-Carroll") and Finn Investment Pte. Ltd. ("Finn"). On July 25, 2016 an evidentiary hearing was held and the parties indicated that there were no issues in dispute. An Agreed Draft Proposed Order was filed by the Joint Applicants on July 29, 2016. The attached Order is similar to the Agreed Draft Proposed Order.

II. ISSUE

A. Whether the Reorganization of Fortis, Inc. and ITC Midwest, LLC should be approved.

Staff performed a thorough review and determined that the Reorganization of Fortis, Inc. and ITC Midwest, LLC should be approved with certain conditions. Jo-Carroll

Energy also signed a Joint Stipulation with the Joint Applicants. All of the conditions are attached to the Order as Appendix A.

Some of the agreed upon conditions include:

-Savings achieved as a result of the Reorganization, if any, should be treated in accordance with the applicable FERC and Commission ratemaking processes, and shall be flowed through to Illinois ratepayers as part of costs associated with the regulated operations for consideration in any future rate case involving the Joint Applicants under the jurisdiction of the Commission.

-The Joint Applicants shall not recover from customers any reorganization costs incurred in accomplishing the Reorganization in this or any future proceeding under the jurisdiction of the Commission.

-The Joint Applicants shall record goodwill and any reorganization costs, along with the related amortization or expense, below the line, by which the Joint Applicants mean, for the account of shareholders, and not allocable to the rates of the ITC transmission utilities, including ITC Midwest.

-For three (3) years from the effective date of the Reorganization, no voluntary workforce reductions, employee restructuring, or job elimination programs will be implemented by ITC Midwest in Illinois or at facilities in Iowa that house employees that provide service in Illinois.

-For one year from the effective date of the Reorganization, ITC Midwest will provide charitable contributions through the ITC Midwest Charitable Giving Program (and any other ITC Midwest community support program) within the communities in which it operates at a level in the aggregate that is no less than the levels currently provided by ITC Midwest. For three (3) years from the effective date of the Reorganization, with respect to the ITC Midwest Charitable Giving Program (and any other ITC Midwest community support program), Fortis Inc. will not restrict or in any way attempt to limit or control the discretion of the management of ITC Midwest and ITC Holdings over such programs.

III. CONCLUSION

I recommend that the Commission approve the Reorganization of Fortis, Inc. and ITC Midwest, LLC. The statutory deadline for this docket is eleven months from the initial filing on May 13, 2016 but the parties request Commission action no later than October 1, 2016.

GPD:fs