

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
STATEMENTS OF INCOME
(Unaudited)

<i>(In millions)</i>	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
REVENUES	\$ 169	\$ 164	\$ 327	\$ 318
OPERATING EXPENSES:				
Operation and maintenance expenses	28	21	50	41
Provision for depreciation	28	26	56	50
Amortization of regulatory assets, net	1	—	3	—
General taxes	43	38	85	75
Total operating expenses	100	85	194	166
OPERATING INCOME	69	79	133	152
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	—	—	1	—
Interest expense	(15)	(12)	(29)	(25)
Capitalized financing costs	4	2	7	4
Total other expense	(11)	(10)	(21)	(21)
INCOME BEFORE INCOME TAXES	58	69	112	131
INCOME TAXES	12	24	23	46
NET INCOME	\$ 46	\$ 45	\$ 89	\$ 85

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
BALANCE SHEETS
(Unaudited)

<i>(In millions)</i>	June 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Receivables-		
Affiliated companies	\$ 1	\$ 33
Other	34	29
Prepaid taxes and other	1	3
	<u>36</u>	<u>65</u>
UTILITY PLANT:		
In service	4,451	4,284
Less — Accumulated provision for depreciation	978	933
	<u>3,473</u>	<u>3,351</u>
Construction work in progress	187	160
	<u>3,660</u>	<u>3,511</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Property taxes	86	177
Other	7	7
	<u>93</u>	<u>184</u>
	<u>\$ 3,789</u>	<u>\$ 3,760</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Short-term borrowings - affiliated companies	\$ 40	\$ 113
Accounts payable - affiliated companies	6	15
Accrued taxes	163	155
Accrued interest	20	20
	<u>229</u>	<u>303</u>
CAPITALIZATION:		
Common stockholder's equity-		
Other paid-in capital	1,266	1,166
Retained earnings	437	348
Total common stockholder's equity	<u>1,703</u>	<u>1,514</u>
Long-term debt and other long-term obligations	1,090	1,090
	<u>2,793</u>	<u>2,604</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	386	368
Property taxes	86	177
Regulatory liabilities	259	271
Other	36	37
	<u>767</u>	<u>853</u>
	<u>\$ 3,789</u>	<u>\$ 3,760</u>

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(In millions)</i>	For the Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 89	\$ 85
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization of regulatory assets, net	60	50
Deferred income taxes and investment tax credits, net	15	53
Transmission revenue collections, net	16	(25)
Allowance for funds used during construction - equity	(5)	(3)
Changes in current assets and liabilities-		
Receivables	27	(1)
Prepaid taxes and other	2	—
Accounts payable	(9)	—
Accrued taxes	8	4
Other	(8)	(3)
Net cash provided from operating activities	195	160
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings, net	(73)	9
Equity contribution from parent	100	—
Common stock dividend payment	—	(10)
Net cash provided from (used for) financing activities	27	(1)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(205)	(200)
Loans to affiliated companies, net	—	62
Asset removal costs	(17)	(21)
Net cash used for investing activities	(222)	(159)
Net change in cash, cash equivalents and restricted cash	—	—
Cash, cash equivalents and restricted cash at beginning of period	—	—
Cash, cash equivalents and restricted cash at end of period	\$ —	\$ —