

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
STATEMENTS OF INCOME
(Unaudited)

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2018	2017
REVENUES	\$ 158	\$ 154
OPERATING EXPENSES:		
Operation and maintenance expenses	22	20
Provision for depreciation	28	24
Amortization of regulatory assets, net	2	—
General taxes	42	37
Total operating expenses	94	81
OPERATING INCOME	64	73
OTHER INCOME (EXPENSE):		
Miscellaneous income	1	—
Interest expense	(14)	(13)
Capitalized financing costs	3	2
Total other expense	(10)	(11)
INCOME BEFORE INCOME TAXES	54	62
INCOME TAXES	11	22
NET INCOME	\$ 43	\$ 40

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
BALANCE SHEETS
(Unaudited)

<i>(In millions)</i>	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Receivables-		
Affiliated companies	\$ 24	\$ 33
Other	33	29
Prepaid taxes and other	2	3
	<u>59</u>	<u>65</u>
UTILITY PLANT:		
In service	4,323	4,284
Less — Accumulated provision for depreciation	952	933
	<u>3,371</u>	<u>3,351</u>
Construction work in progress	216	160
	<u>3,587</u>	<u>3,511</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Property taxes	129	177
Other	7	7
	<u>136</u>	<u>184</u>
	<u>\$ 3,782</u>	<u>\$ 3,760</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Short-term borrowings - affiliated companies	\$ 82	\$ 113
Accounts payable - affiliated companies	3	15
Accrued taxes	169	155
Accrued interest	10	20
	<u>264</u>	<u>303</u>
CAPITALIZATION:		
Common stockholder's equity-		
Other paid-in capital	1,266	1,166
Retained earnings	391	348
Total common stockholder's equity	<u>1,657</u>	<u>1,514</u>
Long-term debt and other long-term obligations	1,090	1,090
	<u>2,747</u>	<u>2,604</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	376	368
Property taxes	86	177
Regulatory liabilities	272	271
Other	37	37
	<u>771</u>	<u>853</u>
	<u>\$ 3,782</u>	<u>\$ 3,760</u>

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

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 43	\$ 40
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization of regulatory assets, net	31	24
Deferred income taxes and investment tax credits, net	5	25
Transmission revenue collections, net	11	(7)
Allowance for funds used during construction - equity	(2)	(2)
Changes in current assets and liabilities-		
Receivables	5	(3)
Accounts payable	(12)	(1)
Accrued taxes	(30)	(31)
Accrued interest	(10)	(9)
Other	(2)	(1)
Net cash provided from operating activities	39	35
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings, net	(31)	11
Equity contribution from parent	100	—
Common stock dividend payment	—	(10)
Net cash provided from financing activities	69	1
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(99)	(89)
Loans to affiliated companies, net	—	62
Asset removal costs	(9)	(9)
Net cash used for investing activities	(108)	(36)
Net change in cash and cash equivalents and restricted cash	—	—
Cash and cash equivalents and restricted cash at beginning of period	—	—
Cash and cash equivalents and restricted cash at end of period	\$ —	\$ —