

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

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
STATEMENTS OF INCOME
(Unaudited)

<i>(In millions)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUES	\$ 168	\$ 167	\$ 495	\$ 485
OPERATING EXPENSES:				
Operation and maintenance expenses	28	26	78	67
Provision for depreciation	29	26	85	76
Amortization of regulatory assets, net	1	4	4	4
General taxes	43	40	128	115
Total operating expenses	101	96	295	262
OPERATING INCOME	67	71	200	223
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	—	—	1	—
Interest expense	(14)	(13)	(43)	(38)
Capitalized financing costs	4	4	11	8
Total other expense	(10)	(9)	(31)	(30)
INCOME BEFORE INCOME TAXES	57	62	169	193
INCOME TAXES	12	22	35	68
NET INCOME	\$ 45	\$ 40	\$ 134	\$ 125

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
BALANCE SHEETS
(Unaudited)

<i>(In millions)</i>	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Receivables-		
Affiliated companies	\$ —	\$ 33
Other	36	29
Notes receivable from affiliated companies	15	—
Prepaid taxes and other	4	3
	<u>55</u>	<u>65</u>
UTILITY PLANT:		
In service	4,502	4,284
Less — Accumulated provision for depreciation	995	933
	<u>3,507</u>	<u>3,351</u>
Construction work in progress	245	160
	<u>3,752</u>	<u>3,511</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Property taxes	43	177
Other	8	7
	<u>51</u>	<u>184</u>
	<u>\$ 3,858</u>	<u>\$ 3,760</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Short-term borrowings - affiliated companies	\$ —	\$ 113
Accounts payable - affiliated companies	5	15
Accrued taxes	173	155
Accrued interest	10	20
	<u>188</u>	<u>303</u>
CAPITALIZATION:		
Common stockholder's equity-		
Other paid-in capital	1,266	1,166
Retained earnings	482	348
Total common stockholder's equity	<u>1,748</u>	<u>1,514</u>
Long-term debt and other long-term obligations	1,190	1,090
	<u>2,938</u>	<u>2,604</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	414	368
Property taxes	—	177
Regulatory liabilities	283	271
Other	35	37
	<u>732</u>	<u>853</u>
	<u>\$ 3,858</u>	<u>\$ 3,760</u>

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

<i>(In millions)</i>	For the Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 134	\$ 125
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization of regulatory assets, net	90	80
Deferred income taxes and investment tax credits, net	58	79
Transmission revenue collections, net	22	(44)
Allowance for funds used during construction - equity	(8)	(6)
Changes in current assets and liabilities-		
Receivables	26	15
Prepaid taxes and other	(1)	(1)
Accounts payable	(10)	1
Accrued taxes	(25)	(19)
Accrued interest	(10)	(8)
Other	(8)	(4)
Net cash provided from operating activities	268	218
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing - long-term debt	100	150
Short-term borrowings, net	(113)	—
Equity contribution from parent	100	—
Common stock dividend payment	—	(10)
Other	(1)	(1)
Net cash provided from financing activities	86	139
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(316)	(324)
Loans to affiliated companies, net	(15)	52
Asset removal costs	(23)	(35)
Net cash used for investing activities	(354)	(307)
Net change in cash, cash equivalents and restricted cash	—	50
Cash, cash equivalents and restricted cash at beginning of period	—	—
Cash, cash equivalents and restricted cash at end of period	\$ —	\$ 50