

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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,	
	2019	2018	2019	2018
REVENUES	\$ 185	\$ 168	\$ 545	\$ 495
OPERATING EXPENSES:				
Other operating expenses	31	28	85	78
Provision for depreciation	32	29	95	85
Deferral of regulatory liabilities, net	1	1	5	4
General taxes	48	43	140	128
Total operating expenses	112	101	325	295
OPERATING INCOME	73	67	220	200
OTHER INCOME (EXPENSE):				
Miscellaneous income (expenses), net	(1)	—	—	1
Interest expense	(16)	(14)	(47)	(43)
Capitalized financing costs	5	4	11	11
Total other expense	(12)	(10)	(36)	(31)
INCOME BEFORE INCOME TAXES	61	57	184	169
INCOME TAXES	12	12	37	35
NET INCOME	\$ 49	\$ 45	\$ 147	\$ 134

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
BALANCE SHEETS
(Unaudited)

<i>(In millions)</i>	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Receivables-		
Affiliated companies	\$ —	\$ 11
Other	26	36
Notes receivable from affiliated companies	42	34
Prepaid taxes and other	3	3
	<u>71</u>	<u>84</u>
UTILITY PLANT:		
In service	4,922	4,640
Less — Accumulated provision for depreciation	1,092	1,022
	<u>3,830</u>	<u>3,618</u>
Construction work in progress	252	218
	<u>4,082</u>	<u>3,836</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Property taxes	47	196
Operating lease right-of-use asset-affiliated companies	412	—
Other	8	7
	<u>467</u>	<u>203</u>
	<u>\$ 4,620</u>	<u>\$ 4,123</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Accounts payable - affiliated companies	\$ 5	\$ 3
Accrued taxes	189	172
Accrued interest	14	21
Other current liabilities	8	—
	<u>216</u>	<u>196</u>
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, no par value, 850 shares authorized - 1 share outstanding	1,267	1,266
Retained earnings	656	509
Total common stockholder's equity	<u>1,923</u>	<u>1,775</u>
Long-term debt and other long-term obligations	1,290	1,190
	<u>3,213</u>	<u>2,965</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	478	441
Property taxes	—	196
Regulatory liabilities	264	282
Noncurrent operating lease obligation - affiliated companies	405	—
Other	44	43
	<u>1,191</u>	<u>962</u>
	<u>\$ 4,620</u>	<u>\$ 4,123</u>

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

<i>(In millions)</i>	For the Nine Months Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 147	\$ 134
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization of regulatory assets, net	105	90
Deferred income taxes and investment tax credits, net	30	58
Transmission revenue collections, net	8	22
Allowance for funds used during construction - equity	(8)	(8)
Changes in current assets and liabilities-		
Receivables	22	26
Prepaid taxes and other	—	(1)
Accounts payable	2	(10)
Accrued taxes	(31)	(25)
Accrued interest	(7)	(10)
Other	(5)	(8)
Net cash provided from operating activities	263	268
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing - long-term debt	100	100
Short-term borrowings - affiliated companies	—	(113)
Equity contribution from parent	—	100
Other	—	(1)
Net cash provided from financing activities	100	86
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(332)	(316)
Loans to affiliated companies, net	(8)	(15)
Asset removal costs	(23)	(23)
Net cash used for investing activities	(363)	(354)
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	\$ —	\$ —