

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of ITC Great Plains, LLC, and its)
Parent Company ITC Holdings Corp. Together)
with Fortis Inc. and its Subsidiaries, FortisUS)
Inc., ITC Investment Holdings Inc. and) Docket No. 17-ITCE-220-CPL
Element Acquisition Sub. Inc. Compliance)
Filing as Required By Commission Order)
Dated November 22, 2016 in Docket 16-ITCE-)
512-ACQ.)

COMPLIANCE FILING

ITC Great Plains, LLC, on behalf of itself and its parent companies ITC Holdings Corp. ("ITC Holdings"), FortisUS Inc., and Fortis Inc. (collectively, "Joint Applicants") hereby file this Compliance Filing in accordance with the October 11, 2016 Order Approving the Transaction with Conditions ("Order") issued by the Kansas Corporation Commission ("KCC" or "Commission") in Docket No. 16-ITCE-512-ACQ. The Order approved Fortis Inc.'s acquisition of ITC Holdings (the "Transaction") subject to certain conditions contained in Exhibit A attached thereto. Condition No. 3 provided:

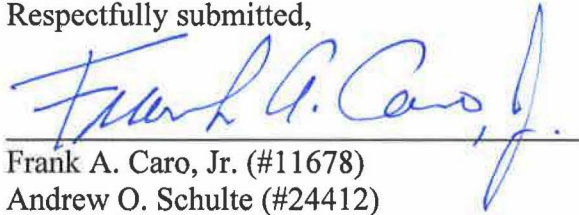
The Joint Applicants shall file the final accounting entries for the Transaction, showing the actual dollar values of all involved accounts, as a compliance filing in either Docket No. 16-ITCE-512-ACQ, or a compliance Docket established at the time of a final Order in this proceeding, within sixty (60) days of the effective date of the closing of the Transaction. If the Transaction closing has not occurred within six months of the Final Order in this proceeding, the Joint Applicants shall file a status report at six month intervals until the journal entries are filed with the Commission.¹

As previously reported to the Commission, the Transaction closed on October 14, 2016. On November 22, 2016, the Commission closed Docket No. 16-ITCE-512-ACQ and opened a

¹ Docket No. 16-ITCE-512-ACQ, Order Approving the Transaction with Conditions, Oct. 11, 2016, Attached Exhibit A, Conditions for Kansas Corporation Commission Approval of Transaction, ¶ 3.

compliance docket, which was designated as Docket No. 17-ITCE-220-CPL. Attached as Exhibit I hereto, the Report on Final Accounting Entries, is filed in compliance with Condition No. 3 of the Order.

Respectfully submitted,

A handwritten signature in blue ink, reading "Frank A. Caro, Jr.", is written over a horizontal line.

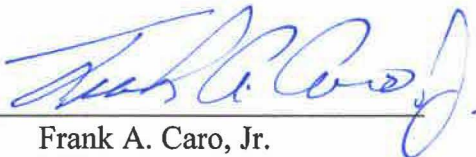
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ATTORNEYS FOR JOINT APPLICANTS

VERIFICATION

STATE OF Missouri)
) ss.
COUNTY OF Jackson)

I, Frank A. Caro, Jr., being duly sworn, on oath state that I am counsel to Joint Applicants, that I have read the foregoing pleading and know the contents thereof, and that the facts set forth therein are true and correct to the best of my knowledge and belief.

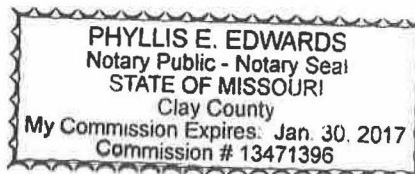
By: 
Frank A. Caro, Jr.

The foregoing pleading was subscribed and sworn to before me this December 9th, 2016.


Notary Public

My Commission Expires:

1-30-17



CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above and foregoing pleading has been X emailed, faxed, hand-delivered and/or mailed, First Class, postage prepaid, this December 9, 2016, to:

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A handwritten signature in blue ink, appearing to read "Mark A. Canfield", is written over a horizontal line.

**Joint Applicants Compliance Filing for Condition No. 3
Report on Final Accounting Entries**

Docket No. 16-ITCE-512-ACQ, Conditions for Kansas Corporation Commission Approval of Transaction, Condition No. 3:

The Joint Applicants shall file the final accounting entries for the Transaction, showing the actual dollar values of all involved accounts, as a compliance filing in either Docket No. 16-ITCE-512-ACQ, or a compliance Docket established at the time of a final Order in this proceeding, within sixty (60) days of the effective date of the closing of the Transaction. If the Transaction closing has not occurred within six months of the Final Order in this proceeding, the Joint Applicants shall file a status report at six month intervals until the journal entries are filed with the Commission.

Response:

In compliance with Condition No. 3, Joint Applicants note that the Transaction closed on October 14, 2016.

The following Journal Entries are prepared as at September 30, 2016, being the end of the closest financial reporting period to the closing date.

The corresponding Fortis Inc. Unaudited Pro Forma Condensed Consolidated Financial Information as of September 30, 2016, being Schedule C of the Business Acquisition Report filed with Canadian securities regulators on November 23, 2016 in relation to the completion of the Reorganization, can be accessed on the System for Electronic Document Analysis and Retrieval (SEDAR) at:

<http://www.sedar.com/DisplayProfile.do?lang=EN&issuerType=03&issuerNo=00001917>

JOURNAL ENTRIES

The journal entries that follow are as at September 30, 2016 which reflects the most recently completed external financial reporting period for Fortis Inc. Underlying US dollar amounts have been translated at the closing exchange rate on that date which was US\$1 = CAD\$1.3117.

Journal Entry 1 - To Record the Acquisition of ITC Holdings Corp.

The following journal entry summarizes the acquisition of ITC Holdings Corp. by Fortis Inc. through FortisUS Inc. and ITC Investment Holdings Inc.

	Notes	US\$ Millions		CAD\$ Millions	
		Debit	Credit	Debit	Credit
Investment in ITC Holdings Corp.	1	7,901		10,364	
Retained Earnings	2	68		89	
Non-Controlling Interest	3		1,019		1,336
Debt - Shareholder Loan	3		1,000		1,312
Fortis Common Stock	4		3,572		4,685
Debt - External	5		2,413		3,166
Deferred Income Taxes	2	35		46	
		<u>8,004</u>	<u>8,004</u>	<u>10,499</u>	<u>10,499</u>

Journal Entry 2 - To Consolidate ITC Holdings Corp. with Fortis Inc.

The consolidation of the financial statements of ITC Holdings Corp. with those of Fortis Inc. will require that certain items in the financial statements of ITC be reclassified to conform with the presentation utilized by Fortis in its financial statements. These are explained in Note 3(j) to the pro forma financial statements. For example, ITC commercial paper classified on ITC's balance sheet as "Debt Maturing Within One Year" will be reclassified as "Short Term Borrowings". The consolidation journal entry that follows excludes such reclassifications for simplicity as they are not germane to the basic accounting for the purchase price equation.

	Notes	CAD\$ Millions	
		Debit	Credit
Goodwill	6	8,328	1,246
ITC Common Stock	7	1,114	
ITC Retained Earnings	7	1,272	
ITC Accumulated Other Comprehensive Income	7		4
ITC Debt	8		252
ITC Deferred Income Taxes	8	101	
Investment in ITC Holdings Corp.	1		10,364
Debt – Shareholder Loan	3	1,051	
		<u>11,866</u>	<u>11,866</u>

The following is a condensed journal entry that combines journal entries 1 and 2 above into a single entry.

Summary Journal Entry

	Notes	CAD\$ Millions	
		Debit	Credit
Goodwill	1	8,328	
ITC Net Assets	1	985	
Retained Earnings	2	89	
Non-Controlling Interest	3		1,336
Debt - Shareholder Loan	3		261
Fortis Common Stock	4		4,685
Debt – External	5		3,166
Deferred Income Taxes	2	46	
		<u>9,448</u>	<u>9,448</u>

- 1 The purchase price for 100% of the common equity of ITC is \$9,313 million. The calculation of this amount is shown in Note 3(a) to the pro forma financial statements. The accounting allocation is shown in Note 3(b) to the pro forma financial statements (goodwill \$8,328 million and fair value of ITC net assets \$985 million). The amount of \$10,364 million above is composed of the purchase price of \$9,313 million plus a Fortis shareholder loan of \$1,051 million, which shareholder loan is eliminated upon consolidation as shown in journal entry 2.
- 2 This is the estimated transaction costs of \$149 million less: (i) a \$46 million tax shield therefrom; and (ii) the minority investor's net-of-tax share of \$14 million. See Note 3(d) to the pro forma financial statements. The \$149 million amount is also shown in Note 3(a) to the pro forma financial statements.
- 3 This is the minority partner's net investment and shareholder loan. See Notes 2, 3(a), 3(d) and 3(f) to the pro forma financial statements. The amount of \$1,336 million is composed of the total cash investment of \$1,611 million by the minority shareholder less: (i) the minority shareholder loan of \$261 million, and (ii) the minority investor's share of the net-of-tax estimated transaction costs of \$14 million. The total shareholder loan of \$1,312 million is composed of \$261 million (19.9%) attributable to the minority investor and \$1,051 million (80.1%) attributable to Fortis, with the latter eliminated upon consolidation as shown in journal entry 2.
- 4 This is the value of the Fortis common stock issued in connection with the acquisition. See Notes 2 and 3(a) to the pro forma financial statements.
- 5 This is the external debt issued in connection with the acquisition (total debt \$3,184 million net of issue costs of \$18 million). See Notes 3(a) and 3(c) to the pro forma financial statements.
- 6 This represents the estimated goodwill arising from the transaction of \$8,328 million and the removal from ITC's books of its pre-acquisition goodwill of \$1,246 million. See Note 3(b) to the pro forma financial statements.

- 7 This represents the elimination of ITC's shareholders' equity upon consolidation. See the pro forma balance sheet.
- 8 This represents the adjustment of ITC's debt to estimated fair value. See Note 3(b) to the pro forma financial statements.