

**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., TC 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 ("ITC Great Plains"), on behalf of itself and its parent companies ITC Holdings Corp. ("ITC Holdings" or "ITC"), FortisUS Inc., and Fortis Inc. (collectively, "Joint Applicants"), hereby files 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. 13 provided:

For three (3) years from the effective date of the closing of the Transaction, ITC Great Plains will make an annual filing in Docket No. 16-ITCE-512-ACQ or a compliance Docket that is established as a result of the final Commission Order in this proceeding. This filing shall include a report as to compliance with the conditions imposed by the Commission Order approving the Transaction.<sup>1</sup>

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 compliance docket, which was designated as Docket No. 17-ITCE-220-CPL. Joint

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<sup>1</sup> 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.

Applicants filed their first annual compliance filing on October 13, 2017, and their second annual compliance filing on October 11, 2018. Herewith, Joint Applications provide their third and final annual report as to compliance with the 12 substantive conditions imposed by the Commission's Order approving the Transaction.

**1. Neither the Joint Applicants nor any of their affiliates shall recover from customers directly or indirectly, any costs incurred associated with this Transaction in this or any future rate proceeding.**

The Federal Energy Regulatory Commission ("FERC") has jurisdiction over the rates for transmission services provided by ITC operating companies. ITC Holdings has established rigorous controls and procedures for all of its operating companies, including ITC Great Plains, to record and track all Transaction-related costs (including transition costs) that are subject to Joint Applicants' hold harmless commitments made before FERC in Docket No. EC16-110-000, to ensure that such costs are never recovered from customers. Specifically, ITC's policies, processes, formal training and communications, and informal communications all support the appropriate identification and recording of costs relating to pursuing and consummating a merger transaction. Joint Applicants have formally committed to FERC that ITC Holdings and its operating companies will not, at any time, seek to recover Transaction-related costs through any subsequent filing under Section 205 of the Federal Power Act.

The overarching method used to track and record these activities is the use of a workorder system. ITC Great Plains employees are required to use workorders on vendor invoices, time sheets, and business expense reports. This requirement is communicated to employees through ITC Holdings' policies, training and other formal communications. All invoices, time sheets, and business expense reports must be approved by ITC Great Plains

supervisory personnel, who review the appropriateness of the use of workorders. ITC Great Plains personnel have been trained on the requirements and importance of using workorders. In addition to these formal processes, ITC Holdings and its affiliates have implemented additional monitoring and review controls for invoices, time sheets and business expense reports to ensure compliance with the workorder system. All of these controls ensure that ITC is able to identify, track, and exclude all Transaction-related costs from the rates charged by its operating companies, including ITC Great Plains.

Consistent with the protocols contained in Attachment H, Addendum 9 of the Southwest Power Pool Open Access Transmission Tariff, ITC Great Plains provides opportunities each year for customers and interested parties, including the Commission, to review ITC Great Plains' projected transmission formula rate, and the subsequent true-up adjustment thereof. This allows any interested party to verify that ITC Great Plains' transmission rate does not recover any costs associated with the Transaction. Joint Applicants are also subject to auditing by FERC of compliance with its hold-harmless commitments.

- 2. Neither (a) the greater of either goodwill or acquisition premium nor (b) any of the debt financing associated with funding this Transaction will be recorded on the books of any direct or indirect subsidiary of ITC Holdings, including ITC Great Plains, nor on the books of ITC Holdings in a manner that would negatively affect the financial condition of any direct or indirect subsidiary of ITC Holdings, including ITC Great Plains. Additionally, any transaction or transition costs associated with the Transaction, along with any related amortization or expense, will be recorded below the line, taken to mean that these costs will be recovered from shareholders and are not recoverable through the rates of any direct or indirect subsidiary of ITC Holdings, including ITC Great Plains.**

Neither the greater of either goodwill or acquisition premium nor any of the debt financing associated with funding this Transaction have been recorded on the books of any direct or indirect subsidiary of ITC Holdings, including ITC Great Plains, nor on the books

of ITC Holdings in a manner that would negatively affect the financial condition of any direct or indirect subsidiary of ITC Holdings, including ITC Great Plains.

As described in response to Condition #1 above, ITC Great Plains maintains robust controls and procedures to ensure that any Transaction-related costs (including transition costs), along with any related amortization or expense, are identified for exclusion from recovery from ITC Great Plains' customers.

- 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.**

Joint Applicants have made the required filing on December 9, 2016, in the instant docket.

- 4. For three (3) years from the effective date of the closing of the Transaction, no voluntary workforce reductions, employee restructuring, or job elimination programs will be implemented by ITC Great Plains in Kansas. This condition shall be taken to mean that the aggregate level of employment by ITC Great Plains in Kansas shall not be reduced by ITC Great Plains from the level in effect before the effective date of the Transaction.**

ITC Great Plains has not implemented any voluntary workforce reductions, employee restructuring, or job elimination programs in Kansas. ITC Great Plains' currently maintains the same aggregate level of Kansas-based full-time positions that it did prior to the effective date of the Transaction.

- 5. For three (3) years from the effective date of the closing of the Transaction, ITC Great Plains will provide charitable contributions and community support in the communities in Kansas at a level comparable in the aggregate to the levels currently provided by the ITC Holdings and ITC Great Plains. Thereafter, Fortis Inc. will not restrict or in any way attempt to limit or control the discretion of the management of ITC Great Plains and ITC Holdings over such programs.**

ITC Great Plains has budgeted \$115,000 in charitable contributions for its combined Kansas and Oklahoma operations in 2019, over half of which will be spent in Kansas. This exceeds the amount that was budgeted and spent by ITC Great Plains in each of 2016 and 2017, and is equal to the amount that was budgeted and spent in 2018. ITC Great Plains also projects to exceed its previous year annual expenditures for community sponsorships and civic association memberships in Kansas in 2019.

- 6. For five (5) years from the effective date of the closing of the Transaction, ITC Great Plains will maintain its headquarters in Topeka, Kansas. For an additional five (5) years thereafter, ITC Great Plains will keep its headquarters in Kansas, and will notify the Commission prior to any relocation outside of Topeka, Kansas.**

ITC Great Plains' headquarters remains at its pre-Transaction location, 3500 SW Fairlawn Rd, Topeka, KS 66614. ITC Great Plains has no plans to relocate its headquarters.

- 7. Consistent with the Joint Applicants' hold harmless commitment made in FERC Docket No. EC16-110, neither ITC Great Plains nor any other ITC or Fortis-affiliated entity will, at any time, seek to recover any acquisition premium, goodwill, or transaction costs associated with consummating the Transaction (including transition costs), through FERC or any other federal or state regulatory proceeding.**

Joint Applicants have not sought to recover any acquisition premium, goodwill, or transaction costs associated with consummating the Transaction (including transition costs), through FERC or any other federal or state regulatory proceeding. As described in response to Condition #1 above, ITC Holdings maintains robust controls and procedures to ensure that any and all costs associated with the Transaction are identified for exclusion from recovery from customers of ITC Holdings' operating companies, including ITC Great Plains.

- 8. It is Fortis' policy that a subsidiary operating utility company such as ITC Great Plains will maintain both standalone credit facilities and senior long-term debt instruments and will not be made responsible for any debt or other obligations of**

**its parent or affiliate companies, and this policy is consistent with applicable federal law and FERC regulations. Fortis has no plans to change that policy, and will not seek to change its policy for five (5) years from the effective date of the closing of the Transaction and during such time ITC Great Plains will continue to maintain both standalone credit facilities and senior long-term debt instruments, and will not make loans under its financing arrangements to Fortis or its affiliates or guarantee any debt of Fortis or its affiliates. If at any time thereafter Fortis or ITC Great Plains wishes to change this important financial condition, it must state its intent to do so in a filing with the Kansas Corporation Commission.**

ITC Great Plains continues to maintain standalone credit facilities and senior long-term debt instruments. On October 23, 2017, ITC Great Plains executed a \$75 million revolving credit facility agreement for which it had received authorization from FERC in Docket No. ES17-19-000. ITC Great Plains will obtain similar approval from FERC for its own standalone future long-term debt issuances as needed. Consistent with applicable federal law and FERC regulations, ITC Great Plains has not assumed responsibility for any debt or other obligations of its parent or affiliate companies. Joint Applicants have no plans to change any aspect of this policy.

- 9. Neither Joint Applicants nor any of their affiliates will at any time attempt to circumvent any condition contained herein or any commitment made in this docket or FERC Docket No. EC 16-110 through any action at FERC or another state or federal regulatory body or state or federal court.**

Neither Joint Applicants nor any of their affiliates have made any attempt to circumvent any condition contained in the Order, nor any commitment made in KCC Docket No. 16-ITCE-512-ACQ or FERC Docket No. EC16-110-000 through any action at FERC or any other forum.

- 10. For five (5) years following the effective date of the closing of the Transaction, in the event that ITC Great Plains makes any substantial change in its primary operating and maintenance contracts which may have a substantial effect on the safety and reliability of its Transmission assets in the state of Kansas, including but not limited to a substantial change in its operation and maintenance contracts currently in effect for its Kansas transmission assets, ITC Great Plains shall make a filing with the Commission 30 days in advance of the changed contract (in either**

**Docket No. 16-ITCE-512-ACQ or a compliance Docket established as a result of the final Commission Order in this proceeding). This filing shall include a description of the change, the rationale for the change (including the business or economic rationale for the change), whether the change is expected to impact service quality, safety, or reliability of ITC Great Plains' transmission operations in the State and all appropriate support for each of the above claims. For greater certainty, no such filings will be required where ITC Great Plains (and/or its primary contractor) routinely updates maintenance and operations practices in the normal course of business, as it currently does, to fully comply with all applicable standards for safety and security as they are issued by NERC or other regulatory bodies. Nothing herein shall restrict the right of ITC Great Plains to designate information as confidential under the applicable provisions of K.S.A. 66-1220a and K.A.R. 82-1-221 a.**

ITC Great Plains has not made any substantial change to any of its primary operating and maintenance contracts for its Kansas assets.

**11. The Commission should explicitly state that Fortis has committed to provide equity capital injections as needed for maintaining the financial integrity of ITC Great Plains such that ITC Great Plains is capable of maintaining an investment-grade credit rating.**

Fortis remains committed to provide equity capital injections as needed to maintain the financial integrity of ITC Great Plains. As of this filing, ITC Great Plains has not required any such capital injections in order to maintain an investment-grade credit rating.

**12. In the event that ITC Great Plains, Fortis, or any Fortis affiliate from which ITC Great Plains receives financing (including equity capital) should have its corporate credit rating downgraded as determined by Standard and Poor's (S&P) or Moody's to below BBB- or Baa3, respectively, ITC Great Plains commits to file the following:**

**1. Notice with the Commission within five (5) business days of the downgrade;**

**2. A Pleading with the Commission within 60-days which shall include the following:**

**a. A plan identifying all reasonable steps, taking into account the costs, benefits, and expected outcomes of such actions, that will be taken to restore and maintain a S&P BBB- or Moody's Baa3 or above credit rating for ITC Great Plains, Fortis, or the financing affiliate. If ITC Great Plains' plan does not involve taking the steps to restore and maintain a S&P BBB- or Moody's Baa3 or above credit rating, for**

**ITC Great Plains, Fortis, or any financing affiliate, then ITC Great Plains shall comprehensively state why it believes the steps necessary to produce that result are not reasonable or necessary in order for it to continue to provide efficient and sufficient service in Kansas. Thereafter, until ITC Great Plains, Fortis, and/or the financing affiliate have regained a corporate credit rating of BBB- or Baa3 or above, ITC Great Plains shall file a status report with the Commission every 60-days detailing the steps it is taking to restore its investment grade credit rating, and support that its ability to provide efficient and sufficient service has not been detrimentally affected by a corporate credit rating below investment grade.**

ITC Great Plains is presently rated A1 by S&P, and A by Moody's.

Respectfully Submitted,

/s/ Andrew O. Schulte

Frank A. Caro, Jr. (KS Bar #11678)

Andrew O. Schulte (KS Bar #24412)

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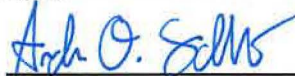
October 14, 2019



**VERIFICATION**

STATE OF MISSOURI                    )  
  ) SS.  
COUNTY OF JACKSON                )

Andrew O. Schulte, being first duly sworn upon his oath, deposes and states that he is Counsel for ITC Great Plains, LLC ("ITC Great Plains"), on behalf of itself and its parent companies ITC Holdings Corp. ("ITC Holdings" or "ITC"), FortisUS Inc., and Fortis Inc. (collectively, "Joint Applicants"), that he has read and is familiar with the foregoing and that the statements therein are true to the best of his knowledge, information and belief.



Andrew O. Schulte

Subscribed and sworn to before me this 14<sup>th</sup> day of October, 2019.



**KIM SARTAIN**  
**NOTARY PUBLIC-NOTARY SEAL**  
**STATE OF MISSOURI**  
**JACKSON COUNTY**  
**MY COMMISSION EXPIRES 3/24/2023**  
**COMMISSION # 15424786**

## **CERTIFICATE OF SERVICE**

I, the undersigned, hereby certify that a true and correct copy of the above and forgoing was emailed, this 14th day of October, 2019, to:

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