

SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-27958; 70-10289)

April 11, 2005

Order Authorizing Additional Financing; Reserving Jurisdiction

American Transmission Company LLC, et al. (70-10289)

American Transmission Company LLC (“ATC”), an electric transmission public-utility company under the Act, ATC Management Inc. (“ATCMI”), a public-utility company and a public-utility holding company exempt from registration under section 3(a)(1) of the Public Utility Holding Company Act of 1935, as amended (“Act”), by rule 2, both located in Waukesha, WI, and Alliant Energy Corporation (“Alliant”), a registered public-utility holding company and an indirect, partial owner of ATC and ATCMI, located in Madison, WI (together, “Applicants”), have filed an application-declaration, as amended (“Application”), with the U.S. Securities and Exchange Commission (“Commission”) under sections 6(a) and 7 of the Act and rule 54. The Commission issued a notice of the Application on March 11, 2005. The Commission has not received any request for a hearing.

Applicants seek up to \$100 million in additional financing authority for ATC to refinance or redeem short-term debt securities previously issued and for other general corporate purposes, in addition to Applicants’ current financing authority under the Commission’s July 1, 2004 order (“Omnibus Financing Order”),¹ in an aggregate amount not to exceed \$810 million at any one time outstanding, provided that the aggregate

¹ American Transmission Company, et al., Holding Co. Act Release No. 27871.

amount of short-term debt issued will not exceed \$200 million at any one time outstanding.

I. Background

ATC is an electric transmission company, organized as a limited liability company under Wisconsin law, with its sole purpose to plan, construct, operate, maintain and expand transmission facilities, to provide adequate and reliable transmission services and to support effective competition in energy markets. ATC was formed after the State of Wisconsin enacted legislation in 1999, encouraging, among other things, formation of for-profit transmission companies (“Transco Legislation”).² ATC is operated and managed by ATCMI, a Wisconsin corporation that also owns a nominal interest in ATC.³

ATC was formed, in January 2001, by five public-utility holding companies (or certain of their subsidiaries)⁴ with service areas in Wisconsin and adjacent areas in

² See generally, Alliant Energy Corporation, et al., Holding Co. Act Release No. 27331 (Dec. 29, 2000). Applicants state that ATC is obliged, under the Transco Legislation, to construct, operate, maintain and expand its transmission facilities to provide adequate, reliable transmission service under an open-access transmission tariff. Applicants further state that ATC offers certain key benefits to its owners, *i.e.*, the elimination of rate “pancaking” among ATC members’ transmission systems; one-stop shopping for transmission and wholesale distribution service over multiple transmission systems; the reduction of operational barriers within the ATC service area; and the transfer of ownership of the transmission assets from vertically integrated utilities that will facilitate functional unbundling, among other things. Applicants state also that, effective February 1, 2002, ATC transferred operational control of its facilities to the Midwest Independent Transmission System Operator, Inc.

³ ATC, as a Wisconsin limited liability company, may elect to be “member-managed” or “manager-managed” and ATC elected to be managed by ATCMI. Applicants state that ATCMI is structured as a corporation, rather than a limited liability company, to facilitate access to the public markets, including any potential public offering of ATCMI.

⁴ Of the five companies, four are investor-owned companies and they (either directly or through subsidiaries) transferred ownership and operation of their transmission assets to ATC in exchange for an ownership interest. The fifth, Wisconsin Public Power Inc. (“WPPI”), a Wisconsin municipal electric company, contributed cash in exchange for an equity interest in ATC proportional to its members’ load ratio share in Wisconsin.

Illinois and Michigan. The five initial members were (1) Alliant (through its subsidiaries Wisconsin Power and Light Company (“WPL”) and South Beloit Water, Gas and Electric Company (“South Beloit”)),⁵ (2) Wisconsin Energy Corp. (through its subsidiaries Wisconsin Electric Power Company and Edison Sault Electric Company),⁶ (3) Madison Gas and Electric Company,⁷ (4) WPS Resources Corporation (through its subsidiary Wisconsin Public Service Corp.),⁸ and (5) WPPI.⁹ By December 31, 2003, ATC had 21 additional investors.¹⁰

Applicants’ proposal, as noted above, is for certain financing authority of up to \$100 million in addition to a previous authorization given by the Omnibus Financing Order, in which the Commission authorized, generally, the following financing transactions through June 30, 2005 (“Authorization Period”):¹¹

⁵ See Alliant Energy Corp., note 2 above. WPL and South Beloit are both subsidiary companies of Alliant. WPL contributed transmission assets to ATC, but member units were issued for the assets to WPL’s subsidiary, WPL Transco LLC.

⁶ Wisconsin Energy Corp., Holding Co. Act Release No. 27329 (Dec. 28, 2000). Wisconsin Energy Corp., dba We Energies, is an exempt holding company under the Act.

⁷ Madison Gas and Electric Co., Holding Co. Act Release No. 27326 (Dec. 28, 2000). Madison Gas and Electric Company is a public-utility company and an exempt holding company under the Act.

⁸ WPS Resources Corporation, Holding Co. Act Release No. 27330 (Dec. 28, 2000). Wisconsin Public Service Corporation (“WPS”) is an exempt public-utility company under the Act and a subsidiary of WPS Resources Corporation, an exempt holding company under the Act. WPS contributed transmission assets to ATC, but member units were issued for the assets to WPS Investments, LLC.

⁹ Wisconsin Public Power Inc. is not subject to regulation by reason of section 2(c) of the Act.

¹⁰ Eighteen more contributors invested transmission assets and/or cash in ATC (including twelve municipal utilities, four cooperatives, one public power entity and one investor-owned utility) in June 2001. Two members joined ATC on December 31, 2002, and a third member joined on December 31, 2003.

¹¹ See note 1 above.

- (i) ATC to issue debt securities in an aggregate amount not to exceed \$710 million at any one time outstanding during the Authorization Period, provided that the aggregate amount of short-term debt issued pursuant to the requested authority will not exceed \$200 million at any one time outstanding during the Authorization Period;
- (ii) ATC to issue member interests and ATCMI to issue equity interests and preferred securities in an aggregate amount of \$500 million at any one time outstanding during the Authorization Period, provided that the aggregate amount of member interests and Class A and Class B shares outstanding at any one time during the Authorization Period will not exceed \$393 million plus the value at that time of the member interests and Class A and Class B shares outstanding as of the date of the Omnibus Financing Order;
- (iii) ATC and ATCMI to provide guarantees and other credit support in an aggregate amount not to exceed \$125 million outstanding at any one time during the Authorization Period;
- (iv) ATC and ATCMI to enter into various interest rate hedging transactions; and
- (v) ATC and ATCMI to undertake transactions to extend the terms of or replace, refund or refinance existing obligations, as well as the issuance of new obligations in exchange for existing obligations.

II. The Current Financing Proposal

Applicants now seek up to \$100 million in additional authority for ATC in an aggregate amount not to exceed \$810 million in long-term debt securities at any one time outstanding, provided that the aggregate amount of short-term debt issued will not exceed \$200 million at any one time outstanding. Applicants state that the proceeds from the sale of securities in the proposed external financing transactions will be used for the refinancing or redemption of short-term debt securities previously issued by ATC and other general corporate purposes. Applicants also propose that this additional authorization will be subject to the restrictions specified in the Omnibus Financing Order.¹² Further, Applicants represent that ATCMI and ATC each has and will maintain

¹² See note 1 above. Applicants state, among other things: (i) the maturity of long-term debt will not exceed fifty years; (ii) any debt security issued will have the designation, aggregate principal amount, interest rate(s) (or methods of determining interest rates),

common equity of at least 30% of its consolidated capitalization (common equity, preferred stock, long-term and short-term debt).¹³ Applicants further represent that no security may be issued in reliance upon the requested order, unless: (i) the security to be issued, if rated, is rated investment grade; (ii) all outstanding rated securities of the issuer are rated investment grade; and (iii) all outstanding rated securities of ATCMI are rated investment grade. Applicants state that ATC will notify the Commission within five (5) business days of becoming aware of any downgrade in the securities of any registered holding company in the Alliant system and that the notice shall include a statement of whether the downgrade will affect ATC's access to capital markets. ATC is not a wholly-owned subsidiary of Alliant. Applicants state that, unlike other subsidiaries of registered holding companies, ATC is only partially owned by Alliant and has a number of other equity investors that each hold over 10% of ATC and ATCMI. Applicants further state that ATC finances on its own balance sheet without credit support from Alliant or any other upstream owners and that ATC maintains an arm's length relationship with Alliant and is not privy to any "inside" information. Applicants state that all information regarding Alliant in this Application comes from Alliant's public

terms of payment of interest, collateral, redemption provisions, non-refunding provisions, sinking fund terms, conversion or put terms and other terms and conditions as ATC might determine at the time of issuance, provided that, in no event, however, will the interest rate on long-term debt exceed 500 basis points over the yield-to-maturity of a U.S. Treasury security having a remaining term approximately equal to the average life of the debt; and (iii) the underwriting fees, commissions or other similar remuneration paid in connection with the non-competitive issue, sale or distribution of securities under this Application will not exceed 7% of the principal or total amount of the securities being issued.

¹³ Applicants state that ATC had a common equity ratio of 51.4% as of December 31, 2004, and that ATCMI does not have any debt outstanding and, thus, has a common equity ratio of 100%.

filings. For purposes of this condition (“Investment Grade Condition”), a security will be considered rated investment grade if it is rated investment grade by at least one nationally recognized statistical rating organization, as that term is used in paragraphs (c)(2)(vi)(E), (F) and (H) of rule 15c3-1 under the Securities Exchange Act of 1934. Applicants request that the Commission reserve jurisdiction over the issuance by ATC of any securities that are rated below investment grade. Applicants further request that the Commission reserve jurisdiction over the issuance of any guarantee or other securities at any time that the conditions set forth in clauses (i) through (iii) above are not satisfied.

In addition, rule 54 requires that, in the Commission’s determination whether to approve certain transactions, other than those involving exempt wholesale generators (“EWGs”) or foreign utility companies (“FUCOs”), if rule 53(a), (b) and (c) are satisfied, the Commission will not consider the effect of the capitalization or earnings of any subsidiary which is an EWG or a FUCO upon the registered holding company. Applicants state that, except for rule 53(a)(1), all of the conditions of rule 53 are satisfied,¹⁴ although ATC itself does not have any investments in EWGs and FUCOs.

With respect to rule 53(a)(1), ATC states that Alliant meets the requirements of the order by which the Commission authorized its EWG and FUCO investments, based on the most recent public information available to ATC.¹⁵ Under the circumstances that

¹⁴ Alliant Energy satisfies all of the other conditions of rule 53(a) and (b).

¹⁵ We note that ATC and ATCMI have stated that they must rely on public information provided by Alliant and that they have provided the Commission with the most current public information available to them in this regard. On December 28, 2004, the Commission noted in its most Alliant recent financing authorization order that Alliant had stated that, as of September 30, 2004, Alliant’s reported “aggregate investment,” as defined in rule 53(a)(1), in EWGs and FUCOs was approximately \$549.6 million, or approximately 65.6% of Alliant’s average “consolidated retained earnings,” also as defined in rule 53(a)(1), of \$838.2 million for the four quarters ended September 30,

ATC operates independently of Alliant and that Alliant is not guaranteeing the proposed transactions, we do not believe that the proposals should have an impact on Alliant's consolidated capitalization.¹⁶

Applicants state that no state or federal regulator, other than this Commission, has jurisdiction over the proposed transactions. Fee, commissions and expenses have been incurred in the amount of \$25,000 in connection with the proposed transactions.

Due notice of the filing of the Application has been given in the manner prescribed by rule 23 under the Act, and no hearing has been requested of or ordered by the Commission. Based on the facts in the record, the Commission finds that except with respect to those matters over which jurisdiction has been reserved, the applicable standards of the Act are satisfied and that no adverse findings are necessary.

IT IS ORDERED, under the applicable provisions of the Act and rules under the Act, that, except as to those matters over which jurisdiction is reserved, the Application

2004. This 65.6% is within the 100% of Alliant Energy's average "consolidated retained earnings" amount that the Commission permitted Alliant for its EWG- and FUCO- "aggregate investments" by its October 3, 2001 order (Holding Co. Act Release No. 27448) ("October 2001 Order"). With regard to capitalization, since the October 2001 Order, Alliant noted that it had experienced an increase in its common equity, which was 48.6% as of September 30, 2004. Alliant also noted that, in the two fiscal years ending after the issuance of the October 2001 Order, it experienced a modest increase in losses from its portfolio of EWGs and FUCOs (due in part to unexpectedly large losses in its Brazilian investments in 2002, primarily from currency translation rates and electricity rationing, also noting that since then energy demand has increased and several rate increases have been approved). It was also noted that, in fiscal year 2003, Alliant's share of income was approximately \$3.8 million (excluding gain from a sale of Australian FUCO investments).

¹⁶ Were the Commission to consider including capitalization of and earnings from Alliant's EWGs and FUCOs, there appears to be no basis for withholding approval as Applicants have stated that the transactions are to be based on ATC's credit, without regard or recourse to upstream Alliant entities.

be granted and permitted to become effective immediately, subject to the terms and conditions prescribed in rule 24.

IT IS FURTHER ORDERED, that jurisdiction is reserved over the issuance of any securities that do not satisfy the Investment Grade Condition described above.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland
Deputy Secretary