

SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-27990; 70-10302)

June 30, 2005

Order Authorizing Financial and Investment Transactions and Certain Related Transactions; Reserving Jurisdiction

American Transmission Company LLC, et al.

American Transmission Company LLC (“ATC LLC”), 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 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 LLC and ATCMI (ATC LLC and ATCMI together, “Applicants”), both located in Madison, WI, have filed an application-declaration, as amended (“Application”), with the Commission under sections 6(a), 7, 9(a), 10 and 12(b) of the Act and rule 54. The Commission issued a notice of the Application on June 2, 2005.¹ The Commission has not received any request for a hearing.

Applicants seek authority to enter into financing and certain related transactions for the period beginning with an order in this matter through June 30, 2008 (“Authorization Period”).

I. Background and Summary of the Request

ATC LLC is an electric transmission company, organized as limited liability company under Wisconsin law, with its sole purpose to plan, construct, operate, maintain

¹ American Transmission Company LLC, et al., Holding Company Act Release No. 27981.

and expand transmission facilities, to provide adequate and reliable transmission services and to support effective competition in energy markets.² ATC LLC is operated and managed by ATCMI, which also owns a nominal interest in ATC LLC.³ A total of 28 investor-owned and cooperative systems contributed some combinations of transmission assets or cash in the process of forming ATC LLC.⁴

Applicants have requested, generally, authority to enter into the following financing transactions through the Authorization Period:⁵

² ATC LLC was formed after the State of Wisconsin enacted legislation in 1999, encouraging, among other things, formation of for-profit transmission companies (“Transco Legislation”). Applicants current financing authorization was received by order dated July 1, 2004 (“2004 Omnibus Financing Order”), American Transmission Company, et al., Holding Co. Act Release No. 27871. Applicants received certain additional financing authority by order dated April 11, 2005. American Transmission Company, et al., Holding Co. Act Release No. 27958.

³ ATC LLC, as a Wisconsin limited liability company, may elect to be “member-managed” or “manager-managed” and ATC LLC 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 See also Alliant Energy Corp., et al., Holding Co. Act Release No. 27331 (Dec. 29, 2000). One of the initial members was Alliant (through its subsidiaries Wisconsin Power and Light Company (“WPL”) and South Beloit Water, Gas and Electric Company (“South Beloit”). WPL and South Beloit are both subsidiary companies of Alliant. WPL contributed transmission assets to ATC LLC, but member units were issued for the assets to WPL’s subsidiary, WPL Transco LLC. Applicants state that neither ATC LLC nor ATCMI are wholly owned subsidiaries of Alliant; they are only partially owned by Alliant. There are a number of other equity investors that each hold over 10% of ATC LLC. Applicants state, in addition, Alliant owns 20% of the voting securities of ATCMI. Applicants state that they finance on their own balance sheets without credit support from Alliant or any upstream owners and they maintain an arm’s length relationship with Alliant. They also state that all information regarding Alliant in this Application comes from Alliant’s public filings.

⁵ See generally, Alliant Energy Corp., et al., note 4 above. Applicants state that ATC LLC is obliged, under the Transco Legislation, to construct, operate, maintain and expand its transmission facilities to provide adequate, reliable transmission service under an

- (i) For ATC LLC, to issue unsecured short-term debt securities and secured and unsecured long-term debt securities in an aggregate amount of up to \$1.6 billion at any one time outstanding during the Authorization Period;
- (ii) For ATC LLC, to issue member interests and, for ATCMI, to issue certain equity interests and preferred securities in an aggregate amount of up to \$1.4 billion at any one time outstanding during the Authorization Period;⁶
- (iii) For ATC LLC and ATCMI, to provide guarantees and other credit support in an aggregate amount not to exceed \$200 million outstanding at any one time during the Authorization Period;
- (iv) For ATC LLC and ATCMI, to enter into various interest rate hedging transactions; and
- (v) For ATC LLC 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, subject to the limits, terms and conditions that will be contained in the proposed authorization.

II. The Requested Authority

A. Financing Parameters

Applicants state that they propose that proceeds from the sale of securities in external financing transactions will be used for general corporate purposes including (i)

open-access transmission tariff. Applicants state that, effective February 1, 2002, ATC LLC transferred operational control of its facilities to the Midwest Independent Transmission System Operator, Inc.

⁶ Applicants state that, as of March 31, 2005, approximately \$555.5 million of member interests and Class A and Class B Shares were outstanding.

the financing of capital expenditures of ATC LLC and ATCMI; (ii) the financing of working capital requirements of ATC LLC and ATCMI; (iii) the refinancing or acquisition, retirement or redemption of securities previously issued by ATC LLC or ATCMI; (iv) to meet unexpected contingencies, payment and timing differences, and cash requirements; and (v) other lawful purposes.

Applicants also propose that the requested authorizations will be subject to the following restrictions, among other things: (i) the maturity, of short-term debt, will not exceed 364 days and, of long-term debt, will not exceed fifty years; (ii) any short- or long-term debt security or credit facility issued will have the designation, aggregate principal amount, interest rate(s) (or methods of determining interest rates), terms of payment of interest, collateral, redemption provisions, non-refunding provisions, sinking fund terms, conversion or put terms, and other terms and conditions as Applicants might determine at the time of issuance, provided, that, in no event, however, will (i) the effective cost of money on short-term debt exceed 300 basis points over the London Interbank Offered Rate for maturities of one year or less in effect at the time; or (iii) 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.

Applicants represent that ATCMI and ATC LLC each will maintain common equity of at least 30% of its consolidated capitalization (common stock equity (comprised

of common stock, additional paid-in capital, retained earnings, treasury stock and/or minority interests), preferred stock, preferred securities, equity-linked securities, long-term debt, short-term debt and current maturities). With respect to the securities issuance authority proposed in this Application: (i) within four (4) business days after the occurrence of a Ratings Event,⁷ Applicants will notify the Commission of its occurrence (by means of a letter, via fax, email or overnight mail to the Office of Public Utility Regulation), and (ii) within 30 days after the occurrence of a Ratings Event, Applicants will submit a post-effective amendment to this Application explaining the material facts and circumstances relating to that Ratings Event (including the basis on which, taking into account the interests of investors, consumers and the public as well as other applicable criteria under the Act, it remains appropriate for Applicant(s) to issue the securities for which authorization has been requested in this Application, so long as Applicant(s) continue to comply with the other applicable terms and conditions specified in the Commission's order authorizing the transactions requested in this Application). Furthermore, no securities authorized as a result of this Application will be issued following the 60th day after a Ratings Event (other than common equity (i.e., Class A and Class B Shares and member interests) and short-term debt) by any Applicant if any individual Applicant itself has experience a Ratings Event (if any such downgraded rating has not been upgraded to Investment Grade) ("Investment Grade Condition"). Applicants

⁷ For these purposes, (A) a security will be deemed investment grade ("Investment Grade"), if it is rated investment grade by any one of Moody's Investors Service, Standard & Poor's, Fitch Ratings or any other nationally recognized statistical rating agency (as defined by the Commission in rules adopted under the Securities Exchange Act of 1934, as amended) and (B) a "Ratings Event" will be deemed to have occurred if, during the Authorization Period, (i) any outstanding security of any Applicant is downgraded below Investment Grade, or (ii) any security issued by any Applicant upon original issuance is rated below Investment Grade.

also request that the Commission reserve jurisdiction over their issuance of any authorized securities (other than common equity (i.e., Class A and Class B Shares and member interests) and short-term debt) through the remainder of the Authorization Period over the issuance of any authorized securities in this Application the issuance of which was prohibited after the 60th day following a Ratings Event (if any such downgraded rating has not been upgraded to Investment Grade). Applicants state that they 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 Applicants' access to capital markets.

Applicants also state that any convertible or equity-linked security they issue will be convertible into, or linked, only to securities that ATC LLC and ATCMI are otherwise authorized to issue, by rule or Commission order, and the amount of the securities will be counted against the authorized limits for securities obtained by this request.

B. The Requested Authorizations

Applicants request, in addition to the transactions described specifically below, that they be authorized 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, subject to the limits, terms and conditions that will be contained in the proposed authorization, during the Authorization Period.⁸

⁸ See note 2 above. Applicants were authorized, generally, to engage in the following transactions through June 30, 2005: (i) ATC LLC, to issue debt securities in an aggregate amount not to exceed \$710 million at any one time outstanding, provided, that, the aggregate amount of short-term debt issued not exceed \$200 million; (ii) ATC LLC, to issue member interests and, ATCMI, to issue equity interests and preferred securities in

B.1. Short- and Long-term Debt Securities

Applicants request that they be authorized to issue long- and short-term debt securities in an aggregate amount of up to \$1.6 billion at any one time outstanding during the Authorization Period. Specifically, Applicants request that ATC LLC be authorized to issue unsecured short-term debt and that it include institutional borrowings, commercial paper and privately placed notes and that ATC LLC be authorized to sell commercial paper or privately placed notes (“commercial paper”), from time to time, in established commercial paper markets.⁹ Applicants also ask that ATC LLC be permitted to, without counting against the proposed limit, maintain back up lines of credit in connection with one or more commercial paper programs.¹⁰

Applicants request that ATC LLC be authorized to issue secured or unsecured long-term debt securities, including notes or debentures under one or more indentures, or

an aggregate amount of \$500 million at any one time outstanding, provided, that, the aggregate amount of member interests and Class A and Class B shares outstanding at any one time 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 2004 Omnibus Financing Order; (iii) ATC LLC and ATCMI, to provide guarantees and other credit support in an aggregate amount not to exceed \$125 million outstanding at any one time; (iv) ATC LLC and ATCMI, to enter into various interest rate hedging transactions; (v) ATC LLC 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; and (vii) by order dated April 11, 2005, ATC LLC, \$100 million in additional long-term financing authority, to issue debt securities in an aggregate amount not to exceed \$810 million at any one time outstanding, provided, that, the aggregate amount of short-term debt issued not exceed \$200 million at any one time outstanding.

⁹ Applicants state that the commercial paper may be sold at a discount or bear interest at a rate per annum prevailing at the date of issuance for commercial paper of a similarly situated company and will comply in all regards with the financing parameters.

¹⁰ Applicants propose that the credit lines will not be counted against the financing limit, that they may be utilized to obtain letters of credit or may be borrowed against, from time to time, as they deem appropriate or necessary.

long-term indebtedness under agreements with banks or other institutional lenders, directly or indirectly. In addition, Applicants request that ATC LLC be authorized to issue long-term debt that is convertible or exchangeable into forms of equity or indebtedness, or into other securities.¹¹

B.2. Equity Interests

Applicants also request authority, for ATC LLC, to issue member interests¹² and, for ATCMI, to issue Class A and B Shares in an aggregate amount of up to of \$1.4 billion at any one time outstanding during the Authorization Period. Applicants request, in addition, that ATCMI be authorized to issue, to each new member of ATC LLC, Class A Shares in an amount that is proportional to that member's interest in ATC LLC.¹³

ATCMI also seeks authority to issue preferred stock or other types of preferred securities (including convertible preferred securities).¹⁴

¹¹ Applicants state that specific terms of any borrowings will be determined by Applicants at the time of issuance and will comply in all regards with the financing parameters.

¹² Applicants request that member interests be permitted to be issued in the form of member interests, preferred member interests or convertible member interests and that ATC LLC be permitted to issue member interests in exchange for cash or transfer of transmission facilities to ATC LLC by current or future members or to purchase facilities from members or others.

¹³ Applicants anticipate that facilities purchased would be financed through the issuance of new debt and equity and that equity required for these purchases may be received from existing or new members.

¹⁴ Applicants state that preferred stock or other types of preferred securities may be issued in one or more series with rights, preferences and priorities as may be designated in the instrument creating each series, as determined by ATCMI. In addition, the preferred securities may be redeemable or may be perpetual in duration. Applicants also state, among other things, that dividends or distributions on preferred securities will be made periodically and to the extent funds are legally available for such purpose, but may be made subject to terms which allow Applicants to defer dividend payments for

B.3. Guarantees

Applicants request authorization to enter into guarantees, obtain letters of credit, enter into expense agreements, or otherwise provide credit support, of the obligations of their affiliates or members in the ordinary course of business, in an amount not to exceed \$200 million outstanding at any one time during the Authorization Period.¹⁵ Applicants state that, for example, guarantees may be given for generation or distribution interconnections, to bolster third party financing for equipment that Applicants would ultimately own under an interconnection agreement or for distribution customers for purchase and installation of equipment attaching to the distribution system that would enhance operation of the transmission grid. Applicants also state that they would not make any upstream guarantees to Alliant or its subsidiary companies.

B.4. Interest Rate Hedging Transactions

Applicants also seek authority to enter into interest rate hedging transactions with respect to existing indebtedness (“Interest Rate Hedges”),¹⁶ subject to certain limitations

specified periods, and that preferred securities may be convertible into forms of equity or debt, or into other securities, with the dividend rate on any series of preferred securities not exceeding 500 basis points over the yield to maturity of a U.S. Treasury security having a remaining term equal to the term of that series of preferred securities at the time of issuance.

¹⁵ Applicants state that certain of the guarantees may be for obligations not capable of exact quantification and that, in these cases, they will determine the exposure of the guarantee by appropriate means including estimations based on loss experience or projected potential payment amounts and in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and/or sound financial practices and reevaluated periodically.

¹⁶ Applicants state that the Interest Rate Hedges will involve the use of financial instruments commonly used in today’s capital markets, such as interest rate swaps, caps, collars, floors, and structured notes (i.e., a debt instrument in which the principal and/or interest payments are indirectly linked to the value of an underlying asset or index), or

and restrictions, in order to reduce or manage interest rate cost. Applicants state that Interest Rate Hedges will only be entered into with counterparties whose senior debt ratings, or the senior debt ratings of the parent companies of the counterparties, as published by Standard and Poor's Ratings Group, are equal to or greater than BBB, or an equivalent rating from Moody's Investors Service, or Fitch Ratings ("Approved Counterparties"). Applicants state that the transactions will be for fixed periods and stated notional amounts and that fees, commissions and other amounts payable to the counterparty or exchange, as applicable (excluding, however, the swap or option payments) in connection with an Interest Rate Hedge will not exceed those generally obtainable in competitive markets for parties of comparable credit quality.

Applicants also seek authority to enter into interest rate hedging transactions with respect to anticipated debt offerings ("Anticipatory Hedges"), subject to certain limitations and restrictions. Applicants state that Anticipatory Hedges will only be entered into with Approved Counterparties and will be utilized to fix and/or limit the interest rate risk associated with any new issuance.¹⁷

transactions involving the purchase or sale, including short sales, of U.S. Treasury obligations.

¹⁷ Applicants state that Anticipatory Hedges will be entered into through (i) a forward sale of exchange-traded U.S. Treasury futures contracts, U.S. Treasury obligations and/or a forward swap (each, "Forward Sale"), (ii) the purchase of put options on U.S. Treasury obligations ("Put Options Purchase"), (iii) a Put Options Purchase in combination with the sale of call options on U.S. Treasury obligations ("Zero Cost Collar"), (iv) transactions involving the purchase or sale, including short sales, of U.S. Treasury obligations, or (v) some combination of a Forward Sale, Put Options Purchase, Zero Cost Collar and/or other derivative or cash transactions, including, but not limited to, structured notes, caps and collars, appropriate for the Anticipatory Hedges.

Applicants state that they will comply with Statement of Financial Accounting Standard (“SFAS”) 133 (Accounting for Derivative Instruments and Hedging Activities) and SFAS 138 (Accounting for Certain Derivative Instruments and Certain Hedging Activities) or other standards relating to accounting for derivative transactions as are adopted and implemented by the Financial Accounting Standards Board. Applicants also state that they will comply with existing and future financial disclosure requirements of the Financial Accounting Standards Board associated with hedging transactions and that these hedging transactions will qualify for hedge accounting treatment under U.S. GAAP. Applicants further state that they will not engage in speculative transactions; that all transactions in financial instruments and products will be matched to an underlying business requirement; and, that in no case will the notional principal amount of any hedging instrument exceed that of the underlying instrument and related interest rate exposure.

The proposed transactions are also subject to section 32(h)(4) of the Act and rule 54. Rule 54 states that, if rule 53(a), (b) and (c) are satisfied, the Commission will not consider the effect of the capitalization or earnings of subsidiaries of a registered holding company that are exempt wholesale generators (“EWGs”) or foreign utility companies (“FUCOs”) (as defined in sections 32 and 33 of the Act, respectively), in determining whether to approve other transactions. Alliant is the registered holding company that must be considered in this rule 54 context.¹⁸ Applicants state that, except for rule

¹⁸ ATC LLC and ATCMI state that they rely only on public information provided by Alliant in order to address matters relating to Alliant, including addressing section 32(h)(4) and rule 54. See, generally, note 4 above.

53(a)(1), all of the rule 53 standards are met¹⁹ and, furthermore, with respect to rule 53(a)(1), that (while they rely only on the most recent publicly available information regarding Alliant), Alliant satisfies the standards imposed by Commission order dated October 3, 2001 (“October 2001 Order”).²⁰ Under the circumstances that Applicants operate independently of Alliant and that Alliant is not guaranteeing Applicants’ proposed transactions, we do not believe that the proposals should have an impact on Alliant’s consolidated capitalization.²¹

Applicants state that approximately \$25,000 in fees, commissions and expenses, have been incurred in connection with the proposed transactions. Applicants state, further, that no regulatory approval (other than the Commission’s) is required for the proposed transactions.

¹⁹ Applicants state that Alliant satisfies all of the other conditions of rule 53(a) and (b).

²⁰ See Alliant Energy Corp., et al., Holding Co. Act Release Nos. 27448 (Oct. 3, 2001) and 27930 (Dec. 28, 2004). ATC LLC and ATCMI state that they rely only on public information provided by Alliant in order to address matters relating to Alliant, including addressing section 32(h)(4) and rule 54. See, generally, notes 4 and 19 above. Applicants state that Alliant reported in its rule 24 certificate, dated May 27, 2005, that its aggregate investment in EWGs and FUCOs was approximately \$550.9 million, or approximately 48.8 % of its average consolidated retained earnings for the four quarters ended Mar. 31, 2005 (\$845.3 million).

Applicants explain that, on Dec. 28, 2004 (the Commission’s most recent Alliant financing authorization order), Alliant had the requisite authority for investment in EWGs and FUCOs in the amount of approximately 65.6% of Alliant’s average consolidated retained earnings (as defined in rule 53(a)(1)), as of Sept. 30, 2004, under the 100% of average consolidated retained earnings amount authorized by the Commission in the October 2001 Order.

²¹ Applicants have stated that the transactions are to be based on Applicants’ credit, without regard or recourse to upstream Alliant entities. Applicants also note that they, themselves, do not have any investments in EWGs or FUCOs.

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 be granted and permitted to become effective immediately, subject to the terms and conditions prescribed in rule 24; provided, that, Applicants file rule 24 certificates of notification within 60 days after the end of the first three calendar quarters and within 90 days after the end of the last calendar quarter in which transactions occur and, further, provided, that, rule 24 certificates will contain the following information as of the end of the applicable quarter:

(i) The sales of any equity securities by ATC LLC or ATCMI and the purchase price per share or member interest;

(ii) The amount and terms of any long-term debt issued by ATC LLC during the quarter and the aggregate amount of short-term debt outstanding as of the end of the quarter, as well as the weighted average interest rate for the short-term debt as of that date;

(iii) A description of any utility assets acquired during the quarter and the consideration for each;

(iv) Balance sheets and income statements prepared in accordance with U.S. GAAP for ATC LLC and ATCMI as of the end of each of the quarter for the first three calendar quarters;

(v) Audited financial statements with notes as of the end of the calendar year; and

(vi) The aggregate amount issued and outstanding during the Authorization Period for each type of issued security (member interests, preferred stock, long- and short-term debt).

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

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

Margaret H. McFarland
Deputy Secretary