



ITC Holdings Corp.

Moderator: Pat Wenzel
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11:00 a.m. ET

Operator: Good day, ladies and gentlemen, and welcome to the ITC Holding Corp. Fourth Quarter conference call and webcast. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session and instructions will follow at that time. If anyone should require assistance during the program, please press star, then zero, on your touch tone telephone. As a reminder, this program is being recorded. I would now like to introduce your host for today's program, Ms. Pat Wenzel. Please go ahead, ma'am.

Pat Wenzel: Thank you, and good morning, everyone. Thank you for joining us for ITC's 2009 Fourth Quarter Earnings conference call. Joining me on today's call are Joseph Welch, Chairman, President and CEO of ITC; and Cameron Bready, our Senior Vice President, Treasurer and CFO. Last night we issued a press release summarizing our results for the fourth quarter and the full year 2009. We expect to file our form 10K with the Securities and Exchange Commission today.

Before we begin, I would like to remind everyone of the cautionary language contained in the following Safe Harbor Statement. Certain statements made during today's call that are not historical facts, such as those regarding our future plans, objectives and expected performance are forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995.

These forward-looking statements represent our outlook only as of today. While we believe that these statements and their underlying assumptions are reasonable, investors should know that actual results may differ from our projections and expectations, because they are based on current facts and are subject to risks and uncertainties.

A discussion of the risks inherent in our business that could cause these differences may be found in certain documents filed with the SEC, such as our Form 10K, expected to be filed later today; our other periodic reports filed on Forms 10Q and 10K, as well as our other SEC filings. You should consider these risk factors when evaluating our forward-looking statements. We disclaim any obligation to update or alter our forward-looking statements, except as required by law.

At this time, I'd like to turn the call over to Joe Welch.

Joseph Welch: Thanks, Pat. We are pleased to report another quarter and year of strong financial results. ITC reported net income of \$130.9 million dollars, diluted earnings per share of \$2.58 for the year, which represents a 13 percent increase over last year if you pro forma 2009 for the impact of the recognition of the regulatory assets at ITC Great Plains. Our earnings per share for the fourth quarter of \$0.66 per share, per diluted share, increased almost 25 percent compared to the fourth quarter of last year. Our ability to continue to deliver these results in a demanding economic environment is a further testament to the strength and resiliency of our management team and the business model which supports, enables our strategic vision of leading the development of a 21st century transmission system in the United States.

For the full year 2009, we invested \$361.6 million dollars in our transmission system. These investments not only drive our earnings growth but also support our goal of best in class operations which provides significant benefits for our customers including increased reliability, enabling the interconnection of new renewable resources, lowering system losses, and reduced congestion.

An important part of our strategy has been and remains best in class system performance for all of our operating subsidiaries. And I'm pleased with the

progress that we have made towards achieving this in spite of the difficult business environment. The reliability improvements we have realized through our efforts are demonstrated by the results of the 2009 SGS Statistical Services Transmission Reliability Benchmark Study.

ITCTransmission was ranked in the top decile for sustained and momentary outages. This represents a considerable improvement over 2006, the first year that *ITCTransmission* participated in the study.

In the 2009 study, METC also ranked in the top decile for both sustained and momentary outages. By comparison, in the 2006 study which was also the year in which we acquired the METC system, it ranked in the third quartile for sustained outages on its 345 kV system.

These significant improvements are directly related to the investments we have made, and correlate with the length of time we have owned these systems.

It is important to note that while we have invested over \$1.1 billion dollars in the transmission system in Michigan, the transmission component of the end use customer's bill is still only approximately four to five percent of *ITCTransmission* and METC. This is well below the national average of over seven percent.

As I have discussed previously, ITC Midwest's system has a history of poor outage performance, and our capital program and maintenance plans are designed to significantly improve the reliability of that system over time. In addition, the ITC Midwest system is very different from the transmission grid we operate in Michigan in that we own much more of the lower voltage level to the system, such as the 34.5 kV lines which are also in need of upgrade and replacement, and there is significantly less load supported by the system. Consequently, although we have more investment opportunities at ITC Midwest as compared to our experience in Michigan in order to improve reliability, our rates will be higher in terms of absolute levels, as well as the percentage of the overall end use customer's bill, as we operate a much greater portion of the system and there is less load over which to spread the cost.

Since we acquired ownership of the ITC Midwest system, we have made great strides in our effort to improve electrical reliability. System outages have decreased by approximately 50 percent in 2009 compared to 2008.

Not only do these improvements in our operating company systems benefit our customers but we also believe that achieving operational excellence is an important strategic competitive advantage as we pursue our development activities.

During 2009, we made noteworthy progress in advancing other aspects of our overall strategy which include investing in renewable energy interconnections and regional transmission development projects.

In 2009, ITC Midwest interconnected 716 megawatts of installed wind energy generation to the company's electrical transmission system. Combined with 810 megawatts of new grid generation interconnected during 2008, ITC Midwest has interconnected more than 1,500 megawatts of wind energy in Iowa. Our efforts in this area have contributed to propelling Iowa to second in the nation in terms of installed wind-generating capacity. There continue to be a significant number of wind-generating interconnection requests in the Midwest Independent System Operator, or MISO queue, that fall within our service territory. We expect we will continue to connect large amounts of wind generation to the grid in 2010.

As for Michigan, in the fourth quarter the Michigan Wind Energy Resources Zone Board completed its work and issued a final report identifying four potential wind zones with potential wind capacity of 3,400 to over 6,000 megawatts. At the end of November we submitted our transmission plan to the Michigan Public Service Commission to support the wind zones identified in the study.

At the end of January 2010, the Michigan Public Service Commission issued an order designating two wind zones out of the four that have been identified by the Wind Energy Resource Board. Region 4, which is the area known as the Thumb of Michigan, was designated as the primary zone. This zone was

determined to have realistic wind generation potential of approximately 2,300 to 4,200 megawatts. The transmission plans we submitted in November identified backbone transmission capital investment needs in Region 4 to support the minimum wind capacity of between approximately \$500 million and \$740 million, depending on the wind capacity to be supported and the options selected.

We are working with the Michigan Public Service Commission to identify the desired transmission solution to support the long-term need for delivering wind resources in the thumb region that will then be submitted to MISO for approval. Upon receipt of MISO's approval, we will begin routing and siting activities in Michigan for the projects. Under the legislation passed in 2008, these transmission projects will be eligible for an expedited siting process.

In terms of advancing our regional transmission development initiatives, we have also made substantial progress in 2009.

ITC Great Plains achieved a number of significant milestones that moved us closer to building critical transmission infrastructure improvements in the Great Plains region to support their growing energy needs.

The KETA and Hugo-to-Valliant projects are progressing as planned. Both projects have begun pre-construction activities.

In October, the Board of the Southwest Power Pool, or SPP, approved a priority list of projects for further analysis that includes the V-Plan project. The priority projects will be reviewed on a regional basis and are currently scheduled to be presented to the SPP Board for approval during the meetings in April of 2010.

Recently, the SPP staff made a preliminary recommendation to construct the V-Plan project at 345 kV rather than the 765 kV configuration that was originally proposed. As a reminder, our capital investment plans assumed that we would build the project at 765 kV. We are in the process of identifying the expected costs if the project is built with double circuit 345 kV, but do not anticipate the impact to be significant relative to our overall \$3 billion-dollar

capital plan. Additionally, we continue to support the 765 kV solution, which is also being advocated by the Governor of Kansas and the Kansas Corporation Commission which approved a settlement agreement whereby we and Prairie Wind agreed to build the project at 765 kV. Even if the project is approved at 345 kV in April, SPP has indicated, and we expect that we will continue to study the benefits of 765 kV as part of the integrated transmission planning process. We view SPP as a very progressive regional transmission organization, and we believe that they will continue to evaluate the long-term needs of transmission as part of this integrated transmission planning process, which very well could result in the V-Plan project being approved for construction at 765 kV. However, the results of this process will not likely be known until early 2011. Regardless of which voltage is ultimately approved, we will build the project as directed by SPP.

During the quarter, we have continued with our efforts and activities to advance our Green Power Express Project, a 3,000-mile, high-voltage transmission network comprised of 19 segments in the upper Midwest.

In December, MISO released the results of its regional generation outlet, or RGOS study, which demonstrates that a high-voltage electric transmission solution is necessary to address the growth of renewable energy in the upper Midwest, and the need to move these resources further east to load centers. Consistent with the studies we completed in designing the Green Power Express, the MISO RGOS process determined that an extra high-voltage overlay would help address the reliability needs in the region, while supporting the interconnection of a significant amount of additional renewable resources. Many of the overlay segments identified by MISO closely match electrically and, in some cases, geographically, the segments that ITC proposed for the Green Power Express.

A high-voltage transmission backbone such as the Green Power Express would provide the flexibility necessary to support a variety of energy policy scenarios. Regardless of any inputs or assumptions used, studies continue to show the value of a high-voltage electric transmission backbone.

We are exploring different avenues for next steps to continue to move the Green Power Express project forward. We will continue to work with MISO, state and federal agencies and other stakeholders to highlight the issues and help identify solutions that will address the nation's need for a robust transmission system.

Looking forward to 2010, the company remains extremely well positioned for future growth. At the end of September last year, we unveiled our \$3 billion, five-year capital expenditure plan. The plan's key goals include best in class operations and executing our \$3 billion-dollar capital expenditure plan, which includes investing in both our core operations and our development projects. We remain confident in our ability to effectively execute on this plan and deliver the value premised in it.

At this time, I'll turn the call over to Cameron to provide an update to our financial results and outlook.

Cameron:

Thanks Joe and good morning. Turning our attention to our financial performance, in the fourth quarter of 2009, ITC reported net income of \$33.6 million dollars, or \$0.66 cents per diluted share. This compares with net income of \$27 million dollars, or \$0.53 cents per diluted share, in the fourth quarter of 2008. Net income for the full year 2009 was \$130.9 million dollars, or \$2.58 per diluted share, compared to \$109.2 million dollars or \$2.18 per diluted share for the same period last year.

The year-to-date results for 2009 include approximately \$0.12 cents per diluted share associated with regulatory assets that were recorded during the year for our startup and development activities at ITC Great Plains. As Joe mentioned, excluding the impact of the recognition of these assets, our full year diluted earnings per share increased approximately 13 percent compared to 2008.

The key drivers that contributed to the increases in net income and earnings per share for the fourth quarter and full year results compared to the corresponding periods in 2008 include: an increase in net income for the quarter and full year due to higher rate base at all of our operating companies;

and for the full year, higher AFUDC at ITC *Transmission* and ITC Midwest. For the quarter, the increase in net income due to higher rate base was partially offset by lower AFUDC at METC and ITC Midwest. Net income also increased for the full year due to the recognition of the regulatory assets at ITC Great Plains, which included the reversal of \$8.2 million dollars of cost that were previously recorded as operating expenses, including certain expenses from prior periods. The increases in net income for the full year were partially offset by higher non-recoverable G&A expenses, including development expenses at ITC Great Plains, ITC Grid Development, and Green Power Express. For the full year, the increase in EPS was partially offset by higher weighted average diluted shares outstanding in 2009, largely due to our share issuance in early 2008 associated with the ITC Midwest acquisition of the transmission assets of IP&L.

I would again like to remind you that, effective January 2009, ITC adopted new guidance to calculate earnings per share under the two class method, which modified the calculation of basic and diluted earnings per share, including the treatment of restricted stock. The implementation of this new guidance reduced 2009 basic and diluted earnings per share by approximately \$0.01 for the fourth quarter, and reduced basic earnings per share by \$0.04, and diluted earnings per share by \$0.02 for the 12-month period ended December 31st, 2009. In addition, the required retroactive application resulted in a decrease of \$0.01 per share to both basic and diluted earnings per share in the fourth quarter of 2008, and a decrease to basic and diluted earnings per share of three cents and one cent respectively for the 12 months ended December 31st, 2008 as compared to the amounts previously reported for those periods.

As discussed on our Third Quarter Earnings conference call, during the third quarter of 2009 we recognized regulatory assets associated with start-up and development costs at ITC Great Plains and development costs for the KETA project. Upon initial establishment of the regulatory assets in July, we reversed approximately \$8.2 million dollars of previously recognized expenses of which \$5.9 million dollars related to periods prior to 2009. Subsequent to establishing the regulatory asset in July, an additional \$1.8 million dollars of development costs were recorded directly to the regulatory

asset accounts, resulting in total regulatory assets for ITC Great Plains of approximately \$10 million dollars as of December 31st, 2009.

With regard to our overall development activities in 2009, for the full year we incurred approximately \$12.5 million dollars of total development costs, of which approximately \$4.1 million dollars were related to start-up and development activities for ITC Great Plains, and were recorded to the regulatory asset accounts noted previously. The remaining approximately \$8.4 million dollars of development costs were reported to expense, and impacted our net income and diluted earnings per share results for the year.

Other important events during 2009 that impacted our financial results include the FERC approval of depreciation studies filed by *ITCTransmission* and METC that revised their depreciation rates and revenue requirements for 2009, and resulted in an aggregate \$19.5 million reduction in depreciation expense and revenue requirements for the year. This change in accounting estimate results in lower composite depreciation rates for *ITCTransmission* and METC, primarily due to the revision of asset service lives and cost of removal values. Because of the inclusion of depreciation expense as a component of net revenue requirements under Attachment O, the offsetting effect on revenues and expenses from the change in depreciation rates had an immaterial effect on net income and earnings per share amounts for the year, but do provide a direct benefit for our customers. In 2010 and going forward, the transmission rates paid by our customers will continue to reflect the benefit of lower annual depreciation expense for *ITCTransmission* and METC.

As Joe noted, we have continued to produce very strong financial results, despite the difficult economy, especially in Michigan. Our efforts during the year to mitigate the impact of reduced load resulting from the economic environment has resulted in a relatively small Attachment O revenue receivable and, consequently, in high quality earnings. We ended the year with a total receivable or Attachment O true-up of only approximately \$9.8 million. In fact, this amount represents the lowest aggregate annual true-up that we have recorded since operating under our forward-looking rate structure with the true-up mechanism. This is a significant achievement when

you consider that actual 2009 load decreased more than 10 percent from the forecast utilized to establish our rates for 2009. Absent our mitigation efforts, the true-up could have been as high as \$61 million. Although the economic climate here in Michigan is beginning to stabilize and we believe the worst is behind us, we still expect continued weakness in 2010 which we have reflected in our posted rates for this year, and are not anticipating any meaningful near-term recovery or increase in demand. We are taking a very measured approach to economic recovery in Michigan, and have only assumed very minimal low growth in our five-year plan.

I would like to turn now to our liquidity position which remains strong and was further enhanced by our recent debt financings completed in December.

As of December 31st, 2009, we had \$74.9 million of cash on hand and \$206.4 million of net undrawn overcapacity, bringing our total liquidity position to approximately \$281.3 million.

Our revolving credit facilities have a total consolidated capacity of \$340 million dollars. Of this total, as of December 31st, we had undrawn capacity of \$258.6 million, \$52.3 million of which is held by Lehman Brothers Bank. We do not expect any future draws on the outstanding Lehman commitment, as we have communicated previously, which reduces our undrawn capacity down to \$206.4 million.

In December we completed two successful debt financings. First we issued \$200 million of ten-year senior notes with a coupon of 5.5 percent for ITC Holdings. A portion of the proceeds were used to pay down the ITC Holdings' \$100 million term loan that was due in April of 2011. The balance will support our capital investment plans going forward.

At ITC Midwest we completed a private placement of 15-year first mortgage bonds with a coupon of 4.6 percent. We closed on \$35 million of this offering in December, and the remaining \$40 million last week. Both of these transactions were very well received by the financial markets, and further support our confidence in our ability to efficiently and cost effectively finance our capital needs. For 2010, we only have a minimal need for additional

financing at METC and are otherwise well-funded and poised to meet our planned capital investments in our systems for the year.

I am also pleased to report that the credit profile of the business remains quite strong. We ended the year with credit metrics that were above our minimum goals. Our consolidated FFO to interest was approximately 3.1 times, and our consolidated FFO to debt was approximately 11.7 percent. Our Attachment O true-up mitigation efforts played an important role in allowing us to meet our credit metric targets for 2009, which was another significant achievement in difficult economic times. It is important for us to continue to achieve these credit metrics going forward in order to preserve the overall credit quality of the business.

As for our outlook for 2010, today we are reaffirming our 2010 capital expenditure and diluted earnings per share guidance. 2010 capital expenditures for ITC *Transmission*, METC, and ITC Midwest, are still expected to be approximately \$50 to \$60 million, \$140 to \$155 million, and \$205 to \$225 million, respectively. In addition, we expect capital expenditures for ITC Great Plains in the range of \$10 to \$20 million. Our consolidated capital expenditure guidance is consequently \$405 to \$460 million. We are also reaffirming our 2010 diluted earnings per share guidance in the range of \$2.60 to \$2.70.

Lastly, as we look forward to the remainder of our five-year plan that we presented to you back in September, we remain confident in our ability to execute on the \$3 billion dollars of capital investments detailed in that plan, and delivering the value associated with it. As with any long-term plans, certain assumptions may materialize more positively than we envisioned, and some will be less favorable. For example, as Joe discussed, we see potential up side with the wind zone in Michigan and the investment opportunity relative to what we had in our plan last September. Likewise, in the event that we are only authorized to construct a V-Plan at 345 kV, there will likely be less capital invested in the project than what we had envisioned, albeit the upside from the wind zone opportunity is likely to more than offset any loss of investment opportunity if the V-Plan is only constructed at 345 kV. Once we have more clarity regarding these items, we expect to update you as to the

implications to our five-year plan. However, neither of these would be expected to have an impact on 2010 as these projects will be constructed in later years. We have a consistent history of delivering on the commitments that we have made to our shareholders in the past, and we have every confidence that we will continue to deliver on our commitments in the future.

At this time, I'd like to open the call to answer questions from the investment community.

Operator: Certainly, ladies and gentlemen, if you have a question at this time, please press start, then one, on your touch tone telephone. If your question has been answered and you wish to remove yourself from the queue, please press the pound key. Our first question comes from Jonathan Arnold from Deutsche Bank.

Jonathan Arnold: Can you hear me?

Cameron Bready: Now we can. Good morning, Jonathan.

Jonathan Arnold: Good morning. I wanted to just ask about, Cameron – picking up on the comments you just made about updating the five-year plan, when you have more clarity on some of these moving parts. And if I heard Joe correctly, he said that the, you know, the resolution of, of what actually happens with the V-Plan was unlikely to happen until early – the final results wouldn't be in until early 2011. Do you anticipate you'd wait that long to update the plan? Or do you think it'll be more sometime in 2010?

Cameron Bready: My expectation would be it'd likely be in 2010. We are, as we mentioned, working on a, a detailed cost estimate for what double circuit 345 would cost as opposed to what we currently have in the plan for 765 kV. You know, once we have completed that, and have a better feel for those numbers, I think we could provide an update as to what that would mean relative to our plan, as well as hopefully in the near term getting clarity or greater clarity around the Michigan Wind Zone opportunity.

I think that would position us to basically provide an update that could, you know, reflect an estimate for V-Plan at 345 kV. And again, we would hold

out the optionality as it relates to building the project at 765, which again we probably wouldn't get greater clarity on until early next year. So long story short, I wouldn't envision waiting until early 2011 to make that update, as we should be able to provide you a better feel for the Michigan Wind Zone and the implications of building V-Plan at 345 double circuit, you know, certainly well in advance of that.

Jonathan Arnold: Well in advance – could you be a little more specific on how, how soon are we going to know where you're headed on Michigan?

Cameron Bready: I don't have an exact date for you, quite frankly. But I would certainly expect that to be, certainly within the spring time frame. So on the heels of that. And as I said, we're in the process of working on the 345 estimates as we speak. So certainly by the spring timing we would, should be in a position to provide an update. I certainly don't want to provide an update until we actually do have that clarity around the Michigan Wind Zone, because that's the more of the near term of the two opportunities that are likely to have an impact on the plan.

Jonathan Arnold: Thank you. If I might just ask one other. The – you talked about the change in the depreciation and how it didn't really impact earnings. But what are the implications on this change for, you know, the rate-based forecast that you gave out in like September last year? And was this shift envisaged when you made that forecast on your longer-term earnings power?

Cameron Bready: It was envisioned for *ITC Transmission*, because we had actually made the filing at that point. It wasn't for METC. But it's only \$19.5 million dollars annually of depreciation. So it doesn't really have a material impact on the, on the rate base forecast that we provided to you previously.

Jonathan Arnold: Thank you very much.

Cameron Bready: You're welcome. Have a good day.

Operator: Thank you. Our next question comes from Dan Eggers from Credit Suisse. Your question, please?

Kevin Cole: This is, this is actually Kevin. A quick follow-up question on Michigan. Can you walk me through the, the regulatory schedule between now and actually the act of breaking ground in 2011?

Cameron Bready: Certainly. I think as we've discussed, in the near term we're working with the MPSC to determine what exact proposal and plan we intend to bring forward to MISO. As we have discussed, you know, MISO approval would be required for whatever transmission solution we ultimately construct to support the wind zone in the Thumb. Given that that is a one-state impact and likely to be, you know, certainly supported by the State, we don't envision the MISO planning process to take too terribly long. But it is an important step in the regulatory process to getting approval.

Once we have received that MISO approval, which I would hope could occur in 2010, we would come back to Michigan to begin the routing and planning process, and begin the siting work. The legislation that approved the creation of the wind zones called for expedited siting to be allowed for the transmission plans to support the wind zones. And that statutorily is defined as a six-month process. Now that, as you well know, doesn't necessarily mean it would always be done in six months, but certainly we have a process that should allow for more expedited siting than would otherwise, we might be able to achieve.

So the hope would be that, that you could work through the siting process in the 2011 time frame and then begin our pre-construction activities for developing the transmission, which is basically what is assumed in our underlying forecast. We would start construction in the 2011 time frame, and we envision construction lasting about three years, wrapping up in late 2013, early 2014 time frame.

Kevin Cole: Is there a statutory time frame for the MISO approval?

Cameron Bready: I do not believe there is. So we would just try to work as collaboratively with them as we could to work through the process fairly quickly. Again, given that it's likely to be a one-state impact with State support, we would hope to

be able to move that forward fairly expeditiously. But I don't believe there's any set time frame for them to accomplish that.

Kevin Cole: And how will the step up of spending impact your, your equity needs for 2011?

Cameron Bready: I don't really envision any particular need in 2011 or change in need as it relates to potential up side relative to the wind zone. To be honest with you, we're going to have to wait and see how the V-Plan shakes out to determine whether or not it will have any incremental impact on our potential equity needs over the course of time. As a reminder, we had communicated that the five-year plan, as premised, would not require us to issue equity to support it.

If there's up side from the wind zone then, and, and V-Plan is build at 765, we'll have to assess whether or not that might require a small amount of incremental capital or whether we would defer other capital opportunities that we have in order to accommodate the up side to the wind zone without issuing equity. And that's something that we'll continue to study over the course of the next several months. But it certainly wouldn't be as early as '11. Even if ultimately this required a small amount of equity, it wouldn't be that soon.

Kevin Cole: Good. And one last question. On KETA Phase II, is there an update on Nebraska?

Cameron Bready: Not that I am aware of. And we still intend to move forward with our, our Phase II siting in 2010, consistent with the time frame that we talked about previously. I have not heard of any specific updates other than we're continuing to work with NPPD on their section of the line, and in advancing the overall Phase II. And, and to the best of my knowledge, we're on schedule to proceed forward with our siting application this year.

Kevin Cole: OK, and Phase II is currently being expensed, right?

Cameron Bready: No. The reg asset for the KETA project covers all of the KETA project.

Kevin Cole: OK.

Cameron Bready: The V-Plan costs are still being expensed.

Kevin Cole: Great. Thank you, guys.

Cameron Bready: Thank you.

Operator: Thank you. Our next question comes from Neil Kalton from Wells Fargo Securities. Your question, please.

Neil Kalton: Good morning, everyone.

Joe Welch: Good morning, Neil.

Neil Kalton: Just a quick question on the wind hook-ups in Iowa. So we're hearing in general that wind's going to be tougher this year relative to 2009. And I sensed in your comments, opening comments that you're pretty optimistic about new wind in the state for 2010. Would it be fair to say, within your guidance for ITC Midwest, that you're expecting a comparable amount of wind to be built in Iowa in 2010, relative to '09 and '08?

Joe Welch: That'd be correct.

Neil Kalton: Is there any sort of rule of thumb in terms of, you know, the wind farm for 100 megawatts, sort of how much CapEx per farm I guess?

Joe Welch: I wish there was. Every, every one of these is so site specific and also the system in Iowa is, is truly a very lightly loaded system, and so everyone of these requires a lot of care and diligence on individual design. There is no rule of thumb so far that we can find.

Neil Kalton: OK. And I guess just a last follow-up. So based on what you're seeing so far this year in terms of that you feel very confident that the wind in the state will total, you know, roughly what it was the last couple of years for new additions?

Joe Welch: Yes. Yes, the potential is there, and the developers are there. And you know, we still have a lot of people wanting interconnected.

Neil Kalton: OK, thanks.

Operator: Thank you. Once again, ladies and gentlemen, if you have a question at this time, please press star, then one, on your touch tone telephone. Our next question comes from Jay Dobson from Wunderlich Securities. Your question, please?

Jay Dobson: Most of my questions have been answered. But I was wondering if you could just talk about development and sort of what you're seeing on the landscape as you continue to try and grow outside your footprint in, in Iowa and Michigan, and competitive landscape, and sort of what you're seeing there?

Joe Welch: Well, I think that what we see out there, first of all, is that, is what we've recognized for years – that a lot of people are starting to recognize the fact that we need to develop a lot of transmission in this country to really be, to put this country in a position where we can really achieve things like energy independence. And the key to that is a strong regional transmission grid.

From a competitive standpoint, I'll be honest with you, that there is so much work to do that no one developer can even begin to think that they could do it all. We certainly don't. And you know, for projects such as Green Power Express we've openly stated that we need partners. We need partners because it's so many states involved, so many segments, so much equipment, the maintenance of these facilities. And I think that a lot of people have entered the transmission space with the idea that this is going to be quick and easy. And they're finding out that it's actually the opposite. It's very long and difficult.

But the good news is, is that we have more people having come to the reality that we need to build it. And that's a good thing, because ultimately it will happen. But I don't think that anyone should expect that any of the development activities that you start today materialize for anything quicker than, best case, five years. We're seeing that play out well in our development in Kansas and Oklahoma. And we'll – I don't see anything on the horizon that shortens that.

Because once you get involved with the development activity, you find out that you – it's very complicated; you have to have the complete ability to stay sustained in your focus on it; and that's the one thing that we've been able to do, and I don't think a lot of other people will be able to do that. And you know, if you just look at the amount of money that we've been able to finally move off the expense side of the equation and bring it into realities, it is not a cheap endeavor to do these development projects. And so you have to be very careful on which ones you pick. And, and then you, you want to make sure that when you pick them, you can bring them to fruition.

Jay Dobson: Got you. That's fantastic. Thanks so much. And then, Cameron, just two detailed questions. What were the development costs expensed in 2009 for V-Plan? And then a separate question on the tax rate. Assuming, well, knowing that CapEx is going to be higher in '10, and then hence probably leading to higher AFUDC, would we assume the tax rate then ticks down again in '10 – effective tax rate, understanding your NOLs protect you from a cash basis?

Cameron Bready: Let me tackle your first question. As it relates to the V-Plan, development costs were expensed in 2009 – it was about \$700,000 dollars. There's roughly about cumulatively \$900,000 dollars of cost that have been incurred on the V-Plan project outside of the, the start-up reg asset for ITC Great Plains that we have not yet recorded to a reg asset. You know, as soon as we get greater clarity as to the probability of ultimately moving that forward from an accounting perspective, we would recognize those \$900,000 dollars of expenses as a regulatory asset. That could very well likely be in '10 if we continue to make good progress as it relates to the V-Plan.

As for your second question, in terms of the effective tax rate, you know, what's driving the year over year change is really related to a lower state effective rate, largely stemming from our activities here in Michigan with the Michigan business tax, which is a fairly complicated tax structure. And we're able to take advantage of some credits this year that were able to drive down the effective tax rate a little bit.

Going forward as we're deploying more capital, I would expect the effective tax rate to remain largely flat, versus where it is this year, just given that, or

maybe even tick up slightly, depending on the availability of credits that we have in Michigan, as well as the fact that some of the projects we'll be constructing in the future have CWIP in rate-base, so we won't be accruing AFUDC, which is going to result in a different tax structure as well.

Jay Dobson: That's perfect. Thanks so much, and congrats on the quarter.

Cameron Bready: Thanks, Jay.

Operator: Thank you. Our next question comes from Yiktat Fung from Zimmer Lucas Partners. Your question, please?

Yiktat Fung: My first question is about the development projects. Do most of these projects have CWIP in rate base? Do all of them have CWIP in rate base?

Cameron Bready: The KETA project and the V-Plan project both have CWIP in rate base. And we also received that incentive from the FERC as relates to the Green Power Express project. The other activities of ITC Great Plains would not, unless we went in and made a specific application to get it. So the only three projects that we have on the books right now for which we have that incentive are KETA, V-Plan and Green Power Express.

Yiktat Fung: I see.

Cameron Bready: And we would make that determination really on a project-by-project basis, given the magnitude and size of the project as to whether or not we think it warranted going in and seeking an additional incentive from FERC for CWIP in rate base.

Yiktat Fung: I see. And can you just give us some color on what progress you have made in getting more partners to sign on to the Green Power Express?

Joe Welch: Really right now, you know, the last announcement that we made on the partners is, is still pretty much where we're at. As you know, there's been a lot of different studies that have come out since we started Green Power Express. And a lot of different people are looking at it from the MISO RGOS Study. Then there was the other study that some of the other utilities are putting

together to, to look at it. And so right now I think a lot of people are trying to figure out, as are we, how you make the next steps to really start to bring a project like this to fruition, regardless of whose plan you're looking at. Electrically, they all pretty much do the same thing. Very little difference in them.

And so it's really now, how do we get this thing off of what I'd call the drawing board and start to bring it to reality? And on that subject, you know, I talked about earlier when I was asked about the question on the development costs, or when we, on just the development activity, is that, you know, a process like this can truly be very expensive. And so you have a lot of people who'd like to stay on the sidelines with their hands in their pockets until you do a lot more work. And so I think that's what we're seeing right now.

Yiktat Fung: I see. What do you think is the catalyst that will get this project off the drawing board and get the utilities to really start talking to each other and talking to you on how to make this into reality?

Joe Welch: I really believe that what we need to really move a lot of the work that's going on, whether it's Green Power Express or a project like it, the SPP High Voltage Overlay that's been envisioned, is that we really need to get clarity now from Congress where this country wants to go with energy. You know, we don't have an energy policy. We've all talked about it. You know, there's a lot of discussion on whether climate change legislation is or is not going to happen. But clearly, we need to get the direction on whether we're going to have a national renewable portfolio standard that is truly real for the country. I think that once that happens, that gives the people who are planning something to plan to.

Right now, today, for as many people who are doing planning, we have that many people who have opinions on what we're planning to. And so there's no real guiding light for any planner to work from. I've talked about this numerous times before Congress, that the country really needs to move forward with, with a comprehensive energy policy. Clearly I don't think that's going to happen. But I think a good start would be for us to get a national renewable portfolio standard. We really truly do need it in this country.

Yiktat Fung: Thank you very much.

Operator: Thank you. This does conclude the question and answer session for today's program. I'd like to turn the program back to management for any further remarks.

Pat Wenzel: This concludes the question and answer portion of our call. Before I end the call, I'd like to thank everyone who participated today. Anyone wishing to hear the conference call replay, available through March 11th, 2010, should dial toll free 800-642-1687 or 706-645-9291. The pass code is 55654705. The webcast of this event will also be archived on the ITC Holdings website at <http://investor.itc-holdings.com>. Goodbye, and have a great day.

Operator: Thank you, ladies and gentlemen, for your participation at today's conference. This does conclude the program. You may now disconnect. Good day.

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