



**October 27, 2011  
11 a.m. ET**

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***Operator***

Good day, ladies and gentlemen, welcome to the ITC Holdings Corp. Third 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 operator assistance, please press star than zero. As a reminder, this conference call is being recorded.

I would now like to turn the conference call over to Gretchen Holloway. You may begin.

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***Gretchen Holloway – ITC Holdings Corp. - Director, Investor Relations***

Good morning everyone, and thank you for joining us for ITC's 2011 third quarter earnings conference call. Joining me on today's call are Joseph Welch, chairman, president and CEO of ITC, and Cameron Bready our executive vice president, treasurer and CFO.

Last night we issued a press release summarizing our results for the third quarter and for the nine months ended September 30, 2011. We expect to file our Form 10-Q with the Securities and Exchange Commission today. Before we begin, I would like to remind everyone of the cautionary language contained in the Safe Harbor statement, which can also be referenced on slide two for those of you participating on the webcast.

Certain statements made during today's call that are not historical facts, such as those regarding our future plans, objectives and expected performance, are considered forward-looking statements under federal securities laws. While we believe these statements are reasonable, they are subject to various risks and uncertainties and actual results may differ materially from our projections and expectations. These risks and uncertainties are discussed in our reports filed with the SEC, such as our periodic reports on Forms 10-Q and 10-K and our other SEC filings. You should consider these risk factors when evaluating our forward-looking statements. Our forward-looking statements represent our outlook only as of today and we disclaim any obligation to update these statements, except as may be required by law.

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

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***Joseph Welch - ITC Holdings Corp. - Chairman, President and CEO***

Thanks Gretchen and good morning everyone. We are once again pleased to report solid operational and financial performance. Our results for both the quarter and for the year-to-date period continue to position the company to successfully deliver on our goals and objectives for yet another year. Further, these results have once again strengthened our track record in demonstrating our capabilities as a best-

in-class operator, while also successfully executing on our financial commitments, which include significant growth in our capital program by investing in critically needed transmission infrastructure projects.

From an operational standpoint, we are particularly pleased with how our transmission systems performed during the stressed conditions of this past summer resulting from record high peaks due to unusually warm weather, and a series of severe storms that moved across the region. These conditions serve as critical reminder of the importance of operational strengths of our systems and the overall reliability of the transmission grid. The reliable service experienced on our systems during these months and resulting absence of issues or disruptions to our customers continues to demonstrate the value of our capital investments and serves as a differentiating factor for ITC. I would emphasize that our performance during these conditions is in no way a surprise to us as our systems performed consistent with our expectations and design specifications. We view our operational excellence as not only critical to our core operational platform, but also as a key enabler and differentiating factor as we pursue growth through our development and other strategic initiatives. The resulting competitive advantages from our unrelenting focus on operational excellence manifest themselves by distinguishing ITC as an established and successful transmission owner, operator and developer.

From our perspective, the overall landscape for transmission investment remains quite favorable, as evidenced by both a continuing recognition of the critical need for transmission investment, as well as the supportive regulatory environment for transmission expansion. In terms of the outlook for opportunity, the fundamental premise remains intact – we need significant investment in our nation’s transmission infrastructure in order to support on-going system reliability, as well as our long-term energy goals. This premise was true when Congress passed the Energy Policy Act of 2005 and it remains true today. While transmission has certainly gained much attention over the recent years, we have yet to see a significant amount of transmission actually built, largely due to the long lead time and regulatory processes required for the projects. The issues that we face today around the investment needs of the transmission grid are the same threshold issues that we faced in 2005, and in the preceding years and decades before that. The first core issue is the investments required for the grid just to maintain the reliability of the existing infrastructure. The reliability issues that we face today are largely a result of the historical underinvestment in transmission, which dates back close to 30 years. While there are many ways to frame this severe underinvestment trend, some supporting compelling data is the historical disparity between distribution investments and transmission investments, which can be demonstrated through a much steeper linear investment curve for distribution investments dating back to 1980, and a relatively flat linear investment curve for transmission investments for this same period. Unfortunately, the consequences of an unreliable grid are often overlooked or forgotten until the lights go out. Not only is this inconvenient, but it also results in a significant cost. A recent report by the Department of Energy found that electricity disruptions cost the country \$150 billion dollars a year. That’s roughly \$500 for every man, woman, and child in the United States. The recent blackouts and brownouts in the West only serve to highlight the major impact that these events have on the economy.

In addition to the ongoing reliability requirements of the grid, the need for transmission investment has been further exacerbated by changes in the ways in which we utilize and produce power within this country. While there is a great deal of speculation as to what sources of power we will ultimately rely on and what technology or technologies will prevail, the reality is that regardless of what you believe, the need for transmission investment is clear and evident. Whether the industry relies more on nuclear, gas, coal, or renewables, or whether electric vehicles or some other alternative transportation technology becomes the fuel of choice, a well-planned and robust transmission system supports the efficient use of energy resources. This efficient use of energy ultimately bears out in the fundamental economic realities of the cost of energy in the United States. A number of influential business groups,

such as the Business Roundtable and the Council on Competitiveness, are organizations which are focused on improving the business climate in this country, advocating for investment in the transmission infrastructure. These organizations recognize that an efficient transmission grid is the critical link to securing reliable, cost effective energy to support our domestic manufacturers and businesses. There are clearly a number of significant indicators supporting the need for a robust and flexible transmission grid, which simply does not exist in this nation today. So if we all agree that the electric grid needs attention, the question then becomes what is the right way to go about it and of course, who pays for it. These are the critical questions that the FERC has recently sought to address in Order 1000.

On our last call, we highlighted our support for the fundamental principles established by the FERC in Order 1000 as they relate to planning enhancements and the support for regional cost allocation for projects that provide regional benefits. We believe these guidelines will ultimately serve to promote transmission investment by addressing two key impediments that have historically stymied advancing transmission. With the issuance of the Order 1000 in July of this year, impacted constituents, including the RTOs in which we operate, are currently working through the implementation process. Given the relative recent issuance of the Order, these implementation activities remain in their early stages and we expect them to continue into late 2012 as the regions strive to finalize and file their compliance plans.

Meanwhile, in further support of the principle's put forth within Order 1000 around enhanced regional planning and regional cost allocation, in mid-October FERC denied rehearing requests for MISO's Multi-Value Projects (or MVP) planning and cost allocation proposal and for SPP's Highway/Byway transmission cost allocation methodology. The FERC unanimously affirmed the Commission's previous orders that provided these proposals and also reaffirmed its determination that both proposals are consistent with cost causation principles.

During our last call, we also provided an overview and our initial perspectives on the Notice of Inquiry (or NOI) on Promoting Transmission Investment Through Policy Reform that was issued by FERC in May of this year. Our views on this process remain consistent with our previous comments as we continue to see this as the natural evolution of policy making and understand FERC's ongoing desire to evaluate the effectiveness of the incentive policies currently in place. Our comments on this process were submitted in September and we are largely focused on the policy and consumer benefits of the independent transmission model, the unique and supportive role that ITC's business model has played in advancing transmission, along with our views on the promise that the transmission incentive policies show in stimulating investment and bringing true value to customers. As we have stated previously, we do not anticipate any material implications to the ITC business model as a result of this NOI and feel that this process has provided a good platform for ITC to demonstrate the value of the independent model.

While there has been much activity at the FERC level around advancing transmission investment through policy initiatives, we have also seen considerable tangible progress in advancing the development of regional transmission projects in both of the regions in which ITC operates - MISO and SPP. While both RTO's continue to advance transmission plans, I would highlight the noteworthy advancements that MISO has recently made on advancing its proposed EHV overlay. MISO has identified a basket of regional projects to be built within the RTO and currently expects to approve this set of regional projects in December. These projects were identified through MISO's Regional Generation Outlet Study (or RGOS) as the first round of projects to be promoted to support both reliability needs and RPS mandates for member states. Overall, the results of the RGOS produced an intra-regional EHV overlay for the MISO region, which ultimately serves the same goals and objectives as our Green Power Express project. As we sit here in October of 2011, we now have the benefit of hindsight and can reflect back on a little more than two years ago when we first introduced the Green Power Express. At that time, the Green Power Express project faced what seemed like insurmountable

challenges around the planning process for regional projects and the resulting cost allocation. The roll out of this project was successful in demonstrating the need for a high-voltage backbone infrastructure in the MISO region as well as highlighting the regulatory voids that have existed around advancing much needed regional transmission projects within the Midwest. Since the roll out of Green Power Express, we have seen significant progress on both of these fronts with the resulting EHV backbone identified through RGOS and through the regional cost allocation established with MISO's Multi-Value Projects. We believe that the advancement of the first round of these regional projects is a strong validation of both the objectives that we set out for Green Power Express as well as the leadership position ITC has taken on within the industry in facilitating transmission development. I should note, that at this time, five electrically equivalent segments of the 18 electrical segments have either been approved or are in their final stages of being approved by MISO.

While we fully expect the dialogue will continue around the appropriate policies to support and advance transmission investments, it is clear that the need for this investment has been recognized. ITC has worked diligently over the years to strategically position ourselves to execute on these opportunities both in the near-term through the execution of our \$3.9 billion five-year capital plan and longer-term by solidifying ITC as a leader in the build-out of transmission infrastructure.

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

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***Cameron Bready - ITC Holdings Corp. - EVP, Treasurer and CFO***

Thanks, Joe, and good morning, everyone. As Joe highlighted in his opening comments, we are quite pleased with our overall financial performance for the quarter and year-to-date period.

For the third quarter of 2011, ITC reported net income of \$44.0 million or \$0.85 per diluted share, as compared to net income of \$38.4 million or \$0.75 per diluted share for the third quarter of 2010. Net income for the nine-month ended September 30, 2011 was \$129.0 million or \$2.49 per diluted share, compared to \$108.9 million or \$2.13 per diluted share for the same period last year. The primary drivers contributing to this increase in net income include:

- Higher rate base and AFUDC at all of our operating companies, resulting from our capital investments for the quarter and year-to-date period
- Partially offset by slightly lower revenues associated with the expiration in May 2011 of the amortization of the ITC *Transmission* rate freeze deferral.

Our strong financial performance for the quarter and year-to-date period is largely due to our successful execution of our capital investment plans for the year. For the nine months ended September 30, 2011, ITC invested \$420.5 million in capital projects at its operating companies, including \$55.8 million, \$103.2 million, \$191.2 million, and \$70.3 million at ITC *Transmission*, METC, ITC Midwest, and ITC Great Plains, respectively.

It is also worthy to know that we increased our dividend during the third quarter. In August, we increased our quarterly dividend 5.2% to \$0.3525 per share or \$1.41 per share on an annualized basis. This is the sixth consecutive year that ITC has raised its quarterly dividend, which underscores both our track record of delivering on our commitments along with our confidence in our ability to execute on our long-term strategy. We continue to view our dividend as an important component of our total shareholder return proposition, and we remain focused on growing it in a prudent manner that balances

our goals of delivering shareholder value and also efficiently funding our capital investment program in future growth prospects. We believe that our current dividend policy strikes this balance, as we continue to expand our capital program and execute on our five-year capital plan.

I would like now to turn to our overall capitalization requirements and liquidity position, starting with our financing activities and capitalization needs for the year. Our financing activities for the year so far have largely been focused on the refinancing and resizing of new revolving credit facilities at all of our operating companies and at ITC Holdings. In addition, in July of this year, we established our new Sales Agency Financing Agreement which provides a cost-effective option to issue small amounts of equity to the extent it is deemed necessary. As we've consistently stated, we do not currently envision the need to issue new equity to finance our capital plan, but do view this as a good tool to have available to us, in the event that incremental capital investment opportunities present themselves. With the successful execution of these activities, we have completed our financing plan for 2011. We currently anticipate that we will obtain additional long-term financing at ITC Midwest in the first quarter of 2012, in order to support the capital investment requirements for that company going forward.

Our financing activities have also included ongoing efforts to capitalize on the favorable interest rate environment we're currently experiencing by hedging the interest rate exposure for the refinancing of the ITC Holdings' \$267 million 5.25% senior notes due July 2013. We entered into two additional forward-starting interest rate swaps in early Q3 with a notional amount of \$25 million each, bringing the total notional amount of forward-starting interest rate swaps for this refinancing to \$175 million, with an average underlying Treasury rate of under 4%. By entering into these forward-starting interest rate swaps, we've effectively reduced the interest rate exposure on a good portion of this refinancing at rates which we believe to be attractive. As previously discussed, all of these interest rate swaps qualify for hedge accounting treatment and as such, any gains or losses on the effective portion of the swaps will be recorded to other accumulated comprehensive income between the trade date and the effective date of the swaps and will not impact net income.

As for our current liquidity position, as of September 30, 2011, we had \$48.3 million of cash on hand and \$532.4 million of net undrawn revolver capacity, bringing our total liquidity position to approximately \$580.7 million. Our total capacity available under our revolving credit facilities currently totals \$666.0 million. Our liquidity position has been bolstered in 2011 by both the incremental capacity available to us under our new revolving credit facilities, along with strong operating cash flows experienced within the first nine months of the year. For the nine months ended September 30, 2011, we reported operating cash flow of \$286.6 million, which includes approximately \$73 million of incremental revenues in excess of our actual revenue requirements, largely as a result of higher monthly peak loads compared to what we forecasted in developing our 2011 network transmission rates. Peak loads for the year-to-date 2011 period is approximately 8% better than the load forecast utilized to establish our 2011 rates, primarily due to the above-average heat experienced this summer and resulting peak load that Joe discussed. As a result, we're currently projecting that we will end the year in an aggregate payable position of more than \$50 million with respect to our true-up for 2011.

Turning now to our outlook for the remainder of 2011, our performance in the first nine months of the year continues to position the Company well with respect to our financial goals for the year. As a result, we are today reaffirming our 2011 earnings per share guidance of \$3.25 to \$3.35 per diluted share, as well as our total 2011 capital guidance range of \$600 to \$645 million, which consists of \$70 to \$85 million, \$155 to \$165 million, \$255 to \$270 million, and \$115 to \$125 million at *ITCTransmission*, METC, ITC Midwest, and ITC Great Plains, respectively. Capital guidance ranges for *ITCTransmission* and ITC Great Plains have been slightly refined to reflect current expectations for each of those operating companies.

Lastly, we continue to make good progress with our five-year capital plan which provides for \$3.9 billion of capital investment from 2011 through 2015 and supports a long-term compound annual growth expectation for earnings per share in the range of 15% to 17%. Our expectation of this plan very much remains on track, especially as it relates to certain key capital projects contained within the plan. As is customary, I will update you on each of these projects now, starting with the Michigan Thumb Loop Project. This project represents approximately half of our total requirements for generator interconnections outlined in our five-year plan and remains on track as we continue with our pre-construction activities, which largely consist of right-away acquisitions. Our expectation remains that material capital investments associated with this project will begin in 2012.

Consistent with prior updates, our advanced projects at ITC Great Plains, which include Hugo to Valliant, the KETA project, and the Kansas V-Plan, remain solidly on track to meet targeted in-service dates. As we previously noted, the year-to-date capital investments for ITC Great Plains reflect the cost savings achieved on the first segments of the KETA project. These savings were largely driven by the competitive processes utilized by ITC in securing labor resources for the project, as well as our overall project management and execution capabilities. We have not previously updated that our cost estimates for the total project due to all the variables at play with respect to the ongoing construction and the need to contract for the remaining segments of the project. As we have continued to progress with the construction and have effectively mitigated the variability of many of the cost factors of the project, we are now confident that the savings realized on the first segments of the project will ultimately materialize and result in a lower overall cost for the project than what we had originally estimated. We revised the cost estimate for the KETA project to approximately \$175 million from the prior estimate of approximately \$200 million. Although this results in a slight reduction in the amount of investment that we will make in this project, we firmly believe that our ability to execute these large-scale regional transmission projects on time and at or below budget speaks volumes about our capabilities as a developer of transmission infrastructure and positions us well in terms of future development success. In addition to the KETA project, we also continue with our pre-construction activities for the Kansas V-Plan after receiving our siting approval for the project in mid-July. We expect these activities to continue in the coming months and into 2012. Our cost estimate for the V-Plan project remains unchanged at approximately \$300 million.

Lastly, as I hope you saw, we have scheduled our Annual Investor Day for December 5th in New York. We anticipate providing a more comprehensive update as to our business strategy and long-term plans at this time.

As Joe discussed, our performance for the first nine months of 2011 provides a solid foundation for achieving our goals for the full year and positions us well with respect to our five-year plan. We remain focused on the execution of our plan and delivering sustainable growth by continuing to make much-needed transmission investments that will benefit customers in both our current operating systems, as well as new service territories through our development initiatives.

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

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***Operator***

Thank you, ladies and gentlemen if you do have a question please press star then one on your touchtone telephone. If your question has been answered and you wish to remove yourself from the queue you may press the pound key. Once again, if you have a question, please press star, then one.

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**Kevin Cole - Credit Suisse - Analyst**

Hi, good morning, guys. Thanks for taking my call. Joe, as you know, I guess, we've been hearing a lot of concern about the Section 206 filing in the Northeast and a potential read-through into risk into your ROEs given today's low interest rates. Do you mind, I guess, sharing your thoughts about the structure of your currently allowed ROEs for your businesses and how you think your current ROEs fit within the regional range allowed by the FERC?

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**Joe Welch - ITC Holdings Corp. - Chairman, President, and CEO**

Yes. I mean the fact is that what you have out there is, of course, a complaint under Section 206 of the Federal Power Act and I think there's a lot of things that everyone needs to take into account. I would be remiss in saying that I've heard a lot of rhetoric about this, but actually, I haven't lost much sleep over it because I believe it to be truly rhetoric.

First of all, let's just go down through the process and understand something, that we are operating in what everyone recognizes as not only an artificially low interest rate environment, but one more time, it is artificially held low and not there. The capital structure that we have at ITC was found and is just and reasonable and in the range of what exists today.

And when you go to the Federal Energy Regulatory Commission, under Section 206 of the Power Act, the burden of proof shifts to the complainant to prove that the rates are unjust and unreasonable. And, as a matter of fact, if you look at the respondents that have now responded to the complaint, they have put forth their study that shows them within the range of just and reasonable. So I don't see this having what I call a huge ripple effect.

The other thing that I think everybody needs to get really solidly in mind, and I've talked with most of the investors about this at one time or another, is that when you look at the Federal Energy Regulatory Commission, they don't do their work in what I call a vacuum. They don't look just at the rate of return. They look at the cost and the benefits, as they've stated really strongly in Order 1000, to do this.

Their job and what they are attempting to do is to create a very competitive wholesale electric market, very similar to what they've done in the gas pipeline business. And their record in the gas pipeline business has been very, very clear that they've allowed high ROEs and they've done it over a long range of time. They look at those high ROEs, but look to the market to see what benefits customers are getting out of the marketplace. And when they see those benefits truly greater than what it takes to drive that investment, they are very comfortable with that and they've stayed comfortable with it.

Actually, when we put the first tenets of ITC's business model together, that's where we looked for guidance on how we would set this Company up. And FERC was very comfortable with it as we discussed it with them before we went forward with ITC and I don't see any change out there that's going to -- that really is going to change that for us.

The interesting thing to note and to -- this kind of gets in a backhanded way to the cost and benefits. When you look at ITC's total revenue requirement here in Michigan, it's only slightly larger than the rate increase that they just gave one of the utilities in Southeast Michigan. And as a result of that, what we're looking at is a very, very small portion of the bill; in fact, when we started our business, we were 4% of the bill or thereabouts; and today, we're less than 4% of the bill after we've invested about \$1.5 billion into it.

So the effects of the ROE and the effects that it's having on customers is not consequential in the overall picture of things. So I think FERC will act accordingly. I think they'll stay consistent with their drive to get transmission built to improve reliability. And they will look to see that the customers are getting the benefit and that will be consistent with how they've done it over the past. So I think that they'll stay the course.

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**Kevin Cole - Credit Suisse - Analyst**

I guess as I look back to your last four quarters of the Great Plains, there's a range of reasonable list of 8.91% to 14.29%, which, of course, all of your utilities fit within. Do you know if a complaint was brought against you or you had to mark that to market, would ITC*Transmission* still fit within that range?

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**Joe Welch - ITC Holdings Corp. - Chairman, President, and CEO**

Yes, we would.

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**Cameron Bready - ITC Holdings Corp. - EVP, Treasurer, and CFO**

Yes, I think, Kevin, this is Cameron. I think clearly, we view the rates that exist today for all of our operating companies; not just ITC*Transmission*, but all the operating companies that we have in place as being just and reasonable, and we believe that, that would be supported by appropriate zones of reasonableness, reflecting appropriate proxy groups for those operating companies in a process today.

So, again, as Joe mentioned before, to demonstrate that something is unjust and unreasonable is a fairly high hurdle and a fairly high bar to achieve, particularly -- and I think we've seen this in the New England case now, the respondents I know have been able to put forward a fairly good argument as to why a zone of reasonableness exists today that would clearly encompass the ROE that has been established for the New England ISO. And I think we feel confident that in our markets and with our operating companies, we could do the same.

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**Kevin Cole - Credit Suisse - Analyst**

Okay. Thank you for that. And I guess a question on a different topic. So with the 5 to 18 segments for Green Power Express that look to be entering the vital stages, does that mean that they'll qualify for your advanced phase bucket and we should look for them to help fill out your '14, '15 rate base at the Analyst Day?

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**Cameron Bready - ITC Holdings Corp. - EVP, Treasurer, and CFO**

Yes, Kevin, this is Cameron again. We will provide an update as to our pipeline at the Analyst Day. I think it's fairly safe to assume that the projects that are currently in the RGOS starter group that's going to through the MISO process today were reflected in our last pipeline. And obviously, we're risk adjusted appropriately given where we were in the process at the time.

Certainly given that our expectation is that these projects are going to move forward through the MISO process in December to the extent that we feel good about that happening, I think it's reasonable to expect that they would move into a more advanced stage of development and that would be reflected and will be reflected in our update to our five-year plan at that time and -- as well as our update to our development pipeline.

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**Kevin Cole - Credit Suisse - Analyst**

Good. Thank you, guys. Have a good day.

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**Cameron Bready - ITC Holdings Corp. - EVP, Treasurer, and CFO**

Thanks, Kevin.

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**Operator**

Thank you. Once again if you have a question, please press star then one, our next question is from Jay Dobson with Wunderlich Securities.

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**Jay Dobson - Wunderlich Securities, Inc. - Analyst**

Hey, good morning.

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**Joe Welch - ITC Holdings Corp. - Chairman, President, and CEO**

Good morning, Jay.

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**Jay Dobson - Wunderlich Securities, Inc. - Analyst**

Hey. Joe, just a little more on this 206 and I agree with the way that you've characterized it. But talk a little bit about your relationship with your customers because I think there's a bit of a difference there as well that supports your position. But obviously, I think a lot of us worry not so much about you having a lot of risk, but just the idea that one of your customers stands up and files this because that's what tends to impact your stock. So maybe just talk to us about your relationship with customers and sort of what you're seeing in your individual region that probably differentiates you from what's going on in the Northeast.

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**Joe Welch - ITC Holdings Corp. - Chairman, President, and CEO**

Well, I think the thing that I would rather than talk about directly relations with customers is what I would say is what is our operating performance and what have we done. As we've stated, if you look at our outage statistics, we are a top-decile performer. When you look at our maintenance on our system, again, we are a top-decile performer in performing our maintenance.

When you look at what we do with the money that we get from the ROE, you're going to find out that our payout ratios on dividends is very low compared to other utilities, and we're taking that money and reinvesting it in the transmission, which is exactly what FERC wanted us to do and what they expect us to do with that money that we're earning.

So they've provided us with a pipeline to keep investing in transmission and we've done that. The customers on their side -- we know for a fact that we've relieved congestion in this region. They need to get more access to that competitive wholesale market and hope that they do. And I think as time goes forward, those will all work.

It's hard to point to any one point in time when you're looking at the transmission system and say, "Man, that got fixed." But when you look at what happened this last summer that we absolutely went through record-peak loads across the system, multiple systems, and our transmission system performed flawlessly. Not everyone can say that. And so, I think customers are benefiting from that and hopefully, we'll get the economy back here in Michigan to start to get more robust and those benefits will even be greater.

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**Jay Dobson - Wunderlich Securities, Inc. - Analyst**

Got you. That's helpful. But I guess, where I was going was, I mean you guys have good relationship with your customers. So a lot of the things you're talking about are sort of well-telegraphed to those folks. And I don't want to say that prevents any action, but I guess what I'm looking for is you feel good about your relationship with customers as sort of, whatever, some sort of an insurance policy.

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**Joe Welch - ITC Holdings Corp. - Chairman, President, and CEO**

We feel -- I feel good about not just the customers, but we term it as all the stakeholders.

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**Jay Dobson - Wunderlich Securities, Inc. - Analyst**

Right.

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**Joe Welch - ITC Holdings Corp. - Chairman, President, and CEO**

Because it's a bigger breadbasket than just customers and we do reach out to them. We try to explain to them everything that's happening and take their comments and take their comments to heart as to what's going on.

The fact is that as we transform the electric utility business, because I believe long term, it starts to look more and more like the gas business where you'll have exempt wholesale generators and you're going to have regional transmission lines carrying wholesale power and regulated distribution companies. There's going to be a tension that's always going to exist, especially as you try to build that regional transmission grid. But overall, I'd say they're good.

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**Jay Dobson - Wunderlich Securities, Inc. - Analyst**

That's great. And then, maybe turning to the competitive environment, Joe, we talked a little bit about this as you were just sort of digesting Order 1000 on the second quarter call. But again, sort of looking out longer term, maybe three to five years, certainly as you guys are thinking about updating your capital forecast, what are sort of the competitive dynamics you're seeing as certainly others want to get into the transmission business? You obviously have some sustainable competitive advantages, but sort of how you're seeing the competitive dynamic for development looking out a couple of years?

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**Joe Welch - ITC Holdings Corp. - Chairman, President, and CEO**

There are different items around the competitiveness. First of all, if you look at it, there is no other company that looks like ITC. And as a result of that, when I look at just as a company, I don't see that competition coming from there.

The competition that I think that's going to come and happen is going to be other people trying to build development projects, such as what we're doing with the Kansas V-Plan or the KETA plan. And I don't believe that that competition is -- I don't think that they're going to be as competitively footed as we are, because we have the total operation capability.

It's one thing to put a piece of wire up in the air, and that's what most of our contractors do for us. From the point that it goes up in the air, we're talking about the operations, we're talking about the restoration under storm conditions, we're talking about interconnection with other utilities. And all of the things that go there from the NERC standards, the CIP standards that we have to do today that weren't in existence five years ago.

I don't see that a lot of people having the capability that ITC has top to bottom, from financial performance right down to operational excellence. And I think that a lot of people are going to focus on price, but a lot of people when they buy a car focus on the price of the car. And then, what you find out over the long haul is they start to migrate to those suppliers of those automobiles that give them the most reliable transportation and that's where we're going to be in this business too.

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**Cameron Bready - ITC Holdings Corp. - EVP, Treasurer, and CFO**

Jay, this is Cameron. I think that point that Joe just made is one that's often underappreciated, particularly as it relates to our development capabilities, because you go into these new markets, the stakeholders within those markets, be it legislators, regulators, the co-ops, municipalities, they all have a very strong voice in ultimately who is in those markets and operating in those markets and pursuing these projects.

And I think one of the advantages that we clearly have is our ability as an operator and our best-in-class operations track record, which as I'd like to say, it's the calling card we utilize any time we try to expand our business in a new market. And that really resonates with people, because it's one thing, as Joe said, to be able to go in and contract for someone to build a line. It's quite another thing to be able to operate that line effectively to meet all the NERC compliance standards, the cyber security standards that we have today to be well positioned, to be able to put that line back up in the event of a storm or something of that nature.

So, having the total package that we do, I think, really does create a -- and you highlighted in your question a competitive advantage for us that we still feel like will play a meaningful role in our ability to be successful from a development perspective going forward.

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**Joe Welch - ITC Holdings Corp. - Chairman, President, and CEO**

And let me add to what Cameron said also is that the fact that we're an independent transmission company, meaning, we're not in the generation business and we're not in the distribution business. And so, actually, we don't pose a threat to any of those people there who are in those markets.

Our job is to build transmission and own and operate it. We're not here to unload some of our excess capacity capabilities or to expand our utility footprint, other than for transmission. So, I think we have a lot of competitive advantages and we'll utilize them to the best of our ability.

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**Jay Dobson - Wunderlich Securities, Inc. - Analyst**

No, that's great. Thanks, Joe, and thanks, Cameron. Cameron, one more. On the income tax rate, I saw that was lower and you sort of highlighted it sort of identifying lower state income tax. Give us an idea of what's sort of going on there and is this something that's going forward we should be thinking about on an ongoing basis or just give me a little more granularity there?

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**Cameron Bready - ITC Holdings Corp. - EVP, Treasurer, and CFO**

Yes, sure. I mean, just given the size of our business, the actual impact wasn't that large. But it really relates to some cleanup around our Iowa State tax position and reduction or elimination of valuation allowance with respect to some state NOLs that we have in Iowa that we expect to be able to utilize, given our long-term forecast now in Iowa.

So, as we wrapped up our planning process through the summer and also finalized our tax positions for the end of 2010, we were able to refine our tax planning around Iowa a little bit to free up some of that, which is the reason that you see a little bit lower effective tax rate for the quarter. But it's not a sort of ongoing, I think, expectation that would be at that level.

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**Jay Dobson - Wunderlich Securities, Inc. - Analyst**

Okay. Got you. And agree with your characterization. It's a small item. But if we were modeling out '12, we ought to allow that to snap back for '12 and then on an ongoing basis?

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**Cameron Bready - ITC Holdings Corp. - EVP, Treasurer, and CFO**

Yes. I mean, I still would view sort of our effective tax rate on average over time sort of in that 37% range.

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**Jay Dobson - Wunderlich Securities, Inc. - Analyst**

Okay, that's great. Thanks so much for the comments.

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**Cameron Bready - ITC Holdings Corp. - EVP, Treasurer, and CFO**

Thanks, Jay.

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**Operator**

Thank you. Our next question is from Neil Kalton with Wells Fargo Securities.

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**Neil Kalton - Wells Fargo Securities - Analyst**

Hi. Good morning, everyone.

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**Joe Welch - ITC Holdings Corp. - Chairman, President, and CEO**

Good morning, Neil.

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**Neil Kalton - Wells Fargo Securities - Analyst**

Just have a question on the pending SPP ITP10 there some, it looks like they've come out with some new plans there. And wondering if you're seeing any new opportunities for you guys in SPP as a result of this ITP10?

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**Cameron Bready - ITC Holdings Corp. - EVP, Treasurer, and CFO**

Yes, Neil. This is Cameron. We've obviously been actively engaged in the planning process in SPP, including what is currently being reflected in ITP10. I will note, and I think you've sort of touched on this well, it is still, I think, a fluid situation as to what ultimately will be refined and approved through ITP10. But clearly, there are components of ITP10 that we have been actively working on with our partners in that market. And I think we remain hopeful as we sit here today that many of those or some of those opportunities will ultimately be promoted through ITP10.

As part of the reason we're having our Analyst Day/Investor Day a little later this year is we're hoping to have a little more clarity on some of these development initiatives, so we can provide a more fulsome and, I think, more complete assessment of the development pipeline based on how some of these things progress here over the next couple of months, which we do view as critical as it relates to both what MISO is doing around the MVP projects, as well as what SPP is doing around ITP10.

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**Neil Kalton - Wells Fargo Securities - Analyst**

That's perfect. Thanks.

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**Operator**

Thank you. Once again, if you have a question, please press star, then one. There are no further questions at this time.

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***Gretchen Holloway - ITC Holdings Corp. – Director, Investor Relations***

This concludes the question-and-answer portion of our call. Anyone wishing to hear the conference call replay available through Tuesday, November 1st, should dial toll-free, 855-859-2056 or 404-537-3406. The passcode is 18425589. The webcast of this event will also be archived on the ITC website at itc-holdings.com. Thanks, everyone, for joining us and have a great day.

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**Operator**

Ladies and gentlemen, this concludes today's conference, you may now disconnect. Good day.

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