



**ITC HOLDINGS CORP.**  
**Moderator: Pat Wenzel**  
**February 9, 2009**  
**12:00 pm CT**

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**Operator**

Good day and welcome everyone to the ITC Holdings Green Power Express conference call and webcast. This call is being recorded.

At this time for opening remarks and introduction, I would like to turn the call over to Ms. Pat Wenzel. Please go ahead, ma'am.

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**Pat Wenzel**

Good afternoon and thank you all for joining us for ITC Holdings conference call and webcast. Today, we will be discussing ITC Holdings announcement unveiling the Green Power Express Transmission Plan. I invite you to follow the webcast presentation which can be found on our Web site at <http://investor.itc-holdings.com>.

Joining me on today's call are Joseph Welch, Chairman, President, and CEO of ITC Holdings; Linda Blair, our Executive Vice President and Chief Business Officer; Jon Jipping, Executive Vice President and Chief Operating Officer; and Edward Rahill, Senior Vice President and CFO.

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 periodic reports filed on Forms 10K and 10Q as well as our other SEC filings. You should consider these factors when considering our forward-looking statements. We disclaim any obligations to update or alter our forward-looking statements except as required by law.

With that out of the way, I will now turn the call over to Joe.

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**Joseph Welch**

Good afternoon. After almost a year of studies, stakeholder discussions and development, ITC is proud to announce our proposed plan for the Green Power Express, a broad network of 765kV transmission and facilities that have been designed to efficiently move massive amounts of renewable energy to major Midwest load centers.

President Obama has specifically mentioned his desire to get wind power from North Dakota to population centers like Chicago. The Green Power Express will make this goal a reality.

A robust transmission system is critical to the nation's energy solution and the Green Power Express facilitates the movement of up to 12,000 megawatts of power from the high efficiency, wind-abundant areas to demand centers. The project is designed as a 765kV superhighway and a critical component in the nation's move towards energy independence and away from the carbon-based fuel.

The deployment of 12,000 megawatts of wind power could result in 34 million metric tons reductions in carbon emissions, which is the equivalent to the annual emissions of about seven to nine 600 megawatts coal plants or 9 to 11 million automobiles.

The scope of the Green Power Express is illustrated on the map. The Green Power Express would comprise a series of 765kV transmission lines that would reliably move any of the great wind power from the Upper Midwest – the Dakotas, Iowa and Minnesota – into Wisconsin and Illinois over approximately 3000 miles of transmission lines.

The network will interconnect with existing 765kV now located in Illinois and Southwest Indiana. There would also be interconnections at several intermediary locations with existing lower voltage facilities. The network configuration is a time-tested proven way to improve electric reliability because it provides the appropriate level of system redundancy to mitigate the risks of widespread outages.

We estimate a project cost of approximately \$10 billion to \$12 billion. Today, the newly formed ITC subsidiary, Green Power Express LP filed a 205 application with the Federal Energy Regulatory Commission requesting approval of formula rate treatment and incentives for the construction of the Green Power Express including the approval of the regulatory asset for recovery of the development expenses.

This filing is needed now because rates certainty is critical in order to further discussions with potential partners and will also support the development of National Energy Policy that promotes greater development of domestic renewable energy resources and highlights the key role of extra high voltage transmission in achieving policy objectives.

Key elements of the 205 application include: A forward-looking formula rate treatment with true-up mechanism, a 12.38% return on common equity which is based on the median ROE of a proxy group within SPP through PJM and MISO and includes incentives and a capital structure targeting 60% equity and 40% debt.

Additional incentives for the Green Power Express includes: Inclusion of 100% of construction work in progress in rate base, recovery of prudently invested cost in event that the project is abandoned for reasons beyond ITC's control and approval of a regulatory asset to allow ITC to collect cost related to the development of the Green Power Express.

This is the first step of many in the process to bring this project to completion and facilitate the delivery of the best upper Great Plains renewable wind resources to demand centers and markets in the industrial Midwest and further east.

As we continue to develop the detailed plans for the Green Power Express, ITC looks forward to working with the Federal Energy Regulatory Commission and Congress to support public policy regarding renewable energy. We will also work with the governors of Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin through the Upper Midwest transmission development initiative to help implement their vision of a regional approach to support wind energy development as well as the State of Illinois and their stakeholders.

It is ITC's intention to work with all of the affected transmission owners in the Upper Midwest over the next 3 to 6 months respecting their rights to build transmission in their footprint as part of the project whether that means they build it, we partner with them to build it, or we build it.

Additionally, ITC has been working with many of the Upper Great Plains wind developers over the past year to understand their plans for their most efficient wind energy sites. ITC has used this information and its design of the 765kV backbone Green Power Express and the appropriate collector systems.

Among that group of supporters are NorthWestern Energy, NextEra Energy, Iberdrola Renewables, Generation Energy Inc., Montgomery Power Partners, Denali Energy, National Wind, Crownbutte Wind Power, Wind Capital Group, and RES Americas.

The acquisition of the IP&L Transmission assets was a very important part of ITC strategy to position ourselves in the wind-rich regions as the only independent transmission company who is generation neutral. Our acquisition resulted in our becoming a utility with transmission facilities in Iowa, Minnesota, and Illinois and Missouri which in turn has enabled the Green Power Express. As you can see from this map, this acquisition strategically positions ITC to take the leadership role in the development of the Green Power Express.

We are on the precipice of significant changes in the energy landscape in the United States resulting in a notable increase in the dialogue around the need to invest in regional high-voltage transmission and removing the impediments for building this needed transmission. The dialogue is focused on the need for transmission to facilitate renewables, to reduce our dependence on foreign oil, and to reduce carbon emissions from coal.

There is a national focus on the need for transmission as evidenced by the passage in many different states of renewable portfolio standards and the possibility of a national standard, the large number of renewable generators in the Midwest ISO generation interconnection queues and many industry studies aimed at integrating renewable resources into the grid.

T. Boone Pickens, Google, and FedEx all have energy plans and proposals that recognize the need for investment in transmission infrastructure. There is a significant and increasing interest and need to connect renewable generation resources. In addition, studies performed by government and independent research groups have shown the importance of renewable resources primarily wind in reducing carbon emissions.

At page 9 on the webcast, you can see the map that shows the wind density in the United States. As you can see from these slides illustrating wind density where the wind blows the most is not where the load centers are located. This overlay of the Green Power Express on the wind map shows the superhighway backbone transmission system that will facilitate the delivery of the vast Upper Great Plains renewable wind resources to demand centers and markets in the industrial Midwest and further east.

The Green Power Express has many benefits. The project increases reliability, provides greater energy market efficiency, reduces line losses and avoids system congestion. It facilitates the movement of 12,000 megawatts of wind power. These benefits are supported by planning studies conducted by our planners and engineers and CRA International.

Based on studies completed by CRA, carbon emissions are reduced by up to 34 million metric tons which is equivalent to annual emissions of seven to nine 600 megawatts coal plants or 9 to 11 million automobiles. The study also predicts energy supply savings. For example, under the Renewable Portfolio Standard case completed by CRA, the projected net annual benefits are over \$2 billion in 2020.

I encouraged you to read our application which is on our Web site for more details on the studies and analyses. The studies I just described do not take into account other economic benefits such as job creation and new tax revenues. The development operation of the Green Power Express will yield direct beneficiaries such as landowners, construction workers, O&M staff, turbine manufacturers, and project managers. Indirect impacts include businesses that support construction and operational facilities including banks, component suppliers, equipment manufacturers, restaurants, and other retail establishment. The project also largely resolves the Midwest ISOs generation interconnection queue issues for the region.

The Green Power Express will be constructed at 765kV to support competitive markets, reliability and renewables. Seven 765kV reduces losses which mean less burning of fuel and reduced air emissions. With 765kV, system availability is greater than 99%. On-ramps and off-ramps provide for easy generation connections and future transmission integration. 765kV is an efficient use of resources such as land and steel. 765kV provides the greatest capacity increases with the least land consumption.

The comprehensive plan is a better use of land resources than the band-aid approach of adding facilities at existing voltage levels because 765kV lines can carry more power more economically and require a smaller footprint than many lines that would be required to provide equivalent performance at lower voltages. Reduced right-of-way needs associated with 765kV lowers cost as well as impacts to consumers and to the environment.

Why not 345kV? 345kV would be a local fix and does not support a regional solution. The power-carrying capability of one 765kV line would require six 345kV lines which would be an inefficient use of land. It would be more costly and may take more time to site and construct.

Why not DC? Let me start by saying DC is a good technology solution if used in the proper application. In the development of the Green Power Express, DC was never seriously considered because of its fundamental limitations in an application such as this under the current configuration. The Green Power Express was designed to be an extra high voltage backbone that would gather the wind from the disparate areas within the abundant region and transport it eastward.

DC on the other hand generally is used to deliver energy from point A to point B with little opportunity for intermediate on-ramps and off-ramps. As such, with DC, there would be less flexibility for how wind would be integrated into the network. Because of this point-to-point nature, DC isn't associated with regional cost sharing and DC does not improve or rebuild the underlying grid.

Additionally, DC presents some reliability concerns if used as the initial phase of an extra high voltage backbone. Because it is more complicated to operate and does not allow for easy redirection of power in the case of line outages, at this point, a DC solution would make the system vulnerable from a reliability standpoint.

The Federal Energy Regulatory filing is the first of many steps in this project which will take years to complete and it is possible that the regulatory steps will be as lengthy as the actual construction. We will continue to work with affected utilities, wind developers, and all stakeholders to bring the project to fruition. Soon, we will submit the project to the Midwest ISO or MISO for inclusion in appendix C which is the MISO's planned but not approved projects as part of their MTEP process.

It can take up to 5 years to get to construction of this project but we could be there in 2 if the right regulatory reform was adopted in the developing energy policy and legislation. We do not need money allocated to studies or to fund construction. National Independent Transmission Planning, National RPS Standards, and FERC backstop siting are all solutions that will allow projects such as the Green Power Express to become a reality more quickly.

ITC will be working hard in Washington to help policy makers understand this. Alignment of and support from stakeholders will also help move the process forward more quickly. Regional cost sharing for EHV transmission projects is also a very critical step for moving this project forward. This is a huge undertaking since we are building a significant transmission network and not just a single line.

The plans that we pursuing in Kansas as well as the Green Power Express are part of a larger vision where all of the wind resources are interconnected across the nation. Because the wind is not blowing everywhere at peak demand, a high voltage super backbone transmission system is the optimal solution for delivering wind energy to the nation's load centers.

The extra high voltage transmission vision and multiple high voltage transmission routes provide the maximum flexibility and will best serve our nation if we intend to pursue meaningful renewable portfolio standards. The project will improve the country's access to renewable energy, improve energy market

efficiency to lower energy cost, reduce our carbon footprint and improve energy delivery reliability for customers.

ITC is focused on providing efficient and reliable electric transmission service to the states we serve. As the nation's only completely independent electric transmission company, we are keenly aware of the critical need for regional electric transmission to support the nation's current and future energy infrastructure needs and public policy objectives.

We believe this plan provides the necessary infrastructure to support whatever policy state and federal energy decision makers choose to adopt. A robust transmission system is critical to the nation's energy solution and the Green Power Express, a key part of this vision.

ITC is uniquely positioned and qualified to play a large part in the super regional transmission build-out and we are excited about the opportunities ahead of us.

At this time, I would like to open up the call for questions from the investment community.

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**Operator**

Thank you. The question-and-answer session will be conducted electronically. If you would like to ask a question, you may do so by pressing the star key followed by the digit 1 on your touchtone phone. If you are using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is star 1 for questions.

Now, we will take our first question from Dan Eggers with Credit Suisse.

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**Dan Eggers**

Hi, good afternoon.

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**Joseph Welch**

Hi, Dan.

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**Dan Eggers**

There is a lot of lines on these maps, could you just talk a little bit about how integral it is that all the projects or all the lines be built at once and what needs to be done, kind of piecemeal based on what laws and regulations are outstanding today and how long it will be so that you could go and start spending some money on these projects?

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**Joseph Welch**

Well, first of all, we have designed it to be built in portions. While you have the lines here on the map, what is not clear from that is, of course, that it is laid out to be a double-circuit 765kV line. You do not have to build both circuits at once. And that we also have identified those legs that need to be phased

and built first, second, third, and fourth. And as you well know, Dan, we do not have 12,000 megawatts of wind generation in the Dakotas and in that western end of Minnesota and Iowa ready to interconnect, so there is the time to get the generation built.

The goal is to not have anybody waiting in the queue to build but in fact have the transmission network ready to take them as it grows. I could envision that this takes anywhere from 5 to as many as 10 years for all of the construction of this to take place.

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**Dan Eggers**

And on the front end, when do you think you could actually start putting money to work?

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**Joseph Welch**

We, on the aggressive side, with the necessary rule changes, and I want to be real clear about this because all of you can help us here because Congress is really contemplating stimulus packages and all kinds of things to make things like this happen. With truly minimal amount of rule changes and not a lot of money, this thing could be facilitated for starting construction as early as within 24 months.

Our feeling is, is that if we stay on current track, in fact, if we stay on current track, it probably never happen in my lifetime, that we have to have rule changes that are going to do this. As I have said in my prepared remarks, we need an independent planning authority. We need to get this issue around cost allocation fixed and we also need to get the, I have my senior moment here, but we need to get the siting authority streamlined - siting across multiple states, siting for the good of the nation rather than for individual states is what is an issue here. And so, we need Congress to think how they want to do that.

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**Dan Eggers**

OK, guys, Joe, what is the receptivity in Congress? I am sure you have been spending some time there as far kind of going to the a FERC siting authority versus the state local authority prospects for an appetite to take on a state battle to get it done?

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**Joseph Welch**

I think that more and more the momentum is swinging for that and the reason is simple. We have done a whole host of studies. We have developed RTOs. We have had national corridor studies and nothing has resulted in any regional transmission being built.

We now have a president who has stated in his statement that he wants renewable energy and it was ironic while we were working on this that he started to talk about moving it from the Dakotas to Illinois which is exactly the plan that we were working on when he had made his statements.

If he wants to get this done and have the reality of this during his presidential term, then we need the rules changed.

**Dan Eggers**

OK and I guess just one last question and then I'll let somebody else ask, but on your list of partners, is that an exclusive list of partners and in the sense that they are committed to work with you guys or it is just people who have been corroborating on kind of designing and figuring out what they would need relative to their plans.

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**Joseph Welch**

We have not got an exhaustive list because we are still working with other parties. And the original goal was to get everything locked down, but as you start to talk to people, pretty soon, everyone starts talking about it and so it just became apparent that we needed to get it filed and this is a good time to get it filed because we need to get it in front of MISO and really need to get this queued up with MISO and also get it queued up at FERC.

We can't get everyone locked down because it is hard for people to put paper and pencil together and talk about what their financial realities are going to be and whether they want to be investors and in what portion or level. We are very sensitive and have stated so that we do not want to, in any way, shape, or form, encumber the rights of incumbent utilities in areas where this is going to come through.

So, we look at them in one or three ways that we can partner with them. They can take an investment proposition or they can build it themselves and we will just interconnect it and make it part of the Green Power Express. Because it is going to be regional we want to put that tariff together where everybody is on the same page. They can run their financial models and see what role they want to play but we want this to be done truly in an expeditious cooperative way.

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**Dan Eggers**

Right. Thank you for the call.

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**Joseph Welch**

Yes.

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**Operator**

We will take our next question from Leon Dubov with Catapult Capital.

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**Leon Dubov**

Hi, good afternoon.

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**Joseph Welch**

Hi, Leon.

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**Leon Dubov**

Hi. Can you guys just clarify again how the preconstruction expenses are going to be treated and do I understand correctly, you do not yet have authorization issued to defer it, so you basically just be asking for that now? Is that correct?

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**Edward Rahill**

Yes, to answer your question, Leon, in our 205 as a precondition moving forward, we are requesting the establishment of a regulatory asset, whereby ITC Holdings and Green Power Express will be incurring development cost over the next couple of years to advance this project, that filing is the request for authorization to accrue it and recover it at a later date. So, the expenses will be expended upon the issuance of the 205 with contemplation of recovery in the future.

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**Leon Dubov**

OK and you would not go forward with this project without such authorization?

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**Edward Rahill**

Never say never, but not getting a 205 would be an issue. However, we are actually very confident that we are working within the rules that we hope that outcome is likely for us.

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**Leon Dubov**

Fair enough. Thank you.

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**Operator**

We will go next to Neil Kalton with Wachovia.

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**Neil Kalton**

Yes, good afternoon. Just a quick question on the regional cost sharing. It is my understanding that right now it is basically in the hands of the ISO so it has just been a big impediment. Do you get the sense that the FERC is becoming more receptive to maybe taking a more active role in regional cost sharing or might this require some sort of action in the part of Congress to kind of force their hand a little bit?

**Joseph Welch**

I actually believe that we are going to have to get Congress involved here. I mean, take a look at everything that is on the table here and the things that we say in our prepared comments, one, that climate change is not a state by state issue. The wind or renewable resources whether they're wind or waves or solar or geothermal are not ever congregated in one area but are in fact dispersed around the country and by and large and in part, they are not where the populations are at.

So, we need to get real about how we want to do this and we start to need to look at this like we do the interstate highway system that it is there to facilitate everybody. It will not all be built for everybody at the same time but there are certainly regions that are going to be benefactors and everyone in the end is going to be benefited from our dependence on foreign oil, the reduction of carbon, and becoming an energy-independent country and if we are going to get in the hope of the administration and a lot of state governors too is that we got to get people back to work and they want to work on this energy infrastructure. We either change what we have out there right now or we will be talking about this 5 years from now because that is exactly what has happened with the RTOs, the small-based stakeholder forum is a failure for getting transmission built.

So, I think, yes, I think Congress needs to take and give FERC the direction that they want them to go much the same as Congress gave direction to FERC after the blackout of 2003 that they want the reliability standards enforced and they made some massive changes and you see a huge change in the way reliability is enforced and how it is funded that enforcement agency and so, we need to get those changes made.

We don't need and I want to repeat this, and I want you all to say it, we do not need money. We think there is adequate money out here to fund it. We do not need money for studies. We need the regulations changed. We are not asking to get rid of regulations. We are asking to get them changed, to facilitate doing what this country needs.

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**Neil Kalton**

Thanks for those comments, thanks.

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**Operator**

We will go next to Jeff Deblock with CPPIB.

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**Jeff Deblock**

Yes, just wondering as far as the total capex stand of \$10 billion to \$12 billion, how much of that would be anticipated coming to ITC?

**Joseph Welch**

As we stated in the filing, the primary reason for the filing was so that we could sit down with all the potential partners that we have lined up right now and start to work that out and so, there is no definite number there. I mean clearly, there is a portion of this that runs right through the heart of our service territory in Iowa and that of course, would be on the table for sure for us but depending on how the rest of it works, we will play a major role but we are not trying to dominate anyone in this deal. We want to get it done.

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**Jeff Deblock**

And also in unrelated question, but what do you think the likelihood of getting the Green Power built given the current lack of production tax credits, debt for the IPPs and the premium prices associated with green power given the current state of the U.S. economy?

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**Joseph Welch**

First of all, I do not know what premium you are talking about for the Green Power Express. The ROE that we are asking for is exactly the median ROE in MISO and it's what every transmission owner gets. I do not think we need production tax credits for this.

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**Jeff Deblock**

I am sorry, I was referring to get the generation built as well. I do not know ...

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**Joseph Welch**

I do not think we need that either. I mean if the generators want to ask for it, they can ask for it but if you have an RPS standard out there that drives that behavior right then and there.

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**Jeff Deblock**

Fair enough.

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**Operator**

As a reminder, that is star 1 for question. We will go next to Yiktat Fung with Zimmer Lucas Partners.

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**Yiktat Fung**

Good afternoon.

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**Joseph Welch**

Good afternoon.

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**Yiktat Fung**

First of all, I would like to ask how long do you anticipate the Section 205 proceeding is going to take.

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**Joseph Welch**

It could be really quick. On something like this, it could be as quick as 60 days and I would like it to be that quick because that will allow us to move to the next step even quicker.

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**Yiktat Fung**

So, the next steps won't start until this first 205 filing is resolved?

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**Joseph Welch**

Well, we will not be precluded from filing this with MISO and getting that queued up in there and when we do file with MISO, we will ask them also to pull this up to the front of the line and take a look at this and just to continue this dialogue, we all ready know that it will fail the MISO cost benefit test because the MISO cost benefit is a dysfunctional test that does not even reward the benefits of the Green Power Express brings. It does not recognize the need for RPS standards. It does not look at carbon emissions and so we need to get that up there to get the issue back in front of FERC.

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**Yiktat Fung**

And just to clarify that 12.38% ROE, does that all ready include incentives or could there be incentives on top of that?

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**Joseph Welch**

Well, let me be clear about this. First of all, as I said in my prepared remarks, it does include incentives, OK, it is also the median or it is also the ROE that is currently approved for MISO and we are not going to ask for any more.

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**Yiktat Fung**

And just a final question with regards to cost allocation, I think you suggested that you think there needs to be a legislative change, can't you pursue, I guess, a different type of cost allocation just at the RTOs? Why do you think you need to go to Congress?

**Joseph Welch**

Well, first of all, as envisioned right now, this Green Power Express goes across two RTOs and is envisioned to interconnect with a third RTO and the benefits don't all reside in MISO. In fact, a lot of the benefits reside outside of MISO and we need to get this clear that the issues that we are trying to get solved are national issues, not issues predominantly of the states of Dakota or Iowa or Minnesota or Wisconsin and if we don't get this done right, we will all be sitting around the campfire. President Obama will be running for his second term and frustrated.

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**Yiktat Fung**

But you think you basically have to overhaul the entire the RTO structure in order to get this?

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**Joseph Welch**

We have said this, that the RTO structure is flawed. That you cannot have independent transmission planning in a stakeholder process that includes the markets and so there has to be a visible separation between the markets and the independent planning is not a place where market participants can have votes on how transmission is expanded and that is why we have not had 1 inch of regional transmission in 10 years of experience with RTOs. So, it has to be changed so that in what I said in my remarks is separate the planning from the markets. That is what the independent planner is and that has to happen.

That, by the way, does not cost money. Those people are right now employed but their hands are tied by the process we have. Just separate them and fund them same amount of dollars, just fund them through a different pot and take the stakeholder process out of it.

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**Yiktat Fung**

Will you be drafting legislation to accomplish this?

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**Joseph Welch**

We will be helping everyone understand it and we will be putting as many pens and papers together as possible to affect it.

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**Yiktat Fung**

OK, thank you very much.

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**Operator**

And as a reminder, it is star 1 if you have a question or comment at this time. And we have no further questions at this time. I would like to turn the conference back over to Ms. Wenzel for any additional or closing remarks.

**Pat Wenzel**

This concludes the question-and-answer portion of our call. I would like to thank everyone who participated today. For more information about the Green Power Express Project, please visit <http://www.thegreenpowerexpress.com>. Once filed, the FERC's filing will be available by going to [http://www.thegreenpowerexpress.com/project\\_filing.php](http://www.thegreenpowerexpress.com/project_filing.php).

The conference call replay will be available through Monday, February 16, 2009 and can be accessed by dialing toll free 888-203-1112 domestic or 719-457-0820 international. The passcode is 7048347.

The webcast of this event will be archived on the ITC Holdings Web site. Goodbye and have a great day.

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