



Moderator: Renuka Kamerkar
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10:00 am CT

Operator

Good day and welcome to the ITC Holdings Corp First Quarter 2009 conference call. Today's call is being recorded.

For opening remarks and introductions, I would like to turn the call over to Pat Wenzel. Please go ahead.

Pat Wenzel

Good morning and thank you for joining us for ITC's 2009 First Quarter Earnings conference call.

Joining me on today's call are Joseph Welch, Chairman, President and CEO of ITC, Edward Rahill, our former CFO who was recently appointed President of ITC Grid Development and Cameron Bready, our new Senior Vice President, Treasurer and CFO.

Last night, we issued a press release summarizing our first quarter 2009 results. 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 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 10-Q, expected to be filed today, our other periodic reports filed on Form 10-Q and 10-K 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 L. Welch

Thanks Pat. We are obviously pleased with our 2009 first quarter financial results. In spite of the difficult economic environment in which we are operating, ITC continues to deliver value for our shareholders.

Our performance through these challenging times serves as a testament to the resilience of our business model. In the first quarter of 2009 ITC experienced increased earnings compared to the first quarter of 2008.

Importantly, ITC is generating quality income and results, and our liquidity and ability to finance is strong. Cameron will discuss this in more detail following my remarks.

As I have noted many times before, ITC is committed to operational excellence and continues to work towards its goal of best in class operations. Based on the 2008 SGC Statistical Services Transmission reliability benchmark study, our Michigan systems achieved top decile performance for sustained outages and ITC *Transmission* was top decile in momentary outages while METC was top quartile.

The 2009 study is not yet complete but based on our continued improvement in reliability we expect to remain a top performer and for ITC *Transmission* to be one of the best performers in the study. This is a direct result of the investments we have made in the system over the last six years and correlates strongly with the length of time we have operated these systems.

ITC's Midwest system, which ITC began operating and maintaining in December 2008 has a history of poor outage performance, third quartile or worse. ITC is focusing on system improvements and maintenance activities in order to reduce the number of outages and improve reliability.

Over the next several years ITC will strive to improve the Midwest system performance to be a top performer like it is in the Michigan system.

At this time when critical infrastructure security is a national priority, ITC has been recently recognized for its efforts to safeguard the reliability of the high voltage electric system in Michigan.

The North American Electric Reliability Corporation or NERC, an international regulatory authority for the reliability of the bulk power system in North America cited ITC's system security operations as an Example of Excellence as the part of its Reliability Readiness Evaluation and Improvement Program.

The document highlights ITC's efforts to implement physical protection, stating "ITC operates an extensive physical security program comprised of many sophisticated security systems, which provides an extremely effective system of protection for its physical assets."

ITC takes seriously its commitment to grid security and we are quite pleased that NERC has recognized our efforts in this example of excellence. Protecting geographically dispersed assets in a mix of urban and rural settings requires substantial thought, planning and effort to develop integrated systems that provide effective protection.

I would like to also note that on April 16th at its regularly scheduled meeting the Federal Energy Regulatory Commission or FERC issued an order denying the complaint filed by Interstate Power and Light Company or IPL under Section 206 of the Federal Power Act.

IPL's complaint filed in November of last year had asked that FERC investigate ITC's Midwest implementation of its rates as potentially unjust and unreasonable. This action by the FERC dismisses the complaint.

We are pleased the FERC acted in a timely manner to address the complaint and we are committed to continuing to operate the ITC Midwest system and making the needed investments to ensure that the system operates in a safe, reliable and efficient manner.

To bolster our strategic vision and development efforts, ITC recently announced new management positions. First we appointed former Chief Financial Officer Ed Rahill to President of ITC Grid Development and named Cameron Bready to succeed Ed as Senior Vice President and CFO of ITC Holdings Corp.

Ed's dedication, focus and efforts while CFO helped ITC achieve remarkable financial and industry success. Focusing his leadership and insight on ITC Grid Development will be invaluable as ITC continues to aggressively pursue regional transmission projects in the Great Plains and upper Midwest states.

As Senior Vice President, Treasurer and CFO, Cameron brings a wealth of financial and accounting experience to the company. Cameron is responsible for the company's accounting, finance, treasury, investor relations and other related financial functions.

We are pleased to welcome Cameron to ITC. His skills, leadership and experience in the utility industry will position ITC for continued financial performance and as a recognized leader in the electric transmission industry.

In addition, Terry Harvill has joined the company as Vice President of energy policy. The newly created position is aligned with ITC's strategy to become a more active leader in policy issues related to the transmission industry.

We are committed to moving forward with our development projects and we have made some significant progress in the first quarter. In February ITC unveiled plans for the Green Power Express, a 3000-mile, 765kV, high voltage, backbone transmission system that would facilitate the movement of 12,000 megawatts of power from the wind-abundant areas in the Dakotas, Minnesota and Iowa to Midwest load centers such as Chicago, southeastern Wisconsin, Minneapolis and other states that demand clean, renewable energy.

On April 10th the FERC approved Green Power Express's request for a favorable transmission investment incentives. It also authorized the establishment of a regulatory asset for development and pre-construction costs.

These approvals are a first step that will enable the partnership to pursue the development of its proposed multi-state Green Power Express project. Specifically the FERC order authorized the establishment of a regulatory asset for development and pre-construction costs; an incentive return on common equity of 12.38% including incentive adders for independence, RTO membership and risk; the deferral of recovery for start-up, development and pre-construction costs through the creation of a regulatory asset; inclusion of 100% of construction work in progress in rate base; abandoned plant treatment; and use of a hypothetical capital structure comprised of 60% equity and 40% debt until any portion of the Green Power Express project is placed in service.

An important next step is for MISO, the Midwest Independent Transmission System Operator, to complete its study of the benefits of the Green Power Express. We expect that MISO will conclude, as our consultants did, that the project has significant benefits.

Their work will help shape how the regional cost allocation will play out. The next key step will be for MISO and ITC to begin working with the FERC by the end of the third quarter to develop appropriate regional cost allocation based on where the benefits are distributed.

Ongoing work to identify partners or additional equity owners will continue concurrently with these steps. If issues of cost allocation and siting are addressed in a meaningful way through pending energy legislation, the Green Power Express may be able to move forward more quickly.

The project will be completed in phases.

We have also moved a step closer to building critical transmission infrastructure improvements in Kansas with a ruling in March from FERC that approved a forward-looking formula rate and certain transmission incentives for ITC Great Plains' transmission facilities in Kansas and elsewhere in the Southwest Power Pool, or SPP, region as well as the favorable decision this week by the SPP board on the balanced portfolio of projects that included the KETA project.

Over 2-1/2 years ago we began studying this marketplace and recognized the need for regional transmission to improve electrical reliability and to tap into the tremendous potential for renewable energy.

We announced the formation of two subsidiaries, ITC Grid Development and its subsidiary ITC Great Plains, and geared our efforts towards becoming a regional transmission company. At that time we told you that it would take about three years to develop this opportunity and to create a company that was nearly the size of ITC *Transmission*.

With these two recent approvals we are right on track with my prediction when we first announced these efforts. The order received from FERC in March approved rate incentives for the two principal Kansas projects, the V-PLAN and the KETA project, as well as base rate for the transmission assets owned or built by ITC Great Plains in SPP.

The incentives are similar to the incentives we received for the Green Power Express project, such as inclusion of 100% of CWIP in rate base, use of capital structure targeting 60% equity, 40% debt,

abandoned plant treatment and the establishment of regulatory assets to recover start-up and development costs.

FERC approved an incentive ROE for ITC Great Plains of 12.16%, which includes incentive adders for independence and RTO membership. Just this week the SPP board of directors approved the first balanced portfolio of economic projects, which includes a 345kV transmission line from Spearville, Kansas, to Axtell, Nebraska, including an interconnect at the Knoll sub-station near Hays, Kansas.

ITC Great Plains committed to build this project in July 2007 and has commonly referred to it as the KETA project. As a reminder, the balanced portfolio is a group of projects that produces net positive benefits to all zones in the entire SPP region when compared to the cost of the balanced portfolio projects.

Approval of the balanced portfolio is a key step because it identifies those projects which will qualify for regional cost allocation through the SPP tariff. ITC Great Plains has already received certification approval by the Kansas Corporation Commission, KCC, to construct the KETA project.

On March 13 ITC Great Plains filed a siting application at the KCC for the 89-mile portion of the KETA project from the Spearville sub-station to Knoll sub-station. Another important event occurred in the first quarter regarding the V-PLAN project.

In the certificate proceeding before the Kansas Corporation Commission, ITC Great Plains and the other parties submitted a stipulation with the KCC to settle what is called Phase 1 of that case.

In the stipulation the parties agreed that ITC Great Plains as well as Prairie Wind Transmission possess necessary qualifications to construct and operate the V-PLAN project including at 765kV.

Further proceedings remain pending at the KCC where ITC Great Plains is seeking the issuance of a certificate to construct facilities that are part of the V-PLAN. This is important as the first public acknowledgment that ITC is qualified to build the 765kV transmission lines.

As you may recall in September of last year ITC Great Plains received approval from the Oklahoma Corporation Commission to operate as a transmission utility in the state in order to construct, own, operate and maintain electric transmission lines, and we are beginning to see the results of our efforts there.

On April 7, 2009, Western Farmers Electric Cooperative in Oklahoma agreed to assign to ITC Great Plains the rights to construct the Hugo-Valiant Transmission Line. The 19-mile, 345kV project, which also includes the installation of a new 138/345kV autotransformer, has an estimated cost of \$30 million and an expected in-service date of April 1, 2012. On April 28th the SPP board approved the designation

agreement that allows ITC to build the project. Certain regulatory milestones are still necessary before ITC Great Plains may begin construction.

After every recession in the US there has been a driver that helped restore growth and prosperity to the US economy. Our view is that one of the key drivers for ending this recession is a massive coordinated stimulus effort of which energy infrastructure investment is a significant and critical component.

As the country's only independent transmission company, ITC is well positioned to take advantage of this opportunity and be an instrumental player in the build out of the regional transmission grid.

ITC continues to excel operationally, financially and strategically. ITC's operational excellence and system reliability continues to improve and the quality of our earnings is intact.

Our liquidity and ability to finance our growth are strong and we will continue to focus and move forward on our development and growth efforts through the remainder of 2009, which also serve to diversify our future revenue base.

At this time, I'll turn the call over to Cameron to discuss our financial results, quality of earnings and liquidity.

Cameron Bready

Thanks Joe and good morning. Let me first note how pleased I am to join the ITC team. I look forward to contributing to the ongoing success of the company and continuing to work closely with the investment community going forward.

In the first quarter of 2009 ITC reported net income of \$28.7 million or 57 cents per diluted share. This compares with net income of \$25.5 million or 52 cents per diluted share in the first quarter of 2008.

The key drivers that contributed to the \$3.2 million or five cent per diluted share increase in first quarter earnings compared to 2008 include an increase in net income due to higher rate base at ITC *Transmission*, METC and ITC Midwest, partially offset by lower AFUDC earnings.

Total capital investments for the quarter were \$85.2 million, which includes \$20.4 million, \$31.0 million and \$33.8 million for ITC *Transmission*, METC and ITC Midwest, respectively.

Net income also benefitted in 2009 due to the lower interest expense at ITC Holdings. The first quarter of 2008 had higher interest expense as a result of the \$765 million bridge facility that was outstanding most of January associated with the ITC Midwest acquisition.

On January 24, 2008 we repaid the full amount outstanding under the bridge facility using the proceeds of ITC Holdings' \$385 million senior notes, the ITC Midwest's \$175 million first mortgage bonds and the issuance of 6.4 million shares of common equity.

These increases in net income in 2009 were partially offset by higher non-recoverable G&A expenses including development expenses at ITC Great Plains, ITC Grid Development and ITC Green Power Express.

Diluted earnings per share increased due to the higher net income, partially offset by the impact of higher weighted average shares outstanding as a result of the equity issuance I just mentioned. I would note that during 2009 ITC adopted Financial Accounting Standards Board Staff Position Number EITF 03-6-1, which modified the calculation of basic and diluted earnings per share, including the treatment of restricted stock in such calculations.

This pronouncement required retroactive application, which resulted in a decrease to both basic and diluted earnings per common share of one cent per share for the first quarter of 2008 as compared to the previously reported amounts for that period.

Please refer to our 10-Q expected to be filed later today that contains the full disclosure of the effects of the new accounting pronouncement.

As Joe noted, we continue to operate in a very difficult economic environment. Although economic struggles are widespread, Michigan's are particularly acute given the state of the US auto sector.

These struggles in Michigan have manifested themselves in a variety of ways, including a precipitous drop in electric load, even relative to levels we forecasted in establishing our network rates last fall.

Given the attachment O rate making model, all else being equal, these lower than anticipated loads would result in current revenues collected in cash being lower than forecasted and the creation of a "true-up receivable" to be recovered in future periods.

Notwithstanding the financial health of ITC, we are very mindful of the impacts that our operations and expenditures have on our customers and the difficult choices that companies are forced to make during these challenging times.

In light of the current economic environment and, in particular, reduced network load, we continue to be engaged in efforts to mitigate both operations and maintenance and general and administrative expenses at ITC.

It should be noted that we are being very cautious with our cost mitigation efforts to ensure that we are continuing to meet our high standards for the safe and reliable operation of our system and are not jeopardizing our ability to continue to pursue our growth strategies.

Our cost mitigation efforts seek to minimize the impacts of lower than forecasted loads in 2009. By doing so we will help to ensure that our earnings are quality earnings in that we are collecting cash in a manner that more closely corresponds with the revenues that we are recording and not deferring such collection of cash to later periods.

This will also benefit our customers by reducing the risk of future rate impacts associated with historical activities. During the first quarter of 2009 we also undertook a review of our process for capitalizing certain expenses, including compensation and benefits and general business expenses, given our continued focus on investing capital at our Operating Subsidiaries and the ongoing cost to support these activities.

Upon completion of this analysis we updated our capitalization policies. For the quarter ended March 31, 2009 we capitalized \$4.4 million of general and administrative expenses, which is \$2.8 million higher than what was capitalized during the quarter ended March 31, 2008.

We expect that the amounts capitalized for the remainder of 2009 will continue to exceed the amounts capitalized during 2008 as a result of these updated policies. Please see our press release issued last night and our first quarter 10-Q expected to be filed later today for more details on the first quarter financial results.

Turning to the outlook for the remainder of the year, our earnings guidance for 2009 continues to be in the range of \$2.20 to \$2.30 per diluted share. I would note that in the FERC 205 orders for both ITC Great Plains and Green Power Express we received approval for regulatory asset treatment, which will allow us to create regulatory assets for development and start-up costs associated with these projects.

This guidance does not at this time assume any capitalization of these development expenses. With respect to ITC Great Plains, the total development expenses through March 31, 2009 that may be recoverable through regulatory assets or property, plant and equipment were approximately \$7.7 million, which has been recorded to expense in the periods in which they were incurred.

Based on ITC Great Plains' application and the FERC order, certain milestones must be met in order for us to recover these start-up, development and pre-construction costs.

In the period in which it becomes probable that future revenues will result from the authorization to recover these costs, we will recognize the regulatory assets for financial reporting purposes and record a reduction to operating expense.

At that time we will also update our earnings guidance.

For Green Power Express the total development expenses through March 31, 2009 that may be recoverable through regulatory assets is \$1.3 million. Like ITC Great Plains, in the period in which it becomes probable that future revenues will result from this approval, we would record a reduction to operating expense and recognize the regulatory assets for financial reporting purposes.

We do not expect that this will happen during 2009 for Green Power Express.

In 2009 ITC still expects capital expenditures to be between \$270 and \$325 million as we have previously disclosed.

As I already mentioned, we do recognize that there has been a decrease in load in Michigan resulting from the broader economic environment and that this may impact the timing and type of some expected future years' capital expenditures included in our base cap ex plans.

However, Michigan's efforts to diversify its economy and its various environmental initiatives designed to reduce carbon emissions and promote the development of new renewable generating resources may present investment opportunities that were not previously considered in our base cap ex plan.

To this end, the recently passed energy legislation in Michigan is expected to result in the need to connect new renewable generation to the transmission system. We expect to update long-term capital plans later this year to address all of these potential impacts.

Lastly I'd like to update you on our liquidity position and ability to finance our capital expenditures. ITC has revolving credit facilities at each of its operating companies and at ITC Holdings with total consolidated capacity of \$340 million.

As of March 31st we have undrawn capacity of \$167.8 million, of which \$49.7 million is held by Lehman Brothers. Given their recent bankruptcy filing we do not expect any future draws on the outstanding Lehman commitment, which brings our undrawn capacity down to \$118.1 million.

Additionally, as of March 31st, we had \$26.8 million of cash on hand bringing our total liquidity position to \$145 million. On April 29, 2009 ITC Holdings entered into a Term Loan Agreement with a two-year maturity. The Term Loan Agreement establishes an unguaranteed, unsecured, \$100 million term facility.

The proceeds of the term loan will initially be used to pay down the ITC Holdings revolver and will add \$100 million to ITC's liquidity position. All three of our operating subsidiaries are rated A3 with a positive outlook by Moody's and A- with a stable outlook by Standard & Poor's, all solidly investment grade.

ITC Holdings maintains its investment grade rating of Baa3 with a positive outlook from Moody's and BBB- with a stable outlook with S&P. With our available revolving credit facility capacity, internal cash flow generation and expected continued access to the credit markets and capital markets given our solid credit profile, we do not anticipate any difficulty funding our capital expenditure plans going forward.

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

Operator

Thank you. The question and answer session will be conducted electronically. If you would like to ask a question, please do so by pressing the star key followed by the digit 1 on your touchtone telephone. If you are using a speakerphone, please make sure your mute function is off to allow your signal to reach our equipment. Once again, please press star 1 on your touchtone telephone to ask a question. We'll pause for a moment to assemble the queue.

And we'll take our first question from Dan Eggers with Credit Suisse.

Dan Eggers

Hey. Good morning. Joe, can you just talk a little bit about what you guys see going on in Washington right now?

I know that Bingaman's plan has been moving around a little bit as far as what he wants from transmission, which you guys have been involved in from a conversation perspective and what you think is most important to advancing some of the kind of big projects you were talking about?

Joseph Welch

Well, I think there are two items that are floating around and they both are going to have some form or another of implications as to how all the games will play out in the future.

But I truly believe that I'll start with the one that I think I have the best handle on. I hope it comes out this way now but it's that they're going to deal with the issue around siting. I have heard a lot of issues back and forth on siting.

But I think the siting issue will get dealt with. I believe that they will have a role and involvement with the state and the states will get the first bite of the apple, if you will, to site these major regional transmission projects with then FERC getting real backstop siting authority if the state fails to deliver within a prescribed timeframe.

And I think that a state giving a "no" to siting is not an issue that came up; it will not be an acceptable outcome. I think everybody truly realizes that if we're going to change the energy climate in this country we have absolutely got to get regional transmission built and it has to be sited.

The second thing is they will deal with the cost allocation. And again, I think that they're going to make some positive steps forward. I don't think that we're going to get the position that we hold to be the one where everyone across the United States all pays for the transmission upgrades.

I think that they'll go to a more specific regional approach. I think ultimately we'll get to where we think it has to be but we're probably ahead of the game on that one.

And I think they'll also deal with the coordination of planning, not putting in place a quote, "regional planner" but absolutely having the RTOs bring the plans up through the process and ultimately having FERC deal with them. So I think we're going to make good progress. I'm very optimistic.

Dan Eggers

Joe, what are you seeing as far as the willingness between the different ISOs to work together both by way of rate setting and siting authority?

Joseph Welch

Well, I think the ISOs are in a position where they have to work together. Regardless of all of the politics that go on, I think that in the end the ISOs will have to ultimately come to FERC and it will be settled there.

They are regulated by FERC, as we all know, and I think FERC will get that last vote. And so if there is any dissention or lack of coordination or cooperation across the RTO scenes, FERC will be in a position to settle that. And again, I think we'll get the right answers.

Dan Eggers

Okay. And I guess - I might have just heard this wrong but you said - I thought that you were waiting on MISO to say that Green Power Express was not economic so then you could go to FERC for a final decision. Did I hear that differently on the call today?

Joseph Welch

Well, I think that what we said and what I said is I think you may have - I don't know exactly how I said it at the time - but when we look at MISO they have a protocol for regional cost sharing in their RECB1 and 2.

And we didn't think that it would pass that test because that test is a very prescriptive test. Most of the things that Green Power Express does is not even permitted in the test. And not only that, then it has to have a three to one benefit-cost ratio and payback in three years.

And so if you put all those tests on anything it's never going to pass. You couldn't build anything in this country with that cost-benefit test. Green Power Express, as all of the other projects that we have put forth under the RTO guys will have positive cost-benefit, but they don't pass that test.

Dan Eggers

So then you wait for FERC - or you wait for MISO to say that "you don't pass the test" and then you go to FERC, right?

Joseph Welch

Well, I think what we're really waiting for is waiting for MISO to get done with their study to show that it has cost benefit and we will go to FERC. And I don't view that that's going to be all that long of a process.

I think that what people have to realize is that there are literally thousands upon thousands of megawatts of high quality, low cost, renewable energy to be developed in the Dakotas and these people are wanting to move forward. So I think there is a lot of pressure on everybody to get this thing done.

Dan Eggers

Okay. Thank you.

Operator

We'll go next to Leon Dubov, Catapult Capital.

Leon Dubov

Hey. Good morning. Two questions - one is I guess this KETA approval really brings you guys kind of pretty close to construction. I just want to understand what's left there with these siting steps and when you think you could start putting some iron in the ground?

Edward Rahill

Hi Leon. This is Ed. How are you?

Leon Dubov

Hey Ed.

Edward Rahill

Basically there are additional steps that have to occur. We have to complete a process at SPP where the board has voted on the balanced portfolio projects. And the assignment now goes back to the staff who will basically put an order out and give notices to construct some time before the end of the second quarter.

At that time we will complete our final regulatory filings at the KCC in Kansas to basically dot all the i's and t's. And we will then be waiting for KCC to give a final order on the siting of our first phase of the KETA line that was identified in this call.

That we expect to happen sometime by mid-July. Assuming all that goes as planned, we should be in a position at the completion of that final order to begin the process of preparing for construction.

Leon Dubov

Okay. So if we're kind of in the September/October timeframe you should even, if we assume some small delays, you should be approaching construction at that point?

Edward Rahill

If everything goes as planned and there are no regulatory hiccups, which we don't anticipate but I want you to be clear that there are additional steps that have to be completed, the second half of the year of starting to make progress on KETA would be expected.

Leon Dubov

Great.

Edward Rahill

I'm not saying we'd actually be putting iron in the ground by end of year.

Leon Dubov

Well, that's fine.

Edward Rahill

But we would be acquiring land and rights of way and that type of stuff.

Leon Dubov

Okay. Meaning you would at that point be spending capital dollars and kind of getting the formula rate return on them.

Edward Rahill

Just starting to. Yeah. Starting to.

Leon Dubov

Okay. And I know you went through this kind of quickly on what the development costs are that could be capitalized. Could you just repeat that for me? And also what were the actual totals for the first quarter of 2009 for those costs?

Cameron Bready

This is Cameron, Leon.

Leon Dubov

Hi Cameron.

Cameron Bready

What we have spent to date in Great Plains developing both the KETA and V-PLAN project are \$7.7 million.

Leon Dubov

Okay.

Cameron Bready

And as I noted in my prepared remarks, we do have in the FERC 205 order regulatory asset treatment for those costs. The accounting treatment of those costs and the regulatory treatment of those costs are slightly different, I'll note.

The accounting treatment is one that is based on probability of recovery versus the FERC saying we will allow you to track these through a regulatory asset and then come back to us for recovery.

Leon Dubov

Okay.

Cameron Bready

For ITC Great Plains in particular, we put a couple of other conditions upon ourselves in our 205 filing as it relates to recovering those costs. So once we have determined that we think, one, it's probable we'll meet those conditions and that it's probable we'll recover those costs, then we would capitalize that \$7.7 million through March 31, 2009, and whatever other additional costs would be spent up until that point by booking that as a regulatory asset and then hitting expense for a credit for that total amount.

Leon Dubov

Okay.

Cameron Bready

Given what happened or what transpired at the SPP board meeting the other day, that's clearly a positive step in that direction. So we are anticipating, as Ed said, if things continue to move down the track in terms of the regulatory approvals as we expect that we would be in a position, hopefully in the second quarter or early the third quarter, to be able to do just that.

Leon Dubov

So if you're just building the KETA project and let's say you lose on the V-PLAN, you could still capitalize this \$7.7 million?

Cameron Bready

That's correct. Yes.

Leon Dubov

Okay. And then for Green Power Express you said it was 1.3? Did I get that correct?

Cameron Bready

That's correct. It's 1.3 through March 31, 2009.

Leon Dubov

Okay.

Cameron Bready

Again, the same probability standards apply. And given Green Power Express's stage of development relative to ITC Great Plains, we would expect it would still be some time before we'd be capitalizing those costs.

Leon Dubov

Got it. What were total development costs in the first quarter of '09?

Cameron Bready

I don't think I have that off the top of my head. I believe, if I'm not mistaken, it's in the neighborhood of cumulatively \$3 to \$3.5 million but I can come back to you with a more definitive number. But I think it's in that neighborhood.

Leon Dubov

Okay. Thank you very much.

Cameron Bready

You're welcome.

Operator

We'll go next to Neil Kalton with Wachovia.

Neil Kalton

Good morning everyone.

Edward Rahill

Good morning Neil.

Neil Kalton

Just a question on the KETA project to follow up - so should we now assume given what the SPP has blessed that this will be constructed at 345kV? I know there have been some discussions at doing it 765.

Edward Rahill

Yes. The SPP has taken all the projects that were in the balanced portfolio approved, approved them at 345. I was at the board meeting and the board was concerned that there is a need for 765 overlay some time down the road and that we were not building a line that would be basically abandoned if the future 765 system is approved by SPP.

The SPP planning steps explained that the KETA line would also have the ability to serve as a feeder line into wind gathering systems that would support a future 765 if that plan ever happened.

So, in other words, yes, it is at 345. They are still studying a parallel line system at 765 but have not reached a conclusion on that planning study.

Neil Kalton

Okay. And then the cost estimate that SPP put out of \$237 million, I think that differs slightly from some of the guidance you had put out last year. Is that a number that we should use?

Edward Rahill

That number is the complete line through Axtell up in Nebraska, which includes an additional 35-mile extension past the Kansas-Nebraska border.

Right now, we are using based on SPP information approximately a \$200 million estimate for the line. However, be advised none of these lines have actually been constructed in SPP so actual numbers could differ based on estimates of construction costs, material and land acquisition.

Neil Kalton

Okay. And then last question then; a bit different on just financing plans - I notice the equity ratio stands right now at about 29%. The markets have been reasonably constructive and open to utilities right now in terms of equity.

You've got these plans kind of coming to fruition. Any sort of high level thoughts on equity needs? Might you push forward things that you had previously thought you wouldn't need for a year or two? Might you think about doing it a little bit earlier?

Joseph Welch

We continue to look at that and right now we don't have any plans definitively on what we're going to do. And probably are going to leave it that way until we absolutely have to do it.

If you look at like the KETA plan, for instance, and you look at everything else, we've run capital programs. That money doesn't hit us all in one year and we do have construction work in progress on this project.

So my feeling is that if we have to go into the equity market it would be a very small offering at best.

Cameron Bready

I think when we look forward in time using the estimates that Ed mentioned for KETA, clearly our need to tap into the equity markets is going to be much more dependent upon what happens with V-Plan.

And as Joe just mentioned, I think any equity need that we would have would be relatively small given our internal cash generation. We remain protective of the balance sheet but again, in projecting forward expected capital spend, our own internal cash generation, looking to maintain that targeted capitalization ratio, I think our expectation is that any equity need over the next 12 to 18 months would likely be relatively small.

Neil Kalton

And would that likely be met through the continuous equity program that you have?

Cameron Bready

I think it depends on the state of the markets at the time in which we need the equity, quite frankly. So I wouldn't say that we would definitively go that route. That's clearly a good program that's available to us.

I think, quite frankly, our goal would be to be very transparent with the market in terms of what equity we think we might need and when we might need it. So as and when our plans crystallize more in terms of what the financing need will be, we'll be more transparent in terms of the market, in terms of what our expectation and need will be.

How we actually go out and execute obviously, I think we'll wait and assess the stability of the markets at the time we need the equity.

Neil Kalton

Okay. Thanks very much.

Operator

Once again that is star, 1 for questions. We'll take our next question from Yiktat Fung with Zimmer Lucas Partners.

Yiktat Fung

Good morning. Congratulations on a solid quarter.

Cameron Bready

Good morning. Thank you.

Yiktat Fung

First of all I would like to go back to the Green Power Express and the MISO study that's being done on it. So you're saying that you're waiting for MISO to put out the study to kind of analyze the cost benefit.

Then afterwards you're going to FERC. What are you requesting from FERC for the project?

Joseph Welch

Well, at FERC we would be requesting cost allocation.

Yiktat Fung

Okay.

Joseph Welch

And of course you've got running on a parallel track right now legislation that is going to address cost allocation. So all of these things are going to come together at pretty much the same time and point.

The current cost allocation that exists in MISO that was approved by their members is one that just isn't workable through the people in the states where this project is going to pass because there are very large benefits with this program and these benefits are dispersed all over through the region in a not-linear fashion.

Yiktat Fung

I see. And going on to the potential revenue accruals to I guess plug the gap between your cash revenues and the revenues that you are allowed, how much do you expect that to be in 2009?

Joseph Welch

We don't have a forecast on that right now. But I will tell you this. Our goal is to minimize it.

Yiktat Fung

Okay. And then finally, I think you mentioned that there is some \$35 million project that you expect to come online in 2012.

Edward Rahill

Yes.

Yiktat Fung

Is that project already in the base plan?

Edward Rahill

Yeah. You're referring to Hugo-Valiant.

Cameron Bready

Hugo-Valiant.

Edward Rahill

Our current estimate on that again, subject to actual construction costs is approximately \$30 million.

Yiktat Fung

Okay.

Edward Rahill

And if you're referring to base plan, it is not in any forecast for which the company has released prior to this period.

Yiktat Fung

And where exactly is this? Which system?

Edward Rahill

This is basically in Oklahoma.

Yiktat Fung

Okay.

Edward Rahill

And it is a system that is a line and a station that has been assigned to us by Western Farmers, a co-op in Oklahoma.

Yiktat Fung

Okay. I see. Thank you very much.

Edward Rahill

Thank you.

Cameron Bready

Thank you.

Operator

There appears to be no further questions in the queue at this time. I would like to turn the conference back over to Pat Wenzel for any additional or closing 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 May 8, 2009 should dial toll-free 888-203-1112 domestic or 719-457-0820 international.

The pass code is 8144728. The webcast of this event will also be archived on the ITC Web site at <http://investor.itc-holdings.com>. Good bye and have a great day.

Operator

This concludes today's conference. We thank you for your participation.

END