



ITC Holdings Corp.

Moderator: Pat Wenzel

July 30, 2009

11:00 am ET

Operator

Good day everyone and welcome to the ITC Holdings Corp. second quarter 2009 conference call. Today's conference is being recorded.

At this time, I'd like to turn the conference over to Ms. Pat Wenzel. Please go ahead, ma'am.

Pat Wenzel

Good morning and thank you for joining us for ITC's 2009 second quarter earnings conference call.

Joining me on today's call are Joseph Welch, Chairman, President and CEO of ITC; and Cameron Bready, our Senior Vice President, Treasurer and CFO.

Last night, we issued a press release summarizing our results for the second quarter and the first six months of 2009. 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 Forms 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 obligations to update or alter our forward-looking statements except as required by law.

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

Joseph Welch

Thanks, Pat. In the second quarter of 2009, ITC experienced another period of strong operational and financial performance. Our earnings growth continues to be driven by our investments in our transmission system which provide significant benefits for our customers such as increased reliability, enabling the interconnection of new renewable resources, lower system losses, and reduced congestion.

Our investment also supports our commitment to operational excellence which is demonstrated by the results of the 2009 SGS Statistical Services Transmission Reliability Benchmark Study that was released in May.

ITC Transmission was the best overall system in sustained outages and 2nd overall in momentary outages. This represents a considerable improvement over 2006, the first year that

ITC Transmission participated in the study when it ranked seventh in both sustained and momentary outages.

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

These outage improvements are significant are directly related to the investments we have made in our system and correlate closely with the length of time we have owned these systems. They also speak to ITC's capabilities as an operator and our commitment to developing robust and reliable transmission systems for the benefit of our customers.

ITC Midwest system has a history of poor outage performance, third quartile or worst. As we continue to invest capital in the ITC Midwest system and make the improvements that we committed to when we acquired the system, we expect it to become a top performing system, consistent with our experiences at ITC Transmission and METC . However, as with those systems, this will take many years of sustained effort on our part.

In addition to significantly improving the performance and reliability of our systems, our investments also support the interconnection of new renewable resources. The ITC Midwest has made significant investments, interconnecting wind and other renewable generators, demonstrating our commitment to allowing all generative resources access to the transmission grid.

Last year, ITC Midwest interconnected more than 800 Megawatts of wind capacity which helped Iowa surpass California as the state with the second greatest amount of installed wind capacity.

ITC's sole focus on transmission and our independence continue to provide substantial value for both our customers and shareholders. As a result of our independence, our management team has been well positioned to take a leadership role in educating policy makers on the importance transmission plays in facilitating our nation's energy goal of enabling access to renewable resources, reducing carbon emissions lowering our dependence on foreign oil, and ensuring energy security.

In addition, ITC has also positioned itself for more diversified growth by shaping energy policy close to home. In Michigan, we actively supported the legislation creating the on-shore Wind Energy Zone Board whose purpose is to identify regions with the highest wind potential, designate them as wind energy zones and establish the optimal infrastructural requirements to facilitate their development.

As a complement to the on-shore wind studies, Governor Granholm issued an executive order to study the feasibility and potential of developing off-shore wind and formed the Great Lakes Wind Council of which I am a member. Tom Vitez, our Vice President, Planning is a member of the Wind Energy Resource Zone Board.

The Board's preliminary report has identified potential wind capacity in the state of a minimum of 3,400 megawatts to over 6,000 megawatts. The final report will be issued by mid-October and ITC will have 45 days to submit its transmission plan for the board's review.

The Michigan Public Service Commission will consider the findings in the board's final report, the transmission plan and other information before designating one or more areas in this state as a "wind energy resource zone."

As part of the broader debates surrounding energy policy, there has been significant discussion about the need for new transmission investment. Not just to replace and rebuild our existing infrastructure, but also to create a transmission backbone system capable of supporting our nation's developing energy policy goals and objectives.

No matter what element of energy policy is considered, whether it's wind, solar, bio-fuels, electric cars, clean coal, mine-mouth coal, energy efficiency, demand response or energy independence to implement any or all of these a flexible robust and adaptive transmission grid is the critical link. This is why ITC has been aggressively promoting its vision to reform transmission policy.

These reforms fall into three primary categories. First, there should be a transparent, mandatory, independent planning process that makes use of existing regional planning entities and processes that roll up to FERC.

FERC should have the authority to remedy inconsistencies between the various regional plans and to make modifications as needed, to ensure a workable and coherent interconnection wide plan that support energy policy goals. To make the planning process independent it must be funded through a separate assessment and not rely on voluntary contributions from market participants.

Second, there should be a common approach to cost allocation for regional transmission investments and costs should be recovered from the entire region served by independent regional planning authority via postage stamp rates.

And lastly, FERC should be given a more significant role in transmission siting. It should at minimum, be given back stop authority to site transmission approved by the independent planning authority if the state fails to act within a certain amount of time or if the state denies or unreasonably conditions a line.

Both the House of Representatives and the Senate continue to work on various versions of the energy bills that offer potential solutions to these issues. Although predicting the outcome of any legislative process is difficult, we do believe that we will have energy legislation that includes a national renewable efficiency standard and hopefully the necessary transmission reforms to facilitate that policy objective.

I want to note that while energy legislation would be clearly helpful to us as we pursue our identified and future growth opportunities, legislation is not a precondition for us to continue to advance our plans in Kansas, the Green Power Express project or other regional transmission projects.

We have already made significant progress in our development efforts to-date without the benefit of enabling legislation and continue to see a path forward to completing these initiatives without it.

As you will recall nearly three years ago, ITC endeavored on a strategy to diversify its growth by pursuing the development of new green field transmission projects. At that time, we announced that we were initiating an effort to develop several transmission projects in Kansas.

We saw an opportunity for regional transmission investment to improve electric reliability and to access renewable energy in Kansas that resulted from the progressive planning for the transmission projects completed by the Southwest Power Pool.

While we are still working to get all the necessary regulatory approvals in place, we have successfully advanced our efforts to a point, where I believe, it is very likely that we will build a transmission company at ITC Great Plains with a rate base of more than \$600 million which is consistent with the expectations we laid out to you when we first announced our plans to build transmission in Kansas three years ago.

We expect to begin pre-construction activities by the end of the year on the KETA project, a \$200 million, 345 kV transmission line from Spearville, Kansas to Axtell, Nebraska. In April, the SPP Board of Directors' approved the first balanced portfolio of economic projects which included the KETA project. This approval allows the project to qualify for regional cost allocation through the SPP tariff.

Earlier this month, ITC Great Plains received siting approval from the Kansas Corporation Commission, KCC, to build the first phase of the KETA project. This first phase of the project involves the construction of an 89-mile transmission line between Spearville and Hays, Kansas.

We have made significant progress on the Kansas V-Plan project in the second quarter as well. In June, ITC Great Plains signed a settlement agreement with Prairie Wind Transmission to resolve pending regulatory proceedings about who should be authorized to build the 180-mile long transmission line project known as the Kansas V-Plan.

The agreement stipulates that ITC will construct two segments of the line including the first section of the line, running from Spearville to Comanche County, Kansas and the second section from Comanche County to Madison Lodge, Kansas.

ITC Great Plains will also construct a new substation in Comanche County. We expect to invest approximately \$400 million to construct our portion of the project assuming it is built at 765 kV. I am pleased to report that just last week the Kansas Corporation Commission approved the settlement agreement, thus clearly the way for us to continue to advance this important project.

The next key steps in the development of the V-Plan project include working with SPP to evaluate and ultimately approve the project at 765 kV and approval of a regional cost allocation for the project.

Last quarter we also mentioned a new project in Oklahoma called the Hugo to Valliant line. This project includes 19 miles of 345 kV transmission lines and the construction of a new substation with an estimated cost of \$30 million.

We will be building this project as a result of an agreement we've reached with Western Farmers Cooperative whereby they agreed to assign to us their right to build this project. Importantly, FERC recently approved this Novation Agreement thereby establishing helpful precedent regarding how the responsibility to build under a notice to construct in SPP can be transferred from one party to another.

Continuing on the topic of regional transmission projects as we have discussed during our first quarter call, ITC unveiled plans in February of this year for the Green Power Express project, a 3000-mile, 765kV, high-voltage backbone transmission network 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.

In April, FERC approved Green Power Express' request for favorable transmission investment incentives. It also authorized the establishment of a regulatory asset for the development of pre-construction costs. These approvals are first step that will enable the partnership to pursue the development of its proposed multi-state Green Power Express project.

As we have discussed, ITC is very committed to working collaboratively with other utilities to advance this project and we continue our efforts to identify partners. In July, we announced an agreement with MDU Resources regarding its participation in the project. We expect that the eventual partnership with MDU will be the first of many as we continue to develop the Green Power Express.

Another important event that will help facilitate the development of the Green Power Express was our recent business alliance with Mitsubishi Electric whereby, Mitsubishi will produce 765 kV transformers and circuit breakers that will support the advancement of our 765 kV projects such as Green Power Express. Ultimately, we believe that access to manufacturing capacity for critical equipment and skilled resources is a crucial differentiating factor that will benefit ITC.

The Green Power Express project is currently being studied by the Midwest ISO and we expect Midwest ISO will conclude as our consultants did that the project has significant benefit. Study results are expected in the fall and will help shape our next steps which will likely include beginning to work with FERC to develop a plan for regional cost allocation for the project.

All of these projects are components of the three-pronged growth strategy that we have previously discussed with you and we continue to aggressively pursue opportunities in each. First of all, by having purchased transmission assets to own and operate we have the opportunity to invest in upgrades to our existing system for the benefit of our customers. Our three operating companies have significant investment needs over the next ten years.

Additionally, we have opportunities to invest in transmission to support generator interconnects including renewable energy interconnection in both our base business and opportunities outside our current operating companies.

And lastly, we continue to pursue opportunities to build new regional high-voltage transmission projects. We have made such progress on this front with ITC Great Plains and Green Power Express and see significant additional opportunities that we hope to advance.

Naturally, ITC also continues to look for opportunities to augment these development and initiatives by acquiring transmission systems or assets that complement our overall growth strategy. Given our business model and operational capabilities, we continue to believe that M&A has the ability to create both customer and shareholder benefits. Because of our management teams targeted and focused efforts and their conservative approach, we believe that we are well-positioned to continue to execute against this strategy.

At this time, I will turn the call over to Cameron.

Cameron Bready

Thanks, Joe and good morning. Turning now to our financial performance in the second quarter of 2009, ITC reported net income of \$30.8 million or 61 cents per diluted share. This compares with net income of \$28.7 million or 57 cents per diluted share in the second quarter of 2008. Net income for the six months ended June 30, 2009 was \$59.5 million or \$1.17 per diluted share compared to \$54.2 million or \$1.09 per diluted share for the same period last year.

The key elements that contributed to the increase in net income and earnings per share in the second quarter and year-to-date results compared to the corresponding period in 2008 include an increase in net income due to higher rate base at ITC *Transmission*, METC and ITC Midwest in both the quarter and year-to-date periods, resulting from continued investment in our transmission systems.

These increases in net income were partially offset by higher non-recoverable G&A expenses including development expenses at ITC Great Plains, ITC Grid Development and Green Power Express for both the quarter and six months ended June 30, 2009. In addition, in the second quarter of 2009, the increases were also offset partially by higher interest expense, resulting from higher borrowing levels to finance our capital expenditures.

I'd like to remind you that effective January 2009, ITC adopted Financial Accounting Standards Board's staff position number EITF 03-6-1 which modified the calculation of basic and diluted earnings per share including the treatment of restricted stock.

The implementation of this new pronouncement reduced 2009 basic and diluted EPS by approximately 1 cent for the second quarter and reduced both basic and diluted EPS by 2 cents for the six months period ended June 30, 2009.

In addition, although the required retroactive application did not result in a change to either basic or diluted earnings per share for the second quarter of 2008, it did result in a decrease to basic earnings per share by 2 cents and diluted earnings per share by 1 cent for the six months ended June 30, 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 this new accounting pronouncement.

As Joe noted, our investments in our transmission systems continue to drive our earnings in the EPS growth while at the same time, benefiting our customers in the form of increased reliability and increased access to new renewable generating resources.

For the six-month ended June 30, 2009, ITC Transmission invested \$42.1 million, METC invested \$82.5 million and ITC Midwest invested \$75.8 million in their respective transmission systems, representing total investment of \$200.4 million for the period.

We continue to consistently deliver solid financial results despite the difficult economic environment in which we are operating, particularly here in Michigan. The challenges faced by Michigan have had and are expected to continue to have an impact on our business including a precipitous decline in our peak network loads.

Through June 2009, network loads for ITC Transmission has declined almost 5% from the same period last year. More importantly, through June 2009, loads for ITC Transmission and METC are approximately 6% lower than those used to forecast our transmission rates for 2009.

In addition, July in Michigan has been the second coolest on record which will clearly result in lower load for this period, relative to last year and our 2009 projected load. Given the Attachment O rate making model, these lower than anticipated loads would result in lower than forecasted current revenues collected in cash and the creation of a true-up receivable to be recovered in 2011.

Notwithstanding the Attachment O rate making structure and the true-up mechanism, we believe it is important for us to strive to minimize the impacts of lower than forecasted loads as this will help to ensure that our earnings are quality earnings and that we are collecting cash in a manner that more closely corresponds with the revenues we are recording and non-deferring such collection of cash to later periods.

This in turn helps to ensure that we preserve the overall credit quality of the business and also benefits our customers by reducing the risk of future rate impacts associated with historical activities.

In order to minimize this Attachment O true-up, we continue to be actively engaged in cost mitigation efforts to reduce both operation and maintenance expenses and general and administrative expenses at ITC. As I cautioned you previously, we are being very diligent with our cost mitigation efforts to ensure that we're 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 initiatives.

As a result of these efforts, we have been successful in offsetting a large portion of the impact in the reduction of load in Michigan. As of June 30, 2009, the amount of revenue accruals associated with 2009 is approximately \$15.1 million.

Absent our mitigation efforts this would have been significantly higher. We expect these mitigation efforts to continue through remainder of the year in order to ensure the quality of our earnings and cash flow as well as to protect our balance sheet and our credit ratings.

While the unprecedented decrease in load in Michigan it is not expected to have an impact on our 2009 expenditure plans, it could have an impact on the timing and amounts of capital expenditures in future years especially at ITC Transmission.

However, it is important to note that over the past six years during which we have owned ITC Transmission we have invested more than \$700 million in the system to improve its reliability and operational performance.

As Joe mentioned, the recent benchmarking studies indicate that these investments have resulted in a top performing system. Consequently, this reduction in load comes at a time when we have already completed much of our planned investment in this system and therefore we will have a much lower impact on our future expected capital requirements.

In addition, Michigan's activities to diversify its economy and its green initiatives including its efforts to develop on and offshore wind capacity will most likely create additional capital expenditure opportunities that may partially, fully or even more than offset the impact of the low degradation.

We are currently in the process of updating our 10-year capital expenditure plans and are assessing the potential impacts as well as those resulting from the likely need to invest in transmission to support the development of the wind energy resource zones here in Michigan. We expect to roll out our new 10-year capital expenditure plan on our Analyst Day which is currently scheduled for September 30th in New York.

Turning to our outlook for the remainder of the year, let me first address our capital expenditure plans for 2009. We are reaffirming our capital expenditure guidance for ITC Transmission and METC, but are increasing our capital expenditure guidance for ITC Midwest, primarily due to the acceleration of certain generator interconnection projects.

We continue to expect capital expenditures to be between approximately \$70 to \$85 million at ITC Transmission and \$110 to \$130 million at METC, and have increased the expected capital expenditure guidance at ITC Midwest from a range of approximately \$90 to \$110 million to a range of \$120 to \$130 million. The total range of the expected capital expenditures is now \$300 million to \$345 million for 2009.

Our previous earnings guidance for 2009 of \$2.20 to \$2.30 per diluted share has been increased to reflect the higher expected capital expenditures at ITC Midwest. The impact of the updated capital expenditure guidance resulted in an increase of approximately 3 cents to 4 cents per diluted share to our EPS range.

Additionally, we have increased our earnings guidance to reflect the recognition of \$8.4 million of regulatory assets at ITC Great Plains in July of 2009, for start-up development and preconstruction costs which has the effect of reversing costs that were previously expensed.

As a result of our continued progress with our development efforts in ITC Great Plains and specifically the KETA project, management determined in July that it is probable that these amounts will be recoverable and therefore recorded the regulatory assets.

The impact on diluted earnings per share guidance for 2009 resulting from the recognition of these assets includes an increase of 3 cents per diluted share for expenses that were or are expected to be incurred in 2009, and an increase of 8 cents per diluted share for expenses

incurred prior to 2009, for a total of 11 cents per diluted share impact on our expected 2009 diluted EPS.

In addition, the adoption of Financial Accounting Standards Board's staff position number EITF 03-6-1 as I previously discussed has the impact of partially offsetting the increases in our diluted EPS guidance by approximately 2 cents to 3 cents per diluted share for the full year. Our prior earnings guidance for 2009 did not reflect in the adoption of this new accounting pronouncement

As a result of these three factors, we are today updating our 2009 earnings guidance to a range of \$2.32 to \$2.42 per diluted share. Please refer to our earnings press release issued last night for a reconciliation of our 2009 full year earnings guidance.

Lastly, I would like to update you on our liquidity position and our ability to continue to finance our capital expenditures. ITC has revolving credit facilities that each of its operating companies and at ITC Holdings with total consolidated capacity of \$340 million. As of June 30th we had undrawn capacity of \$198.4 million, \$49.7 million of which is held by Lehman Brothers Bank.

We do not expect any future draws on the outstanding Lehman commitment which reduces our undrawn capacity to \$148.7 million. Additionally, as of June 30, we had \$61.4 million of cash on hand, bringing our total liquidity position to approximately \$210 million.

As previously disclosed on April 29, 2009, ITC Holdings entered into a term loan agreement with a two-year maturity. The term loan agreement establishes an un-guaranteed unsecured \$100 million term facility. The proceeds of the term facility were used to pay down the ITC Holdings revolver and added a \$100 million to ITC's overall liquidity position.

Our strong and predictable cash flows resulting from our rate making model and our solid liquidity position underpin our confidence that we will continue to be able to fund our capital requirements efficiently and effectively going forward.

In addition, we have demonstrated our capability to access the capital markets even during the most difficult of these economic times to provide cost effective capital to our business. Operating in this economic environment is challenging for all companies but due to ITC's

resilient business model and our disciplined approach to operating our business, we continue to enjoy success and achieve our operational and financial goals.

With that, I would like to open the call for questions from the investment community. Lisa?

Operator

Thank you sir. The question and answer session will be conducted electronically. If you would like to ask a question, please press star 1 on your telephone. Also if you are on a speakerphone, please make sure your mute option is turned off to allow your signal to reach our equipment. And one again, that is star 1.

And we'll take our first question from Daniel Eggers from Credit Suisse. Please go ahead.

Daniel Eggers

Hi, good morning.

Cameron Bready

Good morning, Dan.

Daniel Eggers

Just for clarity real quick you know on the reg asset with the moving cost to rate base adjustments, \$0.08 of that number I would think of is non-recurring in the future, I mean, I shouldn't assume that, that benefit stays that was kind of a unique catch-up this year?

Cameron Bready

Correct.

Daniel Eggers

OK. But the 3 cents is kind of an ongoing cost that should be avoided in the future?

Cameron Bready

Well, let me be clear on the 3 cents Dan, 2 cents of the 3 cents relates to cost that we have incurred already in 2009 and a penny relates to remaining cost in 2009 that we expect to book to this regulator asset.

Now bear in mind the regulatory asset only relates to cost that would have otherwise been expensed, we had already assumed in our forecast for 2009 that by Q3 our rate for KETA would be effective or our rate for ITC Great Plains would be effective and therefore we would be able to either expense through our rates or capitalize preconstruction costs associated with the KETA project.

So, we only expect about another penny of benefit in 2009 for the regulatory asset because for the balance of 2009 we had already assumed that we will be capitalizing the costs associated with the KETA project.

Daniel Eggers

OK, so just to make sure the way I am thinking about is, the thing about 10 and 11 and beyond, 8 cents of this year's earnings range is kind of a catch up from prior periods, right, so if I were to think about the what the right baseline should be for next year you'd have to net this down as by 8 cents starting point, is that fair?

Cameron Bready

Yes, I think that's fair.

Daniel Eggers

OK. On the Michigan opportunity kind of with you, the size of the wind resource they are talking about in the state, any ballpark on how much CapEx you guys think you could spend there and given the size of their greater enthusiasm for this to be a larger project and maybe even more than the state renewable targets were?

Joseph Welch

I don't think at this time until the board meets and the Public Service Commission really rules on where we're at that we are in a position to give any guidance. The different wind zones in Michigan were dispersed through the state and depending on what they pick to develop first and how they develop it will really dictate the plan that our planning people have to submit.

At this point its speculative, I can tell you this that you know the Governor of the State has been pretty forthright and aggressive on wanting to push for wind development in the state and that will continue and we have supported that and when we get clarity on this, consistent with our practices that we need to announce something and set expectations at a different level we will be out there and then tell you exactly what happens, but don't expect anything until probably at the end of the third quarter.

Daniel Eggers

And then I guess Joe just kind of you guys were fairly blunt in your views on Waxman Markey since that has been passed what have been the conversations you've had with Members of Congress and are you finding willingness or interest in the House to be more supportive of transmission or is going to have to be really a Senate led proposition?

Joseph Welch

Probably in all candor it will probably have to be Senate led. The fact is that there was a big build up of momentum around the energy package and since we are now focused on healthcare, it is really kind of set on the backburner. We continue to stay vigilant and still hopeful

that, one of the pieces that from my own standpoint that I would like to see passed for sure would be they that piece to get the Federal Energy Regulatory Commission, the backstop siting authority that would probably be the one thing that streamlines things the most but we have stayed the course on all our projects and have shown that we can execute them with or without the legislation and so, we view the legislation as an enabler to maybe expedite, but you know candidly, we're on target with where we wanted to be day one.

Daniel Eggers

Are you people thinking that '09 looks hard and they are optimistic for '10 or any views on how many you might see something get done to make the whole process little easier?

Joseph Welch

I think our people were telling us that best case is going to be the fall.

Daniel Eggers

Best case is fall?

Joseph Welch

Yes.

Daniel Eggers

And then I have to hog this one last question- with pulling forward some of the Iowa spending. Is that more spending that you found that you didn't anticipate or you guys just bringing up CapEx those expected to be spent later?

Joseph Welch

Well basically, what you have there is, as we have laid out our – and then I said in my discussions, that we have our three-pronged growth strategy and the continual driver in Iowa for the increase has been the fact that we have these wind generators coming on that, we can plan the system.

But we don't plan wind generators, they plan themselves and so we knew that there was going to be a big element out there and has continued to be a big element. The system in and of itself out there of course is not a very good performing system and it needs a lot of work so the further you go on that system the more you find but the fundamental driver has been the wind.

Daniel Eggers

So, the answer is just as added to what you thought was the original plan?

Joseph Welch

Yes.

Cameron Bready

Dan, this is Cameron, I think we continue to see the opportunity to interconnect wind generating resources particularly in Iowa as being significant and obviously our goal is to be as responsive to their needs as we can be.

And so, to the extent that they are prepared to interconnect and want to move forward and have what they need to move forward we are obviously working diligently to accommodate that and that's largely what's driving the increase in capital spend in 2009.

Daniel Eggers

Got it. Thank you, guys.

Cameron Bready

Yes, thank you Dan.

Operator

And we'll hear next from Neil Kalton with Wells Fargo. Please go ahead.

Neil Kalton

Hi. Good morning, everyone.

Joseph Welch

Good morning, Neil.

Cameron Bready

Good morning, Neil.

Neil Kalton

Just a question on M&A, you mentioned in your comments that you are always looking to do that, have you seen any increased interest on the part of utilities to explore M&A given the current economic environment?

Joseph Welch

No, I think the fact is that these opportunities come up with different times. But we are not telegraphing that we have anything out there today, bluntly we don't.

Neil Kalton

OK, and then the second question on Oklahoma. You're pushing forward the Hugo to Valliant line. Also wonder if you can maybe comment on potential future opportunities there. Obviously you're moving forward with the V-Plan in Kansas. There is that southern portion in Oklahoma, maybe Texas, is there an opportunity for you to play a role in that build out as well?

Joseph Welch

Absolutely. I mean, that's why we are there. ITC Great Plains is focused on the SPP build out and when we went and started ITC Great Plains three years ago the fact it was that the SPP or the Southwest Power Pool had started to do high voltage overlay planning and that is one of the fundamental criteria that you absolutely have to have the regional planning authority has got to have done something and SPP candidly they are the leaders in the United States in planning and so we were there, and all of these projects were going to come to fruition as they work themselves through their planning process so we look at that as a very fertile ground for high voltage overlay work and we intend to be a player.

Neil Kalton

Is it safe to assume that the talks are being had with the SPP...are there discussions with the utilities in Oklahoma as well going on would that be...?

Joseph Welch

Well, we are constantly in discussion with the SPP Utilities because we believe that the right way to do this is going to be through partnerships, this is got to be regionally coordinated and there is no way anyone entity you can do that.

Neil Kalton

OK, thanks a lot.

Operator

And once again, that is star one. And we'll hear next from Leon Dubov with Catapult.

Leon Dubov

Yes. Hi, good morning.

Joseph Welch

Good morning, Leon.

Cameron Bready

Good morning.

Leon Dubov

I just wanted to double-check one thing how much have you guys spent so far in these costs that will potentially be capitalized for the Green Power Express line?

Cameron Bready

As of June 30, Leon, its \$2 million on Green Power Express.

Leon Dubov

Is there any other development cost that has not yet been capitalized in Kansas and outside of Green Power Express?

Cameron Bready

There are – we have a development initiative that looks at a variety of different opportunities. So, there are dollars that we spend in both Kansas, pursuing ITC Great Plains activities in Oklahoma, and other part of SPP as well as for Green Power Express as well as looking at other opportunities that we may pursue. Through June 30 for 2009 we had spent I think \$5.5 million on development activities and that's across the board that's everything.

Leon Dubov

That \$5.5 million includes the stuff you've capitalized in Kansas?

Cameron Bready

No, the \$5.5 million was a June 30 number that includes everything we had spent in 2009.

Leon Dubov

Well, like I said that's everything you spend that has not been capitalized?

Cameron Bready

Well nothing was capitalized at June 30. We didn't book the regulatory asset until July.

Leon Dubov

Oh, I see.

Cameron Bready

So, everything as of June 30 had been expensed.

Leon Dubov

OK, so how about prior to 2009?

Cameron Bready

In terms of how much development dollars we have spent?

Leon Dubov

Yes, how much total spent?

Cameron Bready

I don't have that number in front of me.

Leon Dubov

OK, maybe we could circle back on that. Thank you.

Cameron Bready

Sure.

Operator

We'll hear next from Rajeev Lalwani with Ecofin.

Rajeev Lalwani

Hey, guys. How are you?

Cameron Bready

Just fine. Good morning, Rajeev.

Joseph Welch

How are you?

Rajeev Lalwani

Just a follow-up question for you on the development costs, in Kansas, will you be able to capitalize development costs associated with the V-Plan and some of the other projects or is essentially what you laid out today all that you would be able to capitalize if you're following me.

Cameron Bready

Yes, the V-Plan has a separate regulatory asset or would have a separate regulatory asset associated with it. We will make the same assessment with regards to V-Plan as we would and have with respect to KETA.

So, as going forward, when we reach a point where we believe that the asset would be recoverable we will record the asset for V-Plan until such time the development cost associated with V-Plan that otherwise would have been expensed will continue to be expensed until we are comfortable in booking the reg asset.

Rajeev Lalwani

OK and in 2009, what do you expect the development cost for the V-Plan to be?

Cameron Bready

We haven't historically and aren't really in a position today to disclose forward-looking expectations around what our development dollars are. We are happy to share historical

amounts as we have today, but we generally have shied away from trying to send signals as to where we're spending our development dollars and how much we're spending and what our focus is.

Rajeev Lalwani

OK, and then the year-to-date do you have the number there for what you've spent on the V-Plan?

Cameron Bready

As I said, we spent \$5.5 million year-to-date I don't have the V-Plan as a specific component of that. But I can say that is something we can circle back on.

Rajeev Lalwani

OK, no worries. And second question in terms of the Green Power Express how should we think about the portion that ITC had self-fulfilled as you're adding partners for example you just added a partner, I mean, ITC will spend and rate base less or just your thoughts around there?

Joseph Welch

Well, it was never anticipated that on the total projected cost for Green Power Express is \$12 billion and we have never anticipated that we would be the sole funders of that. We've said that we wanted partners for several reasons, one it's the only way that project of that scope is going to work, and two, candidly, to have the kind of financial diversity and give other people the opportunity to invest and earn on that project like ITC this has got to be built the partnership expanding seven states and multiple utilities and without that kind of going forward regional transmission is just not going to work.

Rajeev Lalwani

OK, so should I think of it is if ITC has six or seven partners that the pie would be split as many ways is that over too rough a way to think of it?

Joseph Welch

Impossible to forecast from this position, the fact is that, as the partnership develops and what we have done with the partners to-date is each one has kind of given as an indication of their capacity to invest when we get to the end we'll know where we're at.

Rajeev Lalwani

OK, so with the recent one was there a dollar amount discussed as far as how much they would put in or is it?

Cameron Bready

We just don't disclose that stuff at this point.

Rajeev Lalwani

That's fine. OK, thank you, guys.

Operator

And our next question comes from Renee Reynolds with GGHC. Please go ahead.

Renee Reynolds

Hi. Good morning. This one is a follow-up on the prior question. Can you address how you are going to structure with your partners, so that you maintain independence, or is there an

indication that you will be able to give the ownership interest up to the particular percentage and still count as independent?

Joseph Welch

Well, we will have it structured to be independent. I think that the only way of regional transmission facilities is going to work is for it to be independent of market participant. I am sure that's the only way that each investor entity will be comfortable that no one is given preference over another and that's at the regional level where we would hope to have postage stamp allocation that other people are going to want to make sure that projects like Green Power Express are independent of market participants for operational reasons and for market reasons.

So, the structuring we haven't laid that out for people we're working with the partners to do that, but the ultimate goal is it will be independent and found to be independent by FERC.

Cameron Bready

And Renee. This is Cameron. Part of the rationale behind the limited partnership structure was to create a vehicle by which general partner can be an independent entity that operates day to day activities of the business and was designed to preserve the independent model while still allowing us to accommodate bringing in partners in the transaction.

Renee Reynolds

OK. I think I understand that. And then can you just kind of touch on how you see a road to fruition for Green Power Express absent broader federal legislation?

Joseph Welch

Well, I think the first thing we have laid out is that we are still waiting for the Midwest independence system operator to evaluate the benefits of the project. Once those benefits are evaluated we will have to take their report because that would be the one that's probably the most impacting evaluated and then we will make our next step moving forward but that will

happen and ultimately it will result with filing with the Federal Energy Regulatory Commission to make their determination on it.

Renee Reynolds

OK. Thank you.

Operator

And there are no further questions. I would like to turn the conference back over to Ms. Wenzel for any closing or additional comment.

Pat Wenzel

This concludes the question and answer portion of our call. I would like to thank everyone for participating today.

Anyone wishing to hear the conference call replay available through August 13, 2009, should dial toll free 888-203-1112 domestic or 719-457-0820 international. The pass code is 7604250. The webcast of this event will also be archived on the ITC Web site at <http://investor.itc-holdings.com>.

Goodbye and have a great day.

Operator

And that concludes today's teleconference. Thank you for your participation.

END