



**Doug Collins, Executive Director – ITC Midwest**  
**The Institute for Regulatory Policy Studies**  
**May 1, 2008**




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**Service Territory Map**



- ◆ ITC established in March 2003 when DTE Energy sold transmission subsidiary ITC *Transmission*.
- ◆ In October 2006 ITC closed on acquisition of Michigan Electric Transmission Company, LLC (METC).
  - METC system covers bulk of remainder of Michigan's Lower Peninsula.
- ◆ In December 2007 ITC Midwest LLC acquired the transmission assets of Interstate Power & Light Company (IPL).
- ◆ Also actively seeking opportunities to build, own, operate and maintain transmission in Kansas, Oklahoma and Texas.

**ITC is committed to investing in the electricity transmission grid in an effort to improve reliability, reduce congestion and lower the overall cost of delivered energy**




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- ◆ ITC Midwest LLC, a subsidiary of ITC Holdings Corp. (NYSE: ITC), on December 20, 2007, acquired the transmission assets of Interstate Power and Light Company (IP&L), a subsidiary of Alliant Energy.
  - Nearly 7,000 miles of lines were transferred
 

34,500 volt (345 kV) lines:	2,270 miles
69,000 volt (69 kV) lines:	2,563 miles
115,000 volt (115 kV) lines:	371 miles
161,000 volt (161 kV) lines:	1,401 miles
345,000 volt (345 kV) lines:	195 miles
Substations:	170
- ◆ Transaction valued at approximately \$783 million
- ◆ Required approvals from FERC, Iowa, Minnesota, Illinois and Missouri commissions, and anti-trust review.
- ◆ *Created a new energy partner for Iowa, Minnesota, Illinois, Missouri and the Midwest: A truly independent electric transmission company*




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- ◆ First company to gain FERC approval for operation of an independent transmission company under an RTO (Regional Transmission Organization)
- ◆ First truly independent transmission company
- ◆ First (and still only) electric independent transmission company to go public
  - Went public in July 2005.
  - Listed on the New York Stock Exchange under ticker symbol "ITC."

Today, ITC is the largest independent transmission company and currently 6th largest transmission company overall in the U.S. in terms of transmission load served  
(Based on transmission load served (annual electric retail sales in the service territory) as found in "Edison Electric Institute Profile: Rankings of Shareholder-Owned Electric Companies.")




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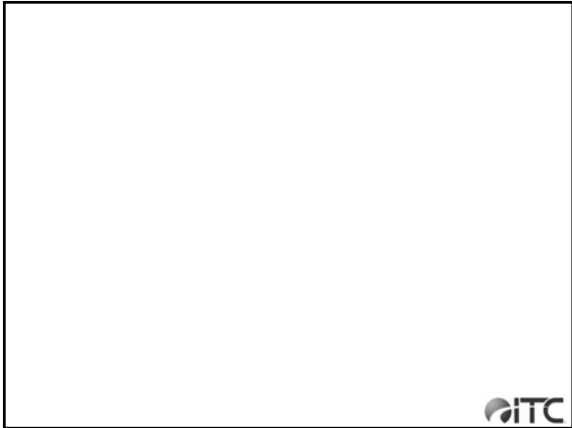
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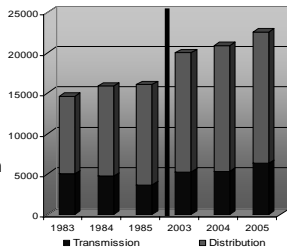
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In real dollar terms, investment in transmission is essentially unchanged from the levels of 20 years ago, while investment in distribution has grown to meet growing demand



Source: EEI Statistical Yearbook/2006 data. Note: Real dollar amounts are shown using the Handy-Whitman Index of Public Construction Costs to adjust for inflation from year to year. Represents 66 shareholder-owned electric companies (both vertically integrated and stand-alone transmission companies).




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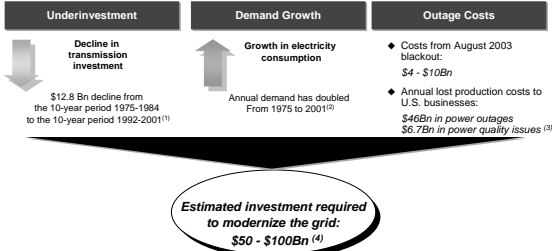
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**Transmission investment has lagged in the last 30 years, while need for transmission continues to grow**



(1) According to the Edison Electric Institute (EEI). Figures are quoted in 2000 dollars.  
 (2) According to Department of Energy (DOE), annual electricity consumption more than doubled from 1975 to 2001.  
 (3) According to Electric Power Research Institute (EPRI).  
 (4) According to a September 2004 DOE study regarding cost of power interruptions to U.S. electricity customers.




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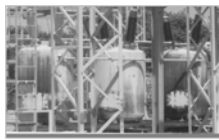
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Rusted cathodic protection device insecurely mounted on a jack stand



Breakers coated in rust



Cotter pin holding up a shield wire that is ready to give way



Vegetation growing into the lines




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- ◆ ITC focuses on ownership, operation, maintenance, and construction of transmission facilities as a single line of business.
  - There is no internal competition for capital – it is dedicated for prudent transmission investment.
- ◆ Because of our singular business focus, we are aligned with customers.
  - Customers benefit from transmission investment by:
    - Improved reliability
    - Reduced congestion
    - Increased access to generation, including renewable resources
    - Lower cost of delivered energy




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***ITC aims to be a best-in-class transmission provider as measured by operations, maintenance, customer service and safety.***



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***Accomplishments Since Becoming an Independent Company in 2003***

**Capital Program**

- ✓ Increased investments in the Michigan grid from a \$8-10 million a year to an average of \$125mm per year.
- ✓ The preliminary five-year plan for Iowa and Minnesota calls for multi-million dollars of investments to improve reliability and assure customers have access to low cost power.

**Continued Operational Excellence**

- ✓ Achieved best in class system performance decreasing system outages by 40%
- ✓ Reduced the backlog of system maintenance of 15 years to 4 years by the end of 2006

**Strong Financial Profile**

- ✓ Investment-grade ratings
- ✓ S&P Business Risk Rating of 2 (Business Risk Rating is a qualitative measure of non-financial business risk)
- ✓ Conservative management and proven track records allow ITC strong access to capital markets

**Regulatory Leadership**

- ✓ Remain closely aligned with policy objectives to rebuild electricity transmission system in the U.S.



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Regardless of the generation source or energy policy that states are pursuing, transmission plays a critical role in allowing it to happen

**Lines lacking to transmit wind energy**

**Nuclear plant applications increase concerns over transmission system adequacy**

by Wayne Barber

With the NRC expecting to receive more than 30 applications for new nuclear power reactors in the next several years, FERC hopes that electric transmission infrastructure will be employed to handle the additional load.

The two agencies met jointly April 8 in Washington, D.C., to discuss transmission issues concerning the growth of nuclear power. This was the third meeting of the two commissions since the August 2003 launch.

"If our country is going to build large numbers of new nuclear power plants, we will need a bulk power system that can meet that power to where it is needed," said FERC Chairman Joseph Rohlfes. "It is also important for FERC to understand the timing of nuclear power plant additions."

"Advanced calculations of cost plants only benefit on natural gas generation for incremental electricity supply and additional nuclear plants are operational," Rohlfes said. "As the timing of nuclear plants from FERC."




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- ◆ Renewable resources are good public policy; however, many impediments still exist:
  - Cost
  - Location—not located at or near load centers
  - Size and scale
- ◆ Growing interest in Renewable Portfolio Standards (RPS) within the states.
  - Some states have more wind potential than the total load in the state.
  - States need a robust grid to support renewable resources.
  - Some will need to export while others will need to import.




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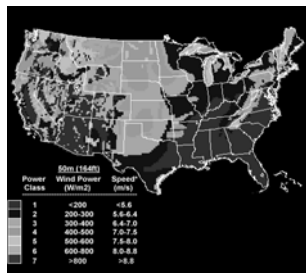
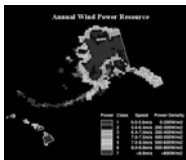
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**U.S. Annual Wind Power Resource and Wind Power Classes**



Source: U.S. Dept. of Energy




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- ◆ A robust transmission system will enable a renewable resources market.
- ◆ As an independent transmission company, ITC does not care whose electrons travel over our wires.
- ◆ ITC believes it is good public policy to promote renewable resources.
- ◆ As such, ITC promotes renewable resources by:
  - Constructing energy "highways" to connect renewable resource abundant regions with load centers.
  - Promoting fair interconnection policies that remove barriers to entry for renewable resources.

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- The Upper Midwest has been the leading developer of ethanol production facilities
- Ethanol facilities require approximately one megawatt for each 10 million gallons produced.
- A robust transmission system is key to providing those facilities with the electricity they need to operate



Source: <http://www.card.iastate.edu/research/bio/tools/ethanol.aspx>

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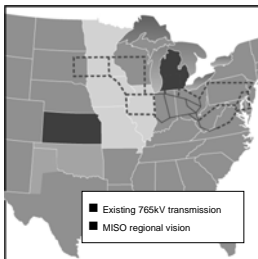
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**765 kV transmission infrastructure is part of a larger vision plan**



- ◆ Major transmission investment is needed to facilitate:
  - Competitive energy markets
  - Enhanced reliability
  - Renewable resources
- ◆ Benefits to upgrading to higher voltage
  - Availability is greater than 98% of the time
  - 765 kV reduces line losses, which means less burning of fuel and reduced air emissions
  - 765 kV provides greatest capacity increases with least land impact
    - Reduced right-of-way need lowers cost as well as impacts to consumers and to environment

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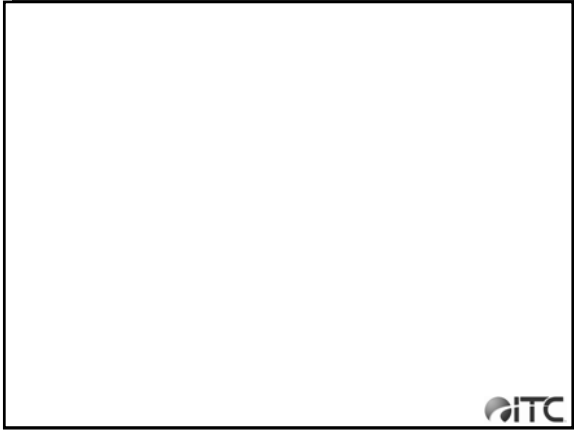
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