Statement of Edward M. Rahill
Senior Vice President of Finance and CFO
ITC Holdings

Subcommittee on Water and Power
Committee on Natural Resources
U.S. House of Representatives

Hearing on
"Federal Power Marketing Administration Borrowing Authority: Defining Success"
March 10, 2009

Chairwoman Napolitano, Ranking Member McMorris Rodgers, Members of the Subcommittee, I am Ed Rahill, Senior Vice President of Finance and Chief Financial Officer of ITC Holdings Corp. ("ITC"). ITC is the nation's largest independent transmission company, with transmission facilities in five states. ITC's transmission services an area comprised of nearly 80,000 square miles with 13 million people. Since its formation in 2003, ITC has invested over $1 billion in transmission improvements. ITC has no corporate affiliation with any generation owner, marketer or distributor of electricity. Our sole business is providing transmission services to our customers.

I appreciate being invited to testify before you today regarding the increased borrowing authority recently provided the Bonneville Power Administration ("BPA") and the Western Area Power Administration ("WAPA") and our willingness to participate with the PMAs in the construction of new transmission facilities to enable the transmission of wind and other renewable generation to load centers. ITC is enthusiastic about the prospect of partnering with the PMAs to build the transmission needed to meet this nation's energy goals.

H.R. 1, the American Recovery and Reinvestment Act ("ARRA") recently enacted by Congress and signed into law contains two PMA borrowing authority provisions that will affect expansion of transmission infrastructure, especially in the West. Section 401 of ARRA provides $3.25 billion in additional borrowing authority for the BPA; Section 402 provides a similar amount, $3.25 billion, in new borrowing authority for the WAPA. The legislation also would permit WAPA to allow other entities to participate in the financing, construction and ownership of projects. Under the legislation, WAPA is required to seek Requests for Interest from entities interested in identifying potential projects. I am pleased to note that WAPA has already begun this process by publishing a Notice of Availability of Request for Interest in the March 4, 2009 Federal Register.

The increased borrowing authority granted WAPA and BPA is intended to facilitate the construction of more transmission to deliver power generated from renewable resources, which often are located in remote locations far from population centers where the power is needed. ITC supports this objective and is already working to make it a reality. We are actively working on projects today to connect renewable rich resource areas in the upper Midwest to customer load centers. We have projects underway in Kansas to connect renewable generation and improve reliability and recently, ITC announced the Green Power Express, a 3,000-mile, state-of-the-art 765-kV green power "superhighway" that, when fully developed, will transmit up to 12,000 MW of wind and other energy from North Dakota, South Dakota, Minnesota and Iowa to load centers in the Midwest region as well as in the Mid-Atlantic region. The Green Power Express will not only facilitate the development of wind resources but it also will help improve reliability and significantly reduce transmission congestion. Attached to my testimony is a map depicting the proposed project.

ITC responded to a solicitation of interest for potential partners on transmission projects issued by WAPA last November and we remain very interested in working with WAPA to develop and construct transmission to support renewable generation. Despite the current and recent turmoil in the credit markets, ITC and its subsidiaries have been successful in every debt and equity financing related to ongoing operating company investments and acquisitions since ITC was founded in 2003. Even in the current environment, ITC has not found access to the debt or equity markets to be difficult. As attachment 2 to my testimony indicates, we are confident in our ability to finance the Green Power Express. ITC believes that its transmission-only business model and the regulatory construct in place at its regulated operating subsidiaries enable transmission investment by providing the regulatory certainty necessary to access capital markets and allowing ITC and its regulated operating subsidiaries to achieve and maintain investment grade credit ratings. Financing new transmission is not the problem that needs to be overcome in order to build transmission to provide greater market access for renewable resources. Rather, planning, siting and cost allocation are the real obstacles to building this transmission.

As you will note in attachment 3 to my testimony, shareholder-owned utility transmission investment has been steadily increasing since 1999. ITC and other members of the Edison Electric Institute ("EEI") are planning to invest more than $30 billion in transmission facilities in the three-year period from 2008 and 2010.

We are dedicated to expanding and strengthening transmission infrastructure. U.S. shareholder-owned electric utilities in 2007 spent nearly $7.8 billion on transmission investments, compared to approximately $700 million spent by all federal utilities combined, of which approximately $75 to $100 million was invested by WAPA. Indeed, in recent years, shareholder-owned utilities have built far more transmission facilities than federal entities, as shown in attachment 4.

Despite the fact that BPA and WAPA each received an additional $3.25 billion in borrowing authority in the ARRA, this amount of money will not be enough to build all the transmission that is needed to link remotely located renewable resources with load centers, particularly within the WAPA service territory. Accordingly, ITC is advocating that the PMAs use this federal funding to leverage private sector financing and private expertise to maximize results. Federal transmission policy should support—not supplant—development of interstate transmission facilities through private enterprise, which has the construction and financial capability to build interstate transmission facilities for which siting approvals and permits can be obtained. Through creative partnerships with private transmission companies that have the expertise and financial capability to build and finance high voltage transmission lines, WAPA and BPA will be able to leverage the funding provided and move us closer to the day when we have a robust, reliable, high voltage grid connecting renewable rich resource areas with high population centers.

To ensure the most efficient expenditure of limited taxpayer dollars, Congress should encourage WAPA to target its spending under the new ARRA borrowing authority on transmission projects that, but for this new funding, would not likely be constructed in a timely manner and to encourage WAPA and BPA to enter into partnerships to develop needed facilities.

Specifically, we suggest WAPA should certify before committing funds to any project that: (1) no other entity is willing to participate in the financing, construction or ownership of the project in a timely manner; and (2) the project does not interfere with or duplicate an existing project being constructed by another transmission owner or operator.

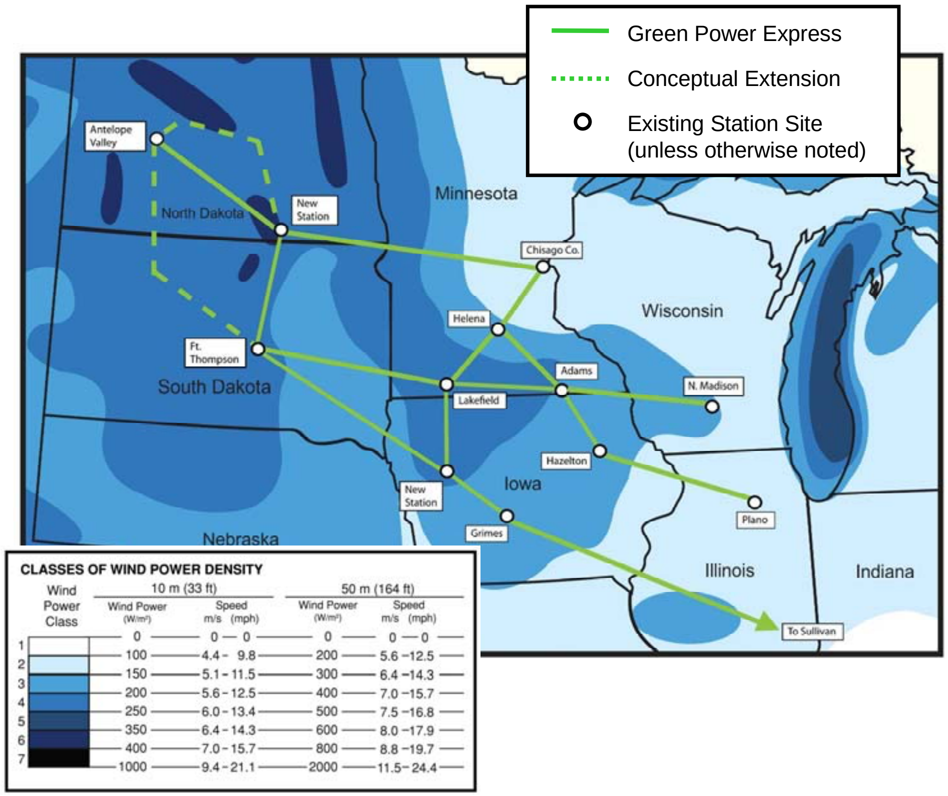
Legislative precedent exists for imposing similar preconditions on federal utility transmission projects to avoid duplication or preemption of private-sector infrastructure investment. The Energy Policy Act of 2005 contains language designed to avoid duplication of functions of existing or proposed transmission facilities by certain joint transmission projects in which WAPA was authorized to participate (Sec. 1222 of EPAct 2005).

In addition, any transmission expansion projects that WAPA plans under its new borrowing authority should be consistent with ongoing Western Electricity Coordinating Council (“WECC”) planning processes, which identify a number of projects already being developed or on the way.

Notwithstanding the private-sector transmission investment numbers outlined in the charts attached, building interstate transmission lines continues to be challenging due to the need to obtain approvals from every state that a transmission line traverses. Building interstate lines, especially in the West, is further complicated by the difficulty of obtaining authority to build across federal lands. In addition to providing incremental borrowing authority for federal utility transmission construction, Congress should also address important siting and cost allocation issues that are frustrating the planning and construction of transmission lines. Congress should strengthen Federal Energy Regulatory Commission (“FERC”) siting authority for interstate transmission lines and transfer to FERC the lead agency authority for permitting projects that cross federal lands.

Thank you again for the opportunity to testify before the Subcommittee on this important issue.

Green Power Express



- Approximately 3,000 miles of EHV (extra high-voltage) 765kV transmission lines
- Traverses portions of North Dakota, South Dakota, Minnesota, Iowa, Wisconsin, Illinois and Indiana
- Expected cost of approximately $10 - $12 billion
  - ITC's investment will be a portion of this amount

Attachment 2

CREDIT SUISSE

CREDIT SUISSE SECURITIES (USA) LLC
Eleven Madison Avenue
New York, NY 10010-3629
Phone 1 212 325 2000
www.credit-suisse.com

February 28, 2009

Joseph Welch
Chairman, President and Chief Executive Officer
ITC Holdings Corp.
27175 Energy Way
Novi, Michigan 48377

Re: Financing of ITC's Green Power Express transmission project

Dear Mr. Welch:

You have requested our views regarding the availability of private sector equity and debt capital for ITC Holdings Corp.'s ("ITC") Green Power Express transmission project (the "Project"). We understand the Project will consist of the following:

- Approximately 3,000 miles of 765kv transmission line
- Facilities and lines which will traverse North Dakota, South Dakota, Minnesota, Iowa, Wisconsin, Illinois and Indiana
- An estimated cost of approximately $10 to $12 billion with ITC funding a portion of the Project including the portion to be situated in the company's existing service territory in Iowa and Minnesota.

We understand that you have asked us for this letter to support Congressional testimony, state and federal regulatory proceedings and other public forums.

Credit Suisse Securities (USA) LLC ("Credit Suisse") has served as a lead underwriter on several of ITC's equity, bank and bond financings since ITC was formed in 2003, as well as, bank and bond financings by its wholly owned operating companies: International Transmission Company ("ITC Transmission"), Michigan Electric Transmission Company ("METC") and ITC Midwest LLC ("ITC Midwest").

ITC and its former majority shareholder have raised $1.4 billion in common equity from 2005 to 2008 in four separate equity offerings. These equity offerings were highly successful, with favorable trading performance and order books that were oversubscribed by investors. The ITC initial public offering in July 2005 was priced at $23 per share. As of February 28, 2009, ITC has provided a 77.6% total shareholder return to investors including dividends. This is higher than the total shareholder return including dividends of each utility included in the S&P 500

Index[1]. ITC meets the requirements of a "well-known seasoned issuer" as defined in the Securities Act of 1933 ("WKSI status"), which allows the company's registration filings to be effective immediately upon filing with the Securities and Exchange Commission. Credit Suisse believes that such WKSI status combined with ITC's successful track record will provide the company access to equity markets on an expedited basis. In June 2008, ITC entered into a three year agreement with BNY Mellon Capital Markets, LLC pursuant to which ITC may issue and sell up to an aggregate of $150 million of shares of its common stock from time to time. This "at-the-market" issuance program to access primary equity capital is common in the utility sector and will further enhance the Company's access to the equity markets.

ITC has also enjoyed access to the bank and bond markets. ITC has maintained an investment grade Baa3 rating from Moody's Investors Service and a BBB and BBB- rating from Standard & Poor's for its corporate credit rating and senior unsecured notes rating, respectively, since the company first obtained ratings in June 2003. ITC Transmission, METC and ITC Midwest are each rated A3/A-. Further, as recently as February 2009 Moody's reaffirmed the ratings and positive outlooks for ITC and its regulated subsidiaries. The ITC operating companies are all higher than the US utility average rating of BBB[2]. ITC and its subsidiaries have $340 million of revolving bank loans with maturities in 2012 and 2013 bearing interest costs ranging from LIBOR plus 35 to 72.5 basis points (includes additional interest based on amounts outstanding under the facilities). ITC and the operating companies have raised approximately $1.9 billion in the investment grade bond market since 2003 through twelve offerings with maturities ranging from seven to thirty years at interest costs ranging from 4.45% to 7.27%.

Based on our discussions with ITC, we understand that ITC will pursue the Project through its operating subsidiary, Green Power Express, LP, and that ITC anticipates a similar FERC regulatory structure and capitalizing Green Power Express, LP in a manner similar to ITC's other operating companies. As you know, the form and structure of the Project's equity and debt financings have yet to be finalized. Depending on a variety of factors, including without limitation those identified below, we believe it is reasonable to conclude that it is likely ITC and its subsidiaries, including Green Power Express, LP, should have access to capital via one or a combination of equity, bank or bond financing for the Project and similar projects that ITC and its subsidiaries may pursue. Our views are based on Green Power Express, LP receiving a similar FERC jurisdictional formulaic tariff like that of ITC's other operating companies, successfully completing siting and cost sharing for the Project and our assessment of the current demand in the financing markets for investment opportunities similar to Green Power Express and ITC. Should ITC identify partners to share in the ownership and financing of the Project, it will improve ITC's ability to finance its portion of the Project.

---

[1] The S&P 500 Utilities include: Exelon Corp, Southern Co, Duke Energy, FPL Group, FirstEnergy Corp, Entergy Corp., American Electric Power, PPL Corp., Edison Int'l, Progress Energy, Inc., Allegheny Energy, Pepco Holdings, Inc., Pinnacle West Capital, Questar Corp., NICOR Inc., AES Corp., Constellation Energy Group, Dynegy Inc., Dominion Resources, Public Serv. Enterprise Inc., PG&E Corp., Sempra Energy, Consolidated Edison, Xcel Energy Inc, Ameren Corporation, DTE Energy Co., CenterPoint Energy, NiSource Inc., Integrys Energy Group, Inc., TECO Energy, CMS Energy.

[2] Standard & Poor's report titled "U.S. Regulated Electric Utility Companies, Strongest to Weakest" published August 5, 2008.

Our views are also subject to various conditions, including, without limitation, (i) receipt of all required regulatory and legal approvals for the development, operation and financing of the Project; (ii) satisfactory market conditions for the arrangement of the equity and debt financings; (iii) a reasonable timeframe for the marketing of the equity and debt financings; (iv) satisfactory finalization of the documentation of the regulatory construct of Green Power Express, LP; and (v) satisfactory negotiation of terms and conditions, including all appropriate documentation, of the equity and debt financings. Although subsequent developments may affect our views in this letter, we do not have any obligation to inform you of any change in our views or to withdraw or reaffirm this letter. This letter is not intended to be, and shall not constitute a commitment or undertaking by Credit Suisse to arrange, underwrite, place or otherwise provide any equity or debt financing either as a principal or an agent.

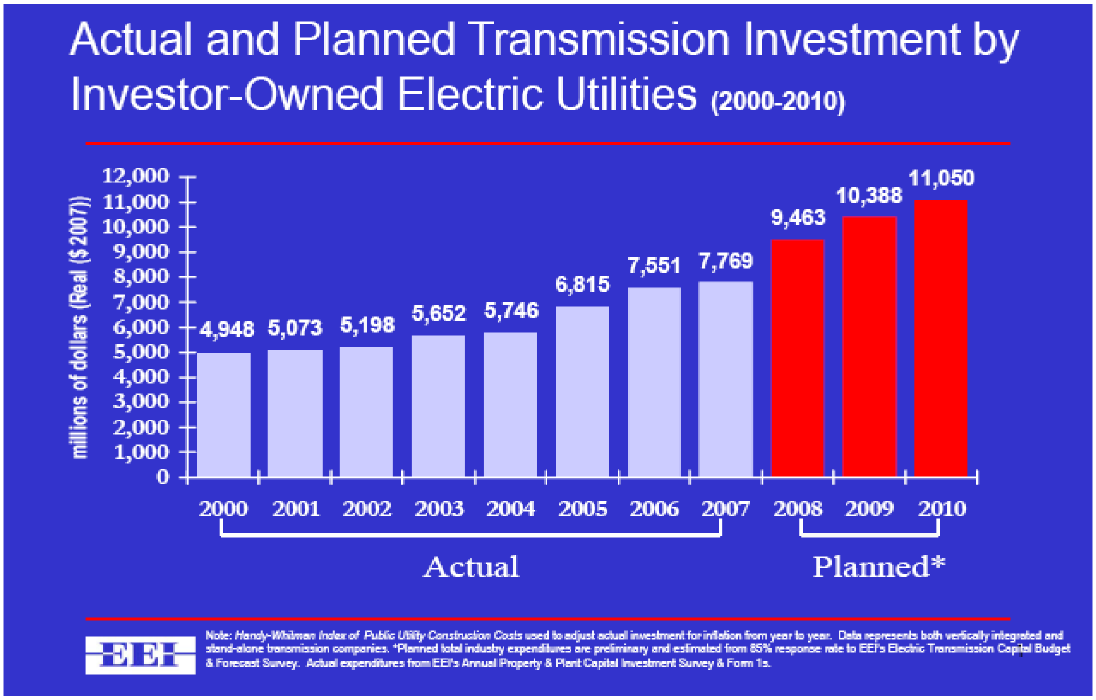
This letter has been delivered to you for your information only and is not to be, in whole or in part, summarized, excerpted from or distributed or disclosed to, or otherwise relied upon by, any other person without Credit Suisse's prior written consent (except that you may disclose this letter as part of your regulatory filings).

Respectfully yours,

John E. Cogan

John Cogan
Managing Director

Attachment 3



Attachment 4

Transmission Investments: Shareholder-Owned Utilities & Federal Utilities

2004-2008 *(Billions)(2007 Dollars)*