

Modernizing Energy Transmission to Meet Today's Needs



Our power transmission grid is only as strong as its weakest link, as demonstrated by the 2003 blackout in the Northeast and Midwest.

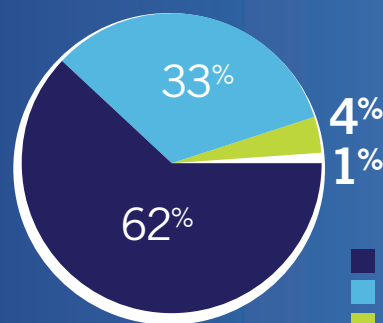
The case for regional power transmission development

- Our outdated power transmission grid saddles residents and businesses with more expensive energy while keeping cleaner, more affordable alternatives out of the market.
- The solution is regional transmission development, which will open energy markets to increased competition, deliver more affordable energy to customers and improve service reliability.
- The long-term benefits of regional transmission will far offset the tiny portion of an electric bill to be allocated to modernizing our power grid. In fact, the average residential customer will receive a \$23 annual return on a \$11 per year investment, according to Midwest ISO's calculations.
- Transmission investment is vital to our country – it's a critical link to accessing competitive wholesale energy markets across state boundaries and leveling these costs for the benefit of all energy consumers.
- Seeking to disconnect Michigan from larger regional planning is an isolationist approach to our energy future. This is short-sighted and would only stifle the benefits of the competitive marketplace. Our state is interconnected to the larger region, and strengthening the regional transmission grid will increase Michigan's competitiveness.

Inside an electric bill

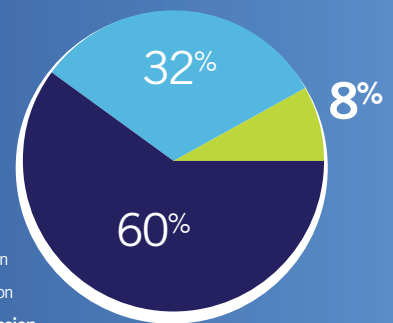
Electric **generation** by utilities makes up about two-thirds of a consumer electric bill – the portion that a competitive wholesale market will shrink while making the power grid more efficient, stable and secure. In contrast, electric **transmission** accounts for only 8% of the average electric bill (just 4% here in Michigan), yet provides tremendous value by allowing access to competitive wholesale markets, promoting competition and lowering prices for electric generation.

Typical Monthly Residential Bills Michigan
Usage: 500kWh/month



Source: Michigan Public Service Commission data

Major Components of U.S. Average Electricity Price, 2010
(Cents per kWh and Share of Total)



Source: U.S. Energy Information Administration

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Regional power transmission is good for electricity customers, job-creation and economic growth.

- Regional transmission helps reduce congestion, facilitate wholesale market competition, and lower the price of power across markets.
- Regional transmission development is about opening energy markets to competition, transmitting cheaper forms of energy and driving energy prices down for customers.
- In the Midwest ISO, regional transmission projects will create between 28,400 and 74,000 jobs, including construction, supplier and other downstream opportunities.

Midwest ISO: voluntary and transparent transmission planning

The Midwest ISO is a regional transmission organization (RTO) responsible for the independent planning and operation of the transmission grid and wholesale energy market across 13 states. This benefits consumers by providing an organized method for buying and selling energy into a regional market and ensuring the transmission grid is planned and funded in a fair and equitable manner.

It is important to point out that membership in the Midwest ISO or any other RTO is voluntary. In this debate, utilities in Michigan who belong to the Midwest ISO want the benefit of participating in the market by buying and selling energy, but don't want a regional, robust transmission grid that would bring liquidity to the marketplace.

Our aging grid: expensive and hindering access to alternative energy

The electricity grid in this country is old and strained. Our local transmission grid is only as strong as the weakest interconnected transmission system – as evidenced by the 2003 blackout. This congested and inadequate grid forces customers to pay for increasingly expensive power while keeping cleaner and cheaper alternatives out of the market. A robust electric transmission grid will deliver increased reliability and long-term energy savings.

About ITC Holdings Corp. ITC Holdings Corp. (NYSE: ITC) invests in the electricity transmission grid to improve electric reliability, expand access to markets, lower the overall cost of delivered energy and allow new generating resources to interconnect to its transmission systems. The largest independent electricity transmission company in the country, ITC currently operates high-voltage transmission systems and assets in Michigan's Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri and Kansas, serving a combined peak load in excess of 25,000 megawatts through its regulated operating subsidiaries, ITC *Transmission*, Michigan Electric Transmission Company (METC), ITC Midwest and ITC Great Plains. ITC also focuses on further expansion in areas where significant transmission system improvements are needed through ITC Grid Development and its subsidiaries. For more information, please visit: www.itc-holdings.com.

BACKGROUND

The Midwest Independent Transmission System Operator (MISO), a regional power transmission organization to which Michigan utilities belong, received approval from the Federal Energy Regulatory Commission (FERC) in December 2010 on a proposal for new transmission facilities in the Midwest. In December 2011, 16 multi-value projects (MVPs) that provide regional benefits commensurate with costs and support state and federal energy policy objectives were approved by MISO region, as a part of MISO's Transmission Expansion Plan (MTEP2011).



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27175 Energy Way
Novi, MI 48377

877.ITC.ITC9 (877.482.4829)
www.modernizethegrid.com