

House Energy and Technology Committee

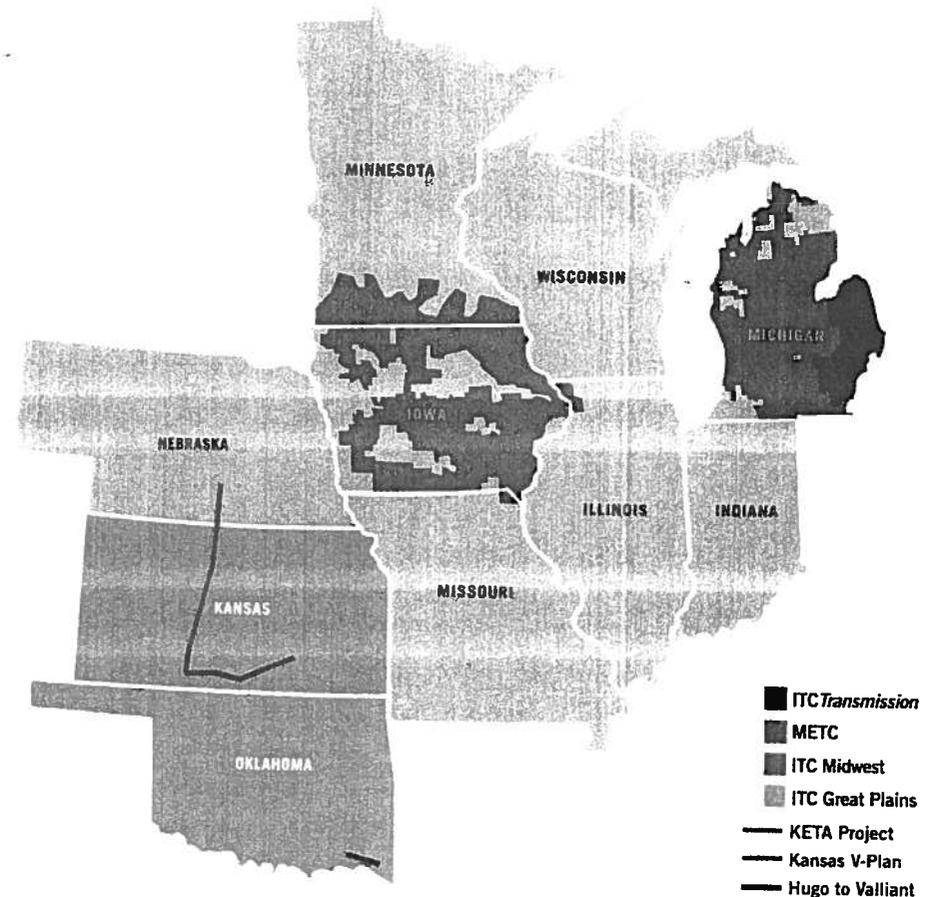
Gregory Ioanidis
President, ITC Michigan

April 30, 2013

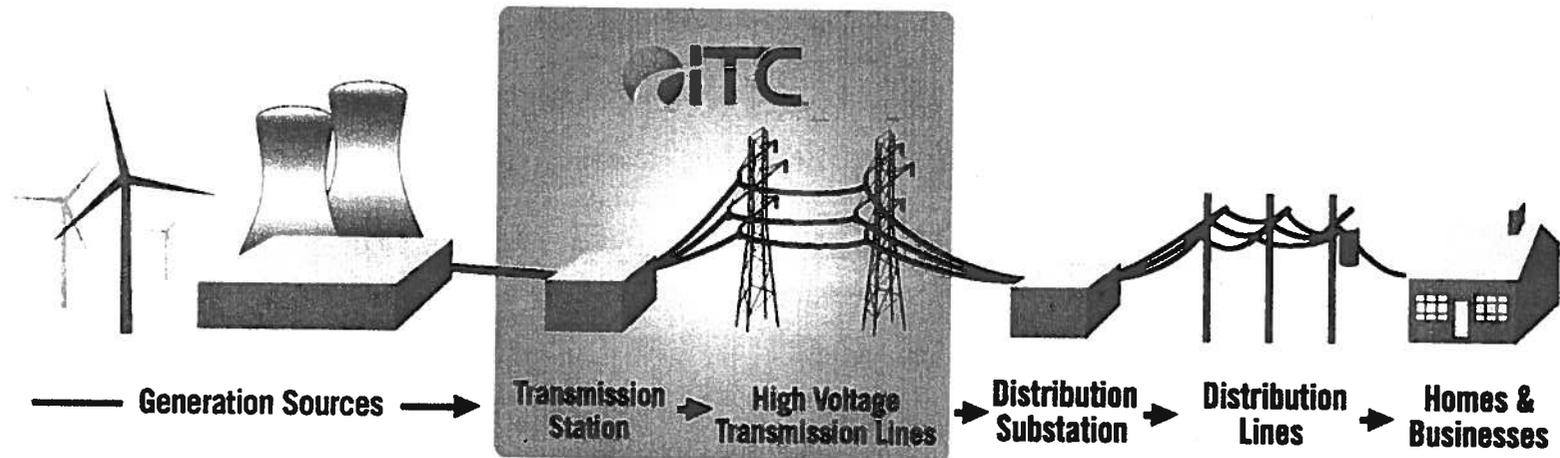


CELEBRATING **10** YEARS
==== 2003 • 2013 ====

- Largest fully independent transmission company in the nation
- Singular Focus: build, own, operate and maintain transmission
 - No affiliation with electric generation or distribution facilities or energy market participants
- Four operating companies in seven states
 - Michigan, Iowa, Illinois, Minnesota, Missouri, Kansas, Oklahoma
- Approximately 500 employees and 500 skilled labor contractors
- Member of two regional transmission organizations: MISO and SPP



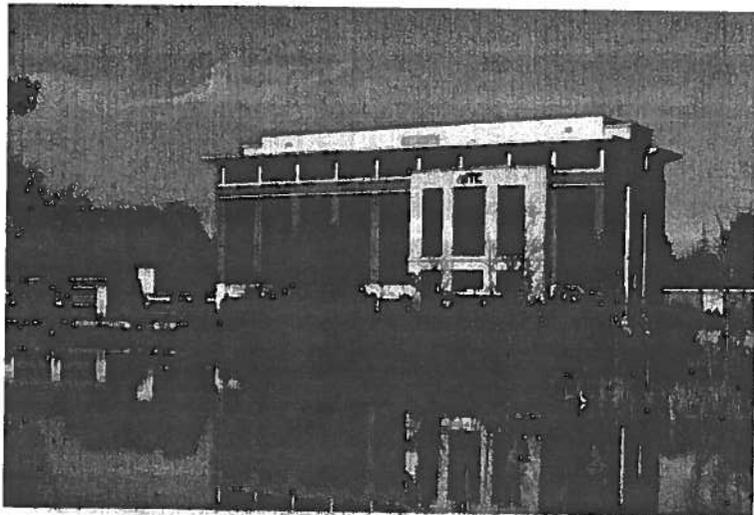
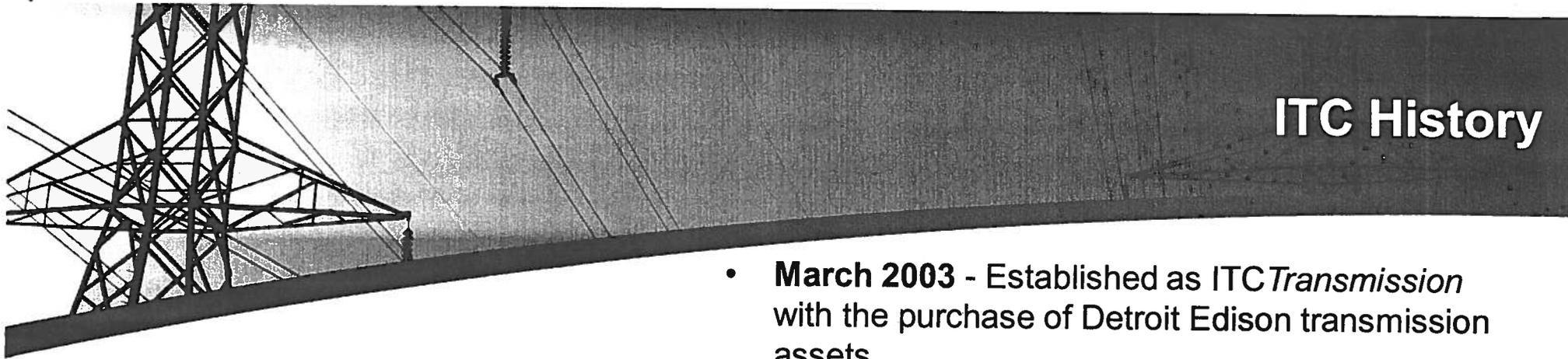
The Power Flow Process



What is Transmission?

- The electric transmission system is the network of high voltage lines and towers that transfer electric energy in bulk from power generating plants to substations serving communities and businesses
- Energy policy discussions often have implications for transmission grid role

- Michigan PA 141 of 2000 provided the opportunity for the state's utilities to sell their transmission assets
 - *Sec. 10w (1): Each investor-owned electric utility in this state shall, at the utility's option, either join a FERC approved multistate regional transmission system organization or other FERC approved multistate independent transmission organization or divest its interest in its transmission facilities to an independent transmission owner.*
- Consumers Energy divested its transmission assets in 2002
- DTE divested its transmission assets in 2003
- In addition, both utilities joined the MISO Regional Transmission Organization so that the scheduling of the transmission system is no longer performed by market participants



Headquartered in Novi, Michigan



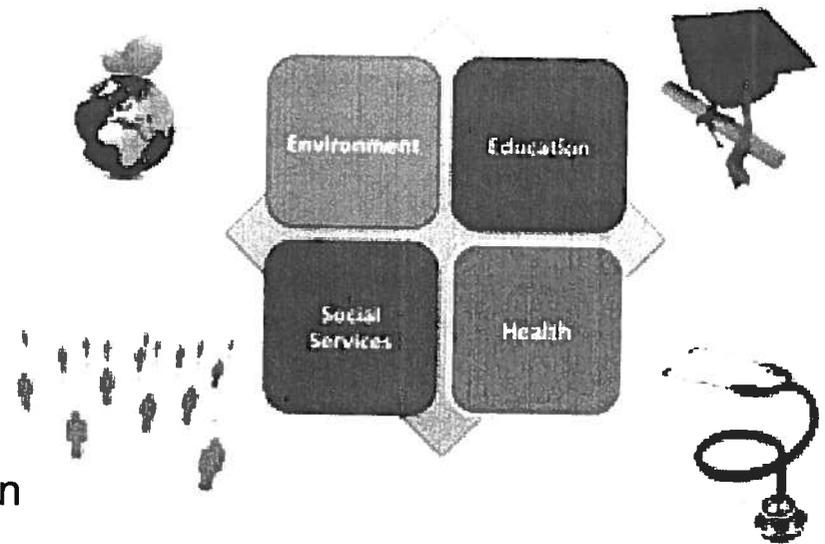
- **March 2003** - Established as ITC *Transmission* with the purchase of Detroit Edison transmission assets
- **July 2005** – ITC Holdings Corp. became first publicly traded independent transmission company
- **July 2006** - ITC Great Plains, headquartered in Topeka, KS, established to pursue new transmission development opportunities
- **October 2006** - Acquired Michigan Electric Transmission Company (METC), formerly the transmission assets of Consumers Energy
- **December 2007** - Formed ITC Midwest by acquiring the transmission assets of Interstate Power and Light from Alliant
- **December 2011** - Announced proposed transaction with Entergy Corporation whereby Entergy will spin-off its transmission business and merge it with ITC



Charitable Giving in Michigan

Examples of ITC Charitable Giving & Community Sponsorship

- Michigan Science Center
- University of Michigan Prostate Cancer Research
- Michigan Technological University
- The Detroit Edison Public School Academy
- Detroit Historical Society
- Detroit Public Schools Foundation
- Huron County Community Foundation
- Legacy Land Conservancy
- Michigan 4-H Foundation
- Michigan History Foundation
- Michigan Roundtable for Diversity and Inclusion
- North Woodward Community Foundation



Supporting Michigan Business

Percent of ITC spending in support of Michigan firms for construction, service and maintenance activities across the company in 2012:

78%

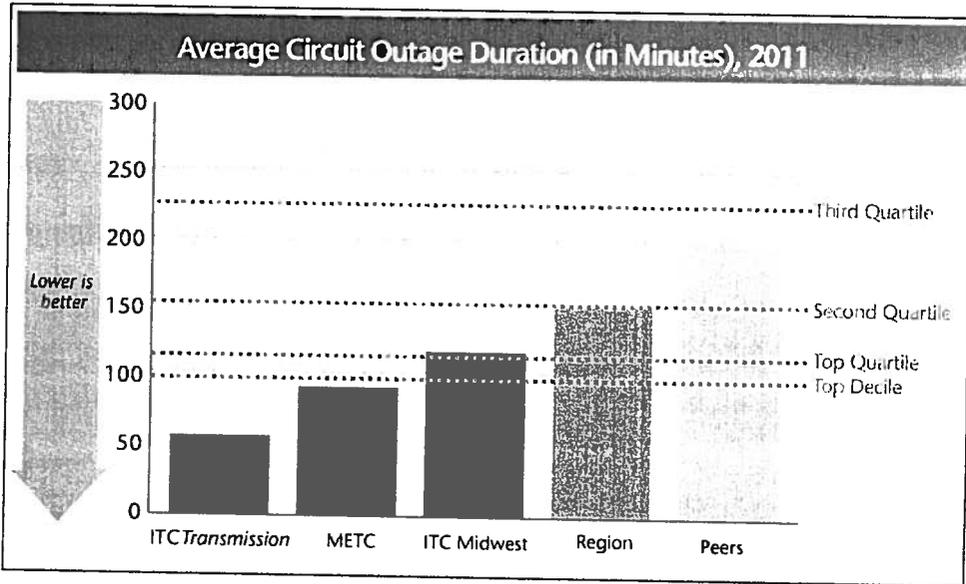
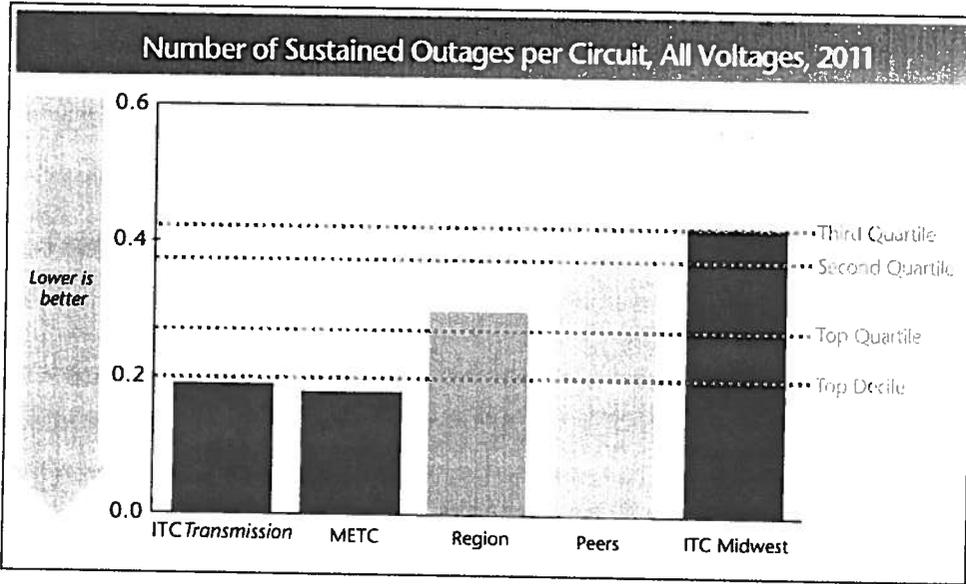


ITC System Statistics

				
Service Area	ITC Transmission	METC	ITC Midwest	ITC Great Plains
Approx. Total System Peak Load	12,700 MW	9,700 MW	3,700 MW	N/A
Approx. Total Transmission Miles	2,800	5,500	6,600	
RTO Membership	Midwest ISO	Midwest ISO	Midwest ISO	SPP
Assets Acquired	March 1, 2003	Oct. 10, 2006	Dec. 10, 2007	Aug. 18, 2009



Operational Excellence



- ITC participates in the annual SGS Statistical Services' Transmission Reliability Benchmarking Study. The SGS Study is the largest independent benchmarking forum for electric transmission reliability
- ITC's Michigan operating companies perform with the top 10% of companies nationally for the number of sustained outages per circuit and outage duration



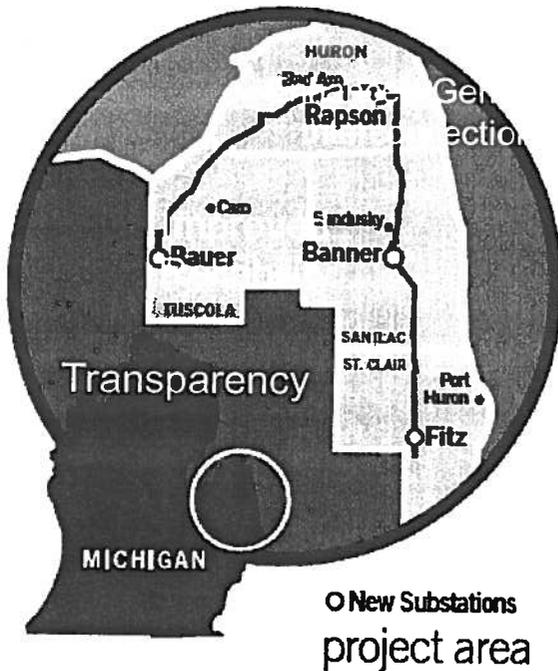
Michigan Transmission Projects

ITC capital investments since 2003 to improve Michigan's grid reliability and efficiency: \$1.9 billion.

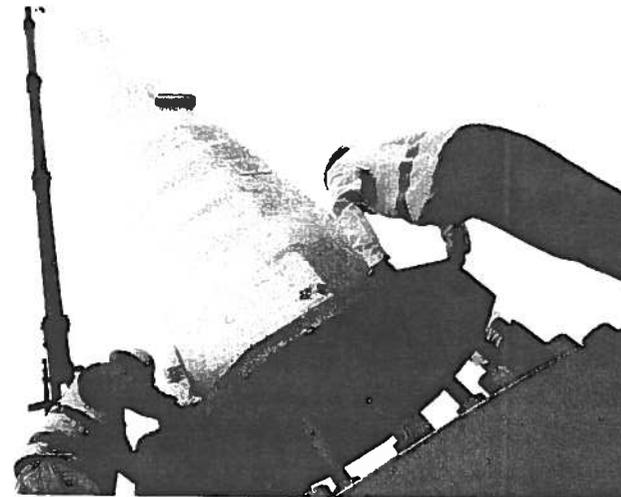
Representative projects:

- Reconstruction & upgrade of more than 200 miles of lines in northeastern & northwestern Michigan
- New 21-mile 120 kV line in Livingston & Oakland counties
- New 23-mile 138 kV line in Branch & St. Joseph counties
- Reconstruction of a 40-mile 138 kV line between Oakland & Ingham counties
- Major new substation in Midland County
- A new substation to provide a second source of power to the \$2 billion Medical Mile development in Grand Rapids
- A new 15-mile line to improve reliability in the Holland area
- Reconstruction of five 138 kV lines through 4.5 miles of wetlands near Muskegon

Thumb Loop Project



- Purpose: Increase reliability, reduce congestion; serve as a backbone for future interconnection of new generation sources, including wind
- 345kV double-circuit line, 140 miles, 4 new stations
- Received siting approval in February 2011
- Phase 1 (western side) in service late 2013
- Phases 2 & 3 (eastern side) in 2015

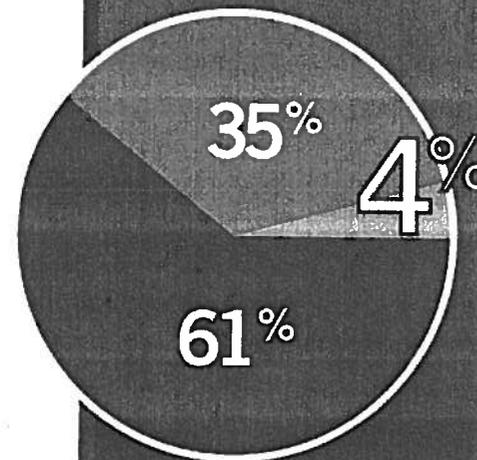


- **ITC operating subsidiaries are regulated by the Federal Energy Regulatory Commission (FERC) for purposes of establishing rates, terms and conditions of service**
 - Regulated by FERC because transmission is considered interstate commerce
- **Michigan Public Service Commission maintains jurisdiction over siting of transmission projects**
 - MPSC approval required for siting of transmission projects that are 345kV and above, and over five miles in length (PA 30). MPSC approval also needed for transmission to facilitate energy from Wind Energy Resource Zone (PA 295)

Transmission Component of Electric Bill

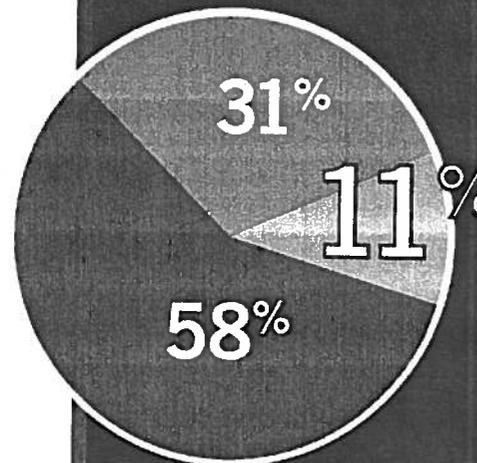
- **Transmission is a small fraction of the bill in Michigan**
 - Michigan percentage is less than the national average
 - The company has done this while having built a variety of projects to enhance reliability and reduce congestion
- **Benefits of regional transmission investment for Michigan:**
 - Opens wholesale energy markets across state boundaries
 - Levels costs to benefit Michigan consumers

INSIDE AN ELECTRIC BILL



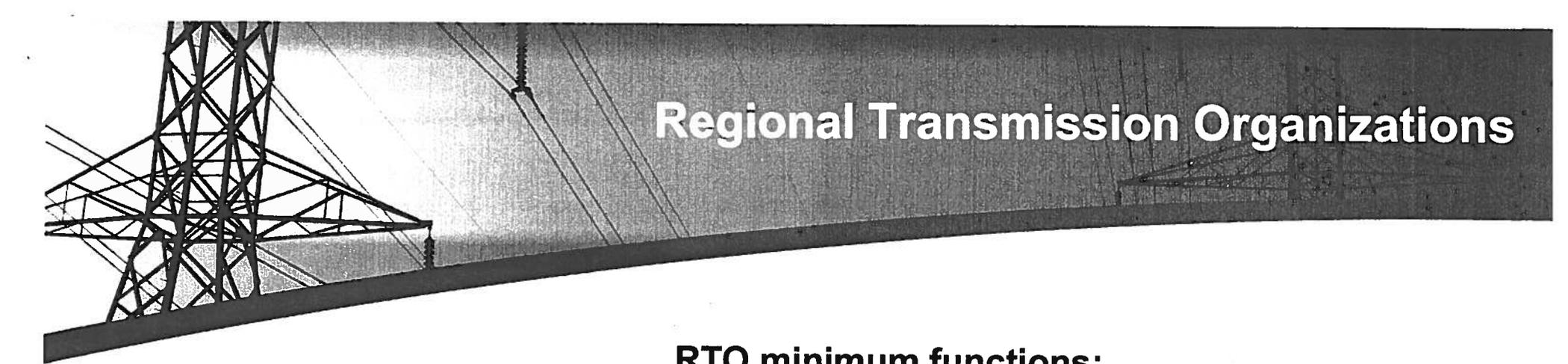
Typical Monthly Residential Bills:
MICHIGAN
Usage: 500kWh/month

Source: Michigan Public Service Commission data



Major Components of
U.S. AVERAGE
Electricity Price, 2011
(Cents per kWh and Share of Total)

Source: U.S. Energy Information Administration



Regional Transmission Organizations

RTO Characteristics:

- Independence
- Scope and regional configuration
- Operational authority
- Responsibility for short-term reliability

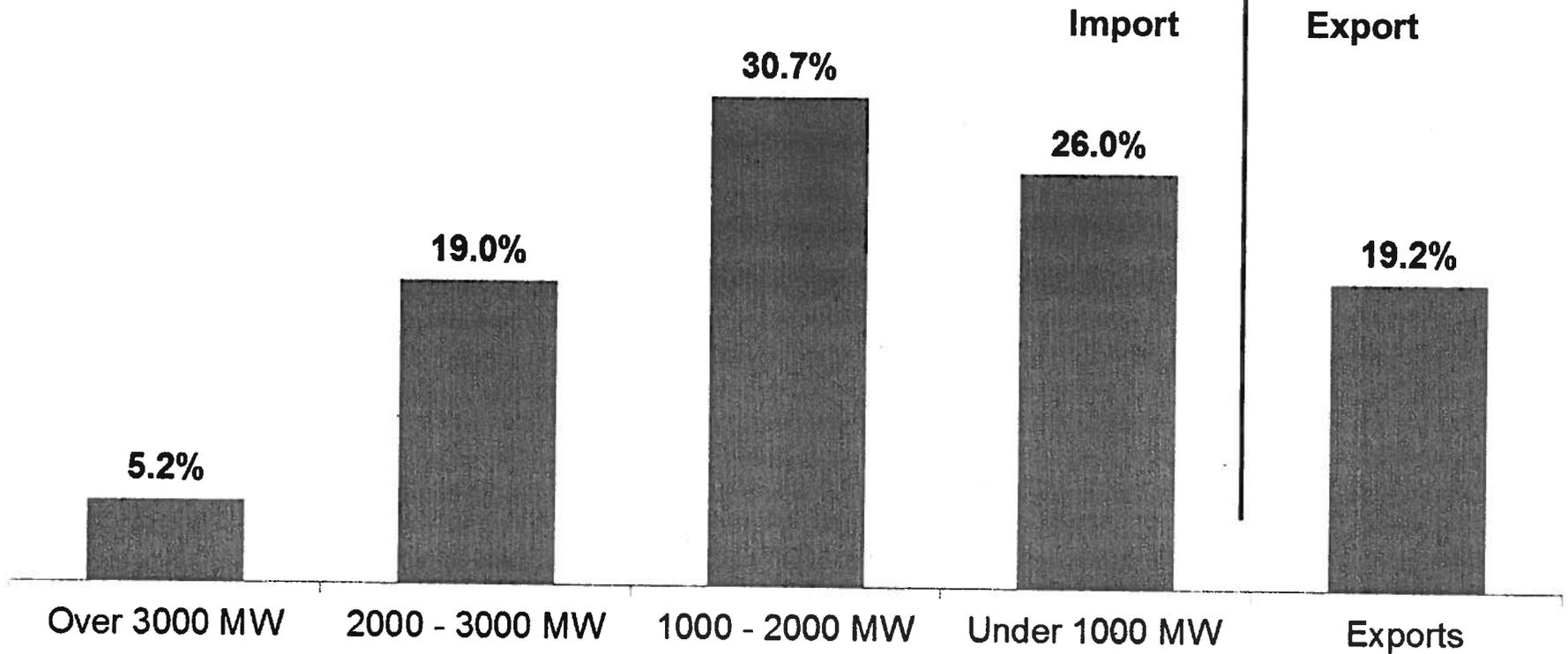
RTO minimum functions:

- Administer and design tariffs
- Manage congestion
- Solve the parallel path flow problem
- Manage and provide ancillary services
- Maintain OASIS and post the transmission capability
- Perform market monitoring
- Plan and manage transmission system expansion
- Handle interregional coordination

- MISO is a member-based, non-profit regional transmission organization (RTO)
 - 49,670 miles of transmission
 - Currently 11 states, four others pending, one Canadian province
- Administers wholesale electricity markets
- Provides forum for vetting proposed projects from regional perspective
- Incorporates approved projects into its MTEP plan for the year
- ITC and others build approved projects

Michigan's Connectivity with MISO

**Southern Michigan Imports and Exports
January 2009 through September 2011
Percent of Time**

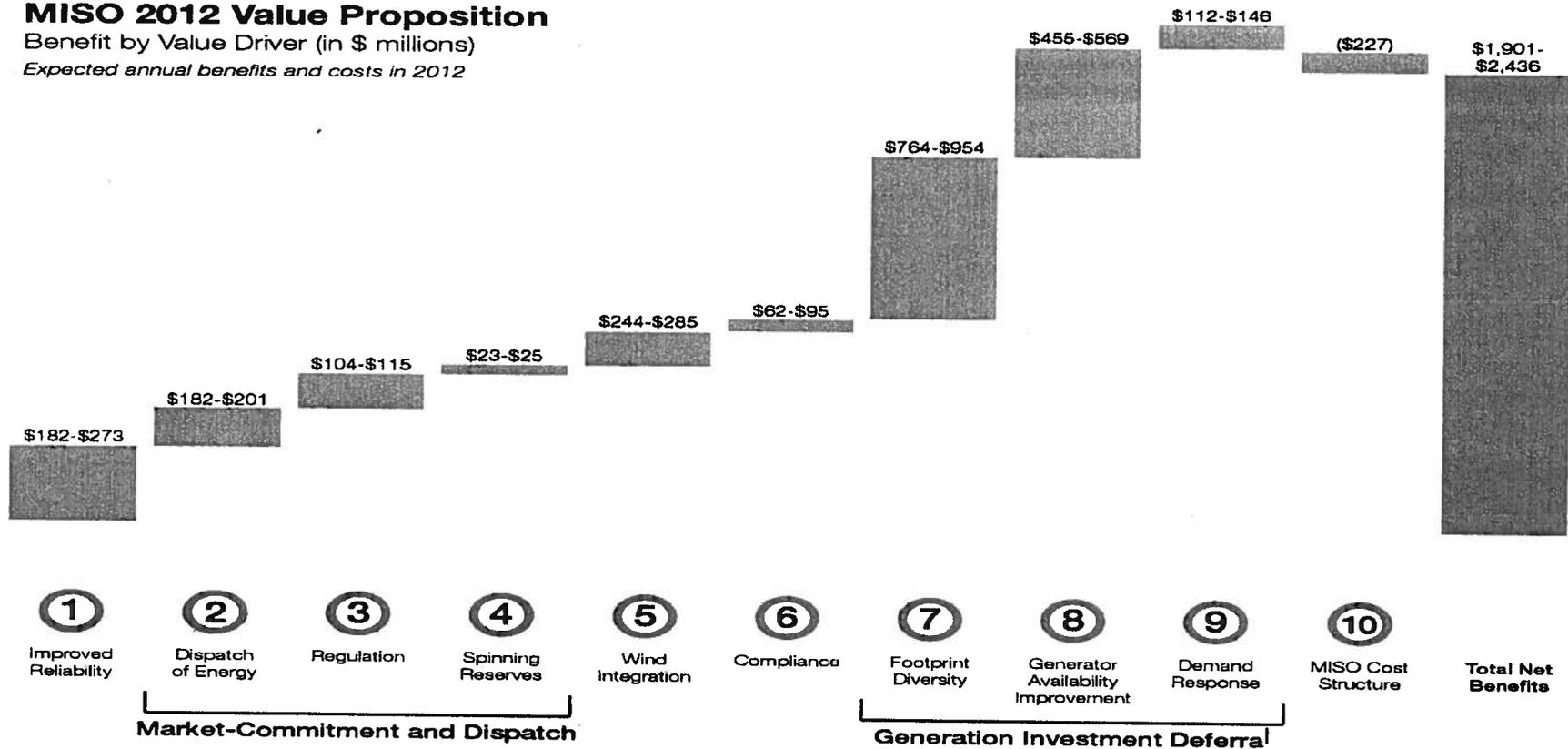


MISO's Cost/Benefit Analysis Chart

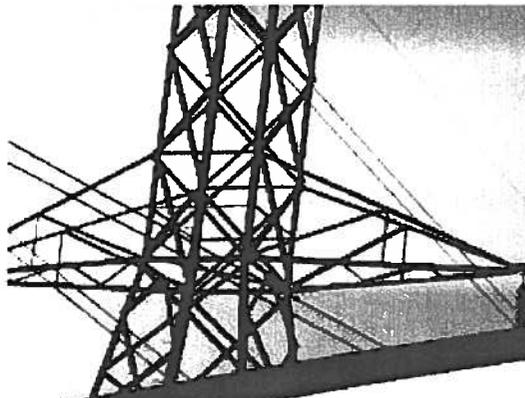
MISO 2012 Value Proposition

Benefit by Value Driver (in \$ millions)

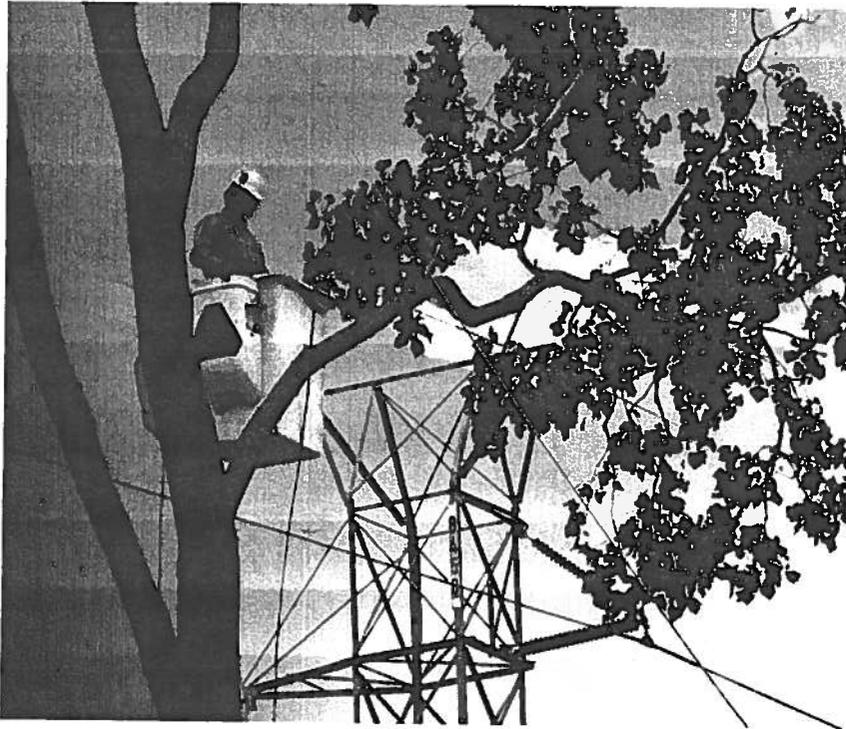
Expected annual benefits and costs in 2012



Northeast Blackout: August 14-15, 2003



Consequences of the Northeast Blackout

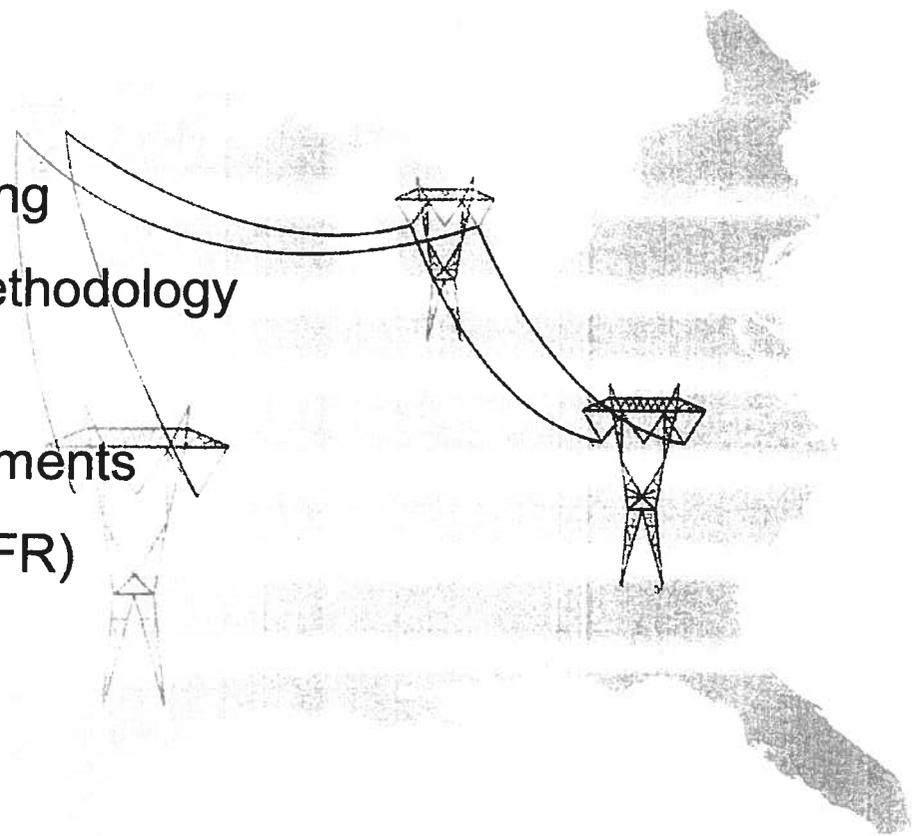


- Vegetation Management
- Mandatory NERC reliability standards
- Enforceable financial penalties from NERC and FERC
- ITC takes a proactive, partnership approach with local communities to implement these requirements

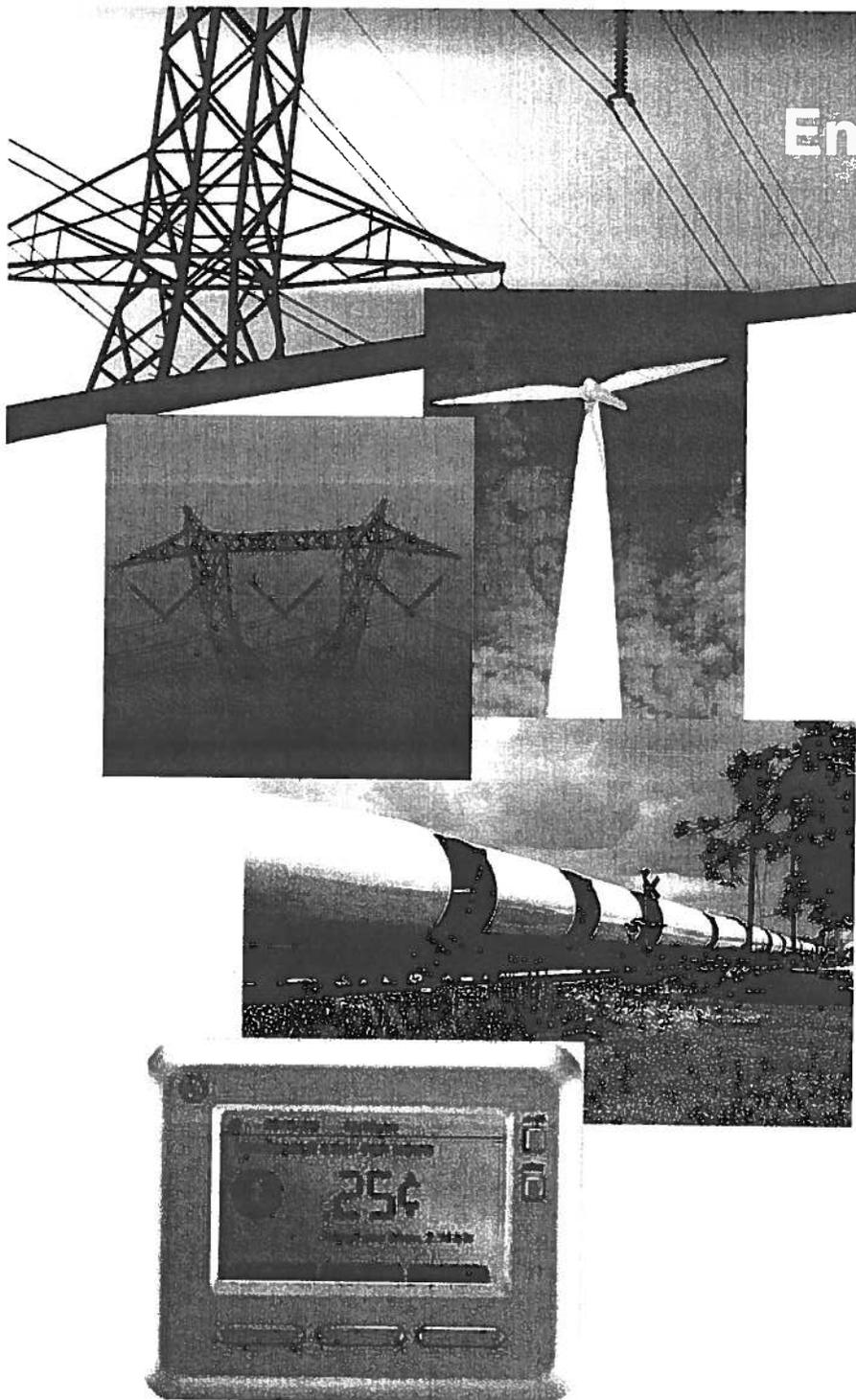
Transmission Policy and Current Events

FERC Order No. 1000

- Mandates regional transmission planning
- Mandates a regional cost allocation methodology
 - Aligns costs with benefits
- Mandates interregional planning agreements
- Addresses the right of first refusal (ROFR)
- Appeals pending at D.C. Circuit

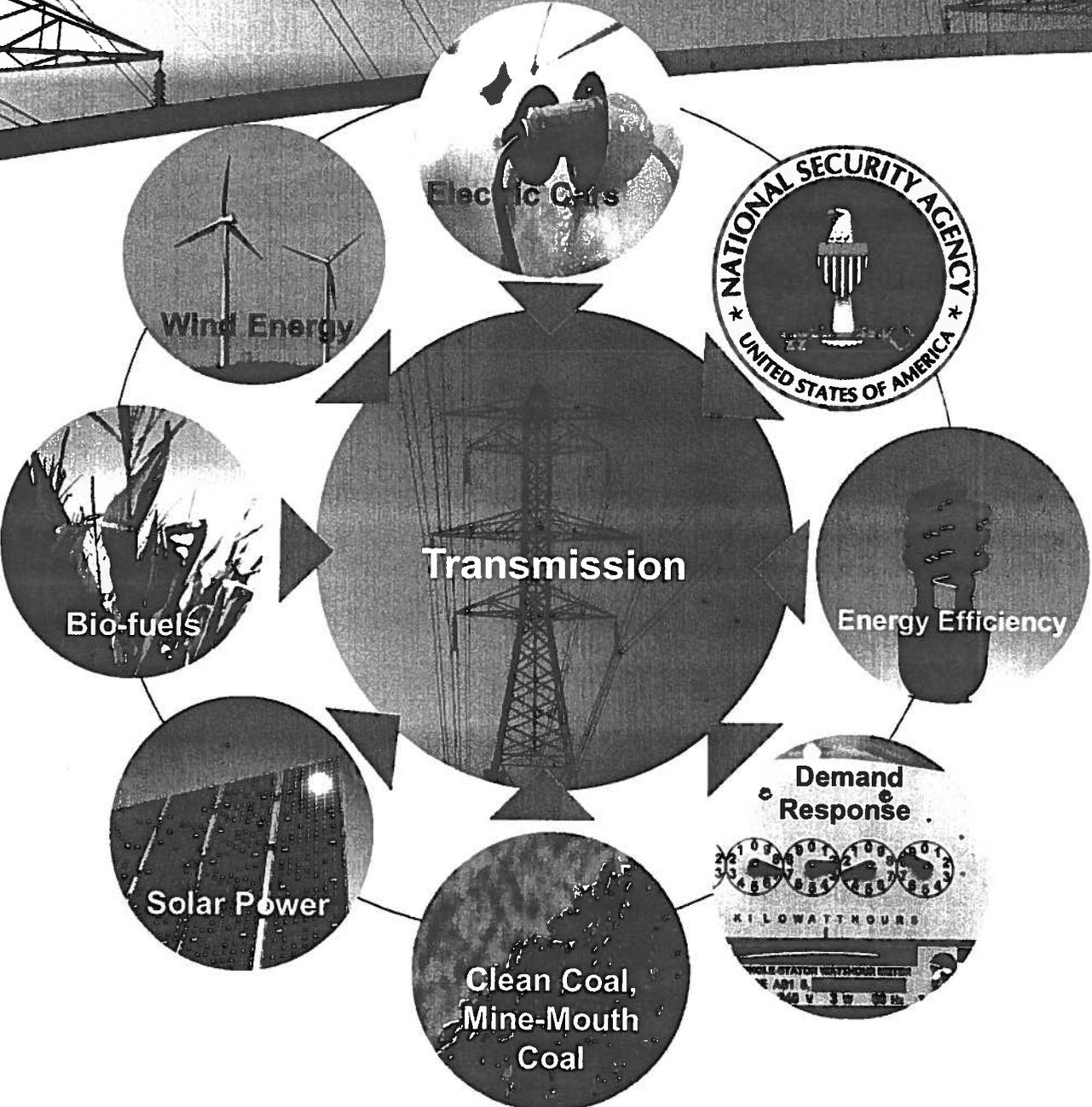


Energy Industry: Today and Tomorrow

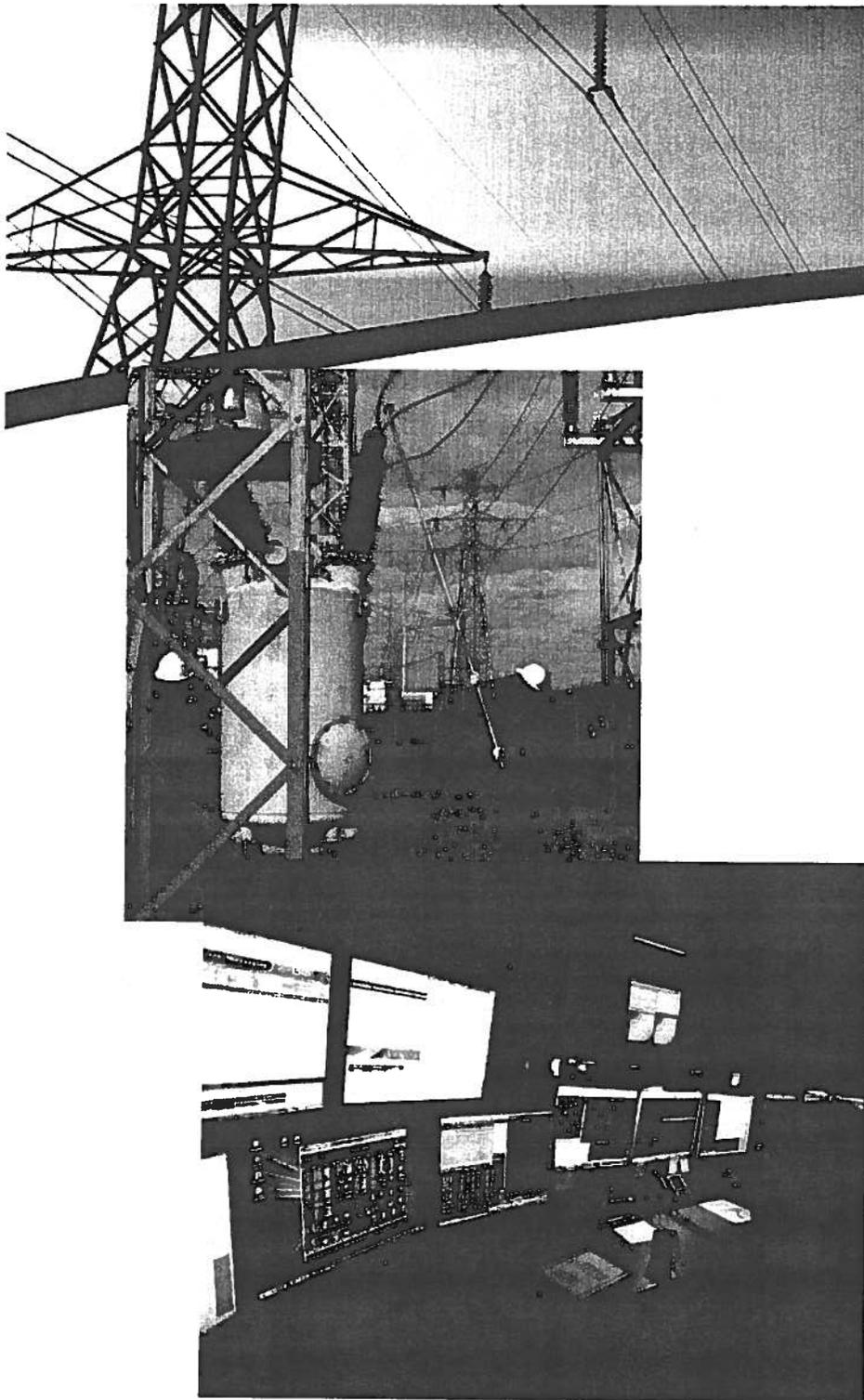


- **High Demand:** Electricity demand continues to grow; expected to increase 26% by 2030
- **Generation:** Many base load plants will have to be retired, new forms of generation (wind, solar, biofuels, etc.)
- **New Demands / Uses:** Demand response, efficiency programs, electric vehicles
- **Policy Focus:** Increased attention to national security, environment and creation of related energy policies

Transmission as Facilitator



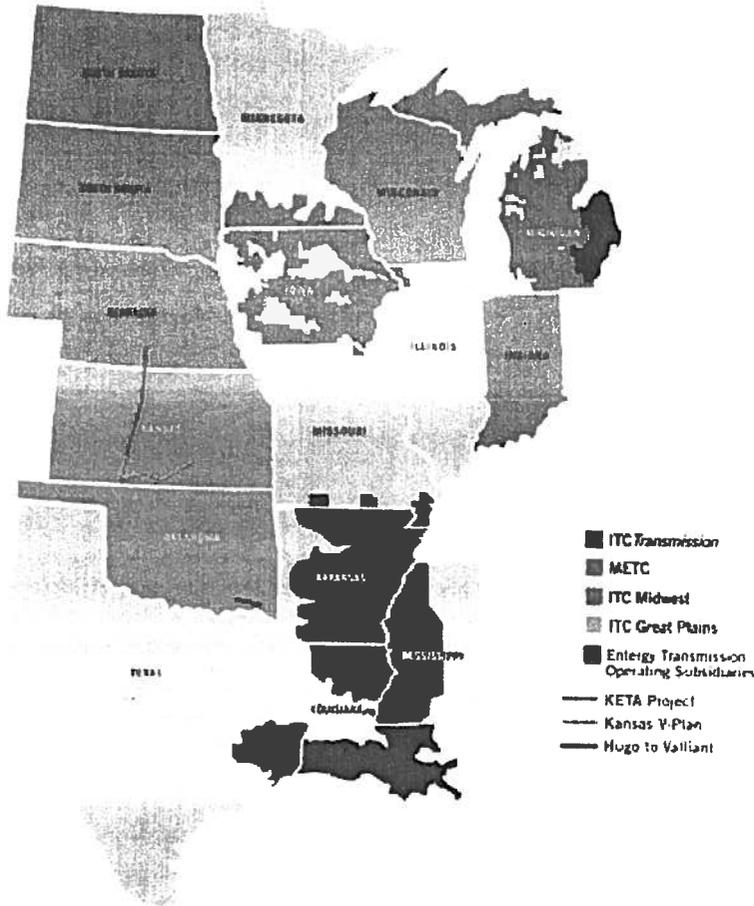
Creation of Highly-Skilled Jobs



- ITC's efforts to modernize the power grid provide benefits beyond improved reliability:
 - High-quality job creation
- ITC has established training programs with community colleges in Michigan, Kansas and Iowa to train new electrical maintenance personnel to work on system equipment.
 - Hundreds have enrolled in the programs
- ITC continues to successfully train workers as NERC-certified operators
 - Comprising more than 50% of our total operator workforce



Expansion: ITC/Entergy Transaction

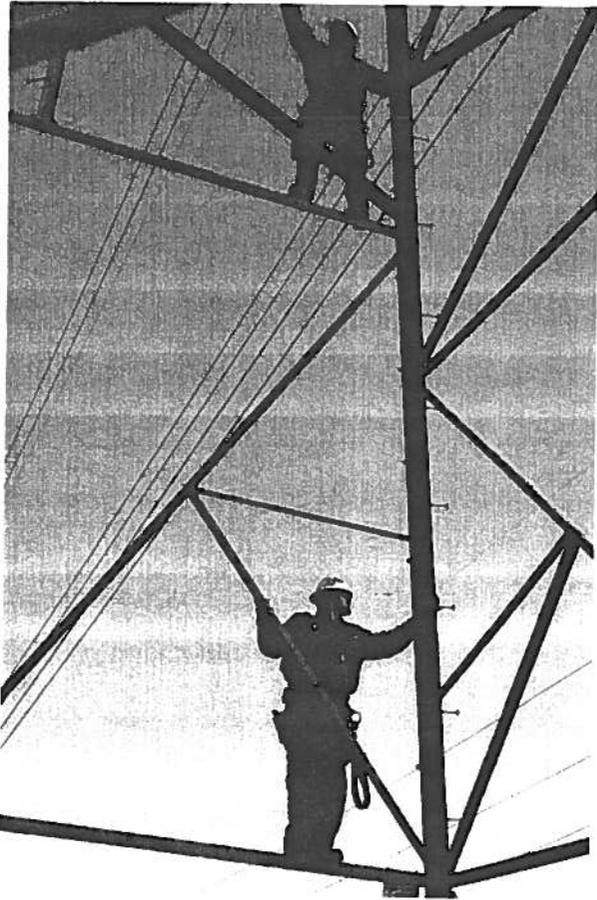


*Entergy
Transmission
Business*

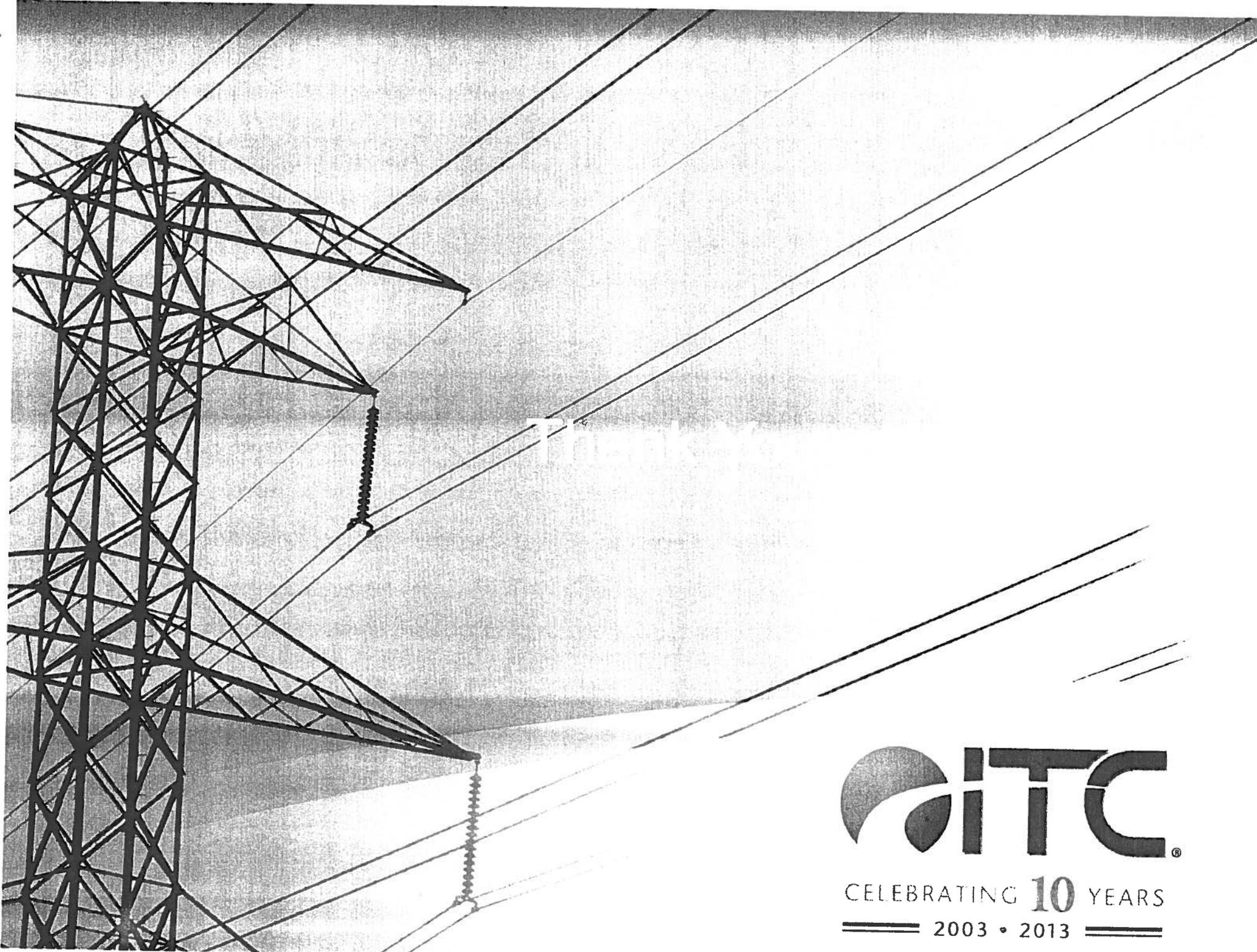
System Peak Load	26,100 MW	28,000 MW
Area	Seven states	Five states*
Total Transmission Miles	15,000 miles	15,400 miles
Service Area Square Miles	89,850	114,669
RTO Membership	MISO/SPP	MISO market integration by 12/2013

* Entergy owns limited assets in Missouri





- ITC remains committed to its goals:
 - Increased reliability
 - Improved efficiency
 - Increased access to generation
 - Lower delivered cost of energy to the end user
- ITC has already made significant improvements to Michigan's transmission system through planned capital investments and improved maintenance activities
- ITC works effectively within MISO and with our stakeholders (utilities, MPSC) for our Michigan operating companies
- A robust transmission system is critical to bringing the benefits of all forms of electric generation to customers across our state



Think



CELEBRATING 10 YEARS
2003 • 2013