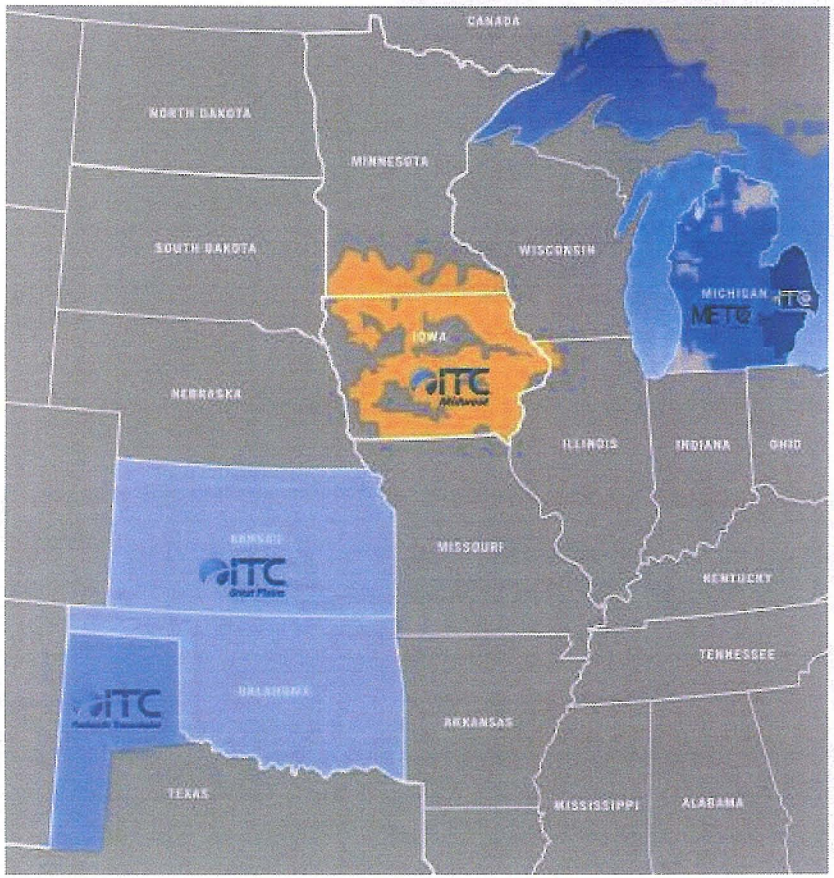
ITC's Green Power Express
North Dakota Government Update

"GPE for ND Gov081709"

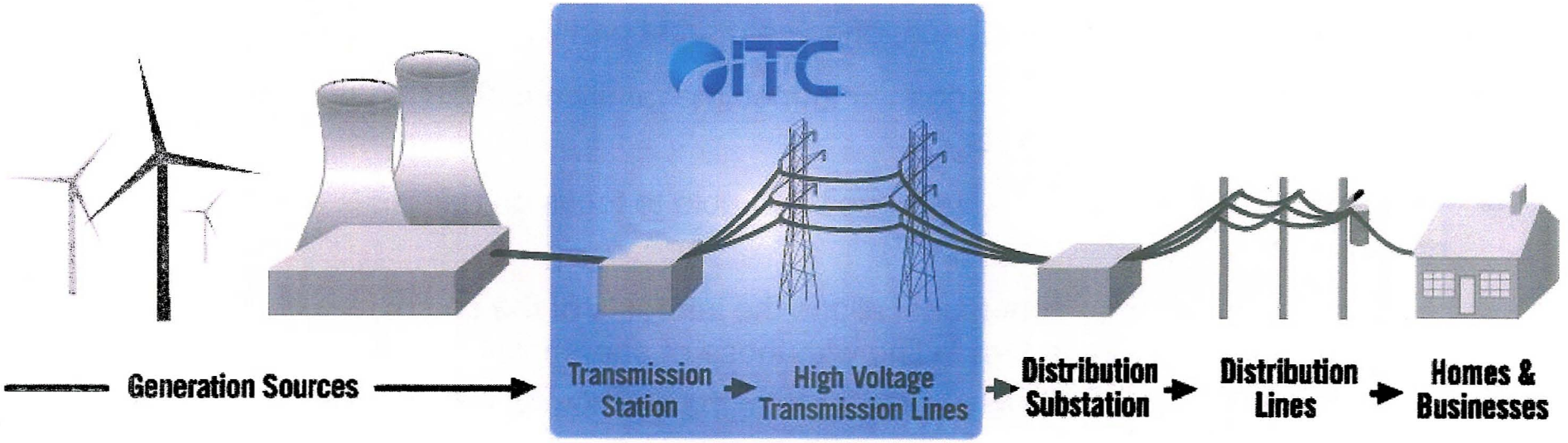
APPENDIX I

Who Is ITC?



- Oldest and only fully independent transmission company in the U.S.
  - Eighth largest transmission-owning company in the U.S.
- Operate almost 15,000 miles of transmission serving peak load of over 25,000 MW
- Established in March 2003 when DTE Energy sold transmission subsidiary ITC*Transmission*
- Acquired Michigan Electric Transmission Company (METC) in October 2006
- Acquired all transmission assets of Interstate Power & Light Company (IP&L) in December 2007 forming ITC Midwest
- ITC currently is seeking opportunities to build, own, operate, and maintain transmission assets in Kansas, Oklahoma and Texas

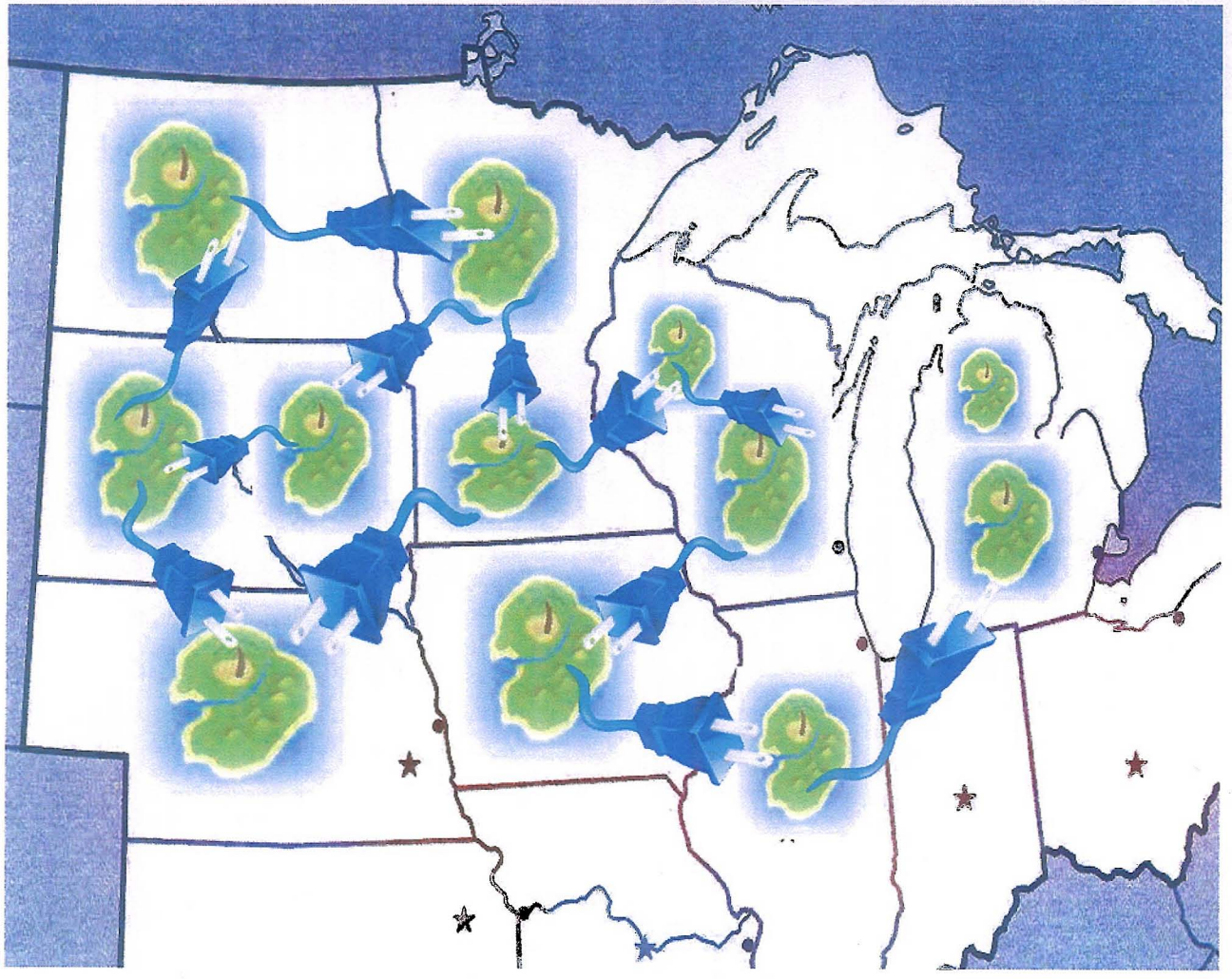
What We Do – Transmission Only



The Significance of Independence

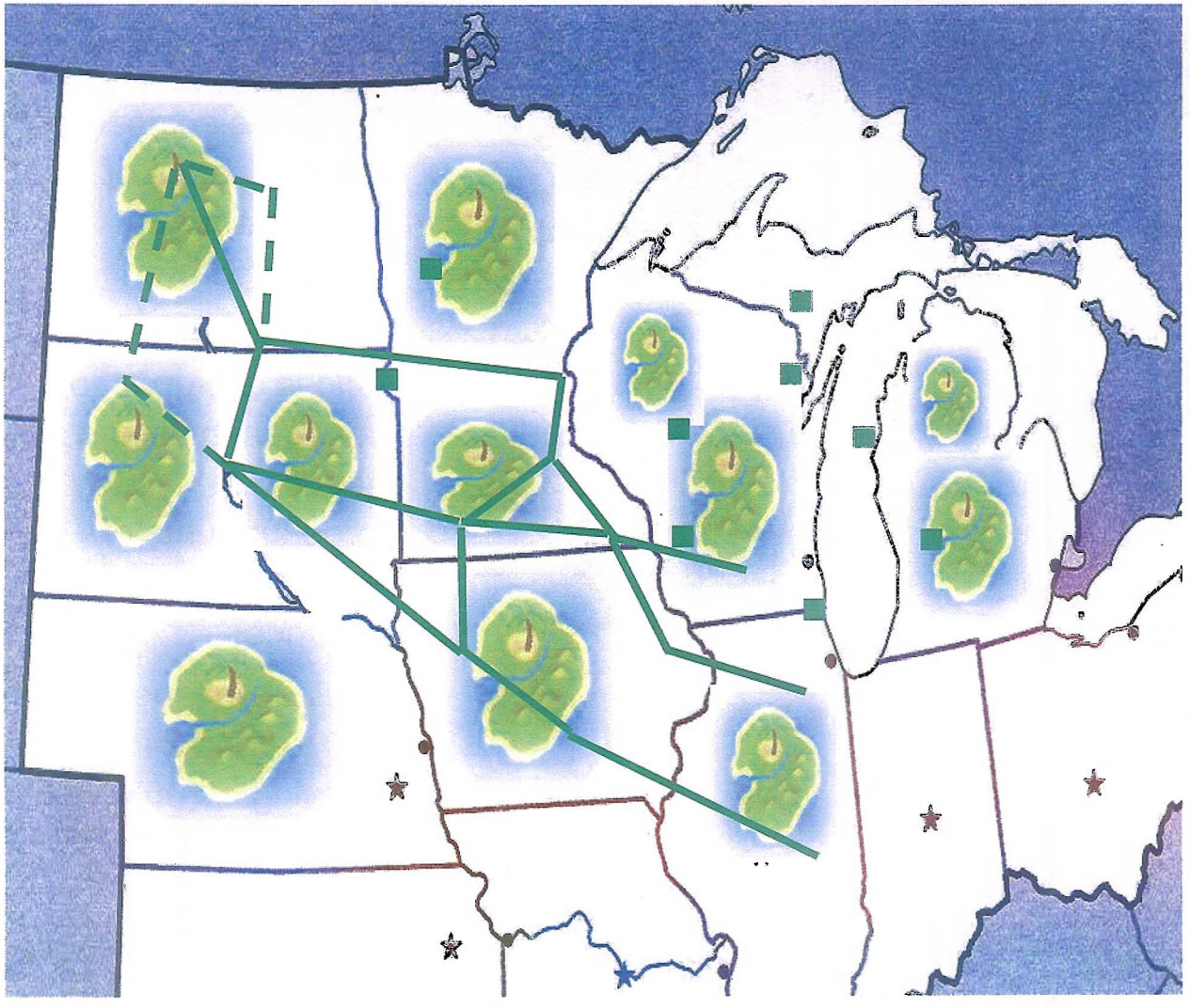
- ITC is the first and largest fully independent transmission company in the U.S.
- Independence is defined as:
  - De minimis ownership or truly passive ownership by market participants
  - Minimal operating dependence, ongoing market participant relationship/affiliation
- The company, its employees and their immediate family members do not hold any market participant investments
- Through ITC's independence, we have been able to focus on our goals (reliability, efficiency, equal access, lower cost)
- In essence, the independent model aligns the interests of the company with those of the customer which are in turn in line with those of shareholders
  - A non-independent model cannot do this; they are faced with conflicting interests
  - Independent transmission companies are not challenged by competing capital needs between utility business units, as all investment is directed towards the needs of the transmission grid

How ITC is different



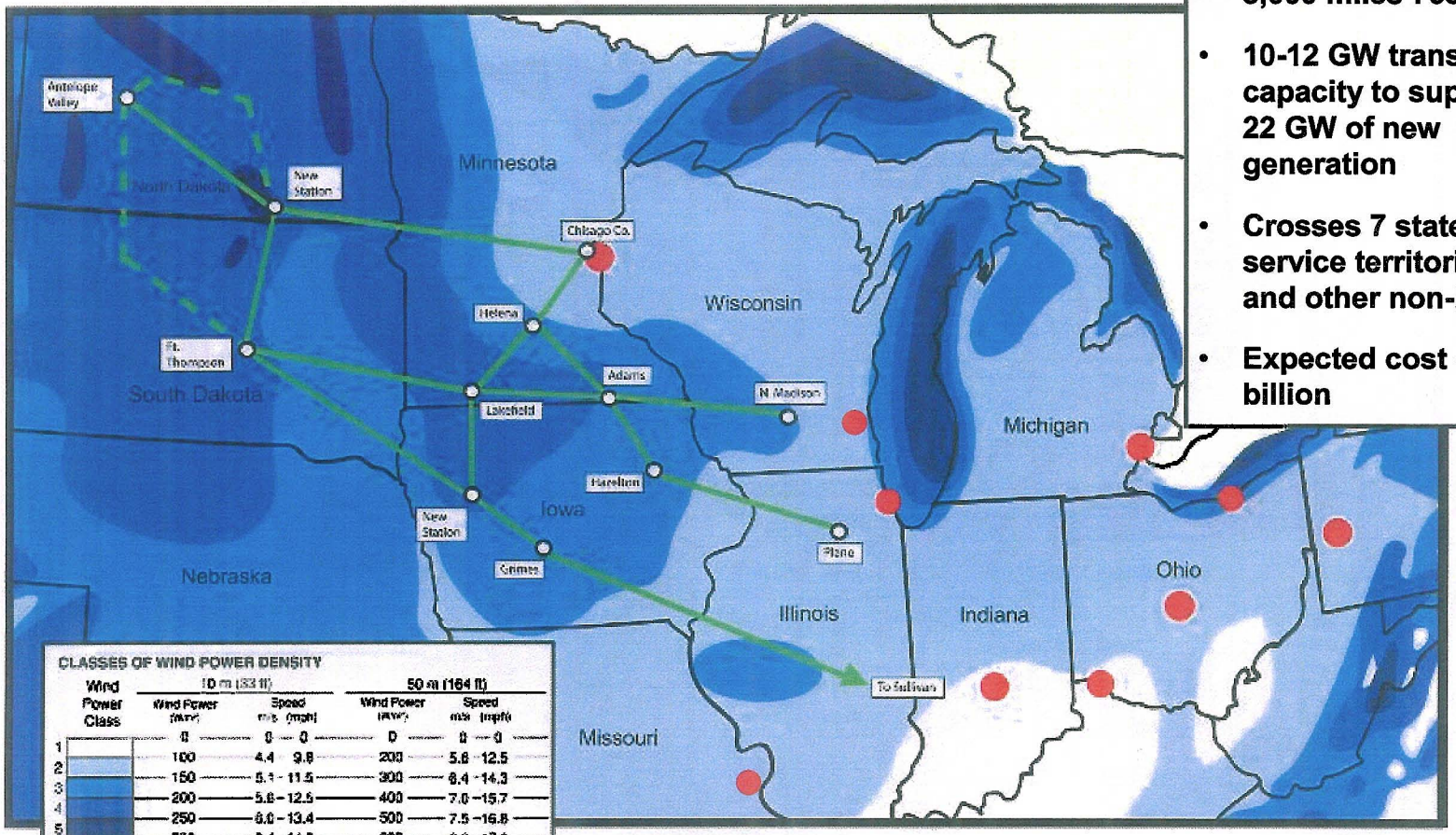
- Current electrical grid is like a series of utility islands, connected by extension cords
- Grid is designed to serve each "island's" needs, not to carry large amounts of energy over long distances
- Typical voltages are ~ 230 kV and 345 kV carrying ~ 400 MW to 700 MW.

How ITC is different



- The Green Power Express (GPE) will transcend the individual utility islands, crossing at least three planning areas: MAPP, MISO & PJM
- The GPE would be a single circuit 765 kV network, carrying ~ 4,000 MW per line

The Green Power Express



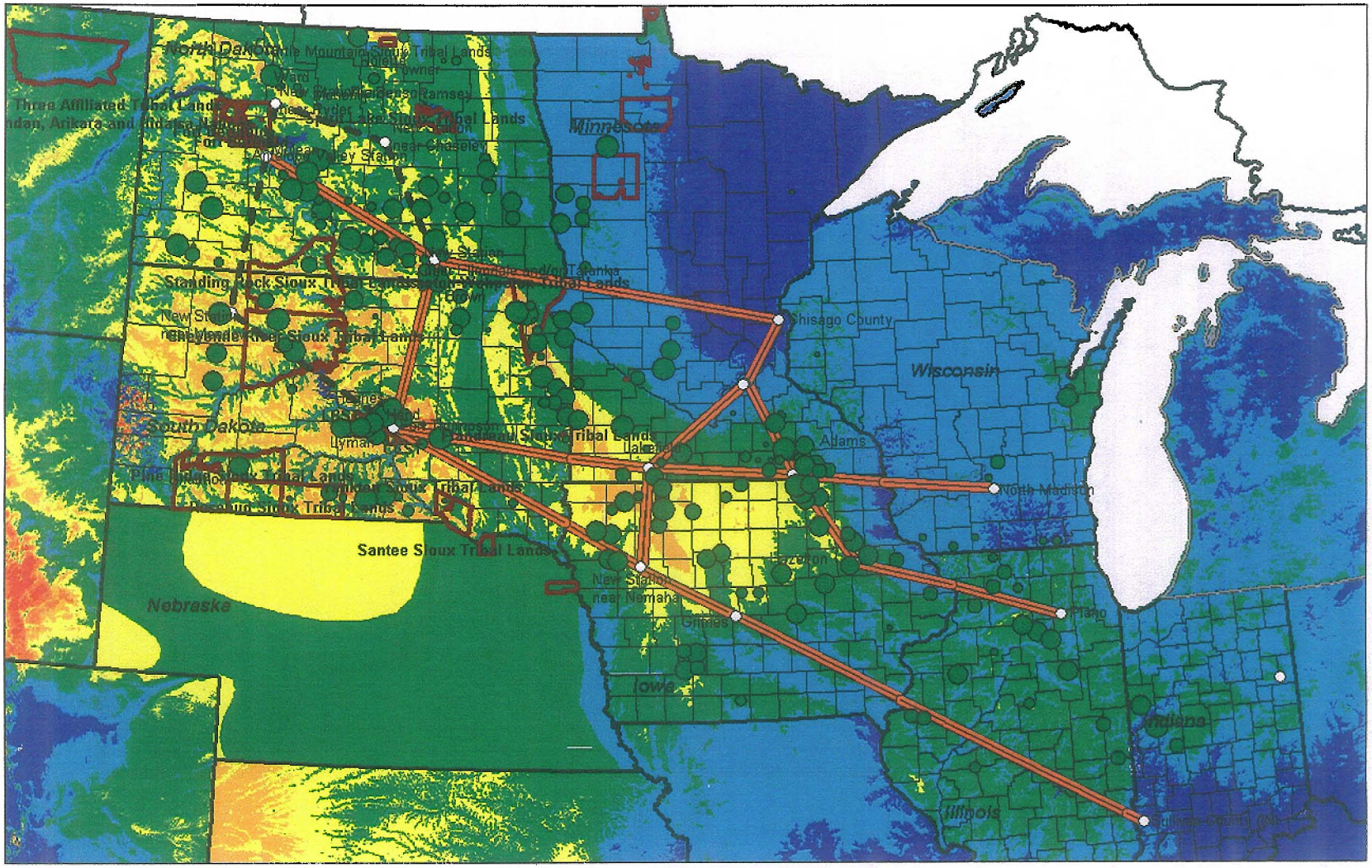
- 3,000 miles 765 kV
- 10-12 GW transfer capacity to support over 22 GW of new wind generation
- Crosses 7 states, 20 utility service territories, 2 RTOs, and other non-RTO areas
- Expected cost of $10-12 billion

Population Centers

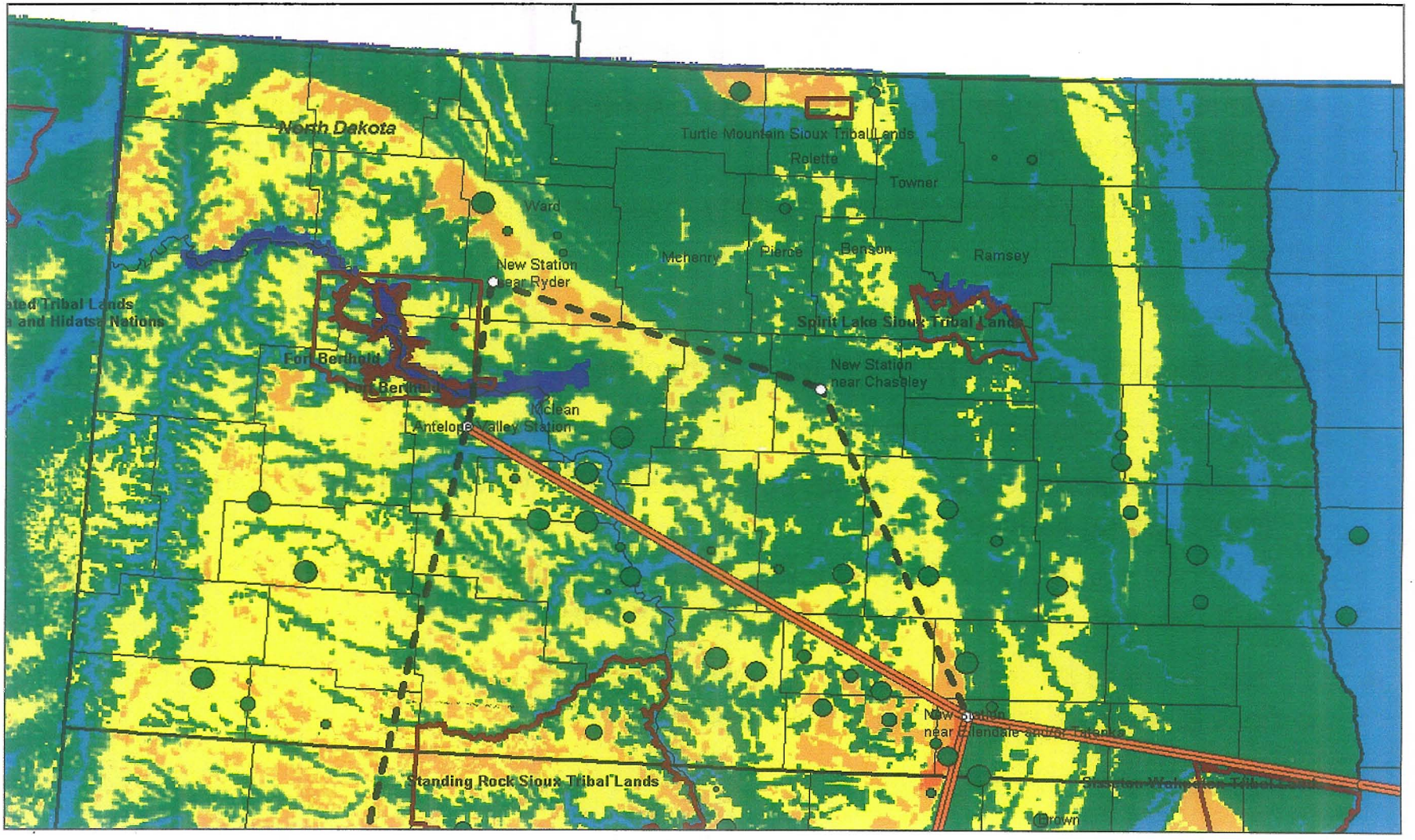
Green Power Express

Potential Future Collector System

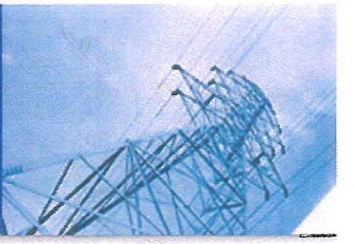
GPE High Capacity Factor Wind Sites



GPE Backbone in North Dakota



Green Power Express
Project Description and Overview



- Network of approximately 3,000 miles of 765 kilovolt (kV) transmission lines overlaid on top of the existing transmission network in the area
  - On its eastern edge, the Green Power Express will interconnect with the existing 765 kV network
- 10-12 gigawatts (GW) of transfer capacity to support approximately 20 GW of new wind generation
- Crosses seven states, 20 utility service territories
- Expected cost of $10 - $12 billion for new backbone transmission
- Lines connect with each other at thirteen 765 kV stations
  - At eleven of these stations, the new 765 kV lines would connect to existing transmission facilities
  - Two of these stations (one in Iowa and one in North Dakota) would be totally new and the new lines would not initially have connections to existing facilities
- ITC can be ready to break ground [when and if] State and Federal regulators remove barriers to regional transmission development

Wind-Energy Projects Being Pursued

State	Megawatts	Projects	Average Capacity Factor
North Dakota	> 23,000	51	41% to 43%
South Dakota	>32,000	60	41% to 43%
Minnesota	>12,000	38	37% to 39%
Iowa	>15,000	41	37% to 39%
Wisconsin, Illinois, Indiana	>6,000	31	31% to 33%
Total	> 88,000	221	

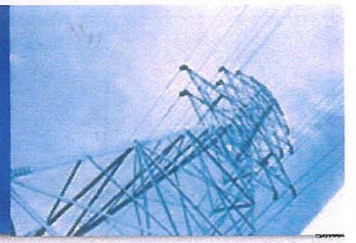
Why is the Green Power Express needed?

- The Midwest is on the verge of unleashing a new cash crop – wind energy
- There's no way to get that crop to the market on the current aged and constrained transmission system
- Think of Green Power Express as an energy superhighway from America's wind fields to market

Energy Policy Needs

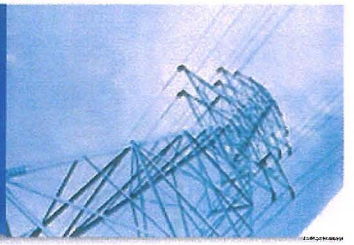
- ITC's top public policy priorities:
  - **Independent regional planning:** Interconnection-wide regional planning using existing infrastructure
  - **Cost allocation:** Method that harmonizes costs of regional transmission with benefits
  - **Federal siting authority:** Allows states to continue to site transmission but after one year, FERC would have backstop authority

Green Power Express - Dakotas



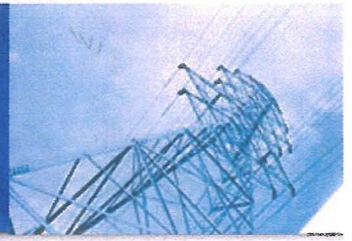
- The Dakotas are considered critical states for the Green Power Express
- North Dakota
  - Meetings have taken place with Governor Hoeven and staff, PSC Chair, PSC Commissioners, PSC staff members, and Transmission Authority
  - ITC is developing relationships with Indian Tribes and developers
  - Potential wind energy capacity in ND exceeds 138,000 MW
- South Dakota
  - Meetings have taken place with Governor Rounds and Staff, PUC Chair, PUC Commissioners, PUC staff members, and Energy Infrastructure Authority
  - ITC is developing relationships with Indian Tribes and developers
  - ITC is also participating in public forums and industry conferences on wind energy development sponsored by the SD PUC
  - Potential wind energy capacity in SD exceeds 117,000 MW

Green Power Express
FERC Section 205 Application



- FERC issued order on the Section 205 application on April 10, 2009 approving certain incentives and the creation of a regulatory asset
  - FERC found that the Green Power Express Project is "not routine by any measure" and is eligible for transmission investment incentives because it will provide significant benefits like greatly improved transfer capability and access to wind generation
- **Return on Equity – approved a total ROE of 12.38%,** which includes
  - Base ROE of 10.78% based on median of MISO-PJM-SPP proxy group
  - 100 additional basis points for independence
  - 10 additional basis points for scope of project
  - 50 additional basis points for RTO participation which is effective when entity becomes an RTO member and places project under RTO operational control
- Requires filings on partnership structure as development occurs to ensure independence is maintained
- FERC also approved the following non-ROE incentives as in line with the project risks:
  - Regulatory asset
  - Construction Work In Progress (CWIP)
  - Abandoned plant
  - Hypothetical capital structure of 60% equity until any portion of the project is placed in service

ITC's Green Power Express Contact



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