

ITC Holdings Corp.
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ITC Holdings Corp.
Investor Presentation
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Investor Presentation

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January 2012

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Filed by ITC Holdings Corp.

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities Exchange Act of 1934

Subject Company: ITC Holdings Corp.

Commission File No.

001-32576

Safe Harbor Language & Legal Disclosure

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This
presentation
contain
certain
statements

that
describe
ITC
Holdings
Corp.
(ITC)
management's
beliefs
concerning
future
business conditions and prospects, growth opportunities and the outlook for ITC's business, including ITC's business and the
electric
transmission
industry
based
upon
information
currently
available.
Such
statements
are
forward-looking
statements
within
the meaning of the Private Securities Litigation Reform Act of 1995. Wherever possible, ITC has identified these forward-looking
statements
by
words
such
as
anticipates ,
believes ,
intends ,
estimates ,
expects ,
projects
and
similar
phrases.
These
forward-looking statements are based upon assumptions ITC management believes are reasonable. Such forward-looking
statements are subject to risks and uncertainties which could cause ITC's actual results, performance and achievements to differ
materially from those expressed in, or implied by, these statements, including, among other things, (a) the risks and uncertainties
disclosed in ITC's annual report on Form 10-K and ITC's quarterly reports on Form 10-Q filed with the Securities and Exchange
Commission
(the
SEC)
from
time

to
time
and
(b)
the
following
transactional
factors
(in
addition
to
others
described
elsewhere
in
this
document
and
in
subsequent
filings
with
the
SEC):

(i)
risks
inherent
in
the
contemplated
transaction,
including:

(A)
failure
to

obtain approval by the Company's shareholders; (B) failure to obtain regulatory approvals necessary to consummate the transaction or to obtain regulatory approvals on favorable terms; (C) the ability to obtain the required financings; (D) delays in consummating the transaction or the failure to consummate the transactions; and (E) exceeding the expected costs of the transactions;

(ii)
legislative
and
regulatory
actions,
and

(iii)
conditions
of
the
capital

markets
during
the
periods
covered
by
the
forward-looking statements.

Because ITC's forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond ITC's control or are subject to change, actual results could be materially different and any or all of ITC's forward-looking statements may turn out to be wrong. They speak only as of

the
date

made and can be affected by assumptions ITC might make or by known or unknown risks and uncertainties. Many factors mentioned in this document and the exhibits hereto and in ITC's annual and quarterly reports will be important in determining results. Consequently, ITC cannot assure you that ITC's expectations or forecasts expressed in such forward-looking statements will be achieved. Actual future results may vary materially. Except as required by law, ITC undertakes no obligation to publicly update any of ITC's forward-looking or other statements, whether as a result of new information, future events, or otherwise.

The transaction is subject to certain conditions precedent, including regulatory approvals, approval of ITC's shareholders and availability

of
financing.

ITC
cannot
provide
any
assurance
that
the
proposed
transactions

related
thereto
will

be
completed,
nor can

it give assurances as to the terms on which such transactions will be consummated.

Safe Harbor Language & Legal Disclosure

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ITC

and

Mid

South

TransCo

LLC
(TransCo)
will
file
registration
statements
with
the
SEC
registering
shares
of
ITC
common
stock
and
TransCo
common
units
to
be
issued
to
Entergy
Corporation
(Entergy)
shareholders
in
connection
with
the
proposed
transactions. ITC will also file a proxy statement with the SEC that will be sent to the shareholders of ITC. Entergy shareholders are urged to read the prospectus and/or information statement that will be included in the registration statements and any other relevant documents, because they contain important information about ITC, TransCo and the proposed transactions. ITC's shareholders

are
urged
to
read
the
proxy
statement
and
any
other
relevant
documents
because
they
contain
important
information
about
ITC,
TransCo
and
the
proposed
transactions.

The
proxy
statement,
prospectus
and/or
information
statement,
and
other

documents relating to the proposed transactions (when they are available) can be obtained free of charge from the SEC's website at www.sec.gov.

The
documents,
when
available,
can
also
be
obtained
free
of
charge
from
Entergy
upon

written
request
to
Entergy
Corporation,
Investor
Relations,
P.O.
Box
61000
New
Orleans,
LA
70161

or
by
calling
Entergy's
Investor
Relations

information line at 1-888-ENTERGY (368-3749), or from ITC upon written request to ITC Holdings Corp., Investor Relations
27175 Energy Way, Novi, MI 48377 or by calling 248-946-3000

This presentation is not a solicitation of a proxy from any security holder of ITC. However, Entergy, ITC and certain of their
respective directors and executive officers and certain other members of management and employees may be deemed to be
participants

in
the
solicitation
of
proxies
from
shareholders
of
ITC
in
connection
with
the
proposed
transaction
under
the
rules
of

the SEC. Information about the directors and executive officers of Entergy may be found in its 2010 Annual Report on Form 10-K
filed with the SEC on February 28, 2011, and its definitive proxy statement relating to its 2011 Annual Meeting of Shareholders
filed with the SEC on March 24, 2011. Information about the directors and executive officers of ITC may be found in its 2010
Annual Report on Form 10-K filed with the SEC on February 23, 2011, and its definitive proxy statement relating to its 2011
Annual Meeting of Shareholders filed with the SEC on April 21, 2011.

ITC Overview
ITC Overview

Overview of Current ITC

ITC's pure play, fully regulated independent transmission model creates a unique, structurally advantaged infrastructure portfolio

Attractive FERC rate structures and regulatory features support investment and timely return of and on capital

Forward looking rates combined with attractive ROE's and capital structures allow for superior cash generation

Consolidated capital structure further enhances incremental shareholder returns to low 20% range

Actively developing transmission infrastructure required for reliability needs and emerging long-term energy policy

Portfolio of currently actionable investment opportunities drives growth and value creation

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Multi-faceted strategy leverages our sole
focus on transmission infrastructure
investment

Achieve and maintain best-in-class in core
operations

Includes reliability, security and safety

Improvements over the years reflective of
our investments and business practices

Non-discriminatory access to all generating
resources

Fundamental core strategy serves as an
important building block for development
efforts

Leader in the development of a 21
st
century
grid

Transmission outlook provides for
significant investment opportunities

Thought leader in advocating and
facilitating transmission development

Proven capabilities and strategically
advantaged
Overview of ITC
STRATEGY

Transmission Investment
REGULATORY REFORM

FERC Order 1000

Issued in July 2011, provides key principals on
transmission planning and regional cost

allocation

ITC has long advocated for planning and cost allocation policy reforms within Order 1000; should serve to promote regional transmission projects

SPP implemented new cost allocation policy and planning process

Highway / Byway cost allocation provides for regional cost allocation for projects 300kV+

Integrated Transmission Planning (ITP) process is a comprehensive, longer-term process

MISO implemented new cost allocation policy and has undertaken regional planning process

In December 2010, FERC approved regional cost allocation for multi-value projects (MVPs) which are projects with a regional impact and are intended to facilitate policy mandates

Regional Generation Outlet Study (RGOS) undertaken to identify regional transmission needs

First basket of RGOS projects / MVPs approved in December 2011

Financial Highlights

Predictable and visible financial results driven by FERC formulaic ratemaking model

FERC rate-setting mechanism ensures timely recovery of return on and of investments as well as operating and administrative expenses

Annual forward looking rate setting process with true-up for actual differences

Significant regulated earnings growth driven by capital investment plan coupled with

attractive incentive ROE s and capital structures at regulated subsidiaries

Existing and development operating companies are capitalized with 60% equity

Committed
to
maintaining
strong
investment
grade
ratings
at
both
operating
company
and holding company levels

(1)

Reflects FERC approved ROE for ITC Great Plains.

(2)

Reflects FERC approved ROE for Green Power Express.

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Stand Alone Five-Year Capital Plan

Projected Year-End Rate Base

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*Based on stand alone capital plan

Total cash requirements to execute five-year plan total approximately \$5.0 billion

Cash inflows support funding of capital expenditures, dividends and retirements of existing debt

Internally generated operating cash
flow expected to fund approximately
48% of the overall cash requirement

Remain committed to investment grade
credit ratings

Five-year capital plan positions
company well to maintain investment
grade ratings

New equity issuances are not anticipated
to fund current five-year capital plan
Amounts in \$MM

Funding of Capital Requirements

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*Based on stand alone capital plan

Transaction Overview
Transaction Overview

Transaction Overview
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Transaction Structure

Reverse
Morris
Trust
-

Entergy's
transmission
business
merges
into
ITC

Prior to merger, Entergy to pursue a levered tax free spin-off of its transmission business and ITC plans to effectuate a recapitalization, anticipated to be debt-financed special dividend of \$700 million

100% stock consideration
ITC Shareholders
Post-Merge

50.1% Entergy shareholders

49.9% ITC shareholders
ITC Senior
Mgmt & Board

Two new independent directors who have transmission industry knowledge and familiarity with Entergy's region

ITC's management team will remain intact for combined business, supplemented with key Entergy leadership personnel from Entergy's transmission business
Headquarters

Regional headquarters in Jackson, MS

Corporate headquarters in Novi, MI
Expected Closing

In 2013, subject to timing of approvals
Approval Process

Entergy retail regulatory approvals

Federal Energy Regulatory Commission approvals

ITC shareholder approval

Certain other regulatory approvals

Compelling Strategic Fit

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Provides long-term sustainable benefits for all stakeholders including customers, regulators, employees, and investors

Transformational to ITC size, scale and financial

strength

Enhances credit quality

Adds sizeable new markets to ITC's operating and development portfolio; diversifies and enhances growth prospects through expanded footprint

Largest electric transmission company in the U.S. based on net PP&E and load served

Second largest transmission company in the U.S. based on transmission circuit miles

Significantly expands geographic footprint

Increased geographic and market diversification

Transition of Entergy transmission business to FERC construct reduces overall business risk profile

De-risks and diversifies development growth portfolio

Provides additional avenue of sustainable long-term growth through needed upgrades of existing Entergy system

Leading Transmission Platform

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Further establishes ITC as the leading transmission platform in the U.S.

Largest electric utility based on total transmission net PP&E & peak load served

Transmission Business

Network System Peak Load

26,100 MW

28,000 MW

Service Area

Seven states

including

footprint in Michigan, Iowa,

Minnesota, Illinois,

Missouri, Kansas &

Oklahoma

Four states

including

footprint in Arkansas, Texas,

Louisiana and Mississippi

Total Transmission Miles

Approximately 15,100

miles

Approximately 15,700 miles

9/30/2011 Net PP&E

\$3.2 billion

\$3.1 billion

RTO Membership

MISO & SPP

Currently Independent

Coordinator of Transmission

with anticipated full transition

to MISO by December 2013

Full Time Equivalent

Employees

Approximately 450*

Approximately 750*

* Excludes contract work force

** ITC, ETR & Pro forma ITC net PP&E as of 9/30/2011 based on GAAP, all other amounts per June 30, 2011 FERC Form 1

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Transparency
Independent Model
Benefits of ITC independent
transmission model
Transparency
Improved
Reliability
Aligned with
Public Policy

Operational
Excellence
Improved Credit
Quality
Competitive
Markets
Reduced System
Congestion
Enhanced Generator
Interconnections

Transaction will be Credit Quality
Accretive

Transaction premised on transitioning Entergy transmission business to FERC formulaic ratemaking
construct, consistent with existing ITC operating companies

Generates predictable revenues based on actual capital investment and expenses

Additional protections to existing strict credit policies at MISO and SPP

Significantly enhanced balance sheet strength, increasing ITC's net PP&E by over \$3.1bn*

Addition of the Entergy transmission business will significantly broaden and de-risk ITC's investment pipeline

Experienced management team with credibility and proven track record focused on preserving credit quality as an integral component of the business plan

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*Entergy transmission business net PP&E as of 9/30/2011

Adoption of annual forward looking rate setting process with true-up mechanism ensures timely recovery of and return on investments, as well as operating and administrative expenses

FERC approved regulatory construct will support credit quality going forward

The addition of Entergy's operations in four states will afford ITC greater geographic and counterparty diversification

Perpetuates ITC's existing supportive regulatory model

Maintenance of strong pro forma credit metrics in addition to increased scale

Improved capital markets access and liquidity post-transaction

System upgrades and in-footprint development opportunities will create a meaningful new avenue for capital investment

Committed to maintaining strong investment grade ratings at both operating company and holding company levels

ITC expects to maintain its current solid investment grade credit ratings and achieve similar investment grade credit ratings for the merged entities

ITC Holdings and subsidiaries were upgraded by S&P upon announcement of the transaction

Moody's re-affirmed its ratings upon transaction announcement

Transaction expected to be credit metric neutral for ITC

Reaffirms strong investment grade credit metrics

Enhanced credit quality due to diversified growth platform and improved balance sheet size / increased scale

While Maintaining Credit Metrics

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ITC Holdings	Baa2	Stable	BBB
--------------	------	--------	-----

Stable

ITC*Transmission*

A1

Stable	A	Stable
--------	---	--------

METC

A1

Stable	A	Stable
--------	---	--------

ITC Midwest

A1

Stable	A	Stable
--------	---	--------

ITC Great Plains	Baa1
------------------	------

Stable

BBB+	Stable
------	--------

Approvals & Timeline

The
transaction
is
targeted
to
close
in
2013,

subject
to
receipt
of
the
following
approvals
and
closing conditions

Anticipated Approval Requirements*

* Approvals may be required in Missouri and Tennessee due to limited assets in those territories. Approval may be required in 19

Entergy Retail Regulators
(APSC, LPSC, MPSC,
PUCT, CCNO)

Change of control of transmission assets

Authorization to incur debt in some jurisdictions
FERC

Change of control of transmission assets

Establish new regulatory construct for new ITC subsidiaries

Authorization for operating company financings
Hart-Scott-Rodino Act
(DOJ / FTC)

Pre-merger notification to review potential antitrust and competition issues
IRS Private Letter Ruling

Ruling regarding tax-free treatment of the distribution of Transco Holdco
ITC Shareholders

Merger

Amendment to ITC Articles of Incorporation to increase the number of authorized
shares

Authorization for issuance of greater than 20% of outstanding shares

Preliminary Financing Structure

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ITC Holdings Corp.

ITC Transmission

Mid South TransCo HoldCo

METC

ITC Midwest

ITC Great Plains

Mid South OpCos

ITC Transmissio

\$mm

First Mtge Bonds

\$385

\$100mm revolver

4

Total debt

\$389

METC

\$mm

Senior Sec. Notes

\$275

\$100mm revolver

17

Total debt

\$292

ITC Midwest

\$mm

First Mtge Bonds

\$325

\$150mm revolvers

72

Total debt

\$397

ITC Great Plains

\$mm

First Mtge Bonds

\$-

\$150mm revolver

41

Total debt

\$41

Mid South OpCos

\$mm

First Mtge Bonds

\$1,200

Revolvers

-

Total debt

\$1,200

Mid South TransCo HoldCo

\$mm

Unsecured notes

\$575

Revolver

-

Total debt

\$575

Note: 9/30/2011 debt balances

~\$700mm senior unsecured notes (anticipated to be funded pre-closing with M&A unwind feature)

ITC Holdings

\$mm

Unsecured notes

\$1,462

Transaction notes

700

Total debt

\$2,162

\$1.2bn First Mortgage Bonds across OpCos

OpCo credit facility(s)

Up to \$575mm senior unsecured notes

Executed at close of transaction

No change

Transaction adjustments

Anticipated

cross

guarantee

between

ITC

Holdings

and

Mid

South TransCo HoldCo

Financial Policy

Pro forma company will be capitalized to maintain strong, investment grade credit metrics

Transaction financing will include a balanced mix of equity and debt

Overall capitalization and funding plans position ITC well to maintain strong investment grade ratings

Balance sheet strength and financial flexibility remain a critical aspect of pro forma strategy

Transaction
specifically
structured
to
maintain
pro
forma
credit
metrics
consistent
with stand alone plan

Pro forma company will maintain a strong and prudent liquidity profile

ITC to maintain current dividend policy with pro forma business
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Summary and Conclusions

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Pro forma ITC will continue to generate reliable, predictable and consistent cash flows

Forward-looking tariff will be in effect for all operating companies, including the Entergy operating companies

Formulaic rate setting mechanism with annual adjustments and true-up mechanism

Generates predictable revenues based on projected capital investments and expenses

Transaction will be credit quality accretive and will allow for maintenance of strong investment grade credit metrics

Balance sheet strength and flexibility remains critical aspect of pro forma strategy

Company will maintain strong and prudent liquidity

Supportive regulatory environment

FERC continues to promote transmission investment and the independent transmission model

ROE levels support strong credit quality

Operating company capital structures facilitate credit quality and access to capital

Resiliency of business model and ratemaking structure

Predictable annual rate setting mechanism provides certainty, stability, and recoverability

A similar rate construct will be put in place in the Entergy transmission jurisdictions

Appendix
Appendix

ITC Regulatory Structure

(1)

Source: EIA Annual Energy Outlook 2010.

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Projected Formula Rate Mechanism

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Other important attributes of formula rate

Projected rates reset annually through posting with regional transmission operator without the need for rate cases

Projected rate applied to actual monthly peak load

Annual true-up in place for any differences in projected load as well as difference in any other

projected inputs in formula (e.g., capital investments, operating expenses, etc.)
Ensures timely recovery of and on capital investment; largely eliminates lag

SPP

rate

setting

mechanism

does

not

include

a

Network

Load

component;

revenue

requirements are collected on a load ratio share basis

(1) ITC Great Plains calculates a revenue requirement and does not calculate a rate.

\$1.775b of newly-issued debt will be raised at Entergy's transmission business, the proceeds from which will be distributed to Entergy. Entergy will create and distribute new Transco (Mid South TransCo LLC) to

Entergy shareholders

Prior to the merger, ITC will recapitalize,
currently anticipated to be a one-time
\$700mm special dividend to existing
shareholders, funded by newly-issued senior
unsecured notes at ITC Holdings
Mid South TransCo LLC will subsequently merge
with ITC Merger Sub; Entergy shareholders will
receive 50.1% ownership in the combined company

Transaction Key Steps

ITC Pro Forma Structure

METC

Acquired in 2006

FERC approval required; signaled
ongoing support of independent model
and resulting benefits

ITCTransmission

Acquired in 2003

FERC approval required;
foundation for company

Proven ITC Transaction Experience

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IP&L

Acquired in 2007

FERC approval and four state
jurisdictional approvals required;
achieved all approvals in support of
independent business model and
much needed transmission investment
for acquired system

Transmission Investment
INVESTMENT OPPORTUNITY LANDSCAPE
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Stand Alone Five-Year Capital Plan
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Stand Alone Five-Year Capital Plan

KEY CAPITAL PROJECTS

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140 mile, 345kV line; four
new substations

Approximately \$510 million

Received siting approval in

February 2011; pre-construction activities / ROW acquisition underway
Phase 1 in late 2013 and Phase 2 in 2015
Generator Interconnections
18 mile, 345kV line and new substations
Approximately \$35 million
ROW acquisition is complete and construction underway
Mid-2012
Development
225 mile, 345kV line; ITC's portion is ~174 miles
Approximately \$175 million
ROW acquisition is complete and construction is underway for both Phases
Phase 1 in mid-2012 and Phase 2 in mid-2013
Development
200 mile, 345kV line; ITC's portion is ~120 miles
Approximately \$300 million
Late 2014
Development
Received siting approval in July 2011; pre-construction activities / ROW acquisition underway