ITC

the TRANSMISSION line

ITC MICHIGAN QUARTERLY NEWSLETTER

Q1 2016

Optimizing the Grid to Support a Changing Energy Landscape

A LETTER FROM THE PRESIDENT

Nothing has elevated the conversation around fossil fuel emissions more than the Clean Power Plan.

Announced by President Obama and the Environmental Protection Agency in August 2015, the Clean Power Plan would establish the first-ever national standards to limit carbon pollution from power plants. Specifically, the plan would require power plants nationwide to cut carbon emissions by 32 percent from 2005 levels by 2030.

Despite the U.S. Supreme Court's recent stay of the plan's implementation, there is little question that preparations for a shift toward energy sources with less carbon emissions is occurring, and it is important to be prepared for that ongoing change by optimizing the transmission grid to support that future.

Fortunately, the State of Michigan is ahead of the game in many respects when it comes to reducing its carbon footprint. The Clean, Renewable and Efficient Energy Act (Public Act 295), which created the Wind Energy Resource Zone Board to study and identify areas of high potential for wind energy in Michigan, has led to a 700% increase in wind generation in Michigan since 2008. We are proud to report that more than 1,300 megawatts of that wind generation is connected, or under construction to connect, to ITC's Thumb Loop Project from places like Gratiot County and Tuscola Bay.

As we continue to transition to a cleaner portfolio of power generation resources, additional transmission capacity will be needed to promote continued reliability of the bulk power system by supporting changes in base power flow and the interconnection of new generation resources including wind and solar generation. ITC works closely with customers to prepare for these changes. Our Morocco substation came online in late 2015 to provide greater reliability in Southeast Michigan area ahead of the Whiting coal plant suspension this year. In northern Michigan we are working closely with Wolverine Power Cooperative to connect its new Alpine natural gas power plant to the transmission grid.

Consumers benefit when all stakeholders – energy providers, federal agencies, and state and local officials – are involved in a collaborative process. ITC is prepared to play a strong role in any transmission planning to meet clean power objectives for the benefit of our customers, and ensuring that they continue to receive reliable power as we move toward more environmentally friendly forms of electricity generation. ■

Sincerely,

Linda H. Blair

Executive Vice President, Chief Business Unit Officer and President, ITC Michigan

In this issue:

Community Commitment

ITC strives to be a good neighbor and support the local communities that we serve. This commitment is the cornerstone of our business and our mission to be a best-in-class transmission provider.

Students Experience STEM Exhibits at Ann Arbor Hands-On Museum

"Inside of a classroom, especially as a science teacher, it is difficult to have the money to provide the tools that children need to learn in the classroom. When I bring my class here, they can see what we have talked about in class and actually experience it," said Cynthia Banks-Anderzejak, Science and Math teacher, River Rouge STEM Academy.

Offering more than 250 interactive exhibits, the Ann Arbor Hands-On Museum attracts over 280,000 visitors annually who discover the wonder of science, technology, engineering, art, and math (STEaM). ITC Holdings recently awarded the Ann Arbor Hands-On Museum a grant to support the Discover Science Assistance Fund, a scholarship program for resource-challenged schools across the state of Michigan.

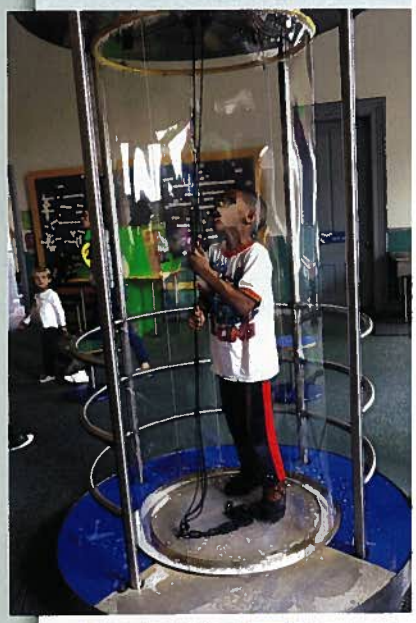
The Discover Science Assistance Fund provides access to Museum education programs, all of which align with State of Michigan Grade Level Content Expectations and Next Generation Science Standards, in schools where 50% or more of the students receive free and reduced price lunch.

"Teachers know the importance of supplementing classroom learning as a way to excite their students about STEaM topics," said Mel Drumm, Ann Arbor Hands-On Museum executive director. "Funders like ITC Holdings help to fill in the resource gap for schools that need subsidies to visit the Museum or who request support for a Museum outreach program onsite."

ITC supports improving learning environments for higher quality education. Qualifying organizations work to strengthen our public education (pre-K through 12) system or enhance the educational success of students.

"The Ann Arbor Hands-On Museum is a wonderful resource for children and families to enjoy and explore science, technology, engineering, art and math," said Donna Zalewski, director of community affairs and philanthropy for ITC. "As a company that promotes innovation and STEM education, we are pleased to support learning opportunities for budding young engineers, scientists and mathematicians who will be inspired by the museum's hands-on exhibits and programs."

Tune in to WJR-AM 760 on Monday, May 2, when ITC brings the Paul W. Smith Pure Michigan Tour to the Ann Arbor Hands On-Museum. You also can listen online at www.wjr.com! (broadcast details subject to change.) ■



Students from River Rouge STEM Academy explore the exhibits at the Ann Arbor Hands-On Museum.

ITC Charitable Giving Highlights

ITC is proud to support many 501(c)3 non-profit organizations from throughout our Michigan service territory. Our Charitable Giving Program focuses on education, environmental stewardship, health & wellness and social service organizations. In the first half of this year ITC has provided grants to:

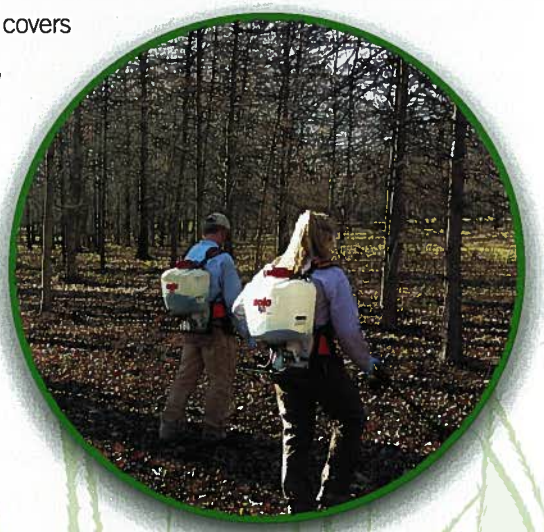
City Year, Inc.
Lapeer Area Citizens Against Domestic Assault
Reaching Higher, Inc.
Ronald McDonald House Charities of Ann Arbor
Special Dreams Farm

In Our Environment

ITC Supports Environmental Efforts in Lakeplain Oak Openings Region

Support from ITC has bolstered efforts by The Nature Conservancy (TNC) to improve the quality and health of imperiled and fragmented landscapes in Southeast Michigan's Lakeplain Oak Openings region. A mix of forest and grassland that supports a number of rare plants and animals, the Oak Openings covers 1,300 square miles in Monroe, Wayne and Washtenaw Counties in Michigan and in Lucas, Henry and Fulton Counties in Ohio.

"The Oak Openings region contains some of the rarest plant communities in the world," explains Lindsey Reinarz, who works to protect and restore the Oak Openings on behalf of the Conservancy's Ohio program. "With ITC's support we hope to protect this habitat by creating a biological and recreational corridor of preserved land in Southeast Michigan."



The Nature Conservancy works to preserve the Lakeplain Oak Openings region.

ITC's support helped TNC:

- Increase beneficial habitat for native plants and animals, improve water quality and reduce negative impacts of invasive species;
- Provide people with a connection to their land;
- Follow-up on previous maintenance activities, enhancing long-term impacts.

Non-native species like glossy buckthorn threaten the future of the Oak Openings by crowding out native plants. Support from ITC enabled the Conservancy to conduct labor-intensive hand spraying at two properties in Wayne County where the organization is working with partners to bring back native species. Application of herbicide generally followed other work activities such as controlled burning or mowing to maximize effectiveness of treatments. Spraying by hand was done to minimize damage to beneficial species.

Additionally, The Nature Conservancy was able to conduct a controlled burn on approximately 36 acres of township-owned land on some of the highest priority land in the Lakeplain prairie located in Wayne County. ■

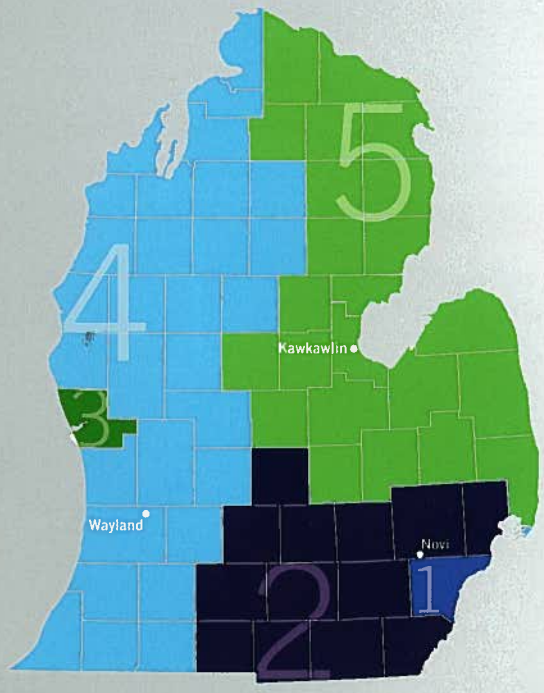
PROJECT UPDATE:

Battle Creek – Island Road Transmission Line Rebuild

Portions of the electric transmission grid in Michigan, including the Battle Creek-Island Road 138,000 volt (138kV) transmission line, were built more than 50 years ago and have experienced minimal investment since that time. As a result, this line has become increasingly unreliable and costly to maintain as growing demand for electricity and outdated infrastructure technology have taxed its service capabilities, creating the potential for it to become overloaded.

The Battle Creek-Island Road line spans Calhoun and Eaton Counties, running from the Island Road substation in Eaton Twp. southwest to the Battle Creek substation in Pennfield Twp. ITC Holdings Corp., through its subsidiary Michigan Electric Transmission Company, LLC (METC) will rebuild 23 miles of this line with new single-circuit structures and conductor (wires), providing greater reliability in this area of the state. Site preparation work will begin in the first quarter of 2016. The project is expected to be complete by mid-2017. ■

Contact Us



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ABOUT ITC MICHIGAN:

ITC Holdings Corp. (ITC), the nation's largest independent electricity transmission company, has two operating subsidiaries in Michigan: ITC*Transmission* and METC (collectively, ITC Michigan). The systems comprise 8,700 circuit miles of transmission line serving the majority of Michigan's Lower Peninsula. ITC's focus on transmission and grid development drives operational excellence and delivers superior value for customers, communities and other stakeholders.

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Stakeholder Spotlight

NEXTera Energy – Partnering with ITC to bring wind energy into Michigan's grid

NEXTera Energy Resources, a leading clean energy provider and developer of cutting-edge wind farm projects in Michigan's Thumb area, needed a partner to provide the interconnections to the state's electricity grid. Richard McMichael, Director of Transmission and Business Management for NEXTera, asked ITC to design, develop and execute interconnections for three wind farms in Michigan's Thumb area to help meet Michigan's renewable energy target: Tuscola Wind I, Tuscola Wind II and Pheasant Run. The three projects together represent a total of 350 megawatts, enough to power about 140,000 homes.

ITC's Planning department guided the interconnection process, coordinating with regional grid operator Midcontinent Independent System Operator (MISO) and NEXTera. Senior Planning Engineer Jeff Wyman said it took a lot of coordination and attention to detail.

"Once we understand a project's impact on the system, we can determine what grid interconnection point, facilities and upgrades each one needs," Wyman said. "It could involve expanding an existing substation, building a new substation, upgrading a transmission line, or some combination of those. We explored all the options for these three projects, ran the cost estimates and timelines, and finalized the interconnection agreements. All told, it took about a year to complete."

For the NEXTera projects, the solutions included expanding an existing substation (Manning) for Tuscola Wind I, and building new substations for Tuscola Wind II (Dixon) and Pheasant Run (Stein).

Because two of the projects – Tuscola Wind II and Pheasant Run – had to be completed on the same timeline by the end of 2013, ITC assembled a strong project team to work on both projects simultaneously. The team included more than a dozen ITC experts from planning, engineering, operations, material procurement, real estate, community affairs and other specialists needed to analyze the specific characteristics of each project and work cooperatively with the developer to find the best solutions.

"Everybody from ITC and NEXTera brought their "A" game, and the collaboration was excellent. The NEXTera team was first rate, so when any issues came up – and they always do – the teams were able to address and resolve them quickly. All three projects proceeded smoothly and went into service on time," noted Jason Sutton, ITC's Manager of Project Engineering.

McMichael said working with the ITC team was a very good collaborative process. "ITC brought a team of pros. They have a solid, experienced and well-founded engineering staff that is very up-to-date on transmission concepts. They arrived at solutions quickly and knew what would work. And having the same team on two projects at once made everything more efficient. We stayed on track, on budget and up to date, and everything got interconnected on time. We're extremely happy with the result."

All three projects came online as scheduled and currently are delivering the expected 350 megawatts of wind energy into Michigan's electric grid. ■