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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2021

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-32576

**ITC HOLDINGS CORP.**

(Exact Name of Registrant as Specified in Its Charter)

**Michigan**

**32-0058047**

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

**27175 Energy Way  
Novi, MI 48377**

(Address Of Principal Executive Offices, Including Zip Code)

**(248) 946-3000**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No  \* (Note: the Registrant is a voluntary filer and has not been subject to the filing requirements under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the preceding 12 months.)

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If an emerging growth company, indicated by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

All shares of outstanding common stock of ITC Holdings Corp. are held by its parent company, ITC Investment Holdings Inc., which is an indirect majority owned subsidiary of Fortis Inc. There were 224,203,112 shares of common stock, no par value, outstanding as of October 28, 2021.

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**ITC Holdings Corp.**  
**Form 10-Q for the Quarterly Period Ended September 30, 2021**

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## DEFINITIONS

Unless otherwise noted or the context requires, all references in this report to:

### *ITC Holdings Corp. and its subsidiaries*

- “ITC Great Plains” are references to ITC Great Plains, LLC, a wholly-owned subsidiary of ITC Holdings;
- “ITC Holdings” are references to ITC Holdings Corp. and not any of its subsidiaries;
- “ITC Interconnection” are references to ITC Interconnection LLC, a wholly-owned subsidiary of ITC Holdings;
- “ITC Midwest” are references to ITC Midwest LLC, a wholly-owned subsidiary of ITC Holdings;
- “ITCTransmission” are references to International Transmission Company, a wholly-owned subsidiary of ITC Holdings;
- “METC” are references to Michigan Electric Transmission Company, LLC, a wholly-owned subsidiary of MTH;
- “MISO Regulated Operating Subsidiaries” are references to ITCTransmission, METC and ITC Midwest together;
- “MTH” are references to Michigan Transco Holdings, LLC, the sole member of METC and a wholly-owned subsidiary of ITC Holdings;
- “Regulated Operating Subsidiaries” are references to ITCTransmission, METC, ITC Midwest, ITC Great Plains and ITC Interconnection together; and
- “Company,” “we,” “our” and “us” are references to ITC Holdings together with all of its subsidiaries.

### *Other definitions*

- “AFUDC” are references to an allowance for funds used during construction;
- “ALJ” are references to an administrative law judge;
- “AOCT” are references to accumulated other comprehensive income or (loss);
- “Consumers Energy” are references to Consumers Energy Company, a wholly-owned subsidiary of CMS Energy Corporation;
- “COVID-19” are references to the Coronavirus disease that the World Health Organization declared a pandemic in March 2020;
- “D.C. Circuit Court” are references to the U.S. Court of Appeals for the District of Columbia Circuit;
- “DCF” are references to discounted cash flow;
- “DTE Electric” are references to DTE Electric Company, a wholly-owned subsidiary of DTE Energy Company;
- “FASB” are references to the Financial Accounting Standards Board;
- “FERC” are references to the Federal Energy Regulatory Commission;
- “Formula Rate” are references to a FERC-approved formula template used to calculate an annual revenue requirement;
- “Fortis” are references to Fortis Inc.;
- “FortisUS” are references to FortisUS Inc., an indirect subsidiary of Fortis;
- “FPA” are references to the Federal Power Act;
- “GAAP” are references to accounting principles generally accepted in the United States of America;
- “GIC” are references to GIC Private Limited;
- “Initial Complaint” are references to a November 2013 complaint to the FERC under Section 206 of the FPA regarding the base ROE;
- “IP&L” are references to Interstate Power and Light Company, an Alliant Energy Corporation subsidiary;

- “ITC Investment Holdings” are references to ITC Investment Holdings Inc., a majority owned indirect subsidiary of Fortis in which GIC has an indirect minority ownership interest;
- “KCC” are references to the Kansas Corporation Commission;
- “kW” are references to kilowatts (one kilowatt equaling 1,000 watts);
- “LIBOR” are references to the London Interbank Offered Rate;
- “May 2020 Order” are references to an order issued by the FERC on May 21, 2020 regarding MISO ROE Complaints;
- “MISO” are references to the Midcontinent Independent System Operator, Inc., a FERC-approved RTO which oversees the operation of the bulk power transmission system for a substantial portion of the Midwestern United States and Manitoba, Canada, and of which ITC Transmission, METC and ITC Midwest are members;
- “MISO ROE Complaints” are references to the Initial Complaint and the Second Complaint;
- “NERC” are references to the North American Electric Reliability Corporation;
- “NOPR” are references to a Notice of Proposed Rulemaking issued by the FERC;
- “November 2019 Order” are references to an order issued by the FERC on November 21, 2019 regarding MISO ROE Complaints;
- “PBU” are references to a performance-based unit;
- “PCBs” are references to polychlorinated biphenyls;
- “ROE” are references to return on equity;
- “RTO” are references to Regional Transmission Organizations;
- “SBU” are references to a service-based unit;
- “SEC” are references to the Securities and Exchange Commission;
- “Second Complaint” are references to an additional complaint filed on February 12, 2015 with the FERC under Section 206 of the FPA regarding the base ROE;
- “September 2016 Order” are references to an order issued by the FERC on September 28, 2016 regarding the Initial Complaint;
- “SPP” are references to Southwest Power Pool, Inc., a FERC-approved RTO which oversees the operation of the bulk power transmission system for a substantial portion of the South Central United States, and of which ITC Great Plains is a member;
- “S&P” are references to S&P Global Ratings;
- “TO” are references to transmission owner; and
- “USD” are references to the United States dollar.

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**ITC HOLDINGS CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

(In millions of USD, except share data)	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3	\$ 4
Accounts receivable	141	114
Inventory	44	42
Regulatory assets	27	52
Prepaid and other current assets	19	12
Total current assets	234	224
<b>Property, plant and equipment</b> (net of accumulated depreciation and amortization of \$2,160 and \$2,055, respectively)	9,765	9,327
<b>Other assets</b>		
Goodwill	950	950
Intangible assets (net of accumulated amortization of \$48 and \$46, respectively)	27	29
Regulatory assets	205	212
Other assets	84	83
Total other assets	1,266	1,274
<b>TOTAL ASSETS</b>	\$ 11,265	\$ 10,825
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 123	\$ 130
Accrued compensation	59	55
Accrued interest	69	55
Accrued taxes	35	61
Regulatory liabilities	11	14
Refundable deposits and advances for construction	43	37
Debt maturing within one year	180	67
Other current liabilities	16	18
Total current liabilities	536	437
<b>Accrued pension and postretirement liabilities</b>	57	59
<b>Deferred income taxes</b>	1,122	1,013
<b>Regulatory liabilities</b>	632	612
<b>Refundable deposits</b>	25	65
<b>Other liabilities</b>	48	50
<b>Long-term debt</b>	6,414	6,295
<b>Commitments and contingent liabilities</b> (Notes 4 and 11)		
<b>TOTAL LIABILITIES</b>	8,834	8,531
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, without par value, 235,000,000 shares authorized, 224,203,112 shares issued and outstanding at September 30, 2021 and December 31, 2020	892	892
Retained earnings	1,543	1,410
Accumulated other comprehensive loss	(4)	(8)
Total stockholder's equity	2,431	2,294
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	\$ 11,265	\$ 10,825

See notes to condensed consolidated interim financial statements (unaudited).

**ITC HOLDINGS CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

(In millions of USD)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>OPERATING REVENUES</b>				
Transmission and other services	\$ 397	\$ 378	\$ 1,042	\$ 1,008
Formula Rate true-up	(57)	(66)	(24)	(32)
Total operating revenues	340	312	1,018	976
<b>OPERATING EXPENSES</b>				
Operation and maintenance	30	19	82	66
General and administrative	30	30	94	89
Depreciation and amortization	58	55	172	163
Taxes other than income taxes	30	31	100	93
Other operating (income) and expenses, net	(1)	(1)	—	(1)
Total operating expenses	147	134	448	410
<b>OPERATING INCOME</b>	193	178	570	566
<b>OTHER EXPENSES (INCOME)</b>				
Interest expense, net	62	62	187	178
Allowance for equity funds used during construction	(8)	(7)	(22)	(19)
Other (income) and expenses, net	(1)	(1)	(4)	(2)
Total other expenses (income)	53	54	161	157
<b>INCOME BEFORE INCOME TAXES</b>	140	124	409	409
<b>INCOME TAX PROVISION</b>	35	32	102	104
<b>NET INCOME</b>	105	92	307	305
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Derivative instruments, net of tax (Note 8)	2	1	4	(16)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	2	1	4	(16)
<b>TOTAL COMPREHENSIVE INCOME</b>	\$ 107	\$ 93	\$ 311	\$ 289

See notes to condensed consolidated interim financial statements (unaudited).

**ITC HOLDINGS CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**(UNAUDITED)**

(In millions of USD)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
<b>BALANCE, DECEMBER 31, 2019</b>	\$ 892	\$ 1,333	\$ 7	\$ 2,232
Net income	—	92	—	92
Dividends to ITC Investment Holdings Inc.	—	(82)	—	(82)
Other comprehensive loss, net of tax (Note 8)	—	—	(16)	(16)
<b>BALANCE, MARCH 31, 2020</b>	892	1,343	(9)	2,226
Net income	—	121	—	121
Dividends to ITC Investment Holdings Inc.	—	(83)	—	(83)
Other comprehensive loss, net of tax (Note 8)	—	—	(1)	(1)
<b>BALANCE, JUNE 30, 2020</b>	892	1,381	(10)	2,263
Net income	—	92	—	92
Dividends to ITC Investment Holdings Inc.	—	(82)	—	(82)
Other comprehensive income, net of tax (Note 8)	—	—	1	1
<b>BALANCE, SEPTEMBER 30, 2020</b>	<u>\$ 892</u>	<u>\$ 1,391</u>	<u>\$ (9)</u>	<u>\$ 2,274</u>
<b>BALANCE, DECEMBER 31, 2020</b>	\$ 892	\$ 1,410	\$ (8)	\$ 2,294
Net income	—	100	—	100
Dividends to ITC Investment Holdings Inc.	—	(58)	—	(58)
Other comprehensive income, net of tax (Note 8)	—	—	1	1
<b>BALANCE, MARCH 31, 2021</b>	892	1,452	(7)	2,337
Net income	—	102	—	102
Dividends to ITC Investment Holdings Inc.	—	(57)	—	(57)
Other comprehensive income, net of tax (Note 8)	—	—	1	1
<b>BALANCE, JUNE 30, 2021</b>	892	1,497	(6)	2,383
Net income	—	105	—	105
Dividends to ITC Investment Holdings Inc.	—	(59)	—	(59)
Other comprehensive income, net of tax (Note 8)	—	—	2	2
<b>BALANCE, SEPTEMBER 30, 2021</b>	<u>\$ 892</u>	<u>\$ 1,543</u>	<u>\$ (4)</u>	<u>\$ 2,431</u>

See notes to condensed consolidated interim financial statements (unaudited).

**ITC HOLDINGS CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(In millions of USD)	Nine months ended	
	September 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 307	\$ 305
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	172	163
Recognition, refund and collection of revenue accruals and deferrals — including accrued interest	56	3
Deferred income tax expense	102	106
Allowance for equity funds used during construction	(22)	(19)
Share-based compensation	21	20
Other	3	3
Changes in assets and liabilities, exclusive of changes shown separately:		
Accounts receivable	(24)	(11)
Accounts payable	19	1
Accrued compensation	(7)	(15)
Accrued interest	13	18
Accrued taxes	(26)	(30)
Net refund settlements and adjustments related to return on equity complaints	(6)	(65)
Other current and non-current assets and liabilities, net	(16)	(12)
Net cash provided by operating activities	592	467
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(626)	(569)
Contributions in aid of construction	4	2
Net cash used in investing activities	(622)	(567)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of long-term debt	75	880
Borrowings under revolving credit agreements	852	1,145
Borrowings under term loan credit agreements	—	275
Net issuance (repayment) of commercial paper	113	(200)
Repayments of revolving credit agreements	(811)	(1,347)
Repayment of term loan credit agreement	—	(400)
Dividends to ITC Investment Holdings Inc.	(174)	(247)
Refundable deposits from generators for transmission network upgrades	14	53
Repayment of refundable deposits from generators for transmission network upgrades	(38)	(6)
Settlement of interest rate swaps	—	(23)
Other	(1)	(10)
Net cash provided by financing activities	30	120
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	—	20
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period</b>	6	6
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of period</b>	\$ 6	\$ 26

See notes to condensed consolidated interim financial statements (unaudited).



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

### 1. GENERAL

ITC Holdings and its subsidiaries are engaged in the transmission of electricity in the United States. ITC Holdings is a wholly-owned subsidiary of ITC Investment Holdings. Fortis owns a majority indirect equity interest in ITC Investment Holdings, with GIC holding an indirect passive non-voting equity interest of 19.9%. Through our Regulated Operating Subsidiaries, we own, operate, maintain and invest in high-voltage electric transmission systems in Michigan's Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma that transmit electricity from generating stations to local distribution facilities connected to our transmission systems.

#### **Basis of Presentation**

These condensed consolidated interim financial statements should be read in conjunction with the notes to the consolidated financial statements as of and for the year ended December 31, 2020 included in ITC Holdings' annual report on Form 10-K for such period.

The accompanying condensed consolidated interim financial statements have been prepared using GAAP and with the instructions to Form 10-Q and Rule 10-01 of SEC Regulation S-X as they apply to interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. These accounting principles require us to use estimates and assumptions that impact the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from our estimates.

The condensed consolidated interim financial statements are unaudited but, in our opinion, include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the results for the interim period. The interim financial results are not necessarily indicative of results that may be expected for any other interim period or the fiscal year.

#### **Recent Developments Regarding the COVID-19 Pandemic**

In March 2020, the World Health Organization declared COVID-19 a pandemic. Efforts to control the outbreak of COVID-19 have resulted in impacts to businesses and facilities in various industries around the world, such as operating restrictions and closures, and disruptions to the global economy and supply chains. The COVID-19 pandemic has and will continue to impact our customers throughout our operating footprint. To date, COVID-19 has not had a material impact on our net income. However, for 2020, beginning in April, we utilized various temporary cost saving measures related to operating expenses, including operation and maintenance expenses and general and administrative expenses, in an attempt to reduce costs for our customers that were collected through our Formula Rates.

The duration and cumulative impact on our operations from COVID-19 is unknown at this time and will ultimately depend on the duration and severity of the pandemic, the length of time that the various business restrictions are in effect, the impact of resurgences of COVID-19 cases and deaths in the United States, and the efficacy and distribution of COVID-19 vaccines. We are continuing to monitor developments involving our workforce, customers and suppliers and cannot predict whether COVID-19 will have a material impact on our consolidated results of operations, cash flows or financial condition. We are also monitoring the evolving situation and guidance from federal, state and local public health authorities. We continue to take steps to mitigate the potential risks to us and our employees posed by COVID-19, including enabling remote work arrangements for employees when appropriate, and are following government requirements to reduce the transmission of COVID-19.

### 2. REVENUE

Our total revenues are comprised of revenues which arise from three classifications including transmission services, other services, and Formula Rate true-up. As other services revenue is immaterial, it is presented in combination with transmission services on the condensed consolidated statements of comprehensive income.

#### **Transmission Services**

Through our Regulated Operating Subsidiaries, we generate nearly all our revenue from providing electric transmission services over our transmission systems. As independent transmission companies, our transmission services are provided and revenues are received based on our tariffs, as approved by the FERC. The transmission revenue requirements at our Regulated Operating Subsidiaries are set annually using Formula Rates and remain in effect for a one-year period. By updating the inputs to the formula and resulting rates on an annual basis, the revenues at our Regulated Operating Subsidiaries reflect changing operational data and financial performance, including the amount of network load on their

transmission systems (for our MISO Regulated Operating Subsidiaries), operating expenses and additions to property, plant and equipment when placed in service, among other items.

We recognize revenue for transmission services over time as transmission services are provided to customers (generally using an output measure of progress based on transmission load delivered). Customers simultaneously receive and consume the benefits provided by the Regulated Operating Subsidiaries’ services. We recognize revenue in the amount to which we have the right to invoice because we have a right to consideration in an amount that corresponds directly with the value to the customer of performance completed to date. As billing agents, MISO and SPP independently bill our customers on a monthly basis and collect fees for the use of our transmission systems. No component of the transaction price is allocated to unsatisfied performance obligations.

Transmission service revenue includes an estimate for unbilled revenues from service that has been provided but not billed by the end of an accounting period. Unbilled revenues are dependent upon a number of factors that require management’s judgment including estimates of transmission network load (for the MISO Regulated Operating Subsidiaries) and preliminary information provided by billing agents. Due to the seasonal fluctuations of actual load, the unbilled revenue amount generally increases during the spring and summer and decreases during the fall and winter. See Note 3 for information on changes in unbilled accounts receivable.

**Other Services**

Other services revenue consists of rental revenues, easement revenues, and amounts from providing ancillary services. A portion of other services revenue is treated as a revenue credit and reduces gross revenue requirement when calculating net revenue requirement under our Formula Rates. Total other services revenue for each of the three months ended September 30, 2021 and 2020 were \$2 million and \$1 million respectively. Total other services revenue for each of the nine months ended September 30, 2021 and 2020 were \$5 million and \$4 million respectively.

**Formula Rate True-Up**

The true-up mechanism under our Formula Rates is considered an alternative revenue program of a rate-regulated utility given it permits our Regulated Operating Subsidiaries to adjust future rates in response to past activities or completed events in order to collect our actual revenue requirements under our Formula Rates. In accordance with our accounting policy, only the current year origination of the true-up is reported as a Formula Rate true-up. See “Cost-Based Formula Rates with True-Up Mechanism” in Note 4 for more information on our Formula Rates.

**3. ACCOUNTS RECEIVABLE**

The following table presents the components of accounts receivable on the condensed consolidated statements of financial position:

(In millions of USD)	September 30, 2021	December 31, 2020
Trade accounts receivable	\$ 3	\$ 2
Unbilled accounts receivable	123	102
Other	15	10
Total accounts receivable	<u>\$ 141</u>	<u>\$ 114</u>

**4. REGULATORY MATTERS**

**Cost-Based Formula Rates with True-Up Mechanism**

The transmission revenue requirements at our Regulated Operating Subsidiaries are set annually using Formula Rates and remain in effect for a one-year period. By updating the inputs to the formula and resulting rates on an annual basis, the revenues at our Regulated Operating Subsidiaries reflect changing operational data and financial performance, including the amount of network load on their transmission systems (for our MISO Regulated Operating Subsidiaries), operating expenses and additions to property, plant and equipment when placed in service, among other items. The formula used to derive the rates does not require further action or FERC filings each year, although the formula inputs remain subject to legal challenge at the FERC. Our Regulated Operating Subsidiaries will continue to use the formula to calculate their respective annual revenue requirements unless the FERC determines the resulting rates to be unjust and unreasonable and another mechanism is determined by the FERC to be just and reasonable. See “Rate of Return on Equity Complaints” in

Note 11 for detail on ROE matters for our MISO Regulated Operating Subsidiaries and “Incentive Adders for Transmission Rates” discussed herein.

The cost-based Formula Rates at our Regulated Operating Subsidiaries include a true-up mechanism that compares the actual revenue requirements of our Regulated Operating Subsidiaries to their billed revenues for each year to determine any over- or under-collection of revenue requirements. Revenue is recognized for services provided during each reporting period based on actual revenue requirements calculated using the formula. Our Regulated Operating Subsidiaries accrue or defer revenues to the extent that the actual revenue requirement for the reporting period is higher or lower, respectively, than the amounts billed relating to that reporting period. The amount of accrued or deferred revenues is reflected in future revenue requirements and thus flows through to customer bills within two years under the provisions of our Formula Rates.

The net changes in regulatory assets and liabilities associated with our Regulated Operating Subsidiaries’ Formula Rate revenue accruals and deferrals, including accrued interest, were as follows during the nine months ended September 30, 2021:

(In millions of USD)	Total
Net regulatory assets as of December 31, 2020	\$ 50
Net collection of 2019 revenue deferrals and accruals, including accrued interest	(32)
Net revenue deferral for the nine months ended September 30, 2021	(24)
Net regulatory liabilities as of September 30, 2021	<u>\$ (6)</u>

Regulatory assets and liabilities associated with our Regulated Operating Subsidiaries’ Formula Rate revenue accruals and deferrals, including accrued interest, are recorded in the condensed consolidated statements of financial position as follows:

(In millions of USD)	September 30, 2021	December 31, 2020
Current regulatory assets	\$ 26	\$ 44
Non-current regulatory assets	12	19
Current regulatory liabilities	(10)	(1)
Non-current regulatory liabilities	(34)	(12)
Net regulatory (liabilities) assets	<u>\$ (6)</u>	<u>\$ 50</u>

### **Incentive Adders for Transmission Rates**

The FERC has authorized the use of ROE incentives, or adders, that can be applied to the rates of TOs when certain conditions are met. Our MISO Regulated Operating Subsidiaries and ITC Great Plains utilize ROE adders related to independent transmission ownership and RTO participation.

#### *MISO Regulated Operating Subsidiaries*

On April 20, 2018, Consumers Energy, IP&L, Midwest Municipal Transmission Group, Missouri River Energy Services, Southern Minnesota Municipal Power Agency and WPPI Energy filed a complaint with the FERC under section 206 of the FPA, challenging the adders for independent transmission ownership that are included in transmission rates charged by the MISO Regulated Operating Subsidiaries. The adders for independent transmission ownership allowed up to 50 basis points or 100 basis points to be added to the MISO Regulated Operating Subsidiaries’ authorized ROE, subject to any ROE cap established by the FERC. On October 18, 2018, the FERC issued an order granting the complaint in part, setting revised adders for independent transmission ownership for each of the MISO Regulated Operating Subsidiaries to 25 basis points, and requiring the MISO Regulated Operating Subsidiaries to include the revised adders, effective April 20, 2018, in their Formula Rates. On September 11, 2019, the MISO Regulated Operating Subsidiaries filed an appeal of the FERC’s order in the D.C. Circuit Court and on February 19, 2021, the appeal was denied. As a result, the FERC’s October 18, 2018 order was upheld without further impact on our financial condition, consolidated results of operations or cash flows.

For the three and nine months ended September 30, 2021 and 2020, the authorized incentive adders for the MISO Regulated Operating Subsidiaries included a 25 basis point adder for independent transmission ownership and a 50 basis point adder for RTO participation. See Note 11 for information regarding the MISO ROE Complaints and the associated impact to the base ROE of our MISO Regulated Operating Subsidiaries.

### *ITC Great Plains*

On June 11, 2019, KCC filed a complaint with the FERC under section 206 of the FPA, challenging the adder for independent transmission ownership that is included in the transmission rate charged by ITC Great Plains. The adder for independent transmission ownership allowed up to 100 basis points to be added to the ITC Great Plains authorized ROE, subject to any ROE cap established by the FERC. On July 16, 2020, the FERC issued an order granting the complaint, setting the revised adder for independent transmission ownership for ITC Great Plains to 25 basis points, and requiring ITC Great Plains to include the revised adder, effective June 11, 2019, in their Formula Rate. In addition, the order directed ITC Great Plains to provide refunds, with interest, for the period from June 11, 2019 through July 16, 2020. During the fourth quarter of 2020, refunds of \$4 million were made to settle the refund liability. ITC Great Plains filed appeals in the D.C. Circuit Court for the various FERC orders in the proceedings for ITC Great Plains. On March 4, 2021, these appeals were dismissed following a motion for voluntary dismissal by ITC Great Plains in response to the denial of the appeal of the FERC's order to reduce the adder for independent transmission ownership for each of the MISO Regulated Operating Subsidiaries. The dismissal of the appeals did not result in additional impacts to our consolidated results of operations, cash flows or financial condition.

Prior to the issuance of the FERC order on July 16, 2020, the authorized ROE used by ITC Great Plains was 12.16% and was composed of a base ROE of 10.66% with a 100 basis point adder for independent transmission ownership and a 50 basis point adder for RTO participation. Based on the July 16, 2020 order, the authorized ROE used by ITC Great Plains was revised to 11.41% and is composed of a base ROE of 10.66% with a 25 basis point adder for independent transmission ownership and a 50 basis point adder for RTO participation.

### **Rate of Return on Equity Complaints**

See "Rate of Return on Equity Complaints" in Note 11 for a discussion of the MISO ROE Complaints.

## **5. DEBT**

### **ITC Holdings**

#### *Commercial Paper Program*

ITC Holdings has an ongoing commercial paper program for the issuance and sale of unsecured commercial paper in an aggregate amount not to exceed \$400 million outstanding at any one time. Borrowings under ITC Holdings' \$400 million revolving credit facility may be used to repay the notes under the commercial paper program, if necessary. As of September 30, 2021, ITC Holdings had \$180 million of commercial paper issued and outstanding under the program, with a weighted-average interest rate of 0.2% and weighted-average remaining days to maturity of 39 days. The amount outstanding as of September 30, 2021 was classified as debt maturing within one year in the condensed consolidated statements of financial position. As of December 31, 2020 ITC Holdings had \$67 million of commercial paper issued and outstanding.

### **METC**

#### *Senior Secured Notes*

On August 3, 2021, METC issued \$75 million of 2.90% Series A Senior Secured Notes, due August 3, 2051. The proceeds from the Series A Senior Secured Notes are expected to fund or refinance a portfolio of eligible renewable energy projects based on the green bond framework established by ITC Holdings. METC has an additional \$75 million delayed draw of 3.05% Series B Senior Secured Notes in May 2022 with a due date 30 years from the date of issuance. The proceeds from the Series B Senior Secured Notes are expected to be used to repay borrowings under the METC revolving credit agreement, to partially fund capital expenditures and for general corporate purposes. All of METC's Senior Secured Notes are issued under its first mortgage indenture and secured by a first mortgage lien on substantially all of its real property and tangible personal property.

### **Derivative Instruments and Hedging Activities**

We have entered into an interest rate swap to manage interest rate risk associated with the forecasted future issuance of fixed-rate debt at ITC Holdings, the proceeds of which will be used for the expected repayment of the ITC Holdings 2.70% Senior Notes, due November 15, 2022. At September 30, 2021, ITC Holdings had the following interest rate swap:

Interest Rate Swaps (in millions of USD, except percentages)	Notional Amount	Weighted Average Fixed Rate	Original Term	Effective Date
July 2021 swap	\$ 45	1.113%	5 years	November 2022

The 5-year term interest rate swap calls for ITC Holdings to receive interest quarterly at a variable rate equal to LIBOR and to pay interest semi-annually at a fixed rate effective for the 5-year period beginning November 15, 2022. The agreement includes a mandatory early termination provision and will be terminated no later than the effective date of the interest rate swap of November 15, 2022. The interest rate swap has been determined to be highly effective at offsetting changes in the fair value of the forecasted interest cash flows associated with the debt issuance, resulting from changes in benchmark interest rates from the trade date of the interest rate swaps to the issuance date of the debt obligation.

The interest rate swap qualifies for cash flow hedge accounting treatment, whereby any gain or loss recognized from the trade date to the effective date is recorded net of tax in AOCI. This amount will be accumulated and amortized as a component of interest expense over the life of the forecasted debt. As of September 30, 2021, the fair value of the derivative was an asset of \$1 million. The interest rate swap does not contain credit-risk-related contingent features. Refer to Note 7 for additional fair value information.

### Revolving Credit Agreements

On May 17, 2021, ITC Holdings, ITCTransmission, METC, ITC Midwest and ITC Great Plains amended their respective revolving credit agreements each dated October 23, 2017, as previously amended and restated on January 10, 2020. The amendments extend the maturity date of the revolving credit agreements from October 2023 to October 2024. The determination of the applicable interest rates and commitment fee rates in the new agreements is consistent with the previous agreements and remains subject to adjustment based on the borrower’s credit rating. At September 30, 2021, ITC Holdings and certain of its Regulated Operating Subsidiaries had the following unsecured revolving credit facilities available:

(In millions of USD, except percentages)	Total Available Capacity	Outstanding Balance (a)	Unused Capacity	Weighted Average Interest Rate on Outstanding Balance (b)	Commitment Fee Rate (c)
ITC Holdings	\$ 400	\$ —	\$ 400 (d)	—%	0.175 %
ITC Transmission	100	80	20	1.1%	0.10 %
METC	100	6	94	1.1%	0.10 %
ITC Midwest	225	120	105	1.1%	0.10 %
ITC Great Plains	75	33	42	1.1%	0.10 %
Total	<u>\$ 900</u>	<u>\$ 239</u>	<u>\$ 661</u>		

- (a) Included within long-term debt in the condensed consolidated statements of financial position.
- (b) Interest charged on borrowings depends on the variable rate structure we elected at the time of each borrowing.
- (c) Calculation based on the average daily unused commitments, subject to adjustment based on the borrower’s credit rating.
- (d) ITC Holdings’ revolving credit agreement may be used for general corporate purposes, including to repay commercial paper issued pursuant to the commercial paper program described above, if necessary. While outstanding commercial paper does not reduce available capacity under ITC Holdings’ revolving credit agreement, the unused capacity under this agreement adjusted for the commercial paper outstanding was \$220 million as of September 30, 2021.

## 6. RETIREMENT BENEFITS AND ASSETS HELD IN TRUST

### Pension Plan Benefits

We have a qualified defined benefit pension plan (the “retirement plan”) for eligible employees, comprised of a traditional final average pay plan and a cash balance plan. The traditional final average pay plan is noncontributory, covers select employees, and provides retirement benefits based on years of benefit service, average final compensation and age at retirement. The cash balance plan is also noncontributory, covers substantially all employees and provides retirement benefits based on eligible compensation and interest credits. Our funding practice for the retirement plan is generally to fund the annual net pension cost, though we may contribute additional amounts as necessary to meet the minimum funding

requirements of the Employee Retirement Income Security Act of 1974 or as we deem appropriate. During the nine months ended September 30, 2021, we contributed \$4 million to the retirement plan. We do not expect to make any additional contributions to this plan in 2021.

We also have two supplemental nonqualified, noncontributory, defined benefit pension plans for selected management employees (the “supplemental benefit plans” and, collectively with the retirement plan, the “pension plans”). The supplemental benefit plans provide for benefits that supplement those provided by the retirement plan. During the nine months ended September 30, 2021, we contributed \$3 million to the supplemental benefit plans. We do not expect to make any additional contributions to these plans in 2021.

Net periodic benefit cost for the pension plans, by component, was as follows:

(In millions of USD)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Service cost	\$ 2	\$ 1	\$ 7	\$ 5
Interest cost	1	1	2	3
Expected return on plan assets	(1)	(2)	(4)	(4)
Amortization of unrecognized loss	—	1	1	1
Net pension cost	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 6</u>	<u>\$ 5</u>

The components of net pension cost other than the service cost component are included in Other (income) and expenses, net in the condensed consolidated statements of comprehensive income.

#### Other Postretirement Benefits

We provide certain postretirement health care, dental and life insurance benefits for eligible employees. During the nine months ended September 30, 2021, we contributed \$6 million to the postretirement benefit plan. We expect to make additional contributions of \$2 million to the postretirement benefit plan during the fourth quarter of 2021.

Net postretirement benefit plan cost, by component, was as follows:

(In millions of USD)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Service cost	\$ 3	\$ 3	\$ 8	\$ 8
Interest cost	—	1	2	3
Expected return on plan assets	(1)	(1)	(4)	(3)
Net postretirement cost	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 6</u>	<u>\$ 8</u>

The components of net postretirement cost other than the service cost component are included in Other (income) and expenses, net in the condensed consolidated statements of comprehensive income.

#### Defined Contribution Plan

We also sponsor a defined contribution retirement savings plan. Participation in this plan is available to substantially all employees. We match employee contributions up to certain predefined limits based upon eligible compensation and the employee’s contribution rate. The cost of this plan was \$1 million for each of the three months ended September 30, 2021 and 2020, and \$5 million for each of the nine months ended September 30, 2021 and 2020.

### 7. FAIR VALUE MEASUREMENTS

The measurement of fair value is based on a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the nine months ended September 30, 2021 and the year ended December 31, 2020, there were no transfers between levels.

Our assets are measured at fair value subject to the three-tier hierarchy at September 30, 2021, were as follows:

(In millions of USD)	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	(Level 1)	(Level 2)	(Level 3)
Financial assets measured on a recurring basis:			
Mutual funds — fixed income securities	\$ 52	\$ —	\$ —
Mutual funds — equity securities	12	—	—
Interest rate swap derivatives	—	1	—
<b>Total</b>	<b>\$ 64</b>	<b>\$ 1</b>	<b>\$ —</b>

Our assets measured at fair value subject to the three-tier hierarchy at December 31, 2020, were as follows:

(In millions of USD)	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	(Level 1)	(Level 2)	(Level 3)
Financial assets measured on a recurring basis:			
Cash equivalents	\$ 1	\$ —	\$ —
Mutual funds — fixed income securities	52	—	—
Mutual funds — equity securities	10	—	—
<b>Total</b>	<b>\$ 63</b>	<b>\$ —</b>	<b>\$ —</b>

As of September 30, 2021 and December 31, 2020, we held certain assets that are required to be measured at fair value on a recurring basis. The assets included in the table consist of investments recorded within cash and cash equivalents and other long-term assets, including investments held in a trust associated with our supplemental benefit plans described in Note 6. The mutual funds we own are publicly traded and are recorded at fair value based on observable trades for identical securities in an active market. Changes in the observed trading prices and liquidity of money market funds are monitored as additional support for determining fair value. Gains and losses for all mutual fund investments are recorded in earnings.

The assets related to derivatives consist of an interest rate swap discussed in Note 5. The fair value of our interest rate swap derivatives is determined based on a DCF method using LIBOR swap rates, which are observable at commonly quoted intervals.

We also held non-financial assets that are required to be measured at fair value on a non-recurring basis. These consist of goodwill and intangible assets. We did not record any impairment charges on long-lived assets and no other significant events occurred requiring non-financial assets and liabilities to be measured at fair value (subsequent to initial recognition) during the three and nine months ended September 30, 2021 and 2020.

## Fair Value of Financial Assets and Liabilities

### *Fixed Rate Debt*

Based on the borrowing rates obtained from third party lending institutions currently available for bank loans with similar terms and average maturities from active markets, the fair value of our consolidated long-term debt and debt maturing within one year, excluding revolving credit agreements and commercial paper, was \$7,063 million and \$7,119 million at September 30, 2021 and December 31, 2020, respectively. These fair values represent Level 2 under the three-tier hierarchy described above. The total book value of our consolidated long-term debt and debt maturing within one year, net of discount and deferred financing fees and excluding revolving credit agreements and commercial paper, was \$6,175 million and \$6,097 million at September 30, 2021 and December 31, 2020, respectively.

### *Revolving Credit Agreements*

At September 30, 2021 and December 31, 2020, we had a consolidated total of \$239 million and \$198 million, respectively, outstanding under our revolving credit agreements, which are variable rate loans. The fair value of these loans

approximates book value based on the borrowing rates currently available for variable rate loans obtained from third party lending institutions. These fair values represent Level 2 under the three-tier hierarchy described above.

*Other Financial Instruments*

The carrying value of other financial instruments included in current assets and current liabilities, including cash and cash equivalents, special deposits and commercial paper, approximates their fair value due to the short-term nature of these instruments.

**8. STOCKHOLDER'S EQUITY**

**Accumulated Other Comprehensive Income (Loss)**

The following table provides the components of changes in AOCI:

(In millions of USD)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Balance at the beginning of period	\$ (6)	\$ (10)	\$ (8)	\$ 7
<i>Derivative instruments</i>				
Reclassification of net loss relating to interest rate cash flow hedges from AOCI to earnings (net of tax of less than \$1 for the three months ended September 30, 2021 and 2020, respectively, and \$1 for the nine months ended September 30, 2021 and 2020, respectively) (a)	1	1	3	2
Gain/(loss) on interest rate swaps relating to interest rate cash flow hedges (net of tax of less than \$1 for the three months ended September 30, 2021 and less than \$1 and \$8 for the nine months ended September 30, 2021 and 2020, respectively)	1	—	1	(18)
Total other comprehensive income (loss), net of tax	2	1	4	(16)
Balance at the end of period	\$ (4)	\$ (9)	\$ (4)	\$ (9)

(a) The reclassification of the net loss relating to interest rate cash flow hedges is reported in interest expense on a pre-tax basis.

The amount of net loss relating to interest rate cash flow hedges to be reclassified from AOCI to earnings for the 12-month period ending September 30, 2022 is expected to be approximately \$4 million (net of tax of \$2 million). The reclassification is reported in Interest expense, net in the condensed consolidated statements of comprehensive income on a pre-tax basis.

**9. SHARE-BASED COMPENSATION**

**Long-Term Incentive Plans**

In the first quarter of 2021, 281,516 PBUs and 221,433 SBUs were granted pursuant to our long-term incentive plans. Generally, each PBU and SBU granted is valued based on one share of Fortis common stock traded on the Toronto Stock Exchange, converted to U.S. dollars and settled only in cash. However, SBUs granted to the executives may settle in cash, 100% Fortis common stock, or 50% cash and 50% Fortis common stock depending on executives' settlement elections and whether certain share ownership requirements are met. The awards are classified as liability awards and vest on the date specified in a particular grant agreement, provided the service and performance criteria, as applicable, are satisfied. The PBUs and SBUs earn dividend equivalents which are also re-measured and settled consistent with the target award at the end of the vesting period. The granted awards and related dividend equivalents have no shareholder rights.

The aggregate fair value of all outstanding PBUs and SBUs as of September 30, 2021 was \$64 million and \$29 million, respectively. At September 30, 2021, the total unrecognized compensation cost related to the PBUs and SBUs was \$22 million and \$11 million, respectively.



## **10. RELATED PARTY TRANSACTIONS**

### **Intercompany Receivables and Payables**

ITC Holdings may incur charges from Fortis and other subsidiaries of Fortis that are not subsidiaries of ITC Holdings for general corporate expenses incurred. In addition, ITC Holdings may perform additional services for, or receive additional services from, Fortis and such subsidiaries. These transactions are in the normal course of business and payments for these services are settled through accounts receivable and accounts payable, as necessary. We had intercompany receivables from Fortis and such subsidiaries of \$1 million and less than \$1 million at September 30, 2021 and December 31, 2020, respectively. At September 30, 2021 we did not have any intercompany payables to Fortis and such subsidiaries. At December 31, 2020 we had intercompany payables to Fortis and such subsidiaries of less than \$1 million.

Related party charges for corporate expenses from Fortis and such subsidiaries are recorded in general and administrative expenses in the condensed consolidated statements of comprehensive income. Such expense for each of the three months ended September 30, 2021 and 2020 for ITC Holdings was \$3 million, and for each of the nine months ended September 30, 2021 and 2020 was \$8 million. Related party billings for services to Fortis and other subsidiaries, recorded as an offset to general and administrative expenses for ITC Holdings, were less than \$1 million for each of the three months ended September 30, 2021 and 2020, and \$2 million and \$1 million for the nine months ended September 30, 2021 and 2020, respectively.

### **Dividends**

During the nine months ended September 30, 2021 and 2020, we paid dividends of \$174 million and \$247 million, respectively, to ITC Investment Holdings. We also paid dividends of \$58 million to ITC Investment Holdings in October 2021.

### **Transfer of Membership Interests**

In February 2021, we transferred our membership interests in certain wholly-owned development entities to our parent company, ITC Investment Holdings. The transfer was accounted for at book value as a non-reciprocal transfer of value. There was no gain or loss recognized on the transfer. The transfer did not have a material impact on our consolidated results of operations, cash flows or financial condition.

### **Intercompany Tax Sharing Agreement**

We are organized as a corporation for tax purposes and subject to a tax sharing agreement as a wholly-owned subsidiary of ITC Investment Holdings. Additionally, we record income taxes based on our separate company tax position and make or receive tax-related payments with ITC Investment Holdings. During the nine months ended September 30, 2021 we did not make or receive any tax-related payments with ITC Investment Holdings. During the nine months ended September 30, 2020 we paid \$2 million to ITC Investment Holdings for matters related to the State of Michigan income taxes.

During the nine months ended September 30, 2020 we received \$2 million from FortisUS for a tax refund that originated prior to establishing a tax sharing agreement.

## **11. COMMITMENTS AND CONTINGENT LIABILITIES**

### **Environmental Matters**

We are subject to federal, state and local environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the management, treatment, storage, transportation and disposal of hazardous materials and of solid and hazardous wastes, and impose obligations to investigate and remediate contamination in certain circumstances. Liabilities relating to investigation and remediation of contamination, as well as other liabilities concerning hazardous materials or contamination, such as claims for personal injury or property damage, may arise at many locations, including formerly owned or operated properties and sites where wastes have been treated or disposed of, as well as properties currently owned or operated by us. Such liabilities may arise even where the contamination does not result from noncompliance with applicable environmental laws. Under some environmental laws, such liabilities may also be joint and several, meaning that a party can be held responsible for more than its share of the liability involved, or even the entire share. Although environmental requirements generally have become more stringent and compliance with those requirements more expensive, we are not aware of any specific developments that would increase our costs for such compliance in a manner that would be expected to have a material adverse effect on our results of operations, financial condition or liquidity.

Our assets and operations also involve the use of materials classified as hazardous, toxic or otherwise dangerous. Some of the properties that we own or operate have been used for many years and include older facilities and equipment that may be more likely than newer ones to contain or be made from such materials. Some of these properties include above ground or underground storage tanks and associated piping. Some of them also include large electrical equipment filled with mineral oil, which may contain or previously have contained PCBs. Some of our facilities and electrical equipment may also contain asbestos containing materials. Our facilities and equipment are often situated close to or on property owned by others so that, if they are the source of contamination, the property of others may be affected. For example, above ground and underground transmission lines sometimes traverse properties that we do not own and transmission assets that we own or operate are sometimes commingled at our transmission stations with distribution assets owned or operated by our transmission customers.

Some properties in which we have an ownership interest or at which we operate are, or are suspected of being, affected by environmental contamination. We are not aware of any pending or threatened claims against us with respect to environmental contamination relating to these properties, or of any investigation or remediation of contamination at these properties, that entail costs likely to materially affect us. Some facilities and properties are located near environmentally sensitive areas, including wetlands and habitat for threatened and endangered species.

### **Litigation**

We are involved in certain legal proceedings before various courts, governmental agencies and mediation panels concerning matters arising in the ordinary course of business. These proceedings include certain contract disputes, eminent domain and vegetation management activities, regulatory matters and pending judicial matters. We cannot predict the final disposition of such proceedings. We regularly review legal matters and record provisions for claims that are considered probable of loss.

### **Rate of Return on Equity Complaints**

Two complaints were filed with the FERC by combinations of consumer advocates, consumer groups, municipal parties and other parties challenging the base ROE in MISO. The complaints were filed with the FERC under Section 206 of the FPA requesting that the FERC find the MISO regional base ROE rate (the “base ROE”) for all MISO TO’s, including our MISO Regulated Operating Subsidiaries, to no longer be just and reasonable.

#### *Initial Complaint*

On November 12, 2013, the Association of Businesses Advocating Tariff Equity, Coalition of MISO Transmission Customers, Illinois Industrial Energy Consumers, Indiana Industrial Energy Consumers, Inc., Minnesota Large Industrial Group and Wisconsin Industrial Energy Group (collectively, the “complainants”) filed the Initial Complaint with the FERC. The complainants sought a FERC order to reduce the base ROE used in the formula transmission rates for our MISO Regulated Operating Subsidiaries to 9.15%, reducing the equity component of our capital structure and terminating the ROE adders approved for certain Regulated Operating Subsidiaries. The FERC set the base ROE for hearing and settlement procedures, while denying all other aspects of the Initial Complaint. The ROE collected through the MISO Regulated Operating Subsidiaries’ rates during the period November 12, 2013 through September 27, 2016 consisted of a base ROE of 12.38% plus applicable incentive adders.

On September 28, 2016, the FERC issued the September 2016 Order that set the base ROE at 10.32%, with a maximum ROE of 11.35%, effective for the period from November 12, 2013 through February 11, 2015 based on a two-step DCF methodology adopted in previous complaint matters for other utilities. The September 2016 Order required our MISO Regulated Operating Subsidiaries to provide refunds, including interest, which were completed in 2017. Additionally, the base ROE established by the September 2016 Order was to be used prospectively from the date of that order until a new approved base ROE was established by the FERC. On October 28, 2016, the MISO TOs, including our MISO Regulated Operating Subsidiaries, filed a request with the FERC for rehearing of the September 2016 Order regarding the short-term growth projections in the two-step DCF analysis. Additional impacts to the base ROE for the period of the Initial Complaint and the related accrued refund liabilities resulted from the November 2019 Order and May 2020 Order issued by the FERC, as discussed below.

#### *Second Complaint*

On February 12, 2015, the Second Complaint was filed with the FERC by Arkansas Electric Cooperative Corporation, Mississippi Delta Energy Agency, Clarksdale Public Utilities Commission, Public Service Commission of Yazoo City and Hoosier Energy Rural Electric Cooperative, Inc., seeking a FERC order to reduce the base ROE used in the formula transmission rates of our MISO Regulated Operating Subsidiaries to 8.67%, with an effective date of February 12, 2015.

On June 30, 2016, the presiding ALJ issued an initial decision that recommended a base ROE of 9.70% for the refund period from February 12, 2015 through May 11, 2016, with a maximum ROE of 10.68%, which also would be applicable going forward from the date of a final FERC order. The Second Complaint was dismissed as a result of the November 2019 Order and the dismissal of the complaint was reaffirmed in the May 2020 Order, as discussed below.

*November 2019 Order*

On November 21, 2019, the FERC issued an order in the MISO ROE Complaints which applied a methodology to the Initial Complaint period that used two financial models to determine the base ROE. The FERC determined that the base ROE for the Initial Complaint should be 9.88% and the top of the range of reasonableness for that period should be 12.24% and that this base ROE should apply during the first refund period of November 12, 2013 to February 11, 2015 and from the date of the September 2016 Order prospectively. In the November 2019 Order, the FERC also dismissed the Second Complaint. Therefore, based on the November 2019 Order, for the Second Complaint refund period from February 12, 2015 to May 11, 2016, no refund is due. As a result, in 2019, we reversed the aggregate estimated current liability we had previously recorded for the Second Complaint. In addition, for the period from May 12, 2016 to September 27, 2016, no refund is due because no complaint had been filed for that period. The FERC ordered refunds to be made in accordance with the November 2019 Order. The MISO TOs, including our MISO Regulated Operating Subsidiaries, and several other parties filed requests for rehearing of the November 2019 Order. The MISO TOs asserted that the methodology applied by the FERC in the November 2019 Order does not allow the MISO TOs to earn a reasonable rate of return on their investment, as required by precedent. On January 21, 2020, the FERC issued an order granting rehearing of the November 2019 Order for further consideration.

*May 2020 Order*

On May 21, 2020, the FERC issued an order on rehearing of the November 2019 Order. In this order, the FERC revised its November 2019 Order methodology, finding that three financial models should be used to determine the base ROE, among other revisions. By applying the new methodology, FERC determined that the base ROE for the Initial Complaint should be 10.02% and the top of the range of reasonableness for that period should be 12.62%. The FERC determined that this base ROE should apply during the first refund period of November 12, 2013 to February 11, 2015 and from the date of the September 2016 Order prospectively. The FERC ordered refunds to be made in accordance with the May 2020 Order by December 23, 2020. On October 8, 2020, the FERC granted an extension to September 23, 2021 and on August 2, 2021 the FERC granted a second extension to February 28, 2022. In the May 2020 Order, the FERC also reaffirmed its decision to dismiss the Second Complaint and its finding that no refunds would be ordered on the Second Complaint. Our MISO Regulated Operating Subsidiaries are parties to multiple appeals of the September 2016 Order, November 2019 Order and May 2020 Order at the D.C. Circuit Court.

*Financial Statement Impacts*

The following amounts were recorded in the condensed consolidated statements of financial position related to the MISO ROE complaints:

<b>(In millions of USD)</b>	<b>September 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
Current regulatory assets	\$ 1	\$ 8
Current regulatory liabilities	—	13
Accounts receivable	1	—
Accounts payable	13	—

These impacts reflect amounts owed from or due to customers under the terms outlined in the May 2020 Order and the November 2019 Order on the Initial Complaint and the periods subsequent to the September 2016 Order. During the nine months ended September 30, 2021, we received net settlement payments of \$6 million owed from customers related to this ROE matter and during the nine months ended September 30, 2020, we refunded net settlement payments of \$31 million due to customers related to this ROE matter. In October 2021, we refunded net settlement payments of \$12 million due to customers related to this ROE matter.

Although the November 2019 Order and May 2020 Order dismissed the Second Complaint with no refunds required, it is possible upon resolution of the pending appeal that our MISO Regulated Operating Subsidiaries could be required to

provide material refunds related to the Second Complaint. As of December 31, 2018, we had recorded an estimated regulatory liability of \$151 million for the Second Complaint which was reversed following the November 2019 Order.

Our MISO Regulated Operating Subsidiaries currently record revenues at the base ROE of 10.02% established in the May 2020 Order plus applicable ROE incentive adders. See Note 4 for a summary of incentive adders for transmission rates.

The recognition of the obligations associated with the MISO ROE Complaints resulted in the following impacts to the condensed consolidated statements of comprehensive income:

(In millions of USD)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Revenue increase	\$ —	\$ —	\$ —	\$ 32
Interest expense decrease	—	—	—	(3)
Estimated net income (decrease) increase	—	(1)	—	24

As of September 30, 2021, our MISO Regulated Operating Subsidiaries had a total of approximately \$5 billion of equity in their collective capital structures for ratemaking purposes. Based on this level of aggregate equity, we estimate that each 10 basis point change in the authorized ROE would impact annual consolidated net income by approximately \$5 million.

## 12. SUPPLEMENTAL FINANCIAL INFORMATION

### Reconciliation of Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on the condensed consolidated statements of financial position that sum to the total of the same such amounts shown in the condensed consolidated statements of cash flows:

(In millions of USD)	September 30,		December 31,	
	2021	2020	2020	2019
Cash and cash equivalents	\$ 3	\$ 22	\$ 4	\$ 4
Restricted cash included in:				
Other non-current assets	3	4	2	2
Total cash, cash equivalents and restricted cash	\$ 6	\$ 26	\$ 6	\$ 6

Restricted cash included in other non-current assets primarily represents cash on deposit to pay for vegetation management, land easements and land purchases for the purpose of transmission line construction as well as amounts liquidated to make benefit payments related to our supplemental benefit plans.

## Supplementary Cash Flows Information

(In millions of USD)	Nine months ended	
	September 30,	
	2021	2020
Supplementary cash flows information:		
Interest paid (net of interest capitalized)	\$ 165	\$ 164
Income taxes paid	—	2
Income tax refunds received	—	2
Supplementary non-cash investing and financing activities:		
Additions to property, plant and equipment and other long-lived assets (a)	108	127
Allowance for equity funds used during construction	22	19

- (a) Amounts consist of current and accrued liabilities for construction, labor, materials and other costs that have not been included in investing activities. These amounts have not been paid for as of September 30, 2021 or 2020, respectively, but will be or have been included as a cash outflow from investing activities for expenditures for property, plant and equipment or repayments of contributions in aid of construction when paid.

## 13. SEGMENT INFORMATION

We identify reportable segments based on the criteria set forth by the FASB regarding disclosures about segments of an enterprise, including the regulatory environment of our subsidiaries and the business activities performed to earn revenues and incur expenses. The following tables show our financial information by reportable segment:

(In millions of USD)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>OPERATING REVENUES:</b>				
Regulated Operating Subsidiaries	\$ 349	\$ 321	\$ 1,045	\$ 1,002
Intercompany eliminations	(9)	(9)	(27)	(26)
Total Operating Revenues	<u>\$ 340</u>	<u>\$ 312</u>	<u>\$ 1,018</u>	<u>\$ 976</u>

(In millions of USD)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>INCOME (LOSS) BEFORE INCOME TAXES:</b>				
Regulated Operating Subsidiaries	\$ 178	\$ 163	\$ 522	\$ 514
ITC Holdings and other	(38)	(39)	(113)	(105)
Total Income Before Income Taxes	<u>\$ 140</u>	<u>\$ 124</u>	<u>\$ 409</u>	<u>\$ 409</u>

(In millions of USD)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>NET INCOME:</b>				
Regulated Operating Subsidiaries	\$ 131	\$ 121	\$ 385	\$ 379
ITC Holdings and other	105	92	307	305
Intercompany eliminations	(131)	(121)	(385)	(379)
Total Net Income	<u>\$ 105</u>	<u>\$ 92</u>	<u>\$ 307</u>	<u>\$ 305</u>

<b>TOTAL ASSETS:</b> <b>(In millions of USD)</b>	<b>September 30,</b> <b>2021</b>	<b>December 31,</b> <b>2020</b>
Regulated Operating Subsidiaries	\$ 11,150	\$ 10,710
ITC Holdings and other	6,054	5,830
Reconciliations / Intercompany eliminations (a)	(5,939)	(5,715)
Total Assets	<u>\$ 11,265</u>	<u>\$ 10,825</u>

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- (a) Reconciliation of total assets results primarily from differences in the netting of deferred tax assets and liabilities in our segments as compared to the classification in our condensed consolidated statements of financial position.

## **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

Our reports, filings and other public announcements contain certain statements that describe our management’s beliefs concerning future business conditions, plans and prospects, growth opportunities, the outlook for our business and the electric transmission industry, and expectations with respect to various legal and regulatory proceedings 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, we have identified these forward-looking statements by words such as “will,” “may,” “anticipates,” “believes,” “intends,” “estimates,” “expects,” “forecasted,” “projects,” “likely” and similar phrases. These forward-looking statements are based upon assumptions our management believes are reasonable. Such forward-looking statements are based on estimates and assumptions and are subject to significant risks and uncertainties which could cause our actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements, including, among others, the following risks and uncertainties listed in “Item 1A Risk Factors” of our Form 10-K for the year ended December 31, 2020, as modified herein:

- Certain elements of our Regulated Operating Subsidiaries’ Formula Rates have been and can be challenged, which could result in lowered rates and/or refunds of amounts previously collected and thus may have an adverse effect on our business, financial condition, results of operations and cash flows.
- Our actual capital investment may be lower than planned, which would cause a lower than anticipated rate base and would therefore result in lower revenues, earnings and associated cash flows compared to our current expectations. In addition, we may incur expenses related to the pursuit of strategic investment opportunities, which may be higher than forecasted.
- The regulations to which we are subject may limit our ability to raise capital and/or pursue acquisitions, development opportunities or other transactions or may subject us to liabilities.
- Changes in energy laws, regulations or policies could impact our business, financial condition, results of operations and cash flows.
- The widespread outbreak of an illness or other communicable disease, including the COVID-19 pandemic, or any other public health crisis, could have a material adverse impact on our business, results of operations, financial condition, cash flows and credit metrics.
- Each of our MISO Regulated Operating Subsidiaries depends on its primary customer for a substantial portion of its revenues, and any material failure by those primary customers to make payments for transmission services could have a material adverse effect on our business, financial condition, results of operations and cash flows.
- A significant amount of the land on which our assets are located is subject to easements, mineral rights and other similar encumbrances. As a result, we must comply with the provisions of various easements, mineral rights and other similar encumbrances, which may adversely impact our ability to complete construction projects in a timely manner.
- We contract with third parties to provide services for certain aspects of our business. If any of these agreements are terminated, we may face a shortage of labor or replacement contractors to provide the services formerly provided by these third parties.
- Hazards associated with high-voltage electricity transmission may result in suspension of our operations, costly litigation or the imposition of civil or criminal penalties.
- We are subject to environmental regulations and to laws that can give rise to substantial liabilities from environmental contamination.
- If amounts billed for transmission service for our Regulated Operating Subsidiaries’ transmission systems are lower than expected, or our actual revenue requirements are higher than expected, the timing of actual collection of our total revenues would be delayed.
- We are subject to various regulatory requirements, including reliability standards; contract filing requirements; reporting, recordkeeping and accounting requirements; and transaction approval requirements. Violations of these requirements, whether intentional or unintentional, may result in penalties that, under some circumstances, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

- Acts of war, terrorist attacks, natural disasters, severe weather and other catastrophic events may have a material adverse effect on our business, financial condition, results of operations and cash flows.
- A cyber-attack or incident could have a material adverse effect on our business, financial condition, results of operations and cash flows.
- Changes in tax laws or regulations may negatively affect our results of operations, net income, financial condition, cash flows and credit metrics.
- Advances in technology may negatively impact our business, financial condition, results of operations and cash flows.
- ITC Holdings is a holding company with no operations, and unless we receive dividends or other payments from our subsidiaries, we may be unable to fulfill our cash obligations.
- We have a considerable amount of debt and our reliance on debt financing may limit our ability to fulfill our debt obligations and/or to obtain additional financing.
- Adverse changes in our credit ratings may negatively affect us.
- Certain provisions in our debt instruments limit our financial and operating flexibility.

Forward-looking statements speak only as of the date made and can be affected by assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in our discussion in this report will be important in determining future results. Consequently, we cannot assure you that our expectations or forecasts expressed in such forward-looking statements will be achieved. Except as required by law, we undertake no obligation to publicly update any of our forward-looking or other statements, whether as a result of new information, future events or otherwise.

## **OVERVIEW**

ITC Holdings and its subsidiaries are engaged in the transmission of electricity in the United States. ITC Holdings is a wholly-owned subsidiary of ITC Investment Holdings. Through our Regulated Operating Subsidiaries, we own and operate high-voltage electric transmission systems in Michigan’s Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma that transmit electricity from generating stations to local distribution facilities connected to our transmission systems.

ITC Holdings provides safe and reliable electric transmission service to connect consumers to cleaner and more cost-effective energy resources. ITC Holdings is making investments in a modernized grid to maintain reliability and accommodate future demands as our economy and lifestyles become increasingly dependent on electricity. We are actively involved in planning an integrated energy network to serve our customers, communities and the greater grid.

Our business strategy is focused on owning, operating, maintaining and investing in transmission infrastructure and grid solutions in order to enhance system integrity and reliability, protect critical infrastructure, reduce transmission constraints, interconnect new renewable generation resources, expand access to electricity markets and lower the overall cost of delivered energy.

Our Regulated Operating Subsidiaries earn revenues for the use of their electric transmission systems by their customers, which include investor-owned utilities, municipalities, cooperatives, power marketers and alternative energy suppliers. As independent transmission companies, our Regulated Operating Subsidiaries are subject to rate regulation only by the FERC, and our cost-based rates are discussed below under “ — Cost-Based Formula Rates with True-Up Mechanism” as well as in Note 4 to the condensed consolidated interim financial statements.

Our Regulated Operating Subsidiaries’ primary operating responsibilities include maintaining, improving and expanding their transmission systems to meet their customers’ ongoing needs, scheduling outages on system elements to allow for maintenance and construction, maintaining appropriate system voltages and monitoring flows over transmission lines and other facilities to ensure physical limits are not exceeded.

Significant recent matters that influenced our financial condition, results of operations and cash flows for the nine months ended September 30, 2021 or that may affect future results include:

- Our capital expenditures of \$626 million at our Regulated Operating Subsidiaries during the nine months ended September 30, 2021 as described below under “ — Capital Investment and Operating Results Trends,” resulting primarily from our focus on improving system reliability, increasing system capacity and upgrading the transmission network to support new generating resources;



- Debt issuances, borrowings and repayments as described in Note 5 to the condensed consolidated interim financial statements to fund capital investment at our Regulated Operating Subsidiaries as well as for general corporate purposes;
- The FERC orders related to the MISO ROE Complaints, as described in Note 11 to the condensed consolidated interim financial statements, that are under appeal at the D.C. Circuit Court; and
- Issuance of a NOPR by the FERC on March 20, 2020, and issuance of a supplemental NOPR on April 15, 2021, that includes a proposal to update the transmission incentives policy, as described below under “ — Recent Developments”.

These items are discussed in more detail throughout Management’s Discussion and Analysis of Financial Condition and Results of Operations.

## **Recent Developments**

### ***COVID-19 Pandemic***

In March 2020, the World Health Organization declared COVID-19 a pandemic. Efforts to control the outbreak of COVID-19 have resulted in impacts to businesses and facilities in various industries around the world, such as operating restrictions and closures, and disruptions to the global economy and supply chains. The COVID-19 pandemic has and will continue to impact our customers throughout our operating footprint. To date, COVID-19 has not had a material impact on our net income. However, for 2020, beginning in April, we utilized various temporary cost saving measures related to operating expenses, including operation and maintenance expenses and general and administrative expenses, in an attempt to reduce costs for our customers that were collected through our Formula Rates.

The duration and cumulative impact on our operations from COVID-19 is unknown at this time and will ultimately depend on the duration and severity of the pandemic, the length of time that the various business restrictions are in effect, the impact of resurgences of COVID-19 cases and deaths in the United States, and the efficacy and distribution of COVID-19 vaccines. We are continuing to monitor developments involving our workforce, customers and suppliers and cannot predict whether COVID-19 will have a material impact on our consolidated results of operations, cash flows or financial condition. We are also monitoring the evolving situation and guidance from federal, state and local public health authorities. We continue to take steps to mitigate the potential risks to us and our employees posed by COVID-19, including enabling remote work arrangements for employees when appropriate, and are following government requirements to reduce the transmission of COVID-19.

### ***Rate of Return on Equity Complaints***

Two complaints were filed with the FERC by combinations of consumer advocates, consumer groups, municipal parties and other parties challenging the base ROEs in MISO. The FERC has issued multiple orders in these proceedings, and there are appeals of these orders pending in the D.C. Circuit Court. See Note 11 to the condensed consolidated interim financial statements for a summary of the MISO ROE Complaints.

### ***Incentive Adders for Transmission Rates***

The FERC issued a NOPR on March 20, 2020, and issued a supplemental NOPR on April 15, 2021, proposing to update its transmission incentives policy. Among other things, the rulemaking proposals would:

- grant incentives to transmission projects based upon benefits to customers ensuring reliability and reducing the cost of delivered power by reducing transmission congestion, and
- eliminate the ROE adders for independent transmission ownership and for RTO participation.

The outcome of this proposal may impact the incentive adders that our Regulated Operating Subsidiaries are authorized to apply to their base ROEs on a prospective basis. As of September 30, 2021, our MISO Regulated Operating Subsidiaries had a total of approximately \$5 billion of equity in their collective capital structures for ratemaking purposes. Based on this level of aggregate equity, we estimate that each 10 basis point change in the authorized ROE would impact annual consolidated net income by approximately \$5 million. For ITC Great Plains, each 10 basis point change in authorized ROE would impact annual consolidated net income by less than \$1 million.

Complaints were previously filed with the FERC under section 206 of the FPA challenging the adders for independent transmission ownership that are in transmission rates charged by our MISO Regulated Operating Subsidiaries and ITC Great Plains. FERC issued orders in these proceedings, setting revised adders for independent transmission ownership for

each of the MISO Regulated Operating Subsidiaries and ITC Great Plains to 25 basis points, and the FERC orders were subsequently appealed in the D.C. Circuit Court. On February 19, 2021, the appeal of the FERC order in the proceedings for the MISO Regulated Operating Subsidiaries was denied. On March 4, 2021, the appeals of the FERC orders in the proceedings for ITC Great Plains were dismissed following a motion for voluntary dismissal by ITC Great Plains. See Note 4 to the condensed consolidated interim financial statements for a summary of incentive adders for transmission rates and these matters.

### **Cost-Based Formula Rates with True-Up Mechanism**

Our Regulated Operating Subsidiaries calculate their revenue requirements using cost-based Formula Rates that are effective without the need to file rate cases with the FERC, although the rates are subject to legal challenge at the FERC. Under their cost-based formula, each of our Regulated Operating Subsidiaries separately calculates a revenue requirement based on financial information specific to each company. The calculation of projected revenue requirement for a future period is used to establish the transmission rate used for billing purposes. The calculation of actual revenue requirements for a historic period is used to calculate the amount of revenues recognized in that period and determine the over- or under-collection for that period.

Under these Formula Rates, our Regulated Operating Subsidiaries recover expenses and earn an authorized return on and recover investments in property, plant and equipment on a current basis. The Formula Rates for a given year reflect forecasted expenses, property, plant and equipment, point-to-point revenues, network load at our MISO Regulated Operating Subsidiaries and other items for the upcoming calendar year to establish projected revenue requirements for each of our Regulated Operating Subsidiaries that are used as the basis for billing for service on their systems from January 1 to December 31 of that year. Our Formula Rates include a true-up mechanism, whereby our Regulated Operating Subsidiaries compare their actual revenue requirements to their billed revenues for each year to determine any over- or under-collection of revenue. The over- or under-collection typically results from differences between the projected revenue requirement used as the basis for billing and actual revenue requirement at each of our Regulated Operating Subsidiaries, or from differences between actual and projected monthly network peak loads at our MISO Regulated Operating Subsidiaries. In the event billed revenues in a given year are more or less than actual revenue requirements, which are calculated primarily using information from that year's FERC Form No. 1, our Regulated Operating Subsidiaries will refund or collect additional revenues, with interest, within a two-year period such that customers pay only the amounts that correspond to actual revenue requirements for that given period. This annual true-up ensures that our Regulated Operating Subsidiaries recover their allowed costs and earn their authorized returns.

See "Cost-Based Formula Rates with True-Up Mechanism" in Note 4 to the condensed consolidated interim financial statements for further discussion of our Formula Rates and see "Rate of Return on Equity Complaints" in Note 11 to the condensed consolidated interim financial statements for detail on ROE matters.

### ***Revenue Accruals and Deferrals — Effects of Monthly Network Peak Loads***

For our MISO Regulated Operating Subsidiaries, monthly network peak loads are used for billing network revenues, which currently is the largest component of our operating revenues. One of the primary factors that impacts the revenue accruals and deferrals at our MISO Regulated Operating Subsidiaries is actual monthly network peak loads experienced as compared to those forecasted in establishing the annual network transmission rate. Under their cost-based Formula Rates that contain a true-up mechanism, our MISO Regulated Operating Subsidiaries accrue or defer revenues to the extent that their actual revenue requirement for the reporting period is higher or lower, respectively, than the amounts billed relating to that reporting period. Although monthly network peak loads do not impact operating revenues recognized, network load affects the timing of our cash flows from transmission service. The monthly network peak load of our MISO Regulated Operating Subsidiaries is generally impacted by weather and economic conditions, including COVID-19, and is seasonally shaped with higher load in the summer months when cooling demand is higher. We are unable to predict the possible future impacts of COVID-19, weather and other factors on monthly network peak loads at our MISO Regulated Operating Subsidiaries.

ITC Great Plains does not receive revenue based on a peak load or a dollar amount per kW each month. Therefore, peak load does not have a seasonal effect on operating cash flows. The SPP tariff applicable to ITC Great Plains is billed ratably each month based on its annual projected revenue requirement posted annually by SPP.

### **Capital Investment and Operating Results Trends**

We expect a long-term upward trend in rate base resulting from our anticipated capital investment, in excess of depreciation and any acquisition premiums, from our Regulated Operating Subsidiaries' long-term capital investment

programs to improve reliability, increase system capacity and upgrade the transmission network to support new generating resources. Investments in property, plant and equipment, when placed in-service upon completion of a capital project, are added to the rate base of our Regulated Operating Subsidiaries. While we expect increases in rate base to result in a corresponding long-term upward trend in revenues and earnings, our revenues and earnings are also impacted by changes in our ROE or required refunds resulting from the resolution of the incentive adders complaints and MISO ROE Complaints, as described in Note 4 and Note 11 to the condensed consolidated interim financial statements, or other future increases or decreases to our rates for incentive adders and base ROE.

Our Regulated Operating Subsidiaries strive for high reliability of their systems and improvement in system accessibility for all generation resources. The FERC requires compliance with certain reliability standards and may take enforcement actions against violators, including the imposition of substantial fines. NERC is responsible for developing and enforcing these mandatory reliability standards. We continually assess our transmission systems against standards established by NERC, as well as the standards of applicable regional entities under NERC that have been delegated certain authority for the purpose of proposing and enforcing reliability standards. We believe that we meet the applicable standards in all material respects, although further investment in our transmission systems and an increase in maintenance activities will likely be needed to maintain compliance, improve reliability and address any new standards that may be promulgated.

We also assess our transmission systems against our own planning criteria that are filed annually with the FERC. Based on our planning studies, we see needs to make capital investments to: (1) maintain and replace our current transmission infrastructure including enhancing system integrity and reliability and accommodating load growth; (2) upgrade physical and technological grid security; (3) promote the transformation of the generation fleet to cleaner and more sustainable resources through required interconnections and transmission build-out; and (4) develop and build regional transmission infrastructure. We do not currently expect any material decrease in planned capital expenditures due to COVID-19; however, we continue to evaluate potential impacts of COVID-19 on our forecasted capital expenditures. Depending on the length and severity of future impacts of COVID-19, certain planned capital expenditures may be shifted to later years of the forecast. The following table shows our actual and expected capital expenditures at our Regulated Operating Subsidiaries:

<b>(In millions of USD)</b>	<b>Actual Capital Expenditures for the Nine Months Ended September 30, 2021</b>	<b>Forecasted Capital Expenditures 2022 — 2026</b>
Expenditures for property, plant and equipment (a)	\$ 626	\$ 4,004

(a) Amounts represent the cash payments to acquire or construct property, plant and equipment, as presented in the condensed consolidated statements of cash flows. These amounts exclude non-cash additions to property, plant and equipment for the AFUDC equity as well as accrued liabilities for construction, labor and materials that have not yet been paid.

Our long-term growth plan includes ongoing investments in our current regulated transmission systems and the identification of incremental strategic projects primarily located in and around our service territories. Refer to “Item 1 Business — Development of Business” in our Form 10-K for the year ended December 31, 2020 for additional information.

Investments in property, plant and equipment could be lower than expected due to a variety of factors, as discussed in “Item 1A Risk Factors”. In addition, investments in transmission network upgrades for generator interconnection projects could change from prior estimates significantly due to changes in the MISO queue for generation projects and other factors beyond our control.

## RESULTS OF OPERATIONS

### Results of Operations and Variances

(In millions of USD)	Three months ended		Increase	Percentage increase	Nine months ended		Increase	Percentage increase
	September 30,				September 30,	September 30,		
	2021	2020	(decrease)	(decrease)			2021	2020
<b>OPERATING REVENUES</b>								
Transmission and other services	\$ 397	\$ 378	\$ 19	5 %	\$1,042	\$1,008	\$ 34	3 %
Formula Rate true-up	(57)	(66)	9	(14)%	(24)	(32)	8	(25)%
Total operating revenues	340	312	28	9 %	1,018	976	42	4 %
<b>OPERATING EXPENSES</b>								
Operation and maintenance	30	19	11	58 %	82	66	16	24 %
General and administrative	30	30	—	— %	94	89	5	6 %
Depreciation and amortization	58	55	3	6 %	172	163	9	6 %
Taxes other than income taxes	30	31	(1)	(3)%	100	93	7	8 %
Other operating (income) and expenses, net	(1)	(1)	—	— %	—	(1)	1	(100)%
Total operating expenses	147	134	13	10 %	448	410	38	9 %
OPERATING INCOME	193	178	15	8 %	570	566	4	1 %
<b>OTHER EXPENSES (INCOME)</b>								
Interest expense, net	62	62	—	— %	187	178	9	5 %
Allowance for equity funds used during construction	(8)	(7)	(1)	14 %	(22)	(19)	(3)	16 %
Other (income) and expenses, net	(1)	(1)	—	— %	(4)	(2)	(2)	100 %
Total other expenses (income)	53	54	(1)	(2)%	161	157	4	3 %
INCOME BEFORE INCOME TAXES	140	124	16	13 %	409	409	—	— %
INCOME TAX PROVISION	35	32	3	9 %	102	104	(2)	(2)%
NET INCOME	\$ 105	\$ 92	\$ 13	14 %	\$ 307	\$ 305	\$ 2	1 %

### Operating Revenues

The following table sets forth the components of and changes in operating revenues for the three months ended September 30, 2021 and 2020 which included revenue accruals and deferrals as described in Note 4 to the condensed consolidated interim financial statements:

(In millions of USD)	2021		2020		Increase	Percentage increase
	Amount	Percentage	Amount	Percentage		
Network revenues (a)	\$ 236	69 %	\$ 211	68 %	\$ 25	12 %
Regional cost sharing revenues (a)	90	27 %	89	29 %	1	1 %
Point-to-point	4	1 %	4	1 %	—	— %
Scheduling, control and dispatch (a)	4	1 %	4	1 %	—	— %
Other	6	2 %	4	1 %	2	50 %
Total	\$ 340	100 %	\$ 312	100 %	\$ 28	9 %

(a) Includes a portion of the Formula Rate true-up of \$(57) million and \$(66) million for the three months ended September 30, 2021 and 2020, respectively.

Operating revenues for the three months ended September 30, 2021 increased, compared to the same period in 2020, primarily due to a higher rate base associated with higher balances of property, plant and equipment in-service and increased recoverable operating expenses due to the temporary cost saving measures utilized in 2020.

The following table sets forth the components of and changes in operating revenues for the nine months ended September 30, 2021 and 2020 which included revenue accruals and deferrals as described in Note 4 to the condensed consolidated interim financial statements:

(In millions of USD)	2021		2020		Increase (decrease)	Percentage increase (decrease)
	Amount	Percentage	Amount	Percentage		
Network revenues (a)	\$ 699	69 %	\$ 632	65 %	\$ 67	11 %
Regional cost sharing revenues (a)	271	27 %	272	27 %	(1)	— %
Point-to-point	13	1 %	10	1 %	3	30 %
Scheduling, control and dispatch (a)	15	1 %	15	2 %	—	— %
Other	20	2 %	15	2 %	5	33 %
Remeasurement of liabilities for ROE Complaints	—	— %	32	3 %	(32)	(100)%
<b>Total</b>	<b>\$ 1,018</b>	<b>100 %</b>	<b>\$ 976</b>	<b>100 %</b>	<b>\$ 42</b>	<b>4 %</b>

(a) Includes a portion of the Formula Rate true-up of \$(24) million and \$(32) million for the nine months ended September 30, 2021 and 2020, respectively.

Operating revenues for the nine months ended September 30, 2021 increased, compared to the same period in 2020, primarily due to a higher rate base associated with higher balances of property, plant and equipment in-service and increased recoverable operating expenses due to the temporary cost saving measures utilized in 2020, which was partially offset by a favorable base ROE adjustment in 2020 related to prior periods as a result of the May 2020 Order.

### **Operating Expenses**

#### *Operation and maintenance expenses*

Operation and maintenance expense increased during the three and nine months ended September 30, 2021 compared to the same periods in 2020 primarily due to higher expenses associated with substation and overhead line maintenance activities, as well as higher vegetation management requirements, primarily due to the temporary cost saving measures that were utilized in 2020 as a result of the COVID-19 pandemic.

### **LIQUIDITY AND CAPITAL RESOURCES**

We expect to maintain our approach of funding our future capital requirements with cash from operations at our Regulated Operating Subsidiaries, our existing cash and cash equivalents, future issuances under our commercial paper program and amounts available under our revolving credit agreements (the terms of which are described in Note 5 to the condensed consolidated interim financial statements). In addition, we may from time to time secure debt funding in the capital markets, although we can provide no assurance that we will be able to obtain financing on favorable terms or at all. As market conditions warrant, we may also from time to time repurchase debt securities issued by us, in the open market, in privately negotiated transactions, by tender offer or otherwise. We expect that our capital requirements will arise principally from our need to:

- Fund capital expenditures at our Regulated Operating Subsidiaries. Our plans with regard to property, plant and equipment investments are described in detail above under “ — Capital Investment and Operating Results Trends.”
- Fund our debt service requirements, including principal repayments and periodic interest payments.
- Fund working capital requirements.

In addition to the expected capital requirements above, any adverse determinations or settlements relating to the regulatory matters or contingencies described in Notes 4 and 11 to the condensed consolidated interim financial statements would result in additional capital requirements. Our contractual obligations are described in our Form 10-K for the year

ended December 31, 2020. There have been no material changes to that information since December 31, 2020, other than the items described in Note 5 to the condensed consolidated interim financial statements.

We believe that we have sufficient capital resources to meet our currently anticipated short-term needs. However, we rely on both internal and external sources of liquidity to provide working capital and fund capital investments. The COVID-19 pandemic has impacted the global economy and capital markets in various ways, including negative impacts which have varied in duration and magnitude. An extended period of economic disruption could impact our ability to access the capital markets requiring us to seek alternative forms of financing which could negatively impact our liquidity and capital resources. ITC Holdings' sources of cash are dividends and other payments received by us from our Regulated Operating Subsidiaries and any of our other subsidiaries as well as the proceeds raised from the sale of our debt securities. Each of our Regulated Operating Subsidiaries, while wholly-owned by ITC Holdings, is legally distinct from ITC Holdings and has no obligation, contingent or otherwise, to make funds available to us.

We expect to continue to utilize our commercial paper program and revolving credit agreements as well as our cash and cash equivalents as needed to meet our short-term cash requirements. As of September 30, 2021, we had consolidated indebtedness under our revolving credit agreements of \$239 million, with unused capacity under our revolving credit agreements of \$661 million. Additionally, ITC Holdings had \$180 million of commercial paper issued and outstanding, net of discount, as of September 30, 2021, with the ability to issue an additional \$220 million under the commercial paper program. See Note 5 to the condensed consolidated interim financial statements for a detailed discussion of the commercial paper program and our revolving credit agreements.

To address our long-term capital requirements, we expect that we will need to obtain additional debt financing. Certain of our capital projects could be delayed if we experience difficulties in accessing capital pursuant to complications from COVID-19, or otherwise. We expect to be able to obtain such additional financing as needed, in amounts and upon terms that will be acceptable to us due to our strong credit ratings and our historical ability to obtain financing.

We have material exposure to LIBOR through the revolving credit agreements of ITC Holdings and certain of our Regulated Operating Subsidiaries. It is expected that LIBOR will be phased out beginning in late 2021 and will be fully discontinued by mid-2023. We believe the rate selected as the preferred alternative to LIBOR will be an acceptable replacement rate when LIBOR is discontinued. However, we cannot reasonably estimate the expected impact of the planned discontinuation of LIBOR at this time.

### **Credit Ratings**

Credit ratings by nationally recognized statistical rating agencies are an important component of our liquidity profile. Credit ratings relate to our ability to issue debt securities and the cost to borrow money, and should not be viewed as a recommendation to buy, sell or hold securities. Ratings are subject to revision or withdrawal at any time and each rating should be evaluated independently of any other rating. An explanation of these ratings may be obtained from the respective rating agency. On April 1, 2021, S&P reaffirmed the ratings of ITC Holdings and certain of our Regulated Operating Subsidiaries and revised all outlooks from negative to stable. Additional information related to our credit ratings and outlook reported by rating agencies is included in "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operation — Credit Rating" of our Form 10-K for the year ended December 31, 2020.

### **Covenants**

Our debt instruments contain numerous financial and operating covenants that place significant restrictions on certain transactions, such as incurring additional indebtedness, engaging in sale and lease-back transactions, creating liens or other encumbrances, entering into mergers, consolidations, liquidations or dissolutions, creating or acquiring subsidiaries and selling or otherwise disposing of all or substantially all of our assets. In addition, the covenants require us to meet certain financial ratios, such as maintaining certain debt to capitalization ratios and certain funds from operations to debt levels. As of September 30, 2021, we were not in violation of any debt covenant. In the event of a downgrade in our credit ratings, none of the covenants would be directly impacted, although the borrowing costs under our revolving credit agreements may increase.

### **Cash Flows From Operating Activities**

Net cash provided by operating activities was \$592 million and \$467 million for the nine months ended September 30, 2021 and 2020, respectively. The increase in cash provided by operating activities was primarily due to an increase in cash received from operating revenues of \$111 million compared to the same period in 2020 and net receipts related to the MISO ROE Complaints of \$6 million, including interest, received from customers during the nine months ended September 30, 2021 compared to net payments of \$31 million refunded to customers during the same period in 2020. This

increase was partially offset by higher payments for operation and maintenance expenses, general and administrative expenses and property taxes during the nine months ended September 30, 2021 compared to the same period in 2020.

#### **Cash Flows From Investing Activities**

Net cash used in investing activities was \$622 million and \$567 million for the nine months ended September 30, 2021 and 2020, respectively, with the increase primarily due to an increase in capital expenditures.

#### **Cash Flows From Financing Activities**

Net cash provided by financing activities was \$30 million and \$120 million for the nine months ended September 30, 2021 and 2020, respectively. The decrease in cash provided by financing activities was primarily due to a decrease in issuances of long term debt of \$805 million and an increase in net repayments of refundable deposits from generators for transmission network upgrades of \$71 million during the nine months ended September 30, 2021 compared to the same period in 2020. This decrease was partially offset by an increase in net issuances of commercial paper of \$313 million, an increase in net borrowings under our revolving credit agreements of \$243 million, a decrease in net repayments under our term loan credit agreements of \$125 million a decrease in dividend payments of \$73 million and a decrease in settlement of interest rate swaps of \$23 million during the nine months ended September 30, 2021 compared to the same period in 2020. See Note 5 to the condensed consolidated interim financial statements for a description of our revolving credit agreements and our commercial paper program.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our condensed consolidated interim financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated interim financial statements requires the application of appropriate technical accounting rules and guidance, as well as the use of estimates. The application of these policies requires judgment regarding future events.

These estimates and judgments, in and of themselves, could materially impact the condensed consolidated interim financial statements and disclosures based on varying assumptions, as future events rarely develop exactly as forecasted, and even the best estimates routinely require adjustment.

The accounting policies discussed in “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates” of our Form 10-K for the year ended December 31, 2020 are considered by management to be the most important to an understanding of the consolidated financial statements because of their significance to the portrayal of our financial condition and results of operations or because their application places the most significant demands on management’s judgment and estimates about the effect of matters that are inherently uncertain. There have been no material changes to that information during the nine months ended September 30, 2021.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

We have considered all new accounting pronouncements issued by the FASB and determined that it is not likely that any of the recently issued but not yet adopted accounting guidance may have a material impact on our condensed consolidated financial statements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Fixed Rate Debt**

Based on the borrowing rates currently available for bank loans with similar terms and average maturities, the fair value of our consolidated long-term debt and debt maturing within one year, excluding revolving credit agreements and commercial paper was \$7,063 million at September 30, 2021. The total book value of our consolidated long-term debt and debt maturing within one year, net of discount and deferred financing fees and excluding revolving credit agreements and commercial paper, was \$6,175 million at September 30, 2021. We performed an analysis calculating the impact of changes in interest rates on the fair value of long-term debt and debt maturing within one year, excluding revolving credit agreements and commercial paper at September 30, 2021. An increase in interest rates of 10% (from 5.0% to 5.5%, for example) at September 30, 2021 would decrease the fair value of debt by \$216 million, and a decrease in interest rates of 10% at September 30, 2021 would increase the fair value of debt by \$230 million at that date.

### **Revolving Credit Agreements**

At September 30, 2021, we had a consolidated total of \$239 million outstanding under our revolving credit agreements, which are variable rate loans and fair value approximates book value. A 10% increase or decrease in borrowing rates under the revolving credit agreements compared to the weighted average rates in effect at September 30, 2021 would increase or decrease interest expense by less than \$1 million for an annual period with a constant borrowing level of \$239 million.

### **Commercial Paper**

At September 30, 2021, ITC Holdings had \$180 million of commercial paper issued and outstanding, net of discount, under the commercial paper program. Due to the short-term nature of these financial instruments, the carrying value approximates fair value. A 10% increase or decrease in interest rates for commercial paper would increase or decrease interest expense by less than \$1 million for an annual period with a continuous level of commercial paper outstanding of \$180 million.

### **Derivative Instruments and Hedging Activities**

We use derivative financial instruments, including interest rate swap contracts, to manage our exposure to fluctuations in interest rates. The use of these financial instruments mitigates exposure to these risks and the variability of our operating results. We are not a party to leveraged derivatives and do not enter into derivative financial instruments for trading or speculative purposes.

As of September 30, 2021, we held a 5-year interest rate swap contract with a notional amount of \$45 million, which manages interest rate risk associated with the forecasted future issuance of fixed-rate debt at ITC Holdings, the proceeds of which will be used for the expected repayment of the ITC Holdings 2.70% Senior Notes, due November 15, 2022. See Note 5 to the condensed consolidated interim financial statements for further discussion on the interest rate swap.

### **Other**

As described in our Form 10-K for the year ended December 31, 2020, we are subject to commodity price risk from market price fluctuations, and to credit risk primarily with DTE Electric, Consumers Energy and IP&L, our primary customers. There have been no material changes in these risks during the nine months ended September 30, 2021.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that material information required to be disclosed in our reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with a company have been detected.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective, at a reasonable assurance level.

### **Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting during the three months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**



## ITEM 1. LEGAL PROCEEDINGS

See Note 11 to the condensed consolidated interim financial statements for a description of recent developments in the ROE complaints filed against all MISO TOs, including our MISO Regulated Operating Subsidiaries.

### ITEM 1A. RISK FACTORS

In light of the federal COVID-19 vaccine mandates, we are amending and restating the below risk factor entitled “The widespread outbreak of an illness or other communicable disease, including the COVID-19 pandemic, or any other public health crisis, could have a material adverse impact on our business, results of operations, financial condition, cash flows and credit metrics.” within the “Risks Related to our Business” as previously disclosed in “Item 1A Risk Factors” of our Form 10-K for the year ended December 31, 2020. Other than as set forth below, there have been no changes to the risk factors set forth in “Item 1A Risk Factors” of our Form 10-K for the year ended December 31, 2020.

***The widespread outbreak of an illness or other communicable disease, including the COVID-19 pandemic, or any other public health crisis, could have a material adverse impact on our business, results of operations, financial condition, cash flows and credit metrics.***

We could be negatively impacted by the widespread outbreak of an illness or any other communicable diseases, or any other public health crisis that results in economic and trade disruptions, including the disruption of global supply chains. COVID-19 is currently impacting the global economy, supply chains and markets. As a result of efforts to limit the spread of COVID-19, such as through various “stay in place” orders issued by states served by our transmission systems, many of the businesses that use our transmission systems, including those with large manufacturing operations, have and may continue to experience operating restrictions or temporarily shut down operations. The impact of efforts to limit the spread of COVID-19 on our business, results of operations and financial condition is uncertain and will ultimately depend on the duration and severity of the pandemic, the length that the various business restrictions are in effect, the impact of recent resurgences of COVID-19 cases and deaths in the United States, and the efficacy and distribution of COVID-19 vaccines.

We intend to comply with federal vaccine mandates, seeking to require broad categories of employees and subcontractors to be fully vaccinated against COVID-19. Our compliance poses the risk of workforce disruptions, including the possibility of resignations by our unwilling employees and employees of our subcontractors as well as difficulty securing future labor needs. Significant workforce disruptions or availability could have a material impact on our business, results of operations, financial conditions and cash flows.

We cannot predict whether, and the extent to which, COVID-19 will have a material impact on our liquidity, financial condition, and results of operations. We require access to the capital markets to fund capital investments. To the extent that our access to the capital markets is adversely affected by COVID-19, we may need to consider alternative sources of funding for our operations and for working capital, any of which may not be available and may increase our cost of capital. The extent to which COVID-19 may impact our liquidity, financial condition, and results of operations will depend on future developments, which are highly uncertain and cannot be predicted; an extended period of global supply chain and economic disruption could materially impact our business, results of operations, financial condition, cash flows and credit metrics.

**ITEM 6. EXHIBITS**

The following exhibits are filed as part of this report (unless otherwise noted to be previously filed, and therefore incorporated herein by reference). Our SEC file number is 001-32576.

<b>Exhibit No.</b>	<b>Description of Document</b>
4.55	<a href="#">Eleventh Supplemental Indenture, dated as of July 19, 2021, between Michigan Electric Transmission Company, LLC and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank), as trustee (Filed with Registrant's Form 8-K on August 3, 2021)</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Database
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: October 28, 2021

**ITC HOLDINGS CORP.**

By: /s/ Linda H. Apsey

Linda H. Apsey

President and Chief Executive Officer  
(duly authorized officer)

By: /s/ Gretchen L. Holloway

Gretchen L. Holloway

Senior Vice President and Chief Financial Officer  
(principal financial and accounting officer)