

**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, 2024

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:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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

* 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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, indicate 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 November 4, 2024.

ITC Holdings Corp.
Form 10-Q for the Quarterly Period Ended September 30, 2024

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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., a wholly-owned subsidiary of ITC Investment Holdings, and not any of ITC Holdings’ subsidiaries;
- “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 primarily to ITCTransmission, METC, ITC Midwest, and ITC Great Plains 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;
- “AOCI” 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;
- “D.C. Circuit Court” are references to the U.S. Court of Appeals for the District of Columbia Circuit;
- “DTE Electric” are references to DTE Electric Company, a wholly-owned subsidiary of DTE Energy Company;
- “Exchange Act” are references to the Securities Exchange Act of 1934, as amended;
- “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.;
- “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, passive, non-voting minority ownership interest;
- “kW” are references to kilowatts (one kilowatt equaling 1,000 watts);

- “LRTP” are references to long-range transmission plan, an initiative to build transmission projects across the MISO region;
- “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 ITCTransmission, 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;
- “PBU” are references to a performance-based unit;
- “Revolving Credit Agreement” are references to the unsecured, unguaranteed revolving credit agreement entered into by ITC Holdings, ITCTransmission, METC, ITC Midwest and ITC Great Plains dated as of April 14, 2023, which replaced and refinanced in full the previous revolving credit agreements of these companies;
- “ROE” are references to return on equity;
- “ROFR” are references to right of first refusal;
- “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;
- “SOFR” are references to the Secured Overnight Financing Rate;
- “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;
- “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, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 130	\$ 328
Accounts receivable	168	137
Inventory	73	63
Regulatory assets	23	30
Prepaid and other current assets	24	21
Total current assets	418	579
Property, plant and equipment (net of accumulated depreciation and amortization of \$2,687 and \$2,579, respectively)	11,862	11,274
Other assets		
Goodwill	950	950
Regulatory assets	179	175
Other assets	140	146
Total other assets	1,269	1,271
TOTAL ASSETS	\$ 13,549	\$ 13,124
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	\$ 122	\$ 117
Accrued compensation	47	59
Accrued interest	85	81
Accrued taxes	38	75
Regulatory liabilities	40	41
Refundable deposits and advances for construction	44	31
Debt maturing within one year	75	475
Other current liabilities	15	18
Total current liabilities	466	897
Accrued pension and postretirement liabilities	40	42
Deferred income taxes	1,503	1,411
Regulatory liabilities	771	721
Refundable deposits	15	33
Long-term debt	7,733	7,123
Other liabilities	47	43
Commitments and contingent liabilities (Notes 5 and 12)		
TOTAL LIABILITIES	10,575	10,270
STOCKHOLDER'S EQUITY		
Common stock, without par value, 235,000,000 shares authorized, 224,203,112 shares issued and outstanding at September 30, 2024 and December 31, 2023	892	892
Retained earnings	2,056	1,933
Accumulated other comprehensive income	26	29
Total stockholder's equity	2,974	2,854
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 13,549	\$ 13,124

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,	
	2024	2023	2024	2023
OPERATING REVENUES				
Transmission and other services	\$ 488	\$ 464	\$ 1,278	\$ 1,203
Formula Rate true-up	(80)	(76)	(57)	(45)
Total operating revenues	408	388	1,221	1,158
OPERATING EXPENSES				
Operation and maintenance	30	30	84	87
General and administrative	30	26	89	86
Depreciation and amortization	80	77	242	228
Taxes other than income taxes	35	34	116	109
Other operating expenses (income), net	—	—	(1)	(1)
Total operating expenses	175	167	530	509
OPERATING INCOME	233	221	691	649
OTHER EXPENSES (INCOME)				
Interest expense, net	88	82	257	234
Allowance for equity funds used during construction	(12)	(10)	(34)	(32)
Other expenses (income), net	(6)	(5)	(19)	(10)
Total other expenses (income)	70	67	204	192
INCOME BEFORE INCOME TAXES	163	154	487	457
INCOME TAX PROVISION	39	44	114	117
NET INCOME	124	110	373	340
OTHER COMPREHENSIVE (LOSS) INCOME				
Derivative instruments, net of tax	—	—	(3)	2
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX	—	—	(3)	2
TOTAL COMPREHENSIVE INCOME	\$ 124	\$ 110	\$ 370	\$ 342

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	Total Stockholder's Equity
BALANCE, DECEMBER 31, 2022	\$ 892	\$ 1,753	\$ 27	\$ 2,672
Net income	—	112	—	112
Dividends to ITC Investment Holdings	—	(70)	—	(70)
BALANCE, MARCH 31, 2023	892	1,795	27	2,714
Net income	—	118	—	118
Dividends to ITC Investment Holdings	—	(70)	—	(70)
Other comprehensive income, net of tax	—	—	2	2
BALANCE, JUNE 30, 2023	892	1,843	29	2,764
Net income	—	110	—	110
Dividends to ITC Investment Holdings	—	(71)	—	(71)
BALANCE, SEPTEMBER 30, 2023	<u>\$ 892</u>	<u>\$ 1,882</u>	<u>\$ 29</u>	<u>\$ 2,803</u>
BALANCE, DECEMBER 31, 2023	\$ 892	\$ 1,933	\$ 29	\$ 2,854
Net income	—	123	—	123
Dividends to ITC Investment Holdings	—	(86)	—	(86)
Other comprehensive loss, net of tax	—	—	(1)	(1)
BALANCE, MARCH 31, 2024	892	1,970	28	2,890
Net income	—	126	—	126
Dividends to ITC Investment Holdings	—	(76)	—	(76)
Other comprehensive loss, net of tax	—	—	(2)	(2)
BALANCE, JUNE 30, 2024	892	2,020	26	2,938
Net income	—	124	—	124
Dividends to ITC Investment Holdings	—	(88)	—	(88)
BALANCE, SEPTEMBER 30, 2024	<u>\$ 892</u>	<u>\$ 2,056</u>	<u>\$ 26</u>	<u>\$ 2,974</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,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 373	\$ 340
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	242	228
Recognition, refund and collection of revenue accruals and deferrals — including accrued interest	51	39
Deferred income tax expense	72	84
Allowance for equity funds used during construction	(34)	(32)
Share-based compensation	12	11
Other	(14)	13
Changes in assets and liabilities, exclusive of changes shown separately:		
Accounts receivable	(30)	(34)
Accounts payable	5	(2)
Accrued compensation	(13)	(10)
Accrued interest	4	25
Accrued taxes	(37)	(34)
Other current and non-current assets and liabilities, net	(14)	(33)
Net cash provided by operating activities	617	595
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(751)	(622)
Other	(9)	(13)
Net cash used in investing activities	(760)	(635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long-term debt, net	634	799
Borrowings under revolving credit agreements	841	894
Net repayment of commercial paper	—	(134)
Repayment of long-term debt	(450)	(250)
Repayments of revolving credit agreements	(814)	(745)
Dividends to ITC Investment Holdings	(250)	(211)
Refundable deposits from generators for transmission network upgrades	6	47
Repayment of refundable deposits from generators for transmission network upgrades	(17)	(21)
Other	(4)	(9)
Net cash (used in) provided by financing activities	(54)	370
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(197)	330
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	333	6
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of period	\$ 136	\$ 336

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 transmission systems in Michigan's Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri, Kansas, Oklahoma and Wisconsin 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, 2023 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.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Recently Issued Pronouncements

Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued authoritative guidance to improve reportable segment disclosure requirements, thereby enabling investors to better understand an entity's performance and assess potential future cash flows. The new guidance requires that public entities disclose, on an annual and interim basis, additional information related to significant segment expenses regularly provided to the chief operating decision maker and other segment items. The guidance also contains several other provisions, notably requiring disclosure in interim periods of all annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280 of the FASB's Accounting Standards Codification. The guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024 with early adoption permitted. We are evaluating the new guidance, but do not anticipate significant changes to our disclosures.

Enhancements to Income Tax Disclosures

In December 2023, the FASB issued authoritative guidance modifying the disclosure requirements for income tax. This update is intended to provide investors information to better assess how an entity's operations and related tax risks, tax planning and operational opportunities affect its tax rate and prospects for future cash flows. Notable changes in the new guidance include disaggregation of income tax information by jurisdiction and changes to the presentation of information for the reconciliation of effective tax rates. The guidance is effective for fiscal years beginning after December 15, 2024 with early adoption permitted. We are evaluating the new guidance, but do not anticipate significant changes to our disclosures.

3. REVENUE

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. 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 4 for information on changes in unbilled accounts receivable.

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 Note 5 for more information on our Formula Rates.

Other Services

Other services revenue consists of ancillary services relating to customer-owned plant, easement and rental revenues. A portion of other services revenue is treated as a revenue credit and taken as a reduction to gross revenue requirement when calculating net revenue requirement under our Formula Rates. Total other services revenue included in transmission and other services in the condensed consolidated statements of comprehensive income for the three months ended September 30, 2024 and 2023 was \$1 million and \$2 million, respectively. Total other services revenue for the nine months ended September 30, 2024 and 2023 was \$3 million and \$5 million, respectively.

4. 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, 2024	December 31, 2023
Trade accounts receivable	\$ 3	\$ 2
Unbilled accounts receivable	150	122
Other	15	13
Total accounts receivable	<u>\$ 168</u>	<u>\$ 137</u>

5. REGULATORY MATTERS

Cost-Based Formula Rates with True-Up Mechanism

Our Regulated Operating Subsidiaries recover expenses and earn an authorized return on and recover investments in property, plant and equipment using cost-based Formula Rates. Each of our Regulated Operating Subsidiaries separately calculates a transmission revenue requirement under their cost-based formula based on financial information specific to each company. The calculation of projected revenue

requirement for a future period, generally a calendar year, is used to establish the transmission rate used for billing purposes. The transmission revenue requirements at our Regulated Operating Subsidiaries are set annually 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 Note 12 for detail on the MISO ROE Complaints.

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. This annual true-up ensures that our Regulated Operating Subsidiaries recover their allowed costs and earn their authorized returns while also ensuring that our customers pay the actual revenue requirement.

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, 2024:

(In millions of USD)	Total
Net regulatory liabilities as of December 31, 2023	\$ (28)
Net refund of 2022 revenue deferrals and accruals, including accrued interest	9
Net revenue deferral, including accrued interest	(57)
Net accrued interest payable	(3)
Net regulatory liabilities as of September 30, 2024	<u>\$ (79)</u>

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

(In millions of USD)	September 30, 2024	December 31, 2023
Current regulatory assets	\$ 23	\$ 30
Non-current regulatory assets	15	20
Current regulatory liabilities	(40)	(41)
Non-current regulatory liabilities	(77)	(37)
Net regulatory liabilities	<u>\$ (79)</u>	<u>\$ (28)</u>

ROE and 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. The FERC issued a NOPR on March 20, 2020, and a supplemental NOPR on April 15, 2021, proposing to update its transmission incentives policy to remove incentives for independent transmission ownership and RTO participation and to grant incentives for certain transmission projects. As of September 30, 2024, no final determination had been made on these NOPRs and we cannot predict whether this will have a material impact on us.

MISO Regulated Operating Subsidiaries

For the three and nine months ended September 30, 2024 and 2023, the authorized ROE used by the MISO Regulated Operating Subsidiaries was 10.77% and is composed of a base ROE of 10.02% with a 25 basis point adder for independent transmission ownership and a 50 basis point adder for RTO participation. See Note 12 for a discussion of the MISO ROE Complaints.

ITC Great Plains

For the three and nine months ended September 30, 2024 and 2023, the authorized ROE used by ITC Great Plains was 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.

6. DEBT

ITC Holdings

Senior Unsecured Notes

On May 9, 2024, ITC Holdings completed a debt issuance of \$400 million aggregate principal amount of unsecured 5.65% Senior Notes, due May 9, 2034. The 5.65% Senior Notes are redeemable prior to February 9, 2034, in whole or in part and at the option of ITC Holdings, by paying an applicable make whole premium. The net proceeds from this offering, after discount and costs related to the issuance, were used to partially fund the repayment of the \$400 million aggregate principal amount of ITC Holdings 3.65% Senior Notes due June 15, 2024 and for general corporate purposes. The Senior Notes were issued under ITC Holdings' indenture, dated April 18, 2013, between ITC Holdings and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, as supplemented from time to time, including by the Eighth Supplemental Indenture, dated as of May 9, 2024.

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. At September 30, 2024 and December 31, 2023, ITC Holdings did not have any commercial paper issued and outstanding under the program. The Company's Revolving Credit Agreement may be used to repay commercial paper issued pursuant to the commercial paper program.

ITCTransmission

First Mortgage Bonds

On January 23, 2024, ITCTransmission issued an aggregate principal amount of \$75 million of 5.11% First Mortgage Bonds, Series K, due January 23, 2029 and an aggregate principal amount of \$75 million of 5.38% First Mortgage Bonds, Series L, due January 23, 2034. The proceeds were used to repay existing indebtedness under the Revolving Credit Agreement, to partially fund capital expenditures and for general corporate purposes. All of ITCTransmission's First Mortgage Bonds are issued under its First Mortgage and Deed of Trust and secured by a first mortgage lien on substantially all of its real property and tangible personal property.

METC

Senior Secured Notes

On November 1, 2023, METC completed a private offering of Senior Secured Notes totaling an aggregate principal amount of \$175 million. The offering consisted of an issuance of \$90 million on November 1, 2023 of 5.65% Series A Senior Secured Notes due November 1, 2028 and an issuance of \$85 million on January 16, 2024 of 5.98% Series B Senior Secured Notes due January 16, 2034. The proceeds from the Senior Secured Notes were used to repay indebtedness under the 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.

ITC Great Plains

First Mortgage Bonds

On June 24, 2024, ITC Great Plains completed a partial redemption of \$50 million of the \$150 million aggregate principal amount of 4.16% First Mortgage Bonds, Series A, due November 26, 2044. There was no make-whole premium payment associated with the redemption.

Revolving Credit Agreement

At September 30, 2024, ITC Holdings and certain of its Regulated Operating Subsidiaries had the following unguaranteed, unsecured revolving credit facility available and outstanding:

(In millions of USD)	Total Available Capacity (a)	Outstanding Balance (b)	Unused Capacity	Weighted Average Interest Rate on Outstanding Balance (c)	Commitment Fee Rate (d)
ITC Holdings	\$ 350	\$ —	\$ 350	— %	0.175 %
ITC Transmission	175	43	132	5.89 %	0.100 %
METC	175	29	146	5.89 %	0.100 %
ITC Midwest	225	200	25	5.89 %	0.100 %
ITC Great Plains	75	66	9	5.89 %	0.100 %
Total	<u>\$ 1,000</u>	<u>\$ 338</u>	<u>\$ 662</u>		

- (a) Represents the current borrowing sublimit. Individual sublimits may be adjusted, subject to certain maximum individual sublimits and the aggregate limit under the Revolving Credit Agreement. In June 2024, we adjusted our current borrowing sublimits, which resulted in an increase to ITC Great Plains of \$50 million and a decrease to ITC Holdings of \$50 million.
- (b) Included within long-term debt on the condensed consolidated statements of financial position.
- (c) Interest charged on borrowings depends on the variable rate structure we elect at the time of each borrowing.
- (d) Calculation based on the average daily unused commitments, subject to adjustment based on the borrower's credit rating.

Derivative Instruments and Hedging Activities

We use derivative financial instruments to manage our exposure to fluctuations in interest rates. ITC Holdings entered into the following derivative instruments that qualified for cash flow hedge accounting treatment. The contracts are used to manage interest rate risk associated with forecasted debt issuances at ITC Holdings.

(In millions of USD)	Notional Amount	Weighted Average Fixed Rate	Loss on Derivatives (a)	Term (In years)	Effective Date
Outstanding derivative instruments					
Interest rate swaps	\$ 105	3.17 %	\$ —	5	Q2 2026
Settled derivative instruments					
U.S. Treasury rate lock contracts (b)	300	4.66 %	3	5	Q2 2024

- (a) This amount, recorded net of tax in AOCI, is amortized as a component of interest expense over the term of the derivative instrument as the forecasted transactions affect earnings. See Note 9 for additional information.
- (b) The settlement payment was recognized within cash flows from operating activities in the condensed consolidated statements of cash flows.

7. 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 adjust our funding as necessary based on consideration of federal funding requirements, the funded status of the plan, and other considerations as we deem appropriate.

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.

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

(In millions of USD)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Service cost	\$ 2	\$ 1	\$ 6	\$ 5
Interest cost	1	2	5	5
Expected return on plan assets	(2)	(2)	(6)	(5)
Net pension cost	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 5</u>

The components of net pension cost, other than the service cost component, are included in other expenses (income), 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 (the “postretirement benefit plan”).

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

(In millions of USD)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Service cost	\$ 1	\$ 1	\$ 5	\$ 5
Interest cost	1	2	4	4
Expected return on plan assets	(2)	(2)	(6)	(5)
Amortization of unrecognized gain	(1)	(1)	(4)	(3)
Net postretirement (credit) cost	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ 1</u>

The components of net postretirement (credit) cost, other than the service cost component, are included in other expenses (income), 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 and \$2 million for the three months ended September 30, 2024 and 2023, respectively, and \$6 million for each of the nine months ended September 30, 2024 and 2023.

8. 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, 2024 and the year ended December 31, 2023, there were no transfers between levels.

Our assets measured at fair value subject to the three-tier hierarchy at September 30, 2024, 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 and cash equivalents	\$ 1	\$ —	\$ —
Mutual funds — fixed income securities	43	—	—
Mutual funds — equity securities	15	—	—
Total	\$ 59	\$ —	\$ —

Our assets measured at fair value subject to the three-tier hierarchy at December 31, 2023, 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	\$ 44	\$ —	\$ —
Mutual funds — equity securities	14	—	—
Total	\$ 58	\$ —	\$ —

As of September 30, 2024 and December 31, 2023, we held certain assets that are required to be measured at fair value on a recurring basis. The assets 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 7 and certain deferred compensation plan investments. 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 other expenses (income), net in the condensed consolidated statements of comprehensive income.

As of September 30, 2024, the fair value of both assets and liabilities related to the gains and losses on the interest rate swap derivatives, discussed in Note 6, were less than \$1 million. The fair value of these derivatives is determined based on a discounted cash flow method using SOFR 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, 2024 and 2023.

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 borrowings on the Revolving Credit Agreement, was \$7,061 million and \$6,660 million at September 30, 2024 and December 31, 2023, 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 borrowings on the Revolving Credit Agreement, was \$7,470 million and \$7,287 million at September 30, 2024 and December 31, 2023, respectively.

Revolving Credit Agreement

At September 30, 2024 and December 31, 2023, we had a consolidated total of \$338 million and \$311 million, respectively, outstanding under our Revolving Credit Agreement, which is a variable rate loan. The fair value of the loan approximates book value based on the borrowing rates currently available for a variable rate loan obtained from third party lending institutions. The fair value represents Level 2 under the three-tier hierarchy described above.

Other Financial Instruments

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

9. STOCKHOLDER'S EQUITY

Accumulated Other Comprehensive Income

The following table provides the components of changes in AOCI:

(In millions of USD)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Balance at the beginning of period	\$ 26	\$ 29	\$ 29	\$ 27
Derivative instruments				
Reclassification of net gain relating to interest rate cash flow hedges from AOCI to earnings (net of tax of \$—, \$—, \$(1) and \$—, respectively) (a)	—	—	(1)	(1)
(Loss) gain on interest rate swaps relating to interest rate cash flow hedges (net of tax of \$—, \$—, \$(1) and \$1, respectively)	—	—	(2)	3
Total other comprehensive (loss) income, net of tax	—	—	(3)	2
Balance at the end of period	\$ 26	\$ 29	\$ 26	\$ 29

(a) The reclassification of the net gain relating to interest rate cash flow hedges is reported in interest expense, net in the condensed consolidated statements of comprehensive income on a pre-tax basis.

The amount of net gain relating to interest rate cash flow hedges to be reclassified from AOCI to earnings for the 12-month period ending September 30, 2025 is expected to be approximately \$3 million (net of tax of \$1 million).

10. SHARE-BASED COMPENSATION

In 2024, 316,690 PBUs and 267,700 SBUs were granted pursuant to our long-term incentive plans. Beginning in 2024, each PBU and SBU granted is valued based on one share of Fortis common stock traded on the New York Stock Exchange. All PBUs and SBUs are classified as liability awards and generally vest on the third January 1st following the grant date, provided the service and performance criteria, as applicable, are satisfied, and will generally be settled during the same quarter. However, certain awards may vest over a different period or on the grant date based on retirement eligibility criteria or other award terms.

The aggregate fair value of all outstanding PBUs and SBUs as of September 30, 2024 was \$36 million and \$33 million, respectively. At September 30, 2024, the unrecognized compensation cost related to the PBUs and SBUs was \$12 million and \$13 million, respectively.

11. RELATED PARTY TRANSACTIONS

ITC Holdings may incur charges from Fortis and other affiliates of Fortis that are not subsidiaries of ITC Holdings ("Fortis and Fortis affiliates") 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.

Periodically, we pay dividends to ITC Investment Holdings as shown in the condensed consolidated statements of cash flows. In October 2024, we paid dividends of \$93 million.

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. See Note 13 for information on income tax payments made to ITC Investment Holdings.

(In millions of USD)	September 30, 2024	December 31, 2023
Statements of financial position activity:		
Accounts receivable from Fortis and Fortis affiliates	\$ —	\$ 1
Net income tax receivable from ITC Investment Holdings (a)	2	—
Net income tax payable to ITC Investment Holdings (b)	—	6

(a) Recorded in prepaid and other current assets on the condensed consolidated statements of financial position.

(b) Recorded in accrued taxes on the condensed consolidated statements of financial position.

(In millions of USD)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Comprehensive income statements activity:				
Billed from Fortis and Fortis affiliates (a)	\$ 2	\$ 2	\$ 10	\$ 9
Billed to Fortis and Fortis affiliates (b)	—	1	3	2

(a) Recorded in general and administrative expenses in the condensed consolidated statements of comprehensive income.

(b) Recorded as an offset to general and administrative expenses for ITC Holdings.

12. 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, require reporting of emissions from certain equipment, 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 financial condition, results of operations 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 polychlorinated biphenyls. 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 may include proceedings such as 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 under Section 206 of the FPA requesting that the FERC find the MISO regional base ROE rate (the “base ROE”) for all MISO TOs, 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 MISO 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.

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 administrative law judge 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 an order issued by the FERC on November 21, 2019 and the dismissal of the complaint was reaffirmed in the May 2020 Order.

Previous FERC Orders

Since the filing of the Initial Complaint, the FERC issued three separate orders in these proceedings resulting in multiple revisions to the base ROE and refund settlements. The MISO TOs, along with our MISO Regulated Operating Subsidiaries, and various other parties have challenged certain aspects of these orders through requests for rehearing. In the May 2020 Order, the FERC determined that a methodology using three financial models should be used to determine the base ROE. By applying the new methodology, the 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 order issued by the FERC on September 28, 2016 prospectively. The FERC ordered refunds to be made in accordance with the May 2020 Order. Refund settlements were finalized in 2022.

August 2022 D.C. Circuit Court Decision

On August 9, 2022, in response to appeals of the FERC's orders on the MISO ROE Complaints, the D.C. Circuit Court issued an opinion that rejected the FERC's use of a risk premium model in the methodology used to determine the revised base ROE for MISO TOs. The D.C. Circuit Court decision vacated the FERC's orders on the MISO ROE Complaints, dismissed the remaining outstanding appeals of these orders and remanded the matter to the FERC for further proceedings.

October 2024 Order

On October 17, 2024, in response to the August 2022 D.C. Circuit Court decision, the FERC issued an order on the MISO ROE Complaints that revised the methodology used to determine base ROE put forth in the May 2020 Order. In this order, the FERC removed the use of the risk premium model from the calculation, while maintaining other modifications to the methodology as described in previous orders on the MISO ROE Complaints. By applying the revised methodology, the FERC determined that the base ROE for the Initial Complaint should be 9.98% for all MISO TOs, including our MISO Regulated Operating Subsidiaries, and the top of the range of reasonableness for that period should be 12.58%. 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 order issued by the FERC on September 28, 2016 prospectively. The FERC ordered refunds to be made in accordance with the order by December 1, 2025. The FERC also reaffirmed its previous finding that no refunds would be ordered on the Second Complaint. We expect to record an aggregate refund liability of approximately \$26 million, including interest, in the fourth quarter of 2024 in accordance with the refund provisions of the order.

See Note 5 for a summary of our authorized ROE, which is composed of our base ROE and incentive adders for transmission rates.

13. 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,	
	2024	2023	2023	2022
Cash and cash equivalents	\$ 130	\$ 331	\$ 328	\$ 4
Restricted cash included in other non-current assets	6	5	5	2
Total cash, cash equivalents and restricted cash	\$ 136	\$ 336	\$ 333	\$ 6

Supplementary Cash Flows Information

(In millions of USD)	Nine Months Ended	
	September 30,	
	2024	2023
Interest paid (net of interest capitalized)	\$ 247	\$ 204
Income taxes paid (a)	50	43
Non-cash investing and financing activities:		
Additions to property, plant and equipment and other long-lived assets (b)	128	94
Allowance for equity funds used during construction	34	32
Other	—	1

- (a) Includes amounts paid to ITC Investment Holdings under a tax sharing agreement. Payments made directly to certain state jurisdictions were \$1 million and less than \$1 million for the nine months ended September 30, 2024 and 2023, respectively.
- (b) 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, 2024 or 2023, 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.

14. 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,	
	2024	2023	2024	2023
OPERATING REVENUES:				
Regulated Operating Subsidiaries	\$ 416	\$ 397	\$ 1,249	\$ 1,185
Intercompany eliminations	(8)	(9)	(28)	(27)
Total operating revenues	<u>\$ 408</u>	<u>\$ 388</u>	<u>\$ 1,221</u>	<u>\$ 1,158</u>
INCOME (LOSS) BEFORE INCOME TAXES:				
Regulated Operating Subsidiaries	\$ 207	\$ 194	\$ 613	\$ 578
ITC Holdings and other	(44)	(40)	(126)	(121)
Total income before income taxes	<u>\$ 163</u>	<u>\$ 154</u>	<u>\$ 487</u>	<u>\$ 457</u>
NET INCOME:				
Regulated Operating Subsidiaries	\$ 157	\$ 150	\$ 465	\$ 440
ITC Holdings and other	124	110	373	340
Intercompany eliminations	(157)	(150)	(465)	(440)
Total net income	<u>\$ 124</u>	<u>\$ 110</u>	<u>\$ 373</u>	<u>\$ 340</u>

TOTAL ASSETS: (In millions of USD)	September 30, 2024	December 31, 2023
Regulated Operating Subsidiaries	\$ 13,292	\$ 12,664
ITC Holdings and other	7,087	6,988
Reconciliations / intercompany eliminations (a)	(6,830)	(6,528)
Total assets	<u>\$ 13,549</u>	<u>\$ 13,124</u>

(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 on 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," "could," "might," "target," "would," and the negative of these terms, 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, 2023:

- 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.
- 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.
- A cyber-attack or incident could have a material adverse effect on our business, financial condition, results of operations and cash flows.
- 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.

- The physical effects of climate change, including natural disasters, severe weather and other related phenomena, and the regulatory and legislative developments related to climate change, may have a material adverse effect on our business, financial condition, results of operations and cash flows.
- 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.
- Changes in tax laws or regulations may negatively affect our financial condition, results of operations, net income, cash flows and credit metrics.
- The widespread outbreak of an illness or other communicable disease, or any other public health crisis, could have a material adverse impact on our business, financial condition, results of operations, cash flows and credit metrics.
- Acts of war, terrorist attacks and other catastrophic events may have a material adverse effect on our business, financial condition, results of operations and cash flows.
- 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 provides safe and reliable electric transmission service to connect consumers to more sustainable and cost-effective energy resources. ITC Holdings continues to make investments in a modernized grid to maintain reliability and accommodate future demands as lifestyles and the economy become increasingly dependent on electricity.

Our business consists primarily of the electric transmission operations of our Regulated Operating Subsidiaries. Through our Regulated Operating Subsidiaries, we own, operate, maintain and invest in high-voltage transmission systems in Michigan's Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri, Kansas, Oklahoma and Wisconsin that transmit electricity from generating stations to local distribution facilities connected to our transmission systems.

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.

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 in Note 5 to the condensed consolidated interim financial statements.

Significant matters that influenced our financial condition, results of operations and cash flows for the nine months ended September 30, 2024 or that may affect future results include:

- Our capital expenditures of \$751 million at our Regulated Operating Subsidiaries during the nine months ended September 30, 2024, as described below under “ — Capital Investment and Operating Results Trends;”
- Debt activity, including derivatives, as described in Note 6 to the condensed consolidated interim financial statements;
- Rulings from the Iowa Supreme Court and Iowa District Court for Polk County on ROFR proceedings, as described below under “ — Recent Developments;”
- The August 2022 D.C. Circuit Court decision and the order issued by the FERC in October 2024 related to the MISO ROE Complaints, as described in Note 12 to the condensed consolidated interim financial statements; and
- NOPR issued by the FERC proposing changes to transmission incentives policy, as described in Note 5 to the condensed consolidated interim financial statements.

Recent Developments

Rate of Return on Equity Complaints

In 2013 and 2015, complaints were filed with the FERC by combinations of consumer advocates, consumer groups, municipal parties and other parties challenging the base ROE for MISO TOs. In response to these complaints, the FERC has issued multiple orders to address issues raised in the complaints and subsequent proceedings. See Note 12 to the condensed consolidated interim financial statements for a summary of the MISO ROE Complaints and related proceedings.

On October 17, 2024, in response to an August 2022 D.C. Circuit Court decision to remand the matter to the FERC for further proceedings, the FERC issued an order on the MISO ROE Complaints that revised the methodology used to determine base ROE put forth in the May 2020 Order. In this order, the FERC removed the use of the risk premium model from the calculation, while maintaining other modifications to the methodology as described in previous orders on the MISO ROE Complaints. By applying the revised methodology, the FERC determined that the base ROE for the Initial Complaint should be 9.98% for all MISO TOs, including our MISO Regulated Operating Subsidiaries, and the top of the range of reasonableness for that period should be 12.58%. 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 order issued by the FERC on September 28, 2016 prospectively. The FERC ordered refunds to be made in accordance with the order by December 1, 2025. The FERC also reaffirmed its previous finding that no refunds would be ordered on the Second Complaint. We expect to record an aggregate refund liability of approximately \$26 million, including interest, in the fourth quarter of 2024 in accordance with the refund provisions of the order.

FERC Order No. 1920

On May 13, 2024, the FERC issued a final rule (“Order 1920”) to reform electric transmission planning and cost allocation requirements for transmission providers and introduce federally mandated planning rules for all regions (including MISO and SPP) to undertake long-term regional transmission planning efforts on a regular basis. The final rule specifies various requirements for the long-term planning process, including the consideration of a broad set of benefits for new projects identified through the process and the filing of one or more cost allocation methodologies for facilities identified through long-term regional transmission planning. In addition, the final rule addresses a number of other aspects of the electric transmission planning process, which include:

- Reinstating a ROFR at the federal level for in-kind replacement of existing transmission facilities to increase their transfer capability, known as “right-sizing”;
- Mandating the consideration of advanced technologies for long-term regional transmission planning;
- Reforming transmission planning at the local level, including enhancing stakeholder engagement and participation;

- Requiring RTOs to address certain needs related to generator interconnections in their planning and cost allocation processes; and
- Enhancing interregional transmission coordination procedures among transmission providers in neighboring regions.

Order 1920 became effective on August 12, 2024. We are still assessing the impact of the rule to our operations. A number of rehearing requests have been filed by various parties, including us, requesting the FERC to revise or clarify various aspects of the rule. Our request for rehearing is narrowly focused on certain aspects of the rule's requirement that transmission providers reevaluate under certain circumstances the benefits of transmission facilities selected through long-term regional transmission planning. In addition to requests for rehearing, a number of parties have filed petitions for review with various circuit courts, which have been consolidated and assigned to the U.S. Court of Appeals for the Fourth Circuit. We will continue to monitor developments related to these challenges while implementing processes to address new requirements under the final rule.

Iowa Right of First Refusal and First Tranche of MISO's LRTP

In 2020, the State of Iowa enacted a state law that granted incumbent Iowa electric transmission owners, including ITC Midwest, a ROFR to construct, own and maintain certain electric transmission assets in the state. On October 14, 2020, LS Power Midcontinent, LLC and Southwest Transmission, LLC sued the Iowa Utilities Commission (formerly known as the Iowa Utilities Board) and several individual defendants, seeking a judgment that the ROFR provisions violated the Iowa Constitution and requesting a temporary injunction of the ROFR until the case was resolved. The case was dismissed in district court based on the plaintiffs' lack of standing in the case and the court of appeals later affirmed the district court's ruling.

Following appeal, on March 24, 2023, the Iowa Supreme Court issued an opinion that the plaintiffs have standing to challenge the ROFR provision, thereby vacating the decision of the court of appeals, reversing the district court's judgment and remanding the case to the Iowa District Court for Polk County to determine the merits regarding the constitutionality of the ROFR statute. As part of this opinion, the Iowa Supreme Court also issued a temporary injunction staying the enforcement of the ROFR. However, ITC Midwest had already exercised its right to construct certain electric transmission projects approved and awarded by MISO, as the decision for assignment of the first tranche of LRTP projects in Iowa was finalized by MISO on July 25, 2022. MISO is the only entity charged with determining what projects are to be competitively bid pursuant to its tariff.

On December 4, 2023, the Iowa District Court for Polk County issued a decision finding that the manner in which Iowa's ROFR statute was passed is unconstitutional. The court did not make any determination on the merits of the ROFR itself. The district court issued a permanent injunction preventing ITC Midwest and others from taking further action to construct the first tranche of Iowa's LRTP projects in reliance on the ROFR. However, the district court ordered that the injunction does not prohibit ITC Midwest from seeking approval from the Iowa Utilities Commission to construct projects included in the first tranche of LRTP, so long as the approval is unrelated to a claim under the ROFR statute. ITC Midwest filed for reconsideration of the district court's decision with respect to the scope of the injunction. On March 19, 2024, the district court issued an order denying all motions for reconsideration of its decision. ITC Midwest appealed this order on April 17, 2024.

On July 5, 2024, the Iowa Supreme Court granted a motion filed by ITC Midwest requesting a stay of the injunction issued by the district court while the district court's orders are appealed. LS Power Midcontinent, LLC and Southwest Transmission, LLC requested quorum review of the stay of the injunction. On August 7, 2024, the Iowa Supreme Court vacated the stay and reinstated the injunction.

On May 28, 2024, MISO confirmed commencement of a variance analysis process on the grounds that there was an inability to construct a portion of the first tranche of MISO's LRTP projects in Iowa due to the injunction imposed by the district court order. On August 29, 2024, MISO publicly posted the conclusion of the variance analysis whereby its Competitive Transmission Executive Committee, which maintains authority to oversee and implement variance analyses pursuant to the MISO tariff, reaffirmed MISO's assignment of ownership and construction responsibility for the portion of the first tranche of MISO's LRTP projects in Iowa to ITC Midwest and MidAmerican Energy Company. The total estimated capital investment in Iowa is approximately \$900 million for the first tranche of MISO's LRTP, including approximately \$800 million in our plan for forecasted capital expenditures for the period from 2025 through 2029. Approximately 70% of ITC Midwest's first tranche of MISO's LRTP projects are upgrades to existing ITC Midwest facilities in Iowa along existing rights of way, which

under MISO's tariff grants ITC Midwest the option to construct the upgrades regardless of the outcome of the ROFR proceedings. While the results of MISO's variance analysis process allow ITC Midwest to move forward with development of its portion of the first tranche of MISO's LRTP projects in Iowa, uncertainty remains around the ultimate resolution of these matters. See below under " — Capital Investment and Operating Results Trends" for additional information on impacts to our future estimated capital investments from MISO's LRTP.

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. These revenue accruals and deferrals are recorded to the condensed consolidated statements of financial position within regulatory assets or regulatory liabilities, respectively. Refer to Note 5 to the condensed consolidated interim financial statements for additional information. 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, economic conditions and other significant factors, 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 weather, economic conditions and other factors on monthly network peak loads at our MISO Regulated Operating Subsidiaries.

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. We expect increases in rate base to result in a corresponding long-term upward trend in revenues and earnings. Our revenues and earnings may be impacted by future increases or decreases to our rates for ROE incentive adders and base ROE. As of September 30, 2024, our Regulated Operating Subsidiaries had a total of approximately \$6 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 \$6 million. See Note 5 and Note 12 to the condensed consolidated interim financial statements for additional information related to matters that may impact future rates for incentive adders and base ROE.

Our Regulated Operating Subsidiaries incur significant costs to invest in their transmission systems and maintain the assets on their systems. While we have been impacted by increases in inflation and supply chain disruptions, these challenges have not had a material impact on our current or forecasted capital expenditures. We work closely with our suppliers to manage costs and deliveries of required materials and supplies and attempt to ensure that our asset and inventory purchases adequately support our construction and maintenance activities. In response to these challenges, we have increased levels of certain materials and supplies inventories over time to help reduce risks related to global supply chain constraints. We continue to evaluate and monitor the potential impacts of these macroeconomic trends on our forecasted capital expenditures and maintenance activities.

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 to enhance system reliability and accommodate load growth; (2) interconnect new renewable generation resources; (3) upgrade physical and technological grid security to protect critical infrastructure; and (4) expand access to electricity markets to reduce the overall cost of delivered energy to customers.

In addition to future investments identified through our planning studies, MISO continues to identify capital investment needs through its LRTP initiative. The objective of this initiative is to ensure grid reliability while integrating the different operating characteristics of new generation resources and increase resiliency of the grid during severe weather events. The MISO LRTP will result in additional capital investments across MISO's Midwest subregion, including investments for our MISO Regulated Operating Subsidiaries. In addition to projects that were previously identified by MISO in the first tranche of this plan, on September 24, 2024 MISO published a final portfolio of an additional tranche of 24 LRTP projects ("Tranche 2.1") with estimated total associated transmission costs of approximately \$22 billion. Tranche 2.1 requires MISO board approval, which is currently anticipated in December 2024. Based on the MISO portfolio of Tranche 2.1 projects, we expect at least \$3 billion of additional capital investments for our MISO Regulated Operating Subsidiaries. At this time, these estimated future capital investments only include projects from the Tranche 2.1 portfolio that are located within our footprint in Michigan and Minnesota. We currently anticipate that the majority of these investments will occur beyond our plan for forecasted capital expenditures for the years 2025 through 2029.

The following table shows our actual and expected capital expenditures at our Regulated Operating Subsidiaries:

(In millions of USD)	Actual Capital Expenditures for the Nine Months Ended September 30, 2024	Forecasted Capital Expenditures 2025 — 2029
Expenditures for property, plant and equipment (a)	\$ 751	\$ 5,837

(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.

Results of Operations

(In millions of USD)	Three Months Ended		Increase	Percentage	Nine Months Ended		Increase	Percentage
	September 30,				Increase	Percentage		
	2024	2023	(Decrease)	(Decrease)			2024	2023
OPERATING REVENUES								
Transmission and other services	\$ 488	\$ 464	\$ 24	5 %	\$ 1,278	\$ 1,203	\$ 75	6 %
Formula Rate true-up	(80)	(76)	(4)	(5)%	(57)	(45)	(12)	(27)%
Total operating revenues	408	388	20	5 %	1,221	1,158	63	5 %
OPERATING EXPENSES								
Operation and maintenance	30	30	—	— %	84	87	(3)	(3)%
General and administrative	30	26	4	15 %	89	86	3	3 %
Depreciation and amortization	80	77	3	4 %	242	228	14	6 %
Taxes other than income taxes	35	34	1	3 %	116	109	7	6 %
Other operating expenses (income), net	—	—	—	n/a	(1)	(1)	—	— %
Total operating expenses	175	167	8	5 %	530	509	21	4 %
OPERATING INCOME	233	221	12	5 %	691	649	42	6 %
OTHER EXPENSES (INCOME)								
Interest expense, net	88	82	6	7 %	257	234	23	10 %
Allowance for equity funds used during construction	(12)	(10)	(2)	(20)%	(34)	(32)	(2)	(6)%
Other expenses (income), net	(6)	(5)	(1)	(20)%	(19)	(10)	(9)	(90)%
Total other expenses (income)	70	67	3	4 %	204	192	12	6 %
INCOME BEFORE INCOME TAXES	163	154	9	6 %	487	457	30	7 %
INCOME TAX PROVISION	39	44	(5)	(11)%	114	117	(3)	(3)%
NET INCOME	\$ 124	\$ 110	\$ 14	13 %	\$ 373	\$ 340	\$ 33	10 %

Operating Revenues

The following table sets forth the components of and changes in operating revenues for the three months ended September 30, 2024 and 2023, which included revenue accruals and deferrals, as described in Note 5 to the condensed consolidated interim financial statements:

(In millions of USD)	2024		2023		Increase	Percentage
	Amount	Percentage	Amount	Percentage		
					(Decrease)	(Decrease)
Network revenues (a)	\$ 295	72 %	\$ 276	71 %	\$ 19	7 %
Regional cost sharing revenues (a)	99	24 %	96	25 %	3	3 %
Point-to-point	5	1 %	5	1 %	—	— %
Scheduling, control and dispatch (a)	4	1 %	5	1 %	(1)	(20)%
Other	5	2 %	6	2 %	(1)	(17)%
Total	\$ 408	100 %	\$ 388	100 %	\$ 20	5 %

(a) Includes a portion of Formula Rate true-up revenue.

The following table sets forth the components of and changes in operating revenues for the nine months ended September 30, 2024 and 2023, which included revenue accruals and deferrals, as described in Note 5 to the condensed consolidated interim financial statements:

(In millions of USD)	2024		2023		Increase (Decrease)	Percentage Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Network revenues (a)	\$ 871	72 %	\$ 815	71 %	\$ 56	7 %
Regional cost sharing revenues (a)	296	24 %	288	25 %	8	3 %
Point-to-point	16	1 %	15	1 %	1	7 %
Scheduling, control and dispatch (a)	14	1 %	15	1 %	(1)	(7)%
Other	24	2 %	25	2 %	(1)	(4)%
Total	<u>\$ 1,221</u>	<u>100 %</u>	<u>\$ 1,158</u>	<u>100 %</u>	<u>\$ 63</u>	<u>5 %</u>

(a) Includes a portion of Formula Rate true-up revenue.

Operating revenues for the three and nine months ended September 30, 2024 increased compared to the same periods in 2023 primarily due to higher rate base associated with higher balances of property, plant and equipment in service and resulting return. Other contributors included increased recoverable operating expenses.

Other Expenses (Income)

Interest expense, net

Interest expense, net increased for the three and nine months ended September 30, 2024 compared to the same periods in 2023 primarily due to higher overall debt balances and higher interest rates on long-term debt issuances, partially offset by a reduction of balances of commercial paper and revolving credit agreements. See Note 6 to the condensed consolidated interim financial statements for additional information.

Other expenses (income), net

Other expenses (income), net decreased for the three and nine months ended September 30, 2024 compared to the same periods in 2023 primarily due to an increase in interest income and gain on certain investments associated with our supplemental benefit plans.

Income Tax Provision

Income tax provision decreased for the three and nine months ended September 30, 2024 compared to the same periods in 2023 primarily due to the lowa tax rate reduction announced in September 2023 that required the remeasurement of certain deferred tax balances. As a result, we recognized an increase in deferred tax expense in September 2023.

Liquidity and Capital Resources

We expect to maintain our approach of funding our future capital requirements with our cash and cash equivalents, including cash provided by operations at our Regulated Operating Subsidiaries, future issuances under our commercial paper program and amounts available under our Revolving Credit Agreement (the terms of which are described in Note 6 to the condensed consolidated interim financial statements). In addition, we may secure fixed 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 5 and 12 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, 2023. There have been no material changes to that information since December 31, 2023, other than the items listed below and described in Note 6 to the condensed consolidated interim financial statements.

- The pricing of \$250 million of First Mortgage Bonds at ITC Midwest with an expected funding date in December 2024. The issuance will consist of \$125 million of 11-year term 4.88% First Mortgage Bonds and \$125 million of 19-year term 5.25% First Mortgage Bonds. The proceeds from the bonds are expected to be used to repay \$75 million aggregate principal amount of 4.60% First Mortgage Bonds, Series D due 2024, to repay ITC Midwest's borrowings under the Revolving Credit Agreement, to partially fund capital expenditures and for general corporate purposes.

We believe that we have sufficient capital resources to meet our currently anticipated short-term (within twelve months) needs. However, we rely on both internal and external sources of liquidity to provide working capital and fund capital investments. 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. Additionally, we will continue to monitor and assess interest rates and the lending environment to inform our funding strategy, including the utilization of various types of debt instruments.

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 ITC Holdings.

To address our short-term (within twelve months) cash requirements, we expect to utilize our cash and cash equivalents, including cash provided by operations at our Regulated Operating Subsidiaries, our Revolving Credit Agreement and long-term debt financing, as needed. In addition, ITC Holdings may use its commercial paper program to issue an aggregate amount not to exceed \$400 million outstanding at any one time. As of September 30, 2024, we had consolidated indebtedness under our Revolving Credit Agreement of \$338 million, with unused capacity under our Revolving Credit Agreement of \$662 million. ITC Holdings did not have any commercial paper issued and outstanding as of September 30, 2024.

To address our future long-term capital requirements, we expect that we will need to obtain additional long-term debt financing. Certain of our capital projects could be delayed if we experience difficulties in accessing capital. 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.

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. 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, 2023.

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, 2024, 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 Agreement may increase.

Cash Flows

(In millions of USD)	Nine Months Ended		Increase (Decrease)	Percentage Increase (Decrease)
	September 30,			
	2024	2023		
Cash flows provided by (used in):				
Operating activities	\$ 617	\$ 595	\$ 22	4 %
Investing activities	(760)	(635)	125	20 %
Financing activities	(54)	370	424	115 %
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (197)	\$ 330		

Cash Flows From Operating Activities

Net cash provided by operating activities increased primarily due to an increase in cash received from operating revenues of \$76 million and an increase in interest earned on balances of cash and cash equivalents of \$4 million during the nine months ended September 30, 2024 compared to the same period in 2023. This increase was partially offset by an increase in interest paid, an increase in property taxes paid, an increase in income taxes paid and a net decrease due to the settlement of interest rate swaps of \$43 million, \$7 million, \$7 million and \$7 million, respectively, during the nine months ended September 30, 2024 compared to the same period in 2023.

Cash Flows From Investing Activities

Net cash used in investing activities increased primarily due to an increase in capital expenditures during the nine months ended September 30, 2024 compared to the same period in 2023.

Cash Flows From Financing Activities

Net cash used in financing activities increased primarily due to an increase in repayments of long-term debt of \$200 million, a decrease in issuances of long-term debt of \$165 million, a decrease in net borrowings under our revolving credit agreements of \$122 million, an increase in dividend payments of \$39 million and a decrease in net refundable deposits from generators for transmission network upgrades of \$37 million during the nine months ended September 30, 2024 compared to the same period in 2023. This increase was partially offset by a decrease in net repayments of commercial paper of \$134 million during the nine months ended September 30, 2024 compared to the same period in 2023.

Critical Accounting 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 judgments 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 Estimates” of our Form 10-K for the year ended December 31, 2023 are considered by management to be the most important to an understanding of the condensed consolidated interim 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, 2024.

Recent Accounting Pronouncements

See Note 2 to the condensed consolidated interim financial statements for information related to recently issued FASB guidance.

SEC Rules on Enhancement and Standardization of Climate-Related Disclosures

In March 2024, the SEC adopted rules to enhance and standardize climate-related disclosures. The final rules require disclosure of the following information in the footnotes to the financial statements, subject to certain materiality thresholds:

- Financial statement effects of severe weather events and other natural conditions;
- Impacts to estimates and assumptions used to produce financial statements associated with severe weather events and other natural conditions or any disclosed climate-related targets or transition plans; and
- Financial statement effects related to carbon offsets or renewable energy credits/certificates used as part of plans to achieve climate-related goals.

In addition, registrants will be required to disclose outside of the financial statements information about: the material impact of climate-related risks on its strategy, business model and outlook; risk management processes for, and governance and oversight activities of those risks; and material climate-related targets or goals. Information related to material greenhouse gas emissions will be required for certain registrants, but will not be required for us based on our current filer status.

The final rules include a phased-in compliance period for all registrants, with the compliance date dependent on the registrant's filer status and the content of the disclosure. Based on our current filer status, we will be required to comply with the final rules beginning with our annual report for the fiscal year beginning January 1, 2027. We are assessing the new climate-related disclosure rules, awaiting decisions on their legal status and determining an implementation plan to comply with the disclosure requirements in accordance with the prescribed timeline.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As described in our Form 10-K for the year ended December 31, 2023, we are subject to: (1) interest rate risk on our fixed rate debt, Revolving Credit Agreement, commercial paper program and derivative instruments and hedging activities; (2) commodity price risk from market price fluctuations; and (3) 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, 2024.

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 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 the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2024 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

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 may 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.

See Note 12 to the condensed consolidated interim financial statements for a description of certain pending legal proceedings, which description is incorporated herein by reference.

ITEM 1A. RISK FACTORS

For information regarding risk factors affecting us, see “Item 1A Risk Factors” of our Form 10-K for the year ended December 31, 2023. There have been no material changes to the risk factors set forth therein.

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.

<u>Exhibit No.</u>	<u>Description of Document</u>
***10.218	Letter Agreement between ITC Holdings Corp. and Linda H. Apsey, effective as of July 17, 2024
***10.219	Employment Agreement between ITC Holdings Corp. and Krista K. Tanner, effective as of July 17, 2024
***10.220	Letter Agreement, dated as of August 1, 2024, between ITC Holdings Corp. and Gretchen Holloway
31.1	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
31.2	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
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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, 2024, formatted in Inline XBRL and contained in Exhibit 101

Management contract or compensatory plan or arrangement filed herewith

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: November 4, 2024

ITC HOLDINGS CORP.

By: /s/ Linda H. Apsey

Linda H. Apsey
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)