ITC Holdings Corp.
Form 424B3
May 21, 2018

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PROSPECTUS

ITC Holdings Corp.

$500,000,000 2.700% SENIOR NOTES DUE 2022

$500,000,000 3.350% SENIOR NOTES DUE 2027

We are offering to exchange (i) all outstanding $500,000,000 aggregate principal amount of our 2.700% senior notes due 2022 (the "outstanding 2022 notes") for an equal amount of 2.700% senior notes due 2022 (the "exchange 2022 notes") and (ii) all outstanding $500,000,000 aggregate principal amount of our 3.350% senior notes due 2027 (the "outstanding 2027 notes" and, together with the outstanding 2022 notes, the "outstanding notes") for an equal amount of 3.350% senior notes due 2027 (the "exchange 2027 notes" and, together with the exchange 2022 notes, the "exchange notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act") (such transactions, collectively, the "exchange offers").

We are conducting the exchange offers in order to provide you with an opportunity to exchange your unregistered notes for freely tradable notes that have been registered under the Securities Act.

The Exchange Offers

We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of the applicable series of exchange notes that are freely tradable.

You may withdraw tenders of outstanding notes at any time prior to 11:59 p.m., New York City time, on the last business day on which the exchange offers remain open.

The exchange offers expire at 11:59 p.m., New York City time, on June 18, 2018, unless extended. We do not currently intend to extend the expiration date.

The exchange of outstanding notes for exchange notes in the exchange offers will not be a taxable event for United States federal income tax purposes.

We will not receive any proceeds from the exchange offers.

The Exchange Notes

The exchange notes are being offered in order to satisfy certain of our obligations under the registration rights agreement entered into in connection with the placement of the outstanding notes.

The terms of the exchange notes to be issued in the exchange offers are substantially identical to the applicable series of the outstanding notes, except that the exchange notes will have been registered under the Securities Act and will be freely tradable.

Resale of Exchange Notes

The exchange notes may be sold in the over-the-counter market, in negotiated transactions or through a combination of such methods. We do not plan to list the exchange notes on a national securities exchange.

All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offers, we do not currently anticipate that we will register resales of the outstanding notes under the Securities Act.

See "Risk Factors" beginning on page 12 of this preliminary prospectus (this "prospectus") for a discussion of certain risks that you should consider before participating in the exchange offers.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the exchange notes to be distributed in the exchange offers or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 21, 2018.

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We have not authorized anyone to provide you with any additional information or any information that is different from that contained in this prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus may be used only for the purposes for which it has been published, and no person has been authorized to give any information not contained herein. The information contained in this prospectus is accurate only as of its respective date. Our business, financial condition, results of operations and prospects may have changed since that date. We are not making an offer of these securities in any state where the offer is not permitted.

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ABOUT THIS PROSPECTUS

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

"Ancillary Services Agreement" are references to the Amended and Restated Purchase and Sale Agreement for Ancillary Services entered into by METC and Consumers Energy dated as of April 29, 2002;

"ASU" are references to FASB Accounting Standards Updates;

"Board" are references to the board of directors of ITC Holdings;

"CIA" are references to the Coordination and Interconnection Agreement entered into by ITCTransmission and DTE Electric dated as of February 28, 2003;

"Company," "we," "our" and "us" are references to ITC Holdings together with all of its subsidiaries;

"Consumers Energy" are references to Consumers Energy Company, a wholly-owned subsidiary of CMS Energy Corporation;

"DOE" are references to the Department of Energy;

"DT Interconnection Agreement" are references to the Amended and Restated Distribution-Transmission Interconnection Agreement entered into by METC and Consumers Energy dated April 1, 2001 and most recently amended and restated effective as of January 1, 2015;

"DTE Electric" are references to DTE Electric Company, a wholly-owned subsidiary of DTE Energy;

"DTE Energy" are references to DTE Energy Company;

"DTIA" are references to the Distribution-Transmission Interconnection Agreement entered into by ITC Midwest and IP&L dated as of December 17, 2007 and amended and restated effective as of December 1, 2016;

"Easement Agreement" are references to the Amended and Restated Easement Agreement entered into by METC and Consumers Energy dated April 29, 2002 and as further supplemented;

"Eiffel" are references to Eiffel Investment Pte Ltd, a private limited company duly organized and validly existing under the laws of Singapore that is the GIC subsidiary that is a minority investor in Investment Holdings and successor to Finn Investment Pte Ltd;

"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 that is used to calculate rates;

"Fortis" are references to Fortis Inc.;

"FortisUS" are references to FortisUS Inc., an indirect subsidiary of Fortis;

"FPA" are references to the Federal Power Act;

"GAAP" are references to accounting principles generally accepted in the United States of America;

"Generator Interconnection Agreement" are references to the Amended and Restated Generator Interconnection Agreement entered into by Consumers Energy and METC dated as of April 29, 2002 and most recently amended effective as of October 1, 2016;

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"GIC" are references to GIC Private Limited;

"GIOA" are references to the Generator Interconnection and Operation Agreement entered into by DTE Electric and ITCTransmission dated as of February 28, 2003;

"Initial Complaint" are references to a November 2013 complaint to the FERC under Section 206 of the FPA regarding ROE;

"Investment Holdings" are references to ITC Investment Holdings Inc., a majority owned indirect subsidiary of Fortis in which GIC has an indirect minority interest;

"IP&L" are references to Interstate Power and Light Company, an Alliant Energy Corporation subsidiary;

"IRS" are references to the Internal Revenue Service;

"ISO" are references to Independent System Operators;

"ITC Great Plains" are references to ITC Great Plains, LLC, a wholly-owned subsidiary of ITC Grid Development, LLC;

"ITC Grid Development" are references to ITC Grid Development, LLC, a wholly-owned subsidiary of ITC Holdings;

"ITC Holdings" and "Issuer" are references to ITC Holdings Corp. and not to any of its subsidiaries;

"ITC Interconnection" are references to ITC Interconnection LLC, a wholly-owned subsidiary of ITC Grid Development, LLC;

"ITC Michigan" are references to ITCTransmission and METC, collectively;

"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;

"kV" are references to kilovolts (one kilovolt equaling 1,000 volts);

"kW" are references to kilowatts (one kilowatt equaling 1,000 watts);

"LBA" are references to a Local Balancing Authority;

"LGIA" are references to the Large Generator Interconnection Agreement entered into by ITC Midwest, IP&L, and MISO dated as of December 20, 2007 and amended as of August 6, 2013;

"LIBOR" are references to the London Interbank Offered Rate;

"MECS" are references to the Michigan Electric Coordinated Systems;

"Merger" are references to the merger with Fortis, whereby ITC Holdings merged with Merger Sub and subsequently became a majority owned indirect subsidiary of Fortis;

"Merger Agreement" are references to the agreement and plan of merger between Fortis, FortisUS, Merger Sub and ITC Holdings for the Merger;

"Merger Sub" are references to Element Acquisition Sub, Inc., an indirect subsidiary of Fortis that merged into ITC Holdings in the Merger;

"METC" are references to Michigan Electric Transmission Company, LLC, a wholly-owned subsidiary of MTH;

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"Mid-Kansas" are references to Mid-Kansas Electric Company LLC;

"Mid-Kansas Agreement" are references to an Amended and Restated Maintenance Agreement entered into by Mid-Kansas and ITC Great Plains dated as of August 24, 2010, and most recently amended effective as of June 1, 2015;

"MISO" are references to the Midcontinent Independent System Operator, Inc., a FERC-approved regional transmission organization 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 Regulated Operating Subsidiaries" are references to ITCTransmission, METC and ITC Midwest together;

"MOA" are references to the Master Operating Agreement entered into by ITCTransmission and DTE Electric dated as of February 28, 2003;

"Moody's" are references to Moody's Investor Services, Inc.;

"MTH" are references to Michigan Transco Holdings, LLC, the sole member of METC and an indirect wholly-owned subsidiary of ITC Holdings;

"MVPs" are references to multi-value projects, which have been determined by MISO to have regional value while meeting near-term system needs;

"NERC" are references to the North American Electric Reliability Corporation;

"NYSE" are references to the New York Stock Exchange;

"Operating Agreement" are references to the Amended and Restated Operating Agreement entered into by Consumers Energy and METC dated as of April 29, 2002;

"Order 1000" are references to FERC Order No. 1000;

"OSA" are references to the Operations Services Agreement for 34.5 kV Transmission Facilities entered into by ITC Midwest and IP&L effective as of January 1, 2011;

"PCBs" are references to polychlorinated biphenyls;

"Regulated Operating Subsidiaries" are references to ITCTransmission, METC, ITC Midwest and ITC Great Plains and ITC Interconnection together;

"ROE" are references to return of equity;

"RTO" are references to Regional Transmission Organizations;

"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 ROE;

"September 2016 Order" are references to an order issued by the FERC on September 28, 2016 regarding ROE complaints;

"Shareholders Agreement" are references to the Shareholders' Agreement, dated as of October 14, 2016 by and among the Company, Investment Holdings, FortisUS, Eiffel (as successor to Finn Investment Pte Ltd), and any other person that becomes a shareholder of Investment Holdings pursuant to such agreement;

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"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;

"Standard and Poor's" are references to Standard and Poor's Ratings Services;

"TCJA" are references to the Tax Cuts and Jobs Act of 2017, a comprehensive tax reform bill enacted on December 22, 2017;

"TO" are references to transmission owners;

"ULCS" are references to Utility Lines Construction Services LLC; and

"$" are references to United States dollars.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports and other information with the SEC. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished are available to the public through the SEC's Internet site at http://www.sec.gov and free of charge through our website at http://www.itc-holdings.com as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on our website, however, is not and should not be deemed a part of this prospectus. You may also read and copy any document we file with the SEC at the Office of Investor Education and Advocacy located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference facilities.

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FORWARD-LOOKING INFORMATION

This prospectus includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as defined in the U.S. Private Securities Litigation Reform Act of 1995. We intend that those statements be covered by the safe harbors created under those laws. Forward-looking statements include statements concerning future business conditions, our plans and prospects, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, business trends, the outlook for our business and the electric transmission industry, expectations with respect to various legal and regulatory proceedings and other information that is not historical information. When used in this prospectus, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes" and "forecasts" or future or conditional verbs, such as "will," "should," "could" or "may," and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, management's examination of historical operating trends and data, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, we cannot assure you that management's expectations, beliefs and projections will be achieved. There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus. Such risks, uncertainties and other important factors which could cause our actual results to differ materially from those suggested by our forward-looking statements are set forth in this prospectus, and include, among others:

- Certain elements of our Regulated Operating Subsidiaries' Formula Rates can be and have been challenged, which could result in lowered rates and/or refunds of amounts previously collected and thus have an adverse effect on our business, financial condition, results of operations and cash flows.

- The TCJA and any future changes in tax laws or regulations may negatively affect our results of operations, net income, financial condition 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 expect to incur expenses related to the pursuit of development 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.

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We contract with third parties to provide services for certain aspects of our business. If any of these agreements are terminated, we may face a shortage of labor or replacement contractors to provide the services formerly provided by these third parties.

Hazards associated with high-voltage electricity transmission may result in suspension of our operations, costly litigation or the imposition of civil or criminal penalties.

We are subject to environmental regulations and to laws that can give rise to substantial liabilities from environmental contamination.

If amounts billed for transmission service for our Regulated Operating Subsidiaries' transmission systems are lower than expected, or our actual revenue requirements are higher than expected, the timing of actual collection of our total revenues would be delayed.

We are subject to various regulatory requirements, including reliability standards; contract filing requirements; reporting, recordkeeping and accounting requirements; and transaction approval requirements. Violations of these requirements, whether intentional or unintentional, may result in penalties that, under some circumstances, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Acts of war, terrorist attacks, cyber attacks, natural disasters, severe weather and other catastrophic events may have a material adverse effect on our business, financial condition, results of operations and cash flows.

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.

Other risk factors discussed herein and listed from time to time in our public filings with the SEC.

Because our forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual results could be materially different and any or all of our forward-looking statements may turn out to be wrong. 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 prospectus 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. Actual future results may vary materially.

Except as required by law, we undertake no obligation to publicly correct or update any of our forward-looking or other statements in this prospectus, whether as a result of new information, future events, or otherwise.

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SUMMARY

You should read the following summary together with the entire prospectus, including our consolidated financial statements and related notes. You should carefully consider, among other things, the matters discussed in "Risk Factors" in this prospectus before participating in the exchange offers.

The Company

About ITC Holdings

Our business consists primarily of the electric transmission operations of our Regulated Operating Subsidiaries. ITC Holdings was incorporated in the State of Michigan in 2002. Our business strategy is to own, operate, maintain and invest in transmission infrastructure in order to enhance system integrity and reliability, reduce transmission constraints and support new generating resources to interconnect to our transmission systems. We also are pursuing development projects not within our existing systems, which are also intended to improve overall grid reliability, reduce transmission constraints and facilitate interconnections of new generating resources, as well as enhance competitive wholesale electricity markets. We own and operate high voltage electricity transmission systems in Michigan's Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma that transmit electricity from generating stations to local distribution facilities connected to our systems.

As electric transmission utilities whose rates are regulated by the FERC, our Regulated Operating Subsidiaries earn revenues for the use of their electric transmission systems by our 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. The rates charged by our Regulated Operating Subsidiaries are established using cost-based formula rates.

On October 14, 2016, ITC Holdings and Fortis completed the merger contemplated by the agreement and plan of sale dated February 9, 2016 among ITC Holdings, Fortis and certain affiliates of Fortis, pursuant to which Fortis acquired an 80.1% indirect equity interest in ITC Holdings through Investment Holdings, which owns all of our outstanding common stock, and GIC Private Limited acquired an indirect 19.9% equity interest in ITC Holdings through Investment Holdings.

Corporate Information

Our principal executive offices are located at 27175 Energy Way, Novi, Michigan 48377 and our telephone number at that address is (248) 946-3000. ITC Holdings' website is located at www.itc-holdings.com. The information on our website is not part of this prospectus.

Risk Factors

You should carefully consider the information set forth under the section entitled "Risk Factors" beginning on page 12 of this prospectus as well as the other information contained in this prospectus before participating in the exchange offers.

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The Exchange Offers

On November 14, 2017, we completed the private offering of $500 million aggregate principal amount of our 2.700% senior notes due 2022 (the "outstanding 2022 notes") and $500 million aggregate principal amount of our 3.350% senior notes due 2027 (the "outstanding 2027 notes" and, together with the outstanding 2022 notes, the "outstanding notes"). In this prospectus, the term "exchange notes" refers to the 2.700% senior notes due 2022, as registered under the Securities Act, together with the 3.350% senior notes due 2027, as registered under the Securities Act. The term "notes" refers to both the outstanding notes and the exchange notes.

General	In connection with the private offering of the outstanding notes, the Issuer of the outstanding notes entered into a registration rights agreement with the initial purchasers, in which the Issuer agreed, among other things, to use commercially reasonable efforts to cause to be filed with the SEC and to become effective a registration statement covering an offer to exchange the outstanding notes for exchange notes of the applicable series within 365 days after the date of issuance of the outstanding notes and to complete the exchange offers for the outstanding notes prior to the 30th business day after the date on which such registration statement is declared effective by the SEC. You are entitled to exchange in the exchange offers your outstanding notes for exchange notes of the applicable series, which are identical in all material respects to the outstanding notes except: the exchange notes have been registered under the Securities Act; the exchange notes are not entitled to any registration rights which are applicable to the outstanding notes under the registration rights agreement; certain additional interest rate provisions are not applicable to the exchange notes; and the initial interest payment date is different.
The Exchange Offers	We are offering to exchange up to $500 million aggregate principal amount of 2.700% senior notes due 2022 and up to $500 million aggregate principal amount of 3.350% senior notes due 2027. You may only exchange outstanding notes in denominations of $2,000 and integral multiples of $1,000 in excess of $2,000.
Resale	Based on interpretations by the staff of the SEC, set forth in no-action letters issued to third parties, we believe that the exchange notes issued pursuant to the exchange offers in exchange for the outstanding notes of the applicable series may be offered for resale, resold and otherwise transferred by you (unless you are our "affiliate" within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

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	you are acquiring the exchange notes in the ordinary course of your business; and
	you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the exchange notes.
	If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making or other trading activities, you must acknowledge that you will deliver this prospectus, as required by law, in connection with any resale or other transfer of the exchange notes that you receive in the exchange offers. See "Plan of Distribution."
	Any holder of outstanding notes who:
	is our affiliate;
	does not acquire exchange notes in the ordinary course of its business; or
	tenders its outstanding notes in the exchange offers with the intention to participate, or for the purpose of participating, in a distribution of exchange notes
	cannot rely on the position of the staff of the SEC enunciated in *Morgan Stanley & Co. Incorporated* (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to *Shearman & Sterling* (available July 2, 1993), or similar no-action letters and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.
Expiration Date	The exchange offers will expire at 11:59 p.m., New York City time, on June 18, 2018, unless extended by the Issuer. The Issuer currently does not intend to extend the expiration date for either exchange offer.
Withdrawal	You may withdraw the tender of your outstanding notes at any time prior to 11:59 p.m., New York City time, on June 18, 2018. The Issuer will return to you any of your outstanding notes that are not accepted for any reason for exchange, without expense to you, promptly after the expiration or termination of the applicable exchange offer.
Conditions to the Exchange Offers	The exchange offers are subject to customary conditions described in "The Exchange Offers Conditions to the Exchange Offers." We will not be required to accept for exchange, or to issue any exchange notes in exchange for, any outstanding notes, and we may terminate or amend the exchange offers if we determine in our reasonable judgment that:

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- the exchange offers or the making of any exchange by a holder violates any applicable law or applicable interpretations of the staff of the SEC;
- any action or proceeding has been instituted or threatened in any court or by any governmental agency with respect to the exchange offers; or
- any governmental approval shall not have been obtained that we deem necessary for the consummation of the exchange offers.

Procedures for Tendering Outstanding Notes

If you wish to participate in the exchange offers, you must complete, sign and date the accompanying letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must then mail or otherwise deliver the letter of transmittal, together with the outstanding notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal.

If you hold outstanding notes through The Depository Trust Company, or "DTC," and wish to participate in the exchange offers, you must comply with the Automated Tender Offer Program procedures of DTC by which you will agree to be bound by the letter of transmittal. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among things:

- you are not our "affiliate" within the meaning of Rule 405 under the Securities Act;
- you have no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the exchange notes in violation of the provisions of the Securities Act;
- you are acquiring the exchange notes in the ordinary course of your business; and
- if you are a broker-dealer that will receive exchange notes for your own account in exchange for outstanding notes that were acquired as a result of market-making or other trading activities, you will deliver a prospectus, as required by law, in connection with any resale of such exchange notes.

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Special Procedures for Beneficial Owners	If you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender those outstanding notes in the exchange offers, you should contact the registered holder promptly and instruct the registered holder to tender those outstanding notes on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your outstanding notes, either make appropriate arrangements to register ownership of the outstanding notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.
Guaranteed Delivery Procedures	If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the letter of transmittal and any other required documents, or you cannot comply with the DTC Automated Tender Offer Program for transfer of book-entry interests prior to the expiration date, you must tender your outstanding notes according to the guaranteed delivery procedures set forth in this prospectus under "The Exchange Offers Guaranteed Delivery Procedures."
Effect on Holders of Outstanding Notes	As a result of the making of, and upon timely acceptance for exchange of all validly tendered outstanding notes pursuant to the terms of the exchange offers, the Issuer will have fulfilled a covenant under the registration rights agreement. Accordingly, there will be no increase in the applicable interest rate on the outstanding notes under the circumstances described in the registration rights agreement. If you do not tender your outstanding notes in the exchange offers, you will continue to be entitled to all the rights and limitations applicable to the applicable series of outstanding notes as set forth in the indenture governing the notes, except the Issuer will not have any further obligation to you to provide for the registration of untendered outstanding notes under the registration rights agreement. To the extent that outstanding notes are tendered and accepted in the exchange offers, the trading market for outstanding notes of the applicable series that are not so tendered and accepted could be adversely affected.

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Consequences of Failure to Exchange	All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offers, the Issuer does not currently anticipate that it will register resales of the outstanding notes under the Securities Act.
Certain United States Federal Income Tax Consequences of the Exchange Offers	The exchange of outstanding notes for the applicable series of exchange notes in the exchange offers will not be a taxable event for United States federal income tax purposes. See "Certain United States Federal Income Tax Consequences of the Exchange Offers."
Regulatory Approvals	Other than compliance with the Securities Act and qualification of the indenture governing the notes under the Trust Indenture Act, there are no federal or state regulatory requirements that must be complied with or approvals that must be obtained in connection with the exchange offers.
Use of Proceeds	We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offers. See "Use of Proceeds."
Exchange Agent	Wells Fargo Bank, National Association is the exchange agent for the exchange offers. The contact information for the exchange agent is set forth in the section captioned "The Exchange Offers Exchange Agent."

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The Exchange Notes

Issuer	ITC Holdings Corp.
Securities Offered	$500 million aggregate principal amount of 2.700% senior notes due 2022 and $500 million aggregate principal amount of 3.350% senior notes due 2027.
Maturity	The exchange 2022 notes will mature on November 15, 2022; and The exchange 2027 notes will mature on November 15, 2027.
Interest Rate	The exchange 2022 notes will bear interest at a rate of 2.700% per annum; and The exchange 2027 notes will bear interest at a rate of 3.350% per annum.
Interest Payment Dates	On May 15 and November 15 of each year, beginning on November 15, 2018.
Ranking	The exchange notes are our direct, senior unsecured obligations and will rank equally in right of payment with all of ITC Holdings' existing and future senior unsecured indebtedness, including approximately $1,750 million aggregate principal amount of ITC Holdings' other senior notes and amounts outstanding from time to time under ITC Holdings' $400 million revolving credit facility entered into in 2017 and amounts outstanding under ITC Holdings' commercial paper program dated June 8, 2015. The exchange notes will be structurally subordinated to all existing and future indebtedness and other obligations of our subsidiaries, including trade payables and: $710 million aggregate principal amount of first mortgage bonds of ITCTransmission and amounts outstanding from time to time under the $100 million ITCTransmission revolving credit facility; $475 million aggregate principal amount of senior secured notes of METC and amounts outstanding from time to time under the $100 million METC revolving credit facility; $910 million aggregate principal amount of first mortgage bonds of ITC Midwest, and amounts outstanding from time to time under the $225 million ITC Midwest revolving credit facility; and $150 million aggregate principal amount of first mortgage bonds of ITC Great Plains and amounts outstanding from time to time under the $75 million ITC Great Plains revolving credit facility. As of March 31, 2018, the aggregate amount outstanding under our and our subsidiaries' existing revolving credit facilities was $209 million, and no amounts were outstanding under the commercial paper program. See "Description of the Exchange Notes Ranking."

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	For more information, see Note 9 to the consolidated financial statements and Note 7 to the unaudited condensed consolidated interim financial statements included in this prospectus.
Optional Redemption	We may redeem any of the exchange notes at our option, in whole at any time or in part from time to time, at the redemption prices described under "Description of the Exchange Notes Optional Redemption."
Certain Covenants	The terms of the indenture restrict our ability to, among other things, create liens, engage in sale and lease-back transactions, engage in consolidations or mergers or sell substantially all of our assets. These restrictions are subject to a number of important qualifications and exceptions which are described under "Description of the Exchange Notes."
Events of Default	If an event of default occurs, the principal amount of the exchange notes then outstanding, together with any accrued interest, may be declared immediately due and payable, except that upon the occurrence of certain bankruptcy related events of default, such principal and interest will become immediately payable without any such declaration. See "Description of the Exchange Notes."
Absence of Public Market for the Exchange Notes	The exchange notes will be freely tradeable but will be new issues of securities, and there is currently no established trading market for the exchange notes. We do not intend to apply for a listing of the exchange notes on any securities exchange or an automated dealer quotation system. Accordingly, a liquid market for the exchange notes may not develop. The initial purchasers in the private offering of the outstanding notes have informed us that they currently intend to make a market in the exchange notes; however, they are not obligated to do so, and they may discontinue any such market-making activities at any time without notice.
Use of Proceeds	We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offers. See "Use of Proceeds."
Governing Law	The exchange notes and documents related to the issuance of the exchange notes will be governed by and construed in accordance with the laws of the State of New York.
Risk Factors	See "Risk Factors" beginning on page 12 and other information included in this prospectus for a discussion of factors you should carefully consider before participating in the exchange offers.

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Summary Historical Financial Data

The following table sets forth summary historical financial data for each of the years in the three-year period ended December 31, 2017, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The summary historical financial data as of December 31, 2017 and 2016 and for the three years ended December 31, 2017, 2016 and 2015 has been derived from, and should be read in conjunction with, our audited consolidated financial statements and the accompanying notes included elsewhere in this prospectus. The summary historical financial data as of December 31, 2015 has been derived from our audited consolidated financial statements not included herein.

The summary historical consolidated financial information presented below as of March 31, 2018 and for the three month periods ended March 31, 2018 and 2017 has been derived from our unaudited condensed consolidated interim financial statements included elsewhere in this prospectus. The summary historical financial data as of March 31, 2017 has been derived from our unaudited condensed consolidated interim financial statements not included herein. The unaudited financial data presented have been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments, consisting only of normal and recurring adjustments necessary for a fair presentation of the results for those periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

The summary consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as our audited consolidated financial statements and the related notes thereto included in this prospectus. The summary consolidated financial data reflects our adoption on a retrospective basis of ASU 2017-07 for the presentation of net periodic pension cost and net periodic postretirement benefit cost. See Note 2 to the unaudited condensed consolidated interim financial statements.

Our historical results are not necessarily indicative of our future results.

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CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER FINANCIAL DATA

	Three Months Ended March 31,		Year Ended December 31,		
(In millions)	**2018**	**2017**	**2017**	**2016**	**2015**
OPERATING REVENUES	$ 279	$ 298	$ 1,211	$ 1,125	$ 1,045
OPERATING EXPENSES					
Operation and maintenance	23	29	110	114	113
General and administrative	31	31	121	234	140
Depreciation and amortization	44	41	169	158	145
Taxes other than income taxes	27	24	103	93	82
Other operating income and expense net			(2)	(1)	(1)
Total operating expenses	125	125	501	598	479
OPERATING INCOME	154	173	710	527	566
OTHER EXPENSES (INCOME)					
Interest expense net	55	53	224	211	204
Allowance for equity funds used during construction	(9)	(8)	(33)	(35)	(28)
Other (income) and expense net		1	4	8	6
Total other expenses (income)	46	46	195	184	182
INCOME BEFORE INCOME TAXES	108	127	515	343	384
INCOME TAX PROVISION	26	47	196	97	142
NET INCOME	$ 82	$ 80	$ 319	$ 246	$ 242

OTHER FINANCIAL DATA					
Ratio of earnings to fixed charges(a)	2.86	3.27	3.19	2.52	2.79

(a) Our ratio of earnings to fixed charges were computed based on "earnings," which consist of net income before income taxes and fixed charges, excluding capitalized interest; and "fixed charges," which consist of interest expense including capitalized interest. The ratio of earnings to fixed charges was 3.03 and 2.95 for the years ended December 31, 2014 and 2013, respectively.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,		
(In millions, except share data)	**2018**	**2017**	**2017**	**2016**	**2015**
ASSETS					
Current assets					
Cash and cash equivalents	$ 110	6	66	8	14
Accounts receivable	106	122	119	108	104
Inventory	30	29	29	29	26
Regulatory assets	17	46	18	53	15
Income tax receivable	2	14	15	17	
Prepaid and other current assets	11	21	13	18	10
Total current assets	276	238	260	233	169
Property, plant and equipment (net of accumulated depreciation and amortization of $1,710, $1,608, $1,675, $1,575 and $1,488, respectively)	7,455	6,862	7,309	6,698	6,110
Other assets					
Goodwill	950	950	950	950	950
Intangible assets (net of accumulated amortization of $36, $33, $35, $32 and $28, respectively)	40	42	41	43	46
Regulatory assets	211	275	197	247	233
Other	63	53	66	52	47
Total other assets	1,264	1,320	1,254	1,292	1,276
TOTAL ASSETS	$ 8,995	8,420	8,823	8,223	7,555

LIABILITIES AND STOCKHOLDER'S EQUITY					
Current liabilities					
Accounts payable	$ 110	104	97	100	124
Accrued compensation	15	13	28	14	24
Accrued interest	59	48	60	54	53
Accrued taxes	43	42	57	49	44
Regulatory liabilities	195	157	183	129	45
Refundable deposits from generators for transmission network upgrades	14	31	3	17	3
Debt maturing within one year	50	809	100	235	395
Other	34	36	34	35	31
Total current liabilities	520	1,240	562	633	719
Accrued pension and postretirement liabilities	73	73	74	68	62
Deferred income taxes	631	1,013	601	964	735
Regulatory liabilities	621	109	619	249	255
Refundable deposits from generators for transmission network upgrades	15	15	29	27	18
Other	20	17	17	26	23
Long-term debt	5,163	4,005	5,001	4,355	4,034
Commitments and contingent liabilities(a)					
STOCKHOLDER'S EQUITY					
Common stock, without par value, 235,000,000 shares authorized as of December 31, 2017, and 224,203,112 shares issued and outstanding at March 31, 2018, March 31, 2017, December 31, 2017 and 2016 and 152,699,077 shares issued and outstanding at December 31, 2015	892	892	892	892	829
Retained earnings	1,057	1,054	1,026	1,007	876
Accumulated other comprehensive income	3	2	2	2	4

Total stockholder's equity		1,952	1,948	1,920	1,901	1,709
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$	8,995	8,420	8,823	8,223	7,555

(a) Please refer to Notes 5 and 17 to the consolidated financial statements and to Notes 5 and 14 to the unaudited condensed consolidated interim financial statements.

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RISK FACTORS

You should carefully consider the following risk factors and all other information contained in this prospectus before participating in the exchange offers. The risks and uncertainties described below are not the only risks facing us and your investment in the exchange notes. Additional risks and uncertainties that we are unaware of, or those we currently deem immaterial, also may become important factors that affect us. The following risks could materially and adversely affect our business, financial condition, cash flows or results of operations.

Risks Relating to Our Capital Structure, Financial Leverage, the Exchange Notes and to the Exchange Offers

There may be adverse consequences to you if you do not exchange your outstanding notes.

If you do not exchange your outstanding notes for exchange notes in the exchange offers, you will continue to be subject to restrictions on the transfer of your outstanding notes as set forth in the offering memorandum dated November 9, 2017 distributed in connection with the private offering of the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act. You should refer to "Summary The Exchange Offers" and "The Exchange Offers" for information about how to tender your outstanding notes.

The tender of outstanding notes under the exchange offers will reduce the outstanding amount of the applicable series of outstanding notes, which may have an adverse effect upon, and increase the volatility of, the market prices of the outstanding notes due to a reduction in the liquidity of the market for the outstanding notes.

Your ability to transfer the exchange notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the exchange notes.

We are offering the exchange notes to the holders of the outstanding notes. The outstanding notes were offered and sold in November 2017 to qualified institutional investors in a private offering.

We do not intend to apply for a listing of the exchange notes on a securities exchange or on any automated dealer quotation system. There is currently no established market for the exchange notes, and we cannot assure you that any market may develop for the exchange notes, as to the liquidity of any such markets, of your ability to sell the exchange notes or as to the price at which you would be able to sell the exchange notes at any time. If such markets were to exist, the exchange notes could trade at prices that may be lower than their principal amount or your purchase price depending on many factors, including prevailing interest rates, the market for similar notes, our financial and operating performance and other factors. The initial purchasers in the private offering of the outstanding notes have advised us that they currently intend to make a market with respect to the exchange notes. However, these initial purchasers are not obligated to do so, and any such market making activity with respect to the exchange notes may be discontinued at any time without notice. In addition, such market making activity may be limited during the pendency of the exchange offers or the effectiveness of a shelf registration statement in lieu thereof. Therefore, we cannot assure you that an active market for the exchange notes will develop or, if developed, that it will continue.

Certain persons who participate in the exchange offers must deliver a prospectus in connection with resales of the exchange notes.

Based on interpretations of the staff of the SEC contained in *Exxon Capital Holdings Corp.*, SEC no-action letter (available April 13, 1988), *Morgan Stanley & Co. Inc.*, SEC no-action letter (available

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June 5, 1991) and *Shearman & Sterling*, SEC no-action letter (available July 2, 1993), we believe that you may offer for resale, resell or otherwise transfer the exchange notes without compliance with the registration and prospectus delivery requirements of the Securities Act. However, in some instances described in this prospectus under "Plan of Distribution," certain holders of exchange notes will remain obligated to comply with the registration and prospectus delivery requirements of the Securities Act to transfer the exchange notes. If such a holder transfers any exchange notes without delivering a prospectus meeting the requirements of the Securities Act or without an applicable exemption from registration under the Securities Act, such a holder may incur liability under the Securities Act. We do not and will not assume, or indemnify such a holder against, this liability.

Because ITC Holdings is the sole obligor of the exchange notes, and its subsidiaries do not guarantee ITC Holdings' obligations under the exchange notes, the exchange notes are structurally subordinated to the debt and other liabilities of our subsidiaries and the assets of those subsidiaries may not be available to make payments on the exchange notes.

ITC Holdings has no operations of its own, and its material cash inflows are only from dividends and other payments received from time to time from its subsidiaries. None of our subsidiaries will guarantee ITC Holdings' obligations under the exchange notes. The exchange notes are structurally subordinated to all of the debt and other liabilities of ITC Holdings' subsidiaries. As of March 31, 2018, ITC Holdings' subsidiaries had an aggregate of $2,485 million in debt outstanding, $2,226 million of which was secured by their respective assets. All of ITC Holdings' subsidiaries may incur additional debt in the future and the exchange notes have no limitations on their ability to do so. In the event that any of ITC Holdings' subsidiaries become insolvent, liquidate, reorganize, dissolve or otherwise wind up, holders of that subsidiary's debt and its trade creditors generally will be entitled to payment on their claims from the assets of that subsidiary before any of those assets are made available to ITC Holdings. Consequently, the claims of holders of the exchange notes will be effectively subordinated to all of the debt and other liabilities of ITC Holdings' subsidiaries, including trade payables.

The exchange notes are not secured by our assets; consequently any future secured creditors will be entitled to remedies which would give them priority over the holders of the exchange notes to collect amounts due to them.

In addition to being structurally subordinated to the existing and future debt of ITC Holdings' subsidiaries, the exchange notes will not be secured by any of our assets, which consist in material part of the capital stock of ITCTransmission, the direct ownership interest in ITC Midwest, the indirect ownership interests in ITC Interconnection, METC and ITC Great Plains, deferred tax assets and cash. Because the exchange notes are our unsecured obligations, the right of repayment of the holders of the exchange notes may be compromised relative to any future secured creditors if we enter into bankruptcy, liquidation, reorganization or other winding up proceedings or if an event of default occurs under any such future secured debt.

Risks Relating to Our Business

Certain elements of our Regulated Operating Subsidiaries' formula rates can be and have been challenged, which could result in lowered rates and/or refunds of amounts previously collected and thus have an adverse effect on our business, financial condition, results of operations and cash flows.

Our Regulated Operating Subsidiaries provide transmission service under rates regulated by the FERC. The FERC has approved the cost-based formula rates used by our Regulated Operating Subsidiaries to calculate their respective annual revenue requirements, but it has not expressly approved the amount of actual capital and operating expenditures to be used in the formula rates. All aspects of our Regulated Operating Subsidiaries' rates approved by the FERC, including the formula rate templates, the rates of return on the actual equity portion of their respective capital structures and the

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approved capital structures, are subject to challenge by interested parties at the FERC, or by the FERC on its own initiative in a proceeding under Section 206 of the FPA. In addition, interested parties may challenge the annual implementation and calculation by our Regulated Operating Subsidiaries of their projected rates and formula rate true up pursuant to their approved formula rates under the Regulated Operating Subsidiaries' formula rate implementation protocols. End-use consumers and entities supplying electricity to end-use consumers may also attempt to influence government and/or regulators to change the rate setting methodologies that apply to our Regulated Operating Subsidiaries, particularly if rates for delivered electricity increase substantially. If a challenger can establish that any of these aspects are unjust, unreasonable, unduly discriminatory or preferential, then the FERC will make appropriate prospective adjustments to them and/or disallow any of our Regulated Operating Subsidiaries' inclusion of those aspects in the rate setting formula. This could result in lowered rates and/or refunds of amounts collected, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In November 2013 and February 2015, certain parties filed complaints with the FERC under Section 206 of the FPA, requesting that the FERC find the base rate of return on equity for all MISO transmission owners, including ITCTransmission, METC and ITC Midwest, to be unjust and unreasonable. In December 2015, the presiding administrative law judge issued an initial decision on the Initial Complaint recommending to the FERC a reduction in the base rate of return on equity of the MISO transmission owners from 12.38% to 10.32%, with a maximum rate of 11.35%. In September 2016, the FERC issued an order affirming the presiding administrative law judge's initial decision, with the new rates to become effective immediately and for the period from November 12, 2013 through February 11, 2015. During the year ended December 31, 2017, we provided net refunds related to the Initial Complaint, with interest, which were substantially finalized during the second quarter of 2017. All parties have filed motions for rehearing on various aspects of the September 2016 Order, the FERC's decision remains subject to change and the timing of further FERC action is uncertain.

On June 30, 2016, the presiding administrative law judge issued an initial decision on the Second Complaint, which recommended a base rate of return on equity of 9.70%, which would be applicable for the period from February 12, 2015 through May 11, 2016 and going forward from the date on which the FERC issues an order on the Second Complaint, with a maximum rate of 10.68%. In resolving the Second Complaint, we expect the FERC to establish a new base rate and zone of reasonable returns that will be used, along with any incentive adders, to calculate the refund liability for the period from February 12, 2015 through May 11, 2016 and the rate going forward from the date on which the FERC issues an order. An April 2017 decision by the U.S. Court of Appeals for the District of Columbia Circuit in connection with the establishment of a new base ROE for TOs in ISO New England may affect the FERC decisions on the Initial Complaint and Second Complaint. In light of the April 2017 court decision, the MISO TOs filed a motion to dismiss the Second Complaint in September 2017. In 2016 and 2015, we adjusted revenues downward to accrue for the refund liability based on our estimate of the outcome of these complaints, which had a negative effect on our results of operations for those periods. The resolution of these matters may reduce our future revenues and net income and have a further adverse effect on our future results of operations, cash flows and financial condition.

The TCJA and any future changes in tax laws or regulations may negatively affect our results of operations, net income, financial condition and cash flows.

We are subject to taxation by various taxing authorities at the federal, state and local levels. In December 2017, the President of the United States signed into law the TCJA, which enacted significant changes to the Internal Revenue Code including a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective for tax years beginning after 2017. In addition, the TCJA provides modifications to bonus depreciation rules and limitations on the deductibility of interest expense, both of which include carve-outs for regulated utilities.

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While certain aspects of the TCJA may be beneficial to us, overall we expect the enactment of the TCJA to adversely affect our results of operations, net income, financial condition and cash flows.

The Company was required to revalue its deferred tax assets and liabilities at the new federal corporate income tax rate as of the date of the enactment of the TCJA. The majority of the Company's deferred tax assets and liabilities as well as a portion of its federal income tax net operating losses are held at our Regulated Operating Subsidiaries. The majority of the deferred tax assets and liabilities at the Regulated Operating Subsidiaries are subject to a normalization method of accounting pursuant to the Internal Revenue Code. As a result, the revaluation of the Regulated Operating Subsidiaries net deferred taxes generated a net regulatory liability of $512 million and a reduction in regulatory assets of $65 million at December 31, 2017 that would be returned to or received from customers over a period of time. The revaluation of the deferred tax assets and federal income tax net operating losses at ITC Holdings has resulted in additional income tax expense in the fourth quarter of 2017 of $5 million.

Given the formula rates at our Regulated Operating Subsidiaries, with a reduced corporate tax rate we will recover and collect lower cash taxes from our customers. Because we are in a federal income tax net operating loss position and not currently making cash tax payments, the result of this lower recovery is a reduction in cash flows from operations. Further, we may repost the 2018 projected rate templates for our Regulated Operating Subsidiaries to reflect the new effective tax rate. Additionally, we may be required to provide a refund for over-collections from customers from January 1, 2018 through the date of reposting.

The Company has debt at its Regulated Operating Subsidiaries and at ITC Holdings, and the TCJA provides limitations on the deductibility of interest. While interest deductibility for regulated utilities has been retained, there is still uncertainty as to whether the holding company debt of a regulated utility will be deductible. If the resolution of this issue results in limitations in the amount of interest expense that is deductible for ITC Holdings for income tax purposes, this would have an adverse effect on our net income.

As a result of the changes made to Internal Revenue Code Section 162(m) by the TCJA, some of the compensation we provide to our executive officers may not be deductible in 2018 and going forward.

We cannot predict the timing or impacts of any future changes in tax laws, including the impacts of any subsequent technical corrections or clarifications. Additionally, certain aspects of the TCJA are still subject to interpretation. There may be further impacts that materially and adversely affect our results of operations, net income, financial condition, cash flows, and credit metrics beyond those described herein.

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 expect to incur expenses related to the pursuit of development opportunities, which may be higher than forecasted.

Each of our operating subsidiaries' rate base, revenues, earnings and associated cash flows are determined in part by additions to property, plant and equipment and when those additions are placed in service. We anticipate making significant capital investments over the next several years; however, the amounts could change significantly due to factors beyond our control. If our operating subsidiaries' capital investment and the resulting in-service property, plant and equipment are lower than anticipated for any reason, our operating subsidiaries will have a lower than anticipated rate base, thus causing their revenue requirements and future earnings and cash flows to be lower than anticipated.

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Any capital investment at our operating subsidiaries may be lower than our published estimates due to, among other factors, the impact of actual loads, forecasted loads, regional economic conditions, weather conditions, union strikes, labor shortages, material and equipment prices and availability, our ability to obtain financing for such expenditures, if necessary, limitations on the amount of construction that can be undertaken on our system or transmission systems owned by others at any one time, regulatory requirements relating to our rate construct, environmental issues, siting, regional planning, cost recovery or other issues, or as a result of legal proceedings and variances between estimated and actual costs of construction contracts awarded and the potential for greater competition. Our ability to engage in construction projects resulting from pursuing these initiatives is subject to significant uncertainties, including the factors discussed above, and will depend on obtaining any necessary regulatory and other approvals for the project and for us to initiate construction, our achieving status as the builder of the project in some circumstances and other factors. In addition, projects may be canceled, the scope of planned projects may change, or projects may not be completed on time, any of which may adversely affect our level of investment or cause our projected investments to be inaccurate. Therefore, we can provide no assurance as to the actual level of investment we may achieve at our operating subsidiaries.

In addition, we expect to incur expenses to pursue strategic development investment opportunities. If these payments or expenses are higher than anticipated, our future results of operations, cash flows and financial condition could be materially and adversely affected.

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.

Each of our Regulated Operating Subsidiaries is a "public utility" under the FPA and, accordingly, is subject to regulation by the FERC. Approval of the FERC is required under Section 203 of the FPA for a disposition or acquisition of regulated public utility facilities, either directly or indirectly through a holding company. Such approval is also required to acquire a significant interest in securities of a public utility. Section 203 of the FPA also provides the FERC with explicit authority over utility holding companies' purchases or acquisitions of, and mergers or consolidations with, a public utility. Finally, each of our Regulated Operating Subsidiaries must also seek approval by the FERC under Section 204 of the FPA for issuances of its securities (including debt securities).

We are also pursuing development projects for construction of transmission facilities and interconnections with generating resources. These projects may require regulatory approval by Federal agencies, including the FERC, applicable RTOs and state and local regulatory agencies. Failure to secure such regulatory approval for new strategic development projects could adversely affect our ability to grow our business and increase our revenues. If we fail to obtain these approvals when necessary, we may incur liabilities for such failure.

Changes in energy laws, regulations or policies could impact our business, financial condition, results of operations and cash flows.

Each of our Regulated Operating Subsidiaries is regulated by the FERC as a "public utility" under the FPA and is a transmission owner in MISO or SPP. We cannot predict whether the approved rate methodologies for any of our Regulated Operating Subsidiaries will be changed. In addition, the U.S. Congress periodically considers enacting energy legislation that could assign new responsibilities to the FERC, modify provisions of the FPA or provide the FERC or another entity with increased authority to regulate transmission matters. We cannot predict whether, and to what extent, our Regulated Operating Subsidiaries may be affected by any such changes in federal energy laws, regulations or policies in the future. While our Regulated Operating Subsidiaries are subject to the FERC's exclusive jurisdiction for purposes of rate regulation, changes in state laws affecting other matters, such as transmission siting and construction, could limit investment opportunities available to us.

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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.

ITCTransmission derives a substantial portion of its revenues from the transmission of electricity to DTE Electric's local distribution facilities. DTE Electric accounted for approximately 62.6% of ITCTransmission's total billed revenues for the year ended December 31, 2017 and is expected to constitute the majority of ITCTransmission's revenues for the foreseeable future. DTE Electric is rated BBB+/stable and A2/stable by Standard and Poor's Ratings Services and Moody's Investors Services, Inc., respectively. Similarly, Consumers Energy accounted for approximately 77.5% of METC's total billed revenues for the year ended December 31, 2017 and is expected to constitute the majority of METC's revenues for the foreseeable future. Consumers Energy is rated BBB+/stable and A2/stable by Standard and Poor's Ratings Services and Moody's Investors Services, Inc., respectively. Further, IP&L accounted for approximately 70.7% of ITC Midwest's total billed revenues for the year ended December 31, 2017 and is expected to constitute the majority of ITC Midwest's revenues for the foreseeable future. IP&L is rated A-/stable and Baa1/stable by Standard and Poor's Ratings Services and Moody's Investors Services, Inc., respectively. These percentages of total billed revenues of DTE Electric, Consumers Energy and IP&L include the collection of 2015 revenue accruals and deferrals and exclude any amounts for the 2017 revenue accruals and deferrals that were included in our 2017 operating revenues, but will not be billed to our customers until 2019.

Any material failure by DTE Electric, Consumers Energy or IP&L to make payments for transmission services could have an 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.

METC does not own the majority of the land on which its electric transmission assets are located. Instead, under the provisions of the Easement Agreement, METC pays an annual rent to Consumers Energy in exchange for rights-of-way, leases, fee interests and licenses which allow METC to use the land on which its transmission lines are located. Under the terms of the Easement Agreement, METC's easement rights could be eliminated if METC fails to meet certain requirements, such as paying contractual rent to Consumers Energy in a timely manner. Additionally, a significant amount of the land on which our other subsidiaries' assets are located is subject to easements, mineral rights and other similar encumbrances. As a result, they must comply with the provisions of various easements, mineral rights and other similar encumbrances, which may adversely impact their ability to complete their 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.

We enter into various agreements and arrangements with third parties to provide services for construction, maintenance and operations of certain aspects of our business, which, if terminated, could result in a shortage of a readily available workforce to provide these services. If any of these agreements or arrangements is terminated for any reason, we may face difficulty finding a qualified replacement work force to provide such services, which could have an adverse effect on our ability to carry on our business and on our results of operations.

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Hazards associated with high-voltage electricity transmission may result in suspension of our operations, costly litigation or the imposition of civil or criminal penalties.

Our operations are subject to the usual hazards associated with high-voltage electricity transmission, including explosions, fires, inclement weather, natural disasters, mechanical failure, unscheduled downtime, equipment interruptions, remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases and other environmental risks. The hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations, litigation by aggrieved parties and the imposition of civil or criminal penalties which may have a material adverse effect on our business, financial condition and results of operations. We maintain property and casualty insurance, but we are not fully insured against all potential hazards incident to our business, such as damage to poles, towers and lines or losses caused by outages.

We are subject to environmental regulations and to laws that can give rise to substantial liabilities from environmental contamination.

We are subject to federal, state and local environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the management, treatment, storage, transportation and disposal of solid and hazardous wastes and hazardous materials, 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 we currently own or operate. Such liabilities may arise even where the contamination does not result from noncompliance with applicable environmental laws. Under a number of 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. Environmental requirements generally have become more stringent in recent years, and compliance with those requirements more expensive.

We have incurred expenses in connection with environmental compliance, and we anticipate that we will continue to do so in the future. Failure to comply with the extensive environmental laws and regulations applicable to us could result in significant civil or criminal penalties and remediation costs. Our assets and operations also involve the use of materials classified as hazardous, toxic or otherwise dangerous. Some of our facilities and properties are located near environmentally sensitive areas such as wetlands and habitats of endangered or threatened species. In addition, certain properties in which we operate are, or are suspected of being, affected by environmental contamination. Compliance with these laws and regulations, and liabilities concerning contamination or hazardous materials, may adversely affect our costs and, therefore, our business, financial condition and results of operations.

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.

If amounts billed for transmission service are lower than expected, which could result from lower network load or point-to-point transmission service on our Regulated Operating Subsidiaries' transmission systems due to a weak economy, changes in the nature or composition of the transmission assets of our Regulated Operating Subsidiaries and surrounding areas, poor transmission quality of neighboring transmission systems, or for any other reason, the timing of actual collection of our total revenue requirement would likely be delayed until such circumstances are adjusted through the true-up mechanism in our Regulated Operating Subsidiaries' formula rates. In addition, if the revenue requirements of our Regulated Operating Subsidiaries are higher than expected, due to higher actual

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expenditures compared to the forecasted expenditures used to develop their billing rates or for any other reason, the timing of actual collection of our Regulated Operating Subsidiaries' total revenue requirements would likely be delayed until such circumstances are reflected through the true-up mechanism in our Regulated Operating Subsidiaries' expected formula rates. The effect of such under-collection would be to reduce the amount of our available cash resources from what we had expected, until such under-collection is corrected through the true-up mechanism in the formula rate template, which may require us to increase our outstanding indebtedness, thereby reducing our available borrowing capacity, and may require us to pay interest at a rate that exceeds the interest to which we are entitled in connection with the operation of the true-up mechanism.

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.

The various regulatory requirements to which we are subject include reliability standards established by the NERC, which acts as the nation's Electric Reliability Organization approved by the FERC in accordance with Section 215 of the FPA. These standards address operation, planning and security of the bulk power system, including requirements with respect to real-time transmission operations, emergency operations, vegetation management, critical infrastructure protection and personnel training. Failure to comply with these requirements can result in monetary penalties as well as non-monetary sanctions. Monetary penalties vary based on an assigned risk factor for each potential violation, the severity of the violation and various other circumstances, such as whether the violation was intentional or concealed, whether there are repeated violations, the degree of the violator's cooperation in investigating and remediating the violation and the presence of a compliance program, and such penalties can be substantial. Non-monetary sanctions include potential limitations on the violator's activities or operation and placing the violator on a watchlist for major violators. Despite our best efforts to comply and the implementation of a compliance program intended to ensure reliability, there can be no assurance that violations will not occur that would result in material penalties or sanctions. If any of our subsidiaries were to violate the NERC reliability standards, even unintentionally, in any material way, any penalties or sanctions imposed against us could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Certain of our subsidiaries are also subject to requirements under Sections 203 and 205 of the FPA for approval of transactions; reporting, recordkeeping and accounting requirements; and for filing contracts related to the provision of jurisdictional services. Under FERC policy, failure to file jurisdictional agreements on a timely basis may result in foregoing the time value of revenues collected under the agreement, but not to the point where a loss would be incurred. The failure to obtain timely approval of transactions subject to FPA Section 203, or to comply with applicable reporting, recordkeeping or accounting requirements under FPA Section 205, could subject us to penalties that could have a material adverse effect on our financial condition, results of operations and cash flows.

Acts of war, terrorist attacks, cyber attacks, natural disasters, severe weather and other catastrophic events may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Acts of war, terrorist attacks, cyber attacks, natural disasters, severe weather and other catastrophic events may negatively affect our business, financial condition and cash flows in unpredictable ways, such as increased security measures and disruptions of markets. Energy related assets, including, for example, our transmission facilities and DTE Electric's, Consumers Energy's and IP&L's generation and distribution facilities that we interconnect with, may be at risk of acts of war, terrorist attacks and cyber attacks, as well as natural disasters, severe weather and other catastrophic events. In addition to

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any physical damage caused by such events, cyber attacks targeting our information systems could impair our records, networks, systems and programs, or transmit viruses to other systems. Such events or the threat of such events may increase costs associated with heightened security requirements. In addition, such events or threats may have a material effect on the economy in general and could result in a decline in energy consumption, which may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Relating to Our Corporate and Financial Structure

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.

As a holding company with no business operations, ITC Holdings' material assets consist primarily of the stock and membership interests in our subsidiaries. Our only sources of cash to meet our obligations are dividends and other payments received by us from time to time from our subsidiaries, the proceeds raised from the sale of our securities and borrowings under our various credit agreements. Each of our subsidiaries, however, is legally distinct from us and has no obligation, contingent or otherwise, to make funds available to us. The ability of each of our Regulated Operating Subsidiaries and our other subsidiaries to pay dividends and make other payments to us is subject to, among other things, the availability of funds, after taking into account capital expenditure requirements, the terms of its indebtedness, applicable state laws and regulations of the FERC and the FPA. Our Regulated Operating Subsidiaries target a FERC-approved capital structure of 60% equity and 40% debt that may limit the ability of our Regulated Operating Subsidiaries to use net assets for the payment of dividends to ITC Holdings. In addition, ITC Holdings' right to receive any assets of any subsidiary, and therefore the right of its creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors. If ITC Holdings does not receive cash or other assets from our subsidiaries, it may be unable to pay principal and interest on its indebtedness.

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.

We have a considerable amount of debt and our consolidated indebtedness includes various debt securities and borrowings, which utilize indentures, revolving and term loan credit agreements and commercial paper, that we rely on as sources of capital and liquidity. Our capital structure can have several important consequences, including, but not limited to, the following:

- If future cash flows are insufficient, we may not be able to make principal or interest payments on our debt obligations, which could result in the occurrence of an event of default under one or more of those debt instruments.

- We may need to increase our indebtedness in order to make the capital expenditures and other expenses or investments planned by us.

- Our indebtedness has the general effect of reducing our flexibility to react to changing business and economic conditions insofar as they affect our financial condition. A substantial portion of the dividends and payments in lieu of taxes we receive from our subsidiaries will be dedicated to the payment of interest on our indebtedness, thereby, reducing our available cash.

- In the event that we are liquidated, the creditors of our subsidiaries will be entitled to payment in full of the subsidiaries' indebtedness prior to making any payments to ITC Holdings for the payment of its indebtedness.

- We currently have debt instruments outstanding with short-term maturities or relatively short remaining maturities. Our ability to secure additional financing prior to or after these facilities mature, if needed, may be substantially restricted by the existing level of our indebtedness and

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the restrictions contained in our debt instruments. Additionally, the interest rates at which we might secure additional financings may be higher than our currently outstanding debt instruments or higher than forecasted at any point in time, which could adversely affect our business, financial condition, results of operations and cash flows.

Market conditions could affect our access to capital markets, restrict our ability to secure financing to make the capital expenditures and investments and pay other expenses planned by us which could adversely affect our business, financial condition, cash flows and results of operations.

We may incur substantial additional indebtedness in the future. The incurrence of additional indebtedness would increase the leverage-related risks described above.

Adverse changes in our credit ratings may negatively affect us.

Our ability to access capital markets is important to our ability to operate our business. Increased scrutiny of the energy industry and the impact of the TCJA and other statutory or regulatory changes, as well as changes in our financial performance and unfavorable conditions in the capital markets could result in credit agencies reexamining and downgrading our credit ratings. In addition, because we are now a subsidiary of Fortis, a downgrade in Fortis' credit rating could cause our credit rating to be downgraded as well, even if our creditworthiness has not otherwise deteriorated. A downgrade in our credit ratings could restrict or discontinue our ability to access capital markets at attractive rates and increase our borrowing costs. A rating downgrade could also increase the interest we pay on commercial paper and under our revolving and term loan credit agreements.

Certain provisions in our debt instruments limit our financial and operating flexibility.

Our debt instruments on a consolidated basis, including senior notes, secured notes, first mortgage bonds, revolving and term loan credit agreements and commercial paper, contain numerous financial and operating covenants that place significant restrictions on, among other things, our ability to:

- incur additional indebtedness;
- engage in sale and lease-back transactions;
- create liens or other encumbrances;
- enter into mergers, consolidations, liquidations or dissolutions, or sell or otherwise dispose of all or substantially all of our assets;
- create and acquire subsidiaries; and
- pay dividends or make distributions on our stock or on the stock or member capital of our subsidiaries.

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. Our ability to comply with these and other requirements and restrictions may be affected by changes in economic or business conditions, results of operations or other events beyond our control. A failure to comply with the obligations contained in any of our debt instruments could result in acceleration of related debt and the acceleration of debt under other instruments evidencing indebtedness that may contain cross-acceleration or cross-default provisions.

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USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the exchange notes pursuant to the exchange offers. In consideration for issuing the exchange notes as contemplated in this prospectus, we will receive in exchange a like principal amount of outstanding notes of the applicable series, the terms of which are identical in all material respects to the applicable series of the exchange notes, except that the exchange notes will not contain terms with respect to transfer restrictions, registration rights and additional interest for failure to observe certain obligations in the registration rights agreement. The outstanding notes surrendered in exchange for the exchange notes will be retired and cancelled and cannot be reissued. Accordingly, the issuance of the exchange notes will not result in any change in our capitalization.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2018. The information set forth below is only a summary and should be read in conjunction with our unaudited condensed consolidated interim financial statements and the related notes included in this prospectus.

	As of March 31, 2018 (in millions)	
Cash and cash equivalents	$	110
Indebtedness:		
Long-term indebtedness(1)		5,163
Debt maturing within one year(2)		50
Total indebtedness(1)	$	5,213
Stockholders' equity:		
Common stock		892
Retained earnings		1,057
Accumulated other comprehensive income		3
Total equity	$	1,952
Total capitalization	$	7,165

(1) Our total indebtedness as of March 31, 2018 includes amounts outstanding under our revolving credit facilities of $209 million. The total available capacity under our revolving credit facilities was $900 million and the total unused capacity was $691 million as of March 31, 2018. As of May 7, 2018, we had outstanding borrowings under our and our subsidiaries' revolving credit facilities of $238 million and available borrowing capacity under these facilities of $662 million, and outstanding amounts under our commercial paper program of $142 million. While outstanding commercial paper does not reduce available capacity under our revolving credit facilities, the total unused capacity under our revolving credit facilities adjusted for the commercial paper outstanding was $520 million as of May 7, 2018.

(2) Repaid on April 4, 2018.

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SELECTED FINANCIAL DATA

The following table sets forth selected financial data for each of the years in the five-year period ended December 31, 2017, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The selected financial data as of December 31, 2017 and 2016 and for the three years ended December 31, 2017, 2016 and 2015 has been derived from, and should be read in conjunction with, our audited consolidated financial statements and the accompanying notes included in this prospectus. The selected financial data as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013 has been derived from our audited consolidated financial statements not included herein.

The selected consolidated financial information presented below as of March 31, 2018 and for the three month periods ended March 31, 2018 and 2017 has been derived from our unaudited condensed consolidated interim financial statements included elsewhere in this prospectus. The selected financial data as of March 31, 2017 has been derived from our unaudited condensed consolidated interim financial statements not included herein. The unaudited financial data presented have been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, such unaudited financial data reflects all adjustments, consisting only of normal and recurring adjustments necessary for a fair presentation of the results for those periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as our audited consolidated financial statements and the related notes thereto included in this prospectus. The selected financial data reflects our adoption on a retrospective basis of ASU 2017-07 for the presentation of net periodic pension cost and net periodic postretirement benefit cost. See Note 2 to the unaudited condensed consolidated interim financial statements.

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Our historical results are not necessarily indicative of our future results.

(In millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Year Ended December 31, 2017	2016	2015	2014	2013
	ITC Holdings and Subsidiaries						
OPERATING REVENUES(a)(b)	$ 279	$ 298	$ 1,211	$ 1,125	$ 1,045	$ 1,023	$ 941
OPERATING EXPENSES							
Operation and maintenance	23	29	110	114	113	112	113
General and administrative(c)(d)(e)	31	31	121	234	140	113	146
Depreciation and amortization	44	41	169	158	145	128	119
Taxes other than income taxes	27	24	103	93	82	76	66
Other operating income and expense net			(2)	(1)	(1)	(1)	(2)
Total operating expenses	125	125	501	598	479	428	442
OPERATING INCOME	154	173	710	527	566	595	499
OTHER EXPENSES (INCOME)							
Interest expense net(f)	55	53	224	211	204	216	168
Allowance for equity funds used during construction	(9)	(8)	(33)	(35)	(28)	(21)	(30)
Other (income) and expense net		1	4	8	6	6	9
Total other expenses (income)	46	46	195	184	182	201	147
INCOME BEFORE INCOME TAXES	108	127	515	343	384	394	352
INCOME TAX PROVISION(b)	26	47	196	97	142	150	119
NET INCOME	$ 82	$ 80	$ 319	$ 246	$ 242	$ 244	$ 233
OTHER FINANCIAL DATA							
Ratio of earnings to fixed charges(g)	2.86	3.27	3.19	2.52	2.79	3.03	2.95

(In millions)	As of March 31, 2018	As of March 31, 2017	As of December 31, 2017	2016	2015	2014	2013
	ITC Holdings and Subsidiaries						
BALANCE SHEET DATA:							
Cash and cash equivalents	$ 110	$ 6	$ 66	$ 8	$ 14	$ 28	$ 34
Working capital (deficit)(h)	(244)	(1,002)	(302)	(400)	(550)	(291)	(325)
Property, plant and equipment net	7,455	6,862	7,309	6,698	6,110	5,497	4,847
Goodwill	950	950	950	950	950	950	950
Total assets(h)(i)	8,995	8,420	8,823	8,223	7,555	6,932	6,241
Debt:							
ITC Holdings(i)	2,728	2,511	2,728	2,387	2,304	2,123	1,871
Regulated Operating Subsidiaries(i)	2,485	2,303	2,373	2,203	2,125	1,954	1,717

Total debt(i)		5,213		4,814		5,101		4,590		4,429		4,077		3,588
Total stockholder's equity	$	1,952	$	1,948	$	1,920	$	1,901	$	1,709	$	1,670	$	1,614

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	ITC Holdings and Subsidiaries						
	Three Months Ended March 31,		Year Ended December 31,				
(In millions)	**2018**	**2017**	**2017**	**2016**	**2015**	**2014**	**2013**
CASH FLOWS DATA:							
Expenditures for property, plant and equipment	$ 176	$ 204	$ 755	$ 750	$ 701	$ 753	$ 824

(a) During 2017, 2016, 2015 and 2014, we recognized an aggregate estimated regulatory liability for the refund and potential refund relating to the rate of return on equity complaints as described in Note 17 to the consolidated financial statements, which resulted in a reduction in operating revenues of $80 million, $115 million and $47 million in 2016, 2015 and 2014, respectively.

(b) The reduction in the federal corporate income tax rate from 35% to 21% arising from the enactment of the TCJA in December 2017 resulted in a lower income tax provision and revenue requirement for the three months ended March 31, 2018.

(c) During 2016, we expensed external legal, advisory and financial services fees of $55 million related to the Merger and approximately $41 million due to the accelerated vesting of the share-based awards that occurred at the completion of the Merger. See Note 2 to the consolidated financial statements for further details on the impact of the Merger. The external and internal costs related to the Merger were recorded at ITC Holdings and have not been included as components of revenue requirement at our Regulated Operating Subsidiaries.

(d) The increase in general and administrative expenses in 2015 was due primarily to higher compensation related expenses, including the development bonuses for the successful completion of certain milestones relating to projects at ITC Great Plains and higher legal and advisory professional service fees for various development initiatives which were not included as components of revenue requirement at our Regulated Operating Subsidiaries.

(e) During 2013, we expensed external legal, advisory and financial services fees of $43 million recorded within general and administrative expenses related to a proposed transaction whereby the electric transmission business of Entergy Corporation was to be separated and subsequently merged with a wholly-owned subsidiary of ITC Holdings. The proposed transaction was terminated in December 2013. The external and internal costs related to the proposed transaction with Entergy Corporation were recorded at ITC Holdings and were not included as components of revenue requirement at our Regulated Operating Subsidiaries.

(f) During 2014, we recorded loss on extinguishment of debt of $29 million related to a cash tender offer for the retirement of debt at ITC Holdings.

(g) Our ratio of earnings to fixed charges were computed based on "earnings," which consist of net income before income taxes and fixed charges, excluding capitalized interest; and "fixed charges," which consist of interest expense including capitalized interest.

(h) All amounts presented reflect the change in the authoritative guidance issued by the Financial Accounting Standards Board to net all deferred income tax assets and liabilities and present as a single line item within non-current assets or liabilities on the balance sheet. This change was adopted retrospectively by us in 2015.

(i) All amounts presented reflect the change in authoritative guidance on the presentation of debt issuance costs on the balance sheet. This change was adopted retrospectively by us in 2015.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's consolidated results of operations and financial condition. The discussion should be read in conjunction with "Selected Financial Data" and the consolidated financial statements and notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in "Risk Factors." Actual results may differ materially from those contained in any forward-looking statements. Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to "we," "us," "our," and "the Company" are intended to mean the business and operations of ITC Holdings Corp. together with all of its subsidiaries.

Overview

ITC Holdings and its subsidiaries are engaged in the transmission of electricity in the United States. On October 14, 2016, ITC Holdings became a wholly-owned subsidiary of Investment Holdings, which is owned by Fortis and GIC. Through our Regulated Operating Subsidiaries, we own and operate high-voltage systems in Michigan's Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma that transmit electricity from generating stations to local distribution facilities connected to our systems. Our business strategy is to own, operate, maintain and invest in transmission infrastructure in order to enhance system integrity and reliability, reduce transmission constraints and support new generating resources to interconnect to our transmission systems. We also are pursuing development projects not within our existing systems, which are also intended to improve overall grid reliability, reduce transmission constraints and facilitate interconnections of new generating resources, as well as enhance competitive wholesale electricity markets.

As electric transmission utilities whose rates are regulated by the FERC, our Regulated Operating Subsidiaries earn revenues for the use of their electric transmission systems by our customers. We derive nearly all of our revenues from providing electric transmission service over our Regulated Operating Subsidiaries' transmission systems to investor-owned utilities, such as DTE Electric, Consumers Energy and IP&L, and other entities, such as alternative electricity suppliers, power marketers and other wholesale customers that provide electricity to end-use consumers as well as from transaction-based capacity reservations on our transmission systems.

As independent transmission companies, our Regulated Operating Subsidiaries are subject to rate regulation only by the FERC, and our cost-based rates are discussed below in " Cost-Based Formula Rates with True-Up Mechanism" as well as in Note 5 to the unaudited condensed consolidated interim financial statements.

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

Significant recent matters that influenced our financial position, results of operations and cash flows for the three months ended March 31, 2018 or that may affect future results include:

- The change in federal tax rate arising from the enactment of the TCJA, which results in reductions to revenue requirements, payments of the 2018 resettlement obligation in connection with the reposting of the 2018 rates and payments related to the amortization through rates of the net regulatory liability recorded for excess deferred taxes;

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Our capital expenditures of $176 million at our Regulated Operating Subsidiaries during the three months ended March 31, 2018 as described below under "Capital Investment and Operating Results Trends," resulting primarily from our focus on improving system reliability, increasing system capacity and upgrading the transmission network to support new generating resources;

Debt issuances as described in Note 7 to the unaudited condensed consolidated interim financial statements and borrowings under our revolving credit agreements to fund capital investments at our Regulated Operating Subsidiaries as well as for general corporate purposes;

Debt maturing within one year of $50 million as of March 31, 2018 was repaid on April 4, 2018; and

Our MISO Regulated Operating Subsidiaries have an estimated current regulatory liability of $146 million as of March 31, 2018 for the potential refund relating to the Second Complaint, as described in Note 14 to the unaudited condensed consolidated interim financial statements.

Significant recent matters that influenced our financial position and results of operations and cash flows for the year ended December 31, 2017 or that may affect future results include:

Recognition of a net regulatory liability of $512 million and a reduction in regulatory assets of $65 million as of December 31, 2017 and additional income tax expense of $5 million as a result of the change in corporate tax rate from 35% to 21% pursuant to the TCJA, as discussed in Note 6 and Note 10 to the consolidated financial statements, respectively.

Our capital expenditures of $755 million at our Regulated Operating Subsidiaries during the year ended December 31, 2017, as described below under " Capital Investment and Operating Results Trends," resulting primarily from our focus on improving system reliability, increasing system capacity and upgrading the transmission network to support new generating resources;

Debt issuances, issuances of commercial paper under ITC Holdings' commercial paper program, and borrowings under our revolving and term loan credit agreements, as described in Note 9 to the consolidated financial statements, to fund capital investments at our Regulated Operating Subsidiaries, repayment of other indebtedness, and for general corporate purposes; and

During the year ended December 31, 2017, our MISO Regulated Operating Subsidiaries provided net refunds with interest of $118 million for the Initial Complaint, subject to the pending rehearing request. Our MISO Regulated Operating Subsidiaries have an estimated current regulatory liability recorded for the Second Complaint of $145 million as of December 31, 2017. For the year ended December 31, 2017, the refund and estimated refund relating to the rate of return on equity complaints, as described in Note 17 to the consolidated financial statements, resulted in additional interest expense of $6 million and an estimated after-tax reduction to net income of $3 million.

These items are discussed in more detail throughout this section.

Cost-Based Formula Rates with True-Up Mechanism

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

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

See "Cost-Based Formula Rates with True-Up Mechanism" in Note 5 to the unaudited condensed consolidated interim financial statements for further discussion of our formula rates and see "Rate of Return on Equity Complaints" in Note 14 to the unaudited condensed consolidated interim financial statements for detail on ROE matters.

Illustrative Example of Formula Rate Setting

The formula rate setting example shown below is for illustrative purposes and not based on our actual financial data.

Line	Item	Instructions	Amount
1	Rate base(a)		$ 1,000,000
2	Multiply by 13-month weighted average cost of capital(b)		8.81%
3	Allowed return on rate base	(Line 1 × Line 2)	$ 88,100
4	Recoverable operating expenses (including depreciation and amortization)		$ 150,000
5	Income taxes(c)		$ 37,500
6	Gross revenue requirement	(Line 3 + Line 4 + Line 5)	$ 275,600

(a) Consists primarily of in-service property, plant and equipment, net of accumulated depreciation.

(b) The weighted average cost of capital for purposes of this illustration is calculated below. The cost of capital for debt is included at a flat interest rate for purposes of this illustration and is not based on our actual cost of capital. The cost of capital rate for equity represents the current

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maximum allowed MISO ROE rate. See Note 17 to the consolidated financial statements for detail on ROE matters, including pending ROE complaints.

	Percentage of Total Capitalization	Cost of Capital	Weighted Average Cost of Capital
Debt	40.00%	5.00%=	2.00%
Equity	60.00%	11.35%=	6.81%
	100.00%		8.81%

(c)
Represents an approximation of the federal and state income tax expense for purposes of this illustration and is not based on our actual tax expense.

Revenue Accruals and Deferrals Effects of Monthly Peak Loads

For our MISO Regulated Operating Subsidiaries, monthly 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 peak loads experienced as compared to those forecasted in establishing the annual network transmission rate. Under their cost-based Formula Rates that contain a true-up mechanism, our MISO Regulated Operating Subsidiaries accrue or defer revenues to the extent that their actual revenue requirement for the reporting period is higher or lower, respectively, than the amounts billed relating to that reporting period. Although monthly peak loads do not impact operating revenues recognized, network load affects the timing of our cash flows from transmission service. The monthly peak load of our MISO Regulated Operating Subsidiaries is generally impacted by weather and economic conditions and seasonally shaped with higher load in the summer months when cooling demand is higher.

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

Capital Investment and Operating Results Trends

We expect a long-term upward trend in revenues and earnings, subject to the impact of:

- any rate changes and required refunds resulting from the resolution of the ROE complaints as described in Note 14 to the unaudited condensed consolidated interim financial statements;
- lower revenue from customers due to a lower tax gross up on our authorized return on equity at our Regulated Operating Subsidiaries resulting from the change in U.S. federal corporate income tax rate from 35% to 21% under the TCJA; and
- lower net income due to lower interest expense deductibility at ITC Holdings as a result of the TCJA.

The primary factor that is expected to continue to increase our revenues and earnings in future years is increased rate base that would result from our anticipated capital investment, in excess of depreciation, 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.

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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) rebuild existing property, plant and equipment; (2) upgrade the system to address demographic changes that have impacted transmission load and the changing role that transmission plays in meeting the needs of the wholesale market, including accommodating the siting of new generation or increasing import capacity to meet changes in peak electrical demand; (3) relieve congestion in the transmission systems; and (4) achieve state and federal policy goals, such as renewable generation portfolio standards. The following table shows our actual and expected capital expenditures at our Regulated Operating Subsidiaries:

(In millions)	**Actual Capital Expenditures for the Three Months ended March 31, 2018**	**Actual Capital Expenditures for the year ended December 31, 2017**	**Forecasted Capital Expenditures 2018 - 2022**
Expenditures for property, plant and equipment(a)	$ 176	$ 755	$ 2,842

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

We are pursuing development projects that could result in a significant amount of capital investment, but are not able to estimate the amounts we ultimately expect to invest or the timing of such investments. Our capital investment efforts relating to development initiatives are based on establishing an ongoing pipeline of projects that would position us for long-term growth. Refer to "Business Development of Business Development Projects" for discussion of our development projects.

Investments in property, plant and equipment could vary due to, among other things, the impact of actual loads, forecasted loads, regional economic conditions, weather conditions, union strikes, labor shortages, material and equipment prices and availability, our ability to obtain any necessary financing for such expenditures, limitations on the amount of construction that can be undertaken on our systems at any one time, regulatory approvals for reasons relating to rate construct, environmental, siting, regional planning, cost recovery or other issues or as a result of legal proceedings, variances between estimated and actual costs of construction contracts awarded and the potential for greater competition for new development projects. In addition, investments in transmission network upgrades for generator interconnection projects could change from prior estimates significantly due to changes in the MISO queue for generation projects and other factors beyond our control.

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Recent Developments

2017 Tax Reform

In December 2017, the President of the United States of America signed into law the TCJA, which enacted significant changes to the Internal Revenue Code including a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective for tax years beginning after 2017. The Company was required to revalue its deferred tax assets and liabilities at the new federal corporate income tax rate as of the date of enactment of the TCJA. The majority of the Company's deferred tax assets and liabilities as well as a portion of its U.S. federal net operating losses are held at our Regulated Operating Subsidiaries. The majority of the deferred tax assets and liabilities at the Regulated Operating Subsidiaries are subject to a normalization method of accounting pursuant to the Internal Revenue Code. As a result, the revaluation of the Regulated Operating Subsidiaries net deferred taxes resulted in a net regulatory liability of approximately $512 million at December 31, 2017 and a reduction in regulatory assets of $65 million that would be returned to or received from customers over a period of time. The revaluation of the deferred tax assets and federal income tax net operating losses at ITC Holdings has resulted in additional income tax expense in the fourth quarter of 2017 of $5 million. For additional information on the impacts of tax reform, see Note 6 and Note 10 to the consolidated financial statements.

The Merger

On February 9, 2016, ITC Holdings entered into the Merger Agreement with Fortis, FortisUS and Merger Sub. On April 20, 2016, Fortis reached a definitive agreement with a subsidiary of GIC for that subsidiary to acquire an indirect 19.9% equity interest in ITC Holdings upon completion of the Merger. On October 14, 2016, ITC Holdings and Fortis completed the Merger contemplated by the Merger Agreement. On the same date, the common shares of ITC Holdings were delisted from the NYSE and the common shares of Fortis were listed and began trading on the NYSE. Fortis continues to have its shares listed on the Toronto Stock Exchange. As a result of the Merger, Merger Sub merged with and into ITC Holdings with ITC Holdings continuing as the surviving corporation and becoming a majority owned indirect subsidiary of Fortis. In the Merger, ITC Holdings shareholders received $22.57 in cash and 0.7520 Fortis common shares for each share of common stock of ITC Holdings. Refer to Note 2 to the consolidated financial statements for further details on the Merger.

Reposting of Rates for MISO Regulated Operating Subsidiaries

As a result of the reduction in the federal tax rate arising from the enactment of the TCJA, the 2018 projected Formula Rates for our MISO Regulated Operating Subsidiaries have been reposted. On March 15, 2018, the FERC granted a waiver which allows us the ability to adjust the rates effective back to January 1, 2018 for our MISO Regulated Operating Subsidiaries and allows MISO to return to customers excess amounts previously collected in 2018. Our rates included in MISO invoices for services provided in March 2018 will reflect the lower corporate tax rate. Resettlement of invoices for services provided in January and February 2018 will occur when services for April 2018 are billed. We have recorded a reduction of revenue and a liability of $16 million, primarily recorded in current regulatory liabilities, as of March 31, 2018 for the estimate of amounts that will be returned to customers through the resettlement process. This reduction of revenue will be offset through a lower income tax provision for our MISO Regulated Operating Subsidiaries and as such should not impact net income. We plan to implement a similar reduction in our Formula Rate in the SPP region that will, when implemented, also be effective back to January 1, 2018.

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Challenge to Independence Incentive Adders for Transmission Rates

On April 20, 2018, Consumers Energy, IP&L, Midwest Municipal Transmission Group, Missouri River Energy Services, Southern Minnesota Municipal Power Agency & WPPI Energy filed a complaint with the FERC under section 206 of the FPA, challenging the independence incentive adders that are included in transmission rates charged by our operating subsidiaries in the MISO region. The independence incentive adder was established to encourage investment in transmission infrastructure and recognizes that the MISO Regulated Operating Subsidiaries are independent, dedicated transmission-only operations, with no affiliations with market participants in the regions in which they operate. The adder allows 50 basis points to 100 basis points to be added to the MISO Regulated Operating Subsidiaries' authorized ROE, subject to any ROE cap established by FERC. While we believe we have a strong defense against this complaint, the outcome of this matter cannot be predicted at this time.

Rate of Return on Equity Complaints

In November 2013 and February 2015, certain parties filed complaints with the FERC under Section 206 of the FPA, requesting that the FERC find the then current MISO regional base ROE rate for all MISO TOs, including ITCTransmission, METC and ITC Midwest, to no longer be just and reasonable. The complainants sought a FERC order reducing the base ROE used in the formula transmission rates for our MISO Regulated Operating Subsidiaries.

In September 2016, the FERC issued the September 2016 Order in connection with the Initial Complaint reducing the base ROE from 12.38% to 10.32%, with a maximum ROE of 11.35%, effective for the period from November 12, 2013 through February 11, 2015 and prospectively from the date of that order until a new approved rate is established by the FERC in connection with the Second Complaint filed with the FERC under Section 206 of the FPA on February 12, 2015. The total estimated refund for the Initial Complaint resulting from this FERC order, including interest, was $118 million for our MISO Regulated Operating Subsidiaries as of December 31, 2016, recorded in current liabilities on the consolidated statements of financial position. During the year ended December 31, 2017, we provided net refunds with interest, for the liability recorded at December 31, 2016. Substantially all of the refunds were made during the three months ended March 31, 2017, with the final true-up settlement completed during the second quarter of 2017. The total amount of the net refunds, including interest and the associated true-up, for the Initial Complaint were not materially different from the estimated amount recorded as of December 31, 2016.

An order has not yet been issued by the FERC in connection with the Second Complaint. If the Second Complaint is not dismissed, we expect FERC to establish a new base ROE and zone of reasonableness that will be used, along with any ROE adders, to calculate the refund liability for the refund period related to the Second Complaint and future ROEs for our MISO Regulated Operating Subsidiaries. As of March 31, 2018, the estimated range of refunds for the related refund period is from $107 million to $146 million on a pre-tax basis. To date our MISO Regulated Operating Subsidiaries have recorded an estimated current regulatory liability for the Second Complaint of $146 million as of March 31, 2018. An estimated liability for the Second Complaint of $145 million was recorded as a non-current regulatory liability as of December 31, 2017. The recognition of the

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obligations associated with the complaints resulted in a reduction in net income and additional interest expense as set forth in the table below for the periods indicated.

	Three Months Ended March 31,		Year Ended December 31,		
(In millions)	**2018**	**2017**	**2017**	**2016**	**2015**
Revenue reduction	$	$	$	$ 80	$ 115
Interest expense increase	2	1	6	10	5
Estimated net income reduction(a)	1	1	3	55	73

(a) Includes an effect on net income of $27 million and $28 million for the year ended December 31, 2016 and 2015, respectively, for revenue initially recognized in 2015, 2014 and 2013.

It is possible that the outcome of these matters could differ from the estimated range of losses and materially affect our consolidated results of operations due to the uncertainty of the calculation of an authorized base ROE along with the zone of reasonableness. Further uncertainty regarding the outcome of the Initial Complaint and the Second Complaint and the timing of completion of these matters has been introduced due to the *Emera Maine v. FERC* decision. Based on the level of aggregate equity in our MISO Regulated Operating Subsidiaries, we estimate that each 10 basis point reduction in the authorized ROE would reduce annual consolidated net income by approximately $3 million. In addition, the motion to dismiss, filed in September 2017, could also affect the resolution of the Second Complaint. For a more detailed discussion of the ROE complaints, see Note 14 to the unaudited condensed consolidated interim financial statements.

Significant Components of Results of Operations

Revenues

We derive nearly all of our revenues from providing transmission, scheduling, control and dispatch services and other related services over our Regulated Operating Subsidiaries' transmission systems to DTE Electric, Consumers Energy, IP&L and other entities, such as alternative electricity suppliers, power marketers and other wholesale customers that provide electricity to end-use consumers, as well as from transaction-based capacity reservations on our transmission systems. MISO and SPP are responsible for billing and collecting the majority of transmission service revenues. As the billing agent for our MISO Regulated Operating Subsidiaries and ITC Great Plains, MISO and SPP collect fees for the use of our transmission systems, invoicing DTE Electric, Consumers Energy, IP&L and other customers on a monthly basis.

Network Revenues are generated from network customers for their use of our electric transmission systems and are based on the actual revenue requirements as a result of our accounting under our cost-based formula rates that contain a true-up mechanism. Refer to " Critical Accounting Policies and Estimates Revenue Recognition under Cost-Based Formula Rates with True-Up Mechanism" for a discussion of revenue recognition relating to network revenues.

Network revenues from ITC Great Plains include the annual revenue requirements specific to projects that are charged exclusively within one pricing zone within SPP or are classified as direct assigned network upgrades under the SPP tariff, and contain a true-up mechanism.

Point-to-Point Revenues consist of revenues generated from a type of transmission service for which the customer pays for transmission capacity reserved along a specified path between two points on an hourly, daily, weekly or monthly basis. Point-to-point revenues also include other components pursuant to schedules under the MISO and SPP transmission tariffs. Point-to-point revenues are

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treated as a revenue credit to network or regional customers and are a reduction to gross revenue requirement when calculating net revenue requirement under our cost-based formula rates.

Regional Cost Sharing Revenues are generated from transmission customers throughout RTO regions for their use of our MISO Regulated Operating Subsidiaries' network upgrade projects that are eligible for regional cost sharing under provisions of the MISO tariff, including MVP projects such as the four North Central MVPs and the Thumb Loop Project in Michigan. Regional cost sharing revenue also includes revenues collected by transmission customers from other RTOs outside of MISO to allocate costs of certain transmission plant investments. Additionally, certain projects at ITC Great Plains are eligible for recovery through a region-wide charge under provisions of the SPP tariff. A portion of regional cost sharing revenues is treated as a revenue credit to regional or network customers and is a reduction to gross revenue requirement when calculating net revenue requirement under our cost-based formula rates.

Scheduling, Control and Dispatch Revenues are allocated to our MISO Regulated Operating Subsidiaries by MISO as compensation for the services performed in operating the transmission system. Such services include monitoring of reliability data, current and next day analysis, implementation of emergency procedures and outage coordination and switching.

Other Revenues consist of rental revenues, easement revenues, revenues relating to utilization of jointly owned assets under our transmission ownership and operating agreements and amounts from providing ancillary services to customers. The majority of other revenues are treated as a revenue credit and taken as a reduction to gross revenue requirement when calculating net revenue requirement under our cost-based formula rates.

Operating Expenses

Operation and Maintenance Expenses consist primarily of the costs for contractors that operate and maintain our transmission systems as well as our personnel involved in operation and maintenance activities.

Operation expenses include activities related to control area operations, which involve balancing loads and generation and transmission system operations activities, including monitoring the status of our transmission lines and stations. Rental expenses relating to land easements, including METC's Easement Agreement, are also recorded within operation expenses.

Maintenance expenses include preventive or planned maintenance, such as vegetation management, tower painting and equipment inspections, as well as reactive maintenance for equipment failures.

General and Administrative Expenses consist primarily of costs for personnel in our legal, information technology, finance, regulatory, human resources and business development organizations, general office expenses and fees for professional services. Professional services are principally composed of outside legal, consulting, audit and information technology services.

Depreciation and Amortization Expenses consist primarily of depreciation of property, plant and equipment using the straight-line method of accounting. Additionally, this consists of amortization of various regulatory and intangible assets.

Taxes Other than Income Taxes consist primarily of property taxes and payroll taxes.

Other Items of Income or Expense

Interest Expense consists primarily of interest on debt at ITC Holdings and our Regulated Operating Subsidiaries. Additionally, the amortization of debt financing expenses and loss on extinguishment of debt are recorded to interest expense. An allowance for borrowed funds used during construction is included in property, plant and equipment accounts and treated as a reduction to

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interest expense. The amortization of gains and losses on settled and terminated derivative financial instruments is recorded to interest expense. The interest portion of the refund and estimated refund relating to the ROE complaints is also recorded to interest expense.

Allowance for Equity Funds Used During Construction ("AFUDC equity") is recorded as an item of other income and is included in property, plant and equipment accounts. The allowance represents a return on equity at our Regulated Operating Subsidiaries used for construction purposes in accordance with the FERC regulations. The capitalization rate applied to the construction work in progress balance is based on the proportion of equity to total capital (which currently includes equity and long-term debt) and the allowed return on equity for our Regulated Operating Subsidiaries.

Income Tax Provision

Income tax provision consists of current and deferred federal and state income taxes.

Results of Operations

The following tables reflect our adoption on a retrospective basis of ASU 2017-07 for the presentation of net periodic pension cost and net periodic postretirement benefit cost. See Note 2 to the unaudited condensed consolidated interim financial statements.

The following table summarizes historical operating results for the periods indicated:

	Three Months Ended March 31,		Year Ended December 31,		
(In millions)	**2018**	**2017**	**2017**	**2016**	**2015**
OPERATING REVENUES	$ 279	$ 298	$ 1,211	$ 1,125	$ 1,045
OPERATING EXPENSES					
Operation and maintenance	23	29	110	114	113
General and administrative	31	31	121	234	140
Depreciation and amortization	44	41	169	158	145
Taxes other than income taxes	27	24	103	93	82
Other operating income and expenses net			(2)	(1)	(1)
Total operating expenses	125	125	501	598	479
OPERATING INCOME	154	173	710	527	566
OTHER EXPENSES (INCOME)					
Interest expense net	55	53	224	211	204
Allowance for equity funds used during construction	(9)	(8)	(33)	(35)	(28)
Other (income) and expense net		1	4	8	6
Total other expenses (income)	46	46	195	184	182
INCOME BEFORE INCOME TAXES	108	127	515	343	384
INCOME TAX PROVISION	26	47	196	97	142
NET INCOME	$ 82	$ 80	$ 319	$ 246	$ 242