ITC Holdings Corp.
Form 424B5
January 15, 2008

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Subject to Completion, dated January 14, 2008

Filed pursuant to Rule 424(b)(5)
Registration Statement No. 333-140026

PROSPECTUS SUPPLEMENT
(To Prospectus dated January 17, 2007)

5,363,985 Shares

ITC Holdings Corp.

Common Stock

We are offering 5,363,985 shares of our common stock.

This offering will be used to refinance a portion of the debt we incurred to fund the acquisition by ITC Midwest LLC, our wholly-owned subsidiary, of the electric transmission assets of Interstate Power and Light Company.

Our common stock is listed on the New York Stock Exchange under the symbol ITC. The last reported sale price of our common stock on the New York Stock Exchange on January 11, 2008, was $52.20 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-18 of this prospectus supplement and on page 10 of the accompanying prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Net proceeds	$	$

We have granted the underwriters a 30-day option to purchase up to an additional 804,597 shares of our common stock on the same terms and conditions as set forth above to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

The underwriters expect to deliver the shares to the purchasers on or about January , 2008.

Lehman Brothers	**Credit Suisse**
JPMorgan	**Wachovia Securities**

Morgan Stanley

January , 2008

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ITC Holdings Focuses Exclusively on Transmission of Electricity

ITC Holdings Business Units

The map above shows the service territories of ITCTransmission, METC and ITC Midwest, and the regions in which ITC Great Plains and ITC Panhandle plan to pursue opportunities for transmission investments.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of our common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement or the accompanying prospectus. The second part is the accompanying prospectus, which provides more general information. This prospectus supplement and the accompanying prospectus are part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, which became effective on January 17, 2007. To the extent there is a conflict between the information contained in the prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference as of the date of this prospectus supplement, on the other hand, the information in this prospectus supplement shall control. Unless otherwise expressly stated, all information in this prospectus supplement assumes that the underwriters option to purchase additional shares is not exercised.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or any free writing prospectus prepared by us. Neither we nor the underwriters or any agent has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither we nor the underwriters or any agent is making an offer to sell our common stock in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated in this prospectus supplement and the accompanying prospectus is accurate only as of the date of the applicable document, regardless of the time of delivery of this prospectus supplement or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Statements contained in this prospectus supplement regarding the contents of any contract or other document are not complete, and in each instance we refer you to the copy of the contract or document filed or incorporated by reference as an exhibit to the registration statement of which the accompanying prospectus constitutes a part or to a document incorporated by reference or deemed to be incorporated by reference in the registration statement, each of those statements being qualified in all respects by this reference.

Prior to the Acquisition described under The Transactions, we did not own the electric transmission assets of IP&L. Unless otherwise noted or the context requires, we generally present information relating to our business and pro forma financial information herein assuming the consummation of the Acquisition, as well as the consummation of this offering, the concurrent private offering of our Senior Notes and the concurrent private offering by ITC Midwest of its First Mortgage Bonds, Series A. Historical financial information is presented separately for ITC Holdings and subsidiaries and incorporated by reference herein for the electric transmission business of IP&L.

The senior notes and the first mortgage bonds referred to above are not being offered hereby, will not be registered under the Securities Act of 1933, as amended (the Securities Act), and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

ITC Holdings Corp. is incorporated under the laws of the state of Michigan. Our principal executive offices are located at 39500 Orchard Hill Place, Suite 200, Novi, Michigan 48375, and our telephone number at that address is (248) 374-7100.

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

the Acquisition are references to the acquisition by ITC Holdings, through ITC Midwest, of the electric transmission assets of IP&L as described under The Transactions ;

ATC are references to American Transmission Company, LLC, an affiliate of IP&L;

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

Detroit Edison are references to the Detroit Edison Company, a wholly-owned subsidiary of DTE Energy;

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DTE Energy are references to DTE Energy Company;

the FERC are references to the Federal Energy Regulatory Commission;

the FPA are references to the Federal Power Act;

ICC are references to the Illinois Commerce Commission;

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

the ITC Holdings Bridge Facility are references to the $765.0 million credit facility entered into by ITC Holdings to fund the Acquisition;

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

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

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

ITC Midwest are references to ITC Midwest LLC, a wholly-owned subsidiary of ITC Holdings;

ITC Panhandle are reference to ITC Panhandle Transmission LLC, a wholly-owned subsidiary of ITC Grid Development;

ITCTransmission are references to International Transmission Company, a wholly-owned subsidiary of ITC Holdings;

IUB are references to the Iowa Utilities Board;

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

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

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

MISO are references to the Midwest Independent Transmission 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 ITC Midwest, ITCTransmission and METC are members;

MOPSC are references to the Missouri Public Service Commission;

MPUC are references to the Minnesota Public Utilities Commission;

MTH are references to Michigan Transco Holdings, Limited Partnership, the owner of all of the membership interests of METC;

MW are references to megawatts (one megawatt equaling 1,000,000 watts);

NOLs are references to federal income tax net operating loss carryforwards;

NYSE are references to the New York Stock Exchange;

Predecessor ITCTransmission are references to the ITCTransmission business prior to its acquisition by ITC Holdings from DTE Energy, on February 28, 2003; and

We, our, us and the Company are references to ITC Holdings together with all of its subsidiaries.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement contains certain statements that describe our management s beliefs concerning future business conditions and prospects, growth opportunities and the outlook for our business and the electric transmission industry based upon information currently available. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Wherever possible, we have identified these forward-looking statements by words such as will, may, anticipates, believes, intends, estimates, expects similar phrases. Forward-looking statements in this prospectus supplement include, but are not limited to, statements regarding estimates of capital expenditures and strategic development opportunities set forth under About ITC Holdings and under Potential Strategic Development Opportunities in this prospectus supplement and Management s Discussion and Analysis of Financial Condition and Results of Operations in our annual report on Form 10-K for the year ended December 31, 2006 and in our quarterly reports on Form 10-Q for the quarters ended March 31, 2007, June 30, 2007 and September 30, 2007 (which are incorporated herein by reference).

These forward-looking statements are based upon assumptions our management believes are reasonable. These forward looking-statements are subject to risks and uncertainties which could cause our actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements, including, among other things:

unless we receive dividends or other payments from ITCTransmission, METC and/or ITC Midwest, we will be unable to pay dividends to our stockholders and fulfill our cash obligations;

certain elements of ITCTransmission s, METC s and ITC Midwest s cost recovery through rates can be challenged, which could result in lowered rates and have an adverse effect on our business, financial condition, results of operations and cash flows. We have also made certain commitments to federal and state regulators with respect to, among other things, our rates in connection with recent acquisitions (including the Acquisition) that could have an adverse effect on our business, financial condition, results of operations and cash flows;

approval of the Acquisition by state regulatory authorities in Iowa and Minnesota has been appealed. If such proceedings are decided in a manner that is unfavorable to us, all or part of the orders approving the Acquisition in Iowa and Minnesota could be reversed, which could have a material adverse effect on our business, financial condition, results of operations and cash flows;

ITCTransmission s, METC s and ITC Midwest s actual capital expenditures may be lower than planned, which would decrease their respective expected rate bases and therefore our revenues;

the regulations to which we are subject may limit our ability to raise capital and/or pursue acquisitions or development opportunities or other transactions or may subject us to liabilities;

ITCTransmission, METC and ITC Midwest are subject to various regulatory 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 results of operations, financial condition and cash flows;

changes in federal energy laws, regulations or policies could reduce the dividends we may be able to pay our stockholders;

changes in interest rates may negatively affect us;

hazards related to our business, such as explosions, fires, inclement weather, natural disasters, mechanical failure and related matters, could affect our business and results of operations;

each of ITCTransmission, METC and ITC Midwest 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 would adversely affect our revenues and our ability to service ITCTransmission s, METC s, ITC Midwest s and our debt obligations; ITCTransmission s primary customer is Detroit Edison, METC s primary customer is Consumer s Power and ITC Midwest s primary customer is IP&L;

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METC does not own the majority of the land on which its transmission assets are located. A significant amount of the land on which ITCTransmission s and ITC Midwest s assets are located is subject to easements, mineral rights and other similar encumbrances and a significant amount of ITCTransmission and ITC Midwest s other property consists of easements. As a result, METC, ITCTransmission and ITC Midwest must comply with the provisions of various easements, mineral rights and other similar encumbrances, which may adversely impact their ability to complete construction projects in a timely manner;

deregulation and/or increased competition may adversely affect customers of ITCTransmission, METC, ITC Midwest, Detroit Edison, Consumers Energy Company or IP&L, which may affect our ability to collect revenues;

hazards associated with high-voltage electricity transmission may result in suspension of ITCTransmission s, METC s or ITC Midwest s operations or the imposition of civil or criminal penalties;

ITCTransmission, METC and ITC Midwest are subject to environmental regulations and to laws that can give rise to substantial liabilities from environmental contamination;

acts of war, terrorist attacks and threats or the escalation of military activity in response to such attacks or otherwise may negatively affect our business, financial condition and results of operations;

the purchase price for the IP&L assets is subject to adjustment after closing of the transaction and, therefore, the final purchase price cannot be determined at this time;

we may encounter difficulties consolidating IP&L s electric transmission assets into our business and may not fully attain or retain, or achieve within a reasonable time frame, expected strategic objectives, cost savings and other expected benefits of the Acquisition;

we are highly leveraged and our dependence on debt may limit our ability to pay dividends and/or obtain additional financing;

certain provisions in our debt instruments may limit our financial flexibility;

adverse changes in our credit ratings may negatively affect us;

future transactions may limit our ability to use our NOLs;

ITCTransmission s, METC s and ITC Midwest s ability to raise capital may be restricted which may, in turn, restrict our ability to make capital expenditures or pay dividends to our stockholders; and

other risk factors discussed herein and set forth 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 supplement 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 update any forward-looking or other statements, whether as a result of new information, future events, or otherwise.

Important factors that could cause actual results to differ materially from the forward-looking statements presented above include, among others, the risks described in our annual report on Form 10-K for the fiscal year ended December 31, 2006 and in our quarterly reports on Form 10-Q for the quarters ended March 31, 2007, June 30, 2007 and September 30, 2007, the risk factors described under the Risk Factors section in this prospectus supplement, and any risk set forth in our other filings with the SEC that are incorporated by reference herein. In addition, other factors besides those listed here could adversely affect our business and results of operations. You should consider all of these factors carefully before investing in our securities.

ABOUT ITC HOLDINGS

We are currently the sixth largest transmission entity in the country in terms of electric sales made over our facilities. Through our subsidiaries, ITCTransmission, METC and ITC Midwest, we operate regulated, high-voltage transmission systems in Michigan s lower peninsula and portions of Iowa, Minnesota, Illinois and Missouri serving a combined peak load in excess of 25,000 MW. We are also focused on new areas where significant electric transmission system improvements are needed through our subsidiaries, ITC Grid Development, ITC Great Plains and ITC Panhandle Transmission.

The Acquisition

On December 20, 2007, ITC Midwest, our wholly owned subsidiary, acquired the electric transmission assets of IP&L, for $783.1 million, excluding fees and expenses, pursuant to an asset sale agreement (the Asset Sale Agreement), dated January 18, 2007, with IP&L pursuant to which it agreed to acquire, subject to certain exclusions, the electric transmission assets of IP&L. The purchase price is subject to several purchase price adjustment provisions relating to liabilities actually assumed by ITC Midwest and the actual rate base, construction work in progress and other asset or liability balances actually transferred to ITC Midwest by IP&L. The electric transmission assets ITC Midwest acquired consist of approximately 6,800 miles of transmission lines at voltages of 34.5kV and above and associated substations, primarily located in Iowa, Minnesota, Illinois and Missouri and have a network system peak load of over 3,100 MW. We estimate that we served 19% of the network load served in MISO in 2007. The estimated rate base used to calculate the initial purchase price, which is subject to adjustment as described above, was approximately $450.0 million. We estimate the pro forma combined rate base of ITCTransmission, METC and ITC Midwest was $1.6 billion as of December 31, 2007.

As part of the orders approving the Acquisition by the IUB and MPUC, ITC Midwest agreed to provide a rate discount of $4.1 million per year to its customers for eight years, beginning in the year customers experience an increase in transmission charges following the consummation of the Acquisition. Additionally, as part of the MPUC approval, ITC Midwest agreed to comply with certain specified conditions and commitments, including a commitment not to seek an increase on the return on equity approved by the FERC of 12.38% for a period of five years and a commitment to offer an interconnection tariff similar to that approved by the FERC and offered in Michigan by ITCTransmission and METC. In the Minnesota regulatory proceeding, ITC Midwest also agreed to build two construction projects intended to improve the reliability and efficiency of our electric transmission system.
ITC Midwest agreed to use commercially reasonable efforts to complete these projects over the next two to four years. In the event ITC Midwest fails to meet these commitments, the allowed 12.38% rate of return on the actual equity portion of ITC Midwest s capital structure will be reduced to 10.39% until such time as it completes these projects. See The Transactions.

The regulatory approvals of the Acquisition obtained in Iowa and Minnesota are currently being appealed, although we believe such appeals are without merit and will not be successful. See The Transactions and Risk Factors Risks Related to Our Business Approval of the Acquisition by state regulatory authorities in Iowa and Minnesota has been appealed. If such proceedings are decided in a manner that is unfavorable to us, all or part of the orders approving the Acquisition in Iowa and Minnesota could be reversed, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We believe that the Acquisition is a natural extension of our platform in the following respects:

- it is consistent with our exclusive focus on transmission;

- it is consistent with FERC jurisdictional ratemaking formulaic tariffs; and

- the assets we are acquiring, the regulatory model and our resulting capital structure are consistent with our existing businesses.

We also believe that the Acquisition will provide us significant benefits, including:

- growth of our independent transmission business model and platform in a new geographic area;

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- efficiencies and scale from creating the sixth largest transmission entity in the country in terms of electric sales made over our facilities;
- opportunities for additional capital projects to further our goals of improving transmission reliability and reducing congestion;
- opportunities to support the entrance of renewable generation and demand response strategies through transmission investment;
- enhanced ability to plan and coordinate regional transmission projects; and
- increased geographical scope and customer diversification.

We financed the Acquisition (including related fees and expenses) with borrowings of $765.0 million under the ITC Holdings Bridge Facility and cash on hand of $18.1 million. Concurrently with this offering, we expect to offer $385.0 million aggregate principal amount of Senior Notes in a private placement and ITC Midwest expects to offer $175.0 million aggregate principal amount of First Mortgage Bonds, Series A in a private placement. We expect to use the net proceeds from this offering, together with the net proceeds from the concurrent private offering of our Senior Notes and the concurrent private offering of the First Mortgage Bonds, Series A by ITC Midwest to repay in full all amounts outstanding under the ITC Holdings Bridge Facility.

None of this offering, our concurrent private offering of Senior Notes or ITC Midwest s offering of First Mortgage Bonds, Series A are conditioned upon the completion of any other of such offerings.

The following table shows the expected sources and uses of capital from our planned financings in connection with the Acquisition:

Sources		**(In millions)**
Debt:		
Issuance of Senior Notes(a)	$	385.0
Issuance of ITC Midwest s First Mortgage Bonds, Series A(a)		175.0
Total	$	560.0
Equity:		
Proceeds to us from the shares of common stock offered hereby net of underwriter discounts and commissions	$	268.1
Total Sources	$	828.1
<u>Uses</u>		
Repay ITC Holdings Bridge Facility	$	765.0
Cash and cash equivalents		42.5
Estimated net fees, expenses and other(b)		20.6
Total Uses	$	828.1

(a) The senior notes and the first mortgage bonds are not being offered hereby, will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

(b) Consists of net fees and expenses incurred in connection with this offering (not including the common stock underwriter discounts and commissions) and the issuance of our senior notes and the issuance of first mortgage bonds by ITC Midwest in the concurrent private offerings, as well as other costs and expenses associated with the ITC Holdings Bridge Facility.

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For additional information regarding these transactions and how these financings will affect us, see Risk Factors, The Transactions, Capitalization and Unaudited Pro Forma Condensed Consolidated Financial Information elsewhere in this prospectus supplement.

Updated 2007 and Initial 2008 Capital Expenditure Forecast

We are committed to investing capital in our transmission systems to improve reliability and lower the delivered cost of energy to end-use consumers. We believe that prudently investing capital in our transmission systems and expanding our rate base will result in increased revenues and net income. We currently estimate that capital expenditures for 2007 will be $200 million and $70 million for ITC Transmission, and METC, respectively. This forecast updates our prior capital expenditure guidance of $200 million and $60 million for ITC Transmission and METC, respectively.

We expect that capital expenditures for 2008 will be approximately $95 million to $110 million, $105 million to $130 million and $85 million to $100 million, for ITC Transmission, METC and ITC Midwest, respectively. Moreover, we expect that ITC Midwest will invest up to $1 billion over the next seven to ten years across its electric transmission system. As part of the regulatory proceedings approving the Acquisition, ITC Midwest has made several investment commitments relating to our transmission systems, including completing projects anticipated to cost at least approximately $100 million over the next five years dedicated to reducing transmission constraints as well as investing at least an additional $250 million in other projects over the next five years.

Our capital expenditures could, however, be lower than we expect for a number of reasons, including, among others, the impact of 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 at any one time or regulatory approvals for reasons relating to environmental, siting, regional planning, cost recovery and other issues or as a result of legal proceedings and variances between estimated and actual costs of construction contracts awarded.

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THE OFFERING

Shares of common stock offered by the Company	5,363,985
Shares of common stock to be outstanding immediately after this offering	48,284,487[1]
Underwriters option to purchase additional shares	804,597 shares to be offered by the Company.
Use of proceeds	We estimate that our net proceeds from this offering, after deducting underwriter discounts and commissions and estimated offering expenses, will be approximately $267.2 million. The net proceeds from this offering, together with the net proceeds from our concurrent private offering of Senior Notes and issuance of First Mortgage Bonds, Series A by ITC Midwest will be used to repay in full all amounts outstanding under the ITC Holdings Bridge Facility, including loans made by affiliates of certain of the underwriters, which is scheduled to mature on December 18, 2008, and has an interest rate of 5.56%. See Use of Proceeds and Underwriting.
Dividend policy	We paid a quarterly cash dividend of $0.29 per share of our common stock on September 17, 2007 and December 17, 2007. We paid a $0.275 per share quarterly cash dividend on our common stock on September 15, 2006, December 1, 2006, March 15, 2007 and June 15, 2007, and a $0.2625 per share quarterly cash dividend on our common stock for each quarter from our initial public offering on July 25, 2005. The declaration and payment of dividends is subject to the discretion of our board of directors and depends on various factors, including our net income, financial condition, cash requirements, future prospects and other factors deemed relevant by our board of directors. The board of directors intends to increase the dividend rate from time to time as necessary for the yield to remain competitive, subject to prevailing business conditions, applicable restrictions on dividend payments and the availability of capital resources. See Price Range of Common Stock and Dividend Policy.
New York Stock Exchange symbol	Our common stock is listed on the NYSE under the trading symbol ITC.

[1] The number of shares of common stock to be outstanding immediately after this offering is based on 42,920,502 shares outstanding as of January 11, 2008 and the issuance by us of 5,363,985 shares of our common stock in this offering, assuming a price per share of $52.20, which is the last reported sale price of our common stock on the NYSE on January 11, 2008.

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POTENTIAL STRATEGIC DEVELOPMENT OPPORTUNITIES

In addition to our expected capital investment programs for ITC Transmission, METC, and ITC Midwest, which cover five-to-seven and seven-to-ten year periods, we are also seeking to develop broader potential strategic development opportunities for transmission construction related to building super regional 765 kV transmission facilities, interconnections for wind generation resources, and investment opportunities through our subsidiary, ITC Grid Development. For example, we believe there may be opportunities to invest up to $1.3 billion in a joint venture with American Electric Power to build a new 765 kV transmission facility across the southern portion of Michigan s lower peninsula. In addition, based on proposals by regional transmission organizations, including MISO and the Southwest Power Pool, we are exploring strategic opportunities to upgrade the transmission grid in those and surrounding regions with a backbone, super high voltage 765 kV transmission network. Based on the anticipated growth of wind generation resources, we also foresee the need to construct wind interconnection facilities. These super high voltage facilities and wind interconnection projects could result in opportunities to make up to $10 billion of capital investment over the long term, subject to a number of factors and considerations discussed under About ITC Holdings Updated 2007 and Initial 2008 Capital Expenditure Forecast in this prospectus supplement that could impact on our ability to participate in such projects or achieve the results we seek. We also foresee opportunities for construction of transmission facilities through projects being pursued by our subsidiary ITC Grid Development, which we believe may result in up to $1 billion of investment. The Company cannot predict when or if these development opportunities may begin, or their duration. See Risk Factors Risks Related to Our Business ITCTransmission s, METC s and ITC Midwest s actual capital expenditures may be lower than planned, which would decrease expected rate base and therefore our revenues.

We expect to pursue these and possibly other strategic development opportunities to improve the efficiency and reliability of the transmission grid, but we cannot assure you that we will be able to initiate or complete any of these investments. Any investments we make in these initiatives could be significantly lower than the opportunities we are seeking to develop today. These estimates of potential investment opportunities are based on transmission needs we foresee and largely on general transmission construction costs, not necessarily on particular project cost estimates. 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 discussed above. Therefore, we cannot assure you as to the actual level of investment we may achieve as a result of these potential strategic development opportunities. We expect to pursue only development opportunities that are consistent with the business model of our existing operating transmission companies, such as those that are anticipated to be constructed by or result in the creation of a FERC-regulated entity using formula-based rates.

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SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

Set forth below is summary historical condensed consolidated financial, operating and other data of ITC Holdings and subsidiaries at the dates and for the periods indicated.

The summary historical condensed consolidated financial data of ITC Holdings and subsidiaries and of the electric transmission business of IP&L as of September 30, 2007 and for the nine months ended September 30, 2007 and 2006 have been derived from, and should be read in conjunction with, ITC Holdings and subsidiaries unaudited historical condensed consolidated financial statements and the notes to those statements and the audited and unaudited historical statements of the electric transmission business of IP&L and the notes to those statements, respectively, which are incorporated by reference in this prospectus supplement. The statements for the electric transmission business of IP&L were prepared as a carve-out of the larger integrated electric operations of IP&L for all relevant periods. The unaudited historical condensed consolidated financial statements of the Company have been prepared on the same basis as the audited historical consolidated financial statements and, in management s opinion, include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for these periods.

The historical financial and other data for the electric transmission business of IP&L included below have been prepared on a carve-out basis from IP&L s financial statements to present the revenues and direct expenses of the acquired business. The historical financial data reflect significant assumptions and allocations. These historical financial data are not indicative of ITC Midwest or the acquired business s future performance, nor do such data reflect what ITC Midwest or the acquired business s financial data would have been had the acquired business been operated as a stand-alone entity during the periods shown. See Risk Factors Risks Related to the Acquisition Full financial statements for the electric transmission business of IP&L are not available and IP&L s electric transmission business has no operating history as a stand-alone business. Therefore, its historical financial information is not necessarily representative of the results we would have achieved during the periods as a stand-alone company and may not be a reliable indicator of our future results.

The financial data presented for ITC Holdings and subsidiaries and the electric transmission business of IP&L for the nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007 or any future period. The summary historical consolidated financial data for the years ended December 31, 2006 and 2005 have been derived from, and should be read in conjunction with, ITC Holdings and subsidiaries audited historical consolidated financial statements and the notes to those statements and the audited and unaudited historical statements of the electric transmission business of IP&L and the notes to those statements, all incorporated by reference in this prospectus supplement.

The unaudited pro forma condensed consolidated statement of financial position as of September 30, 2007 has been developed by the application of pro forma adjustments to ITC Holdings and subsidiaries unaudited historical consolidated financial statements and the notes to those statements and the unaudited historical statements of the electric transmission business of IP&L and the notes to those statements as of September 30, 2007, all included elsewhere or incorporated by reference in this prospectus supplement. We have not included a pro forma statement of operations, as it does not meaningfully present the effects of the Acquisition and would not be indicative of our operations going forward due to differences in rate making, among other factors. The historical statements of revenues and direct expenses of the electric transmission business of IP&L do not include certain items, such as income taxes and the allowance for equity funds used during construction.

The unaudited pro forma condensed consolidated statement of financial position gives effect to the following transactions associated with the Acquisition:

the issue and sale by us of 5,363,985 shares of our common stock in this offering, assuming a price per share of $52.20, the closing price per share of common stock on the New York Stock Exchange on

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January 11, 2008, resulting in net proceeds of $267.2 million after deducting estimated underwriting discounts and commissions and estimated offering expenses;

the issue and sale of $385.0 million aggregate principal amount of senior notes in a concurrent private offering;

the issue and sale by ITC Midwest of $175.0 million aggregate principal amount of first mortgage bonds in a concurrent private offering; and

the Acquisition,

all as described under The Transactions.

The pro forma adjustments are based upon available information and assumptions that management believes are reasonable. We have accounted for the Acquisition using the purchase method of accounting, which requires us to estimate the fair values of assets and liabilities acquired. The pro forma adjustments to reflect the allocation of the purchase price, the fair value of assets and liabilities acquired, the amount of fees associated with the Acquisition, as well as other assumptions used in the unaudited pro forma condensed consolidated statement of financial position are based upon preliminary information currently available, which may be revised as additional information becomes available and/or upon the consummation of the transactions described under The Transactions. The notes to the unaudited pro forma condensed consolidated statement of financial position provide a more detailed discussion of how such adjustments were derived and presented in the unaudited pro forma condensed consolidated statement of financial position. See Unaudited Pro Forma Condensed Consolidated Financial Information.

The unaudited pro forma condensed consolidated statement of financial position has been compiled from historical financial statements and other information, but does not purport to represent what our consolidated financial position would have been had this offering, the issuance of senior notes in the concurrent private offering, the issuance of first mortgage bonds by ITC Midwest in a concurrent private offering or the Acquisition, as described under The Transactions, occurred on the dates indicated, or to project our consolidated financial performance for any future period.

Our summary historical and pro forma financial data presented below should be read together with Use of Proceeds, Capitalization, Selected Historical Consolidated Financial Data, Unaudited Pro Forma Condensed Consolidated Financial Information, The Transactions, ITC Holdings and subsidiaries audited and unaudited historical consolidated financial statements and the notes to those statements and the audited and unaudited historical statements of the electric transmission business of IP&L and the notes to those statements, included elsewhere or incorporated by reference in this prospectus supplement.

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	ITC Holdings and Subsidiaries			
	Nine Months Ended September 30,		Year Ended December 31,	
	2007	2006	2006	2005
Statement of operations data:				
Operating revenues	$ 316,850	$ 150,548	$ 223,622	$ 205,274
Operating expenses:				
Operation and maintenance	62,494	19,317	35,441	48,310
General and administrative	40,603	25,292	40,632	25,198
Depreciation and amortization	49,893	27,213	40,156	33,197
Taxes other than income taxes	25,089	15,739	22,156	13,982
Termination of management agreements				6,725
Gain on sale of assets, net			(842)	
Total operating expenses	178,079	87,561	137,543	127,412
Operating income	138,771	62,987	86,079	77,862
Other expenses (income):				
Interest expense				