

ITC Holdings Corp.
Form 10-Q
April 24, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
For the Quarterly Period Ended March 31, 2013

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

Commission File Number: 001-32576

ITC HOLDINGS CORP.

(Exact Name of Registrant as Specified in Its Charter)

Michigan

(State or Other Jurisdiction of Incorporation or
Organization)

27175 Energy Way

Novi, MI 48377

(Address Of Principal Executive Offices, Including Zip Code)

(248) 946-3000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the Registrant's Common Stock, without par value, outstanding as of April 19, 2013 was 52,332,830.

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DEFINITIONS

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

ITC Holdings Corp. and its subsidiaries

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

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

“Green Power Express” are references to Green Power Express LP, an indirect 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 Transmission” are references to International Transmission Company, a wholly-owned subsidiary of ITC Holdings;

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

“MISO Regulated Operating Subsidiaries” are references to ITC Transmission, METC and ITC Midwest together;

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

“Regulated Operating Subsidiaries” are references to ITC Transmission, METC, ITC Midwest and ITC Great Plains together; and

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

Other definitions

“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 Company;

“Entergy” are references to Entergy Corporation;

“Entergy Transaction” are references to the transaction whereby the electric transmission business of Entergy will be separated and subsequently merged with a wholly-owned subsidiary of ITC Holdings;

“FERC” are references to the Federal Energy Regulatory Commission;

“FPA” are references to the Federal Power Act;

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

“ITC Holdings’ annual report on Form 10-K” are references to the annual report on Form 10-K filed on March 1, 2013;

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

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

“MISO” are references to the Midwest Independent Transmission System Operator, Inc., a FERC-approved RTO which oversees the operation of the bulk power transmission system for a substantial portion of the Midwestern United States and Manitoba, Canada, and of which ITC Transmission, METC and ITC Midwest are members;

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

“NERC” are references to the North American Electric Reliability Corporation;

“RTO” are references to Regional Transmission Organizations; and

“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.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ITC HOLDINGS CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in thousands, except share data)	March 31, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$67,582	\$26,187
Accounts receivable	78,412	72,192
Inventory	37,092	37,357
Deferred income taxes	21,094	23,014
Regulatory assets — revenue accruals, including accrued interest	6,310	7,489
Prepaid assets	18,367	29,235
Other	5,179	2,752
Total current assets	234,036	198,226
Property, plant and equipment (net of accumulated depreciation and amortization of \$1,289,769 and \$1,269,810, respectively)	4,317,746	4,134,579
Other assets		
Goodwill	950,163	950,163
Intangible assets (net of accumulated amortization of \$19,188 and \$18,397, respectively)	47,701	48,492
Regulatory assets — revenue accruals, including accrued interest	14,594	2,719
Other regulatory assets	181,797	180,378
Deferred financing fees (net of accumulated amortization of \$18,742 and \$17,838, respectively)	18,721	19,293
Other	30,729	30,959
Total other assets	1,243,705	1,232,004
TOTAL ASSETS	\$5,795,487	\$5,564,809
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$109,646	\$123,022
Accrued payroll	10,174	20,740
Accrued interest	44,722	44,708
Accrued taxes	23,221	28,117
Regulatory liabilities — revenue deferrals, including accrued interest	47,736	53,763
Refundable deposits from generators for transmission network upgrades	30,083	40,745
Debt maturing within one year	901,962	651,929
Other	38,408	40,287
Total current liabilities	1,205,952	1,003,311
Accrued pension and postretirement liabilities	55,349	53,243
Deferred income taxes	484,577	460,072
Regulatory liabilities — revenue deferrals, including accrued interest	33,479	28,613
Regulatory liabilities — accrued asset removal costs	74,549	75,477
Refundable deposits from generators for transmission network upgrades	6,019	7,623
Other	23,088	26,317
Long-term debt	2,458,881	2,495,298
Commitments and contingent liabilities (Note 10)		
STOCKHOLDERS' EQUITY		

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Common stock, without par value, 100,000,000 shares authorized, 52,317,093 and 52,248,514 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	995,509	989,334
Retained earnings	474,026	443,569
Accumulated other comprehensive loss	(15,942)	(18,048)
Total stockholders' equity	1,453,593	1,414,855
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$5,795,487	\$5,564,809

See notes to condensed consolidated financial statements (unaudited).

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ITC HOLDINGS CORP. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share data)	Three months ended	
	March 31,	
	2013	2012
OPERATING REVENUES	\$217,304	\$196,713
OPERATING EXPENSES		
Operation and maintenance	24,513	28,712
General and administrative	34,926	23,009
Depreciation and amortization	28,486	25,011
Taxes other than income taxes	16,670	14,280
Other operating (income) and expense — net	(172) (193
Total operating expenses)