ITC Holdings Corp.
Form S-1/A
September 25, 2006

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As filed with the Securities and Exchange Commission on September 25, 2006

Registration No. 333-135137

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ITC HOLDINGS CORP.

(Exact Name of Registrant as Specified in its Charter)

Michigan	**4911**	**32-0058047**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

39500 Orchard Hill Place
Suite 200
Novi, Michigan 48375
(248) 374-7100

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Daniel J. Oginsky, Esq.
Vice President, General Counsel and Secretary
ITC Holdings Corp.
39500 Orchard Hill Place, Suite 200
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(248) 374-7045

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

With copies to:

Risë B. Norman, Esq.	**Robert B. Williams, Esq.**
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New York, New York 10017-3954	New York, New York 10005-1413
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Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o____________.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o____________.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o____________.

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common Stock, without par value	$345,000,000	$36,915

(1) Includes shares which may be purchased by the underwriters to cover over-allotments, if any.

(2) Estimated solely for purpose of calculating the amount of the registration fee, which is calculated in accordance with Rule 457(o) of the rules and regulations of the Securities Act of 1933, as amended. Rule 457(o) permits the registration fee to be calculated on the basis of the maximum aggregate offering price.

(3) $23,380 of which has previously been paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion, dated September 25, 2006

PROSPECTUS

9,557,000 Shares

Common Stock

We are selling 6,690,000 shares of our common stock and the selling stockholder is selling 2,867,000 shares of our common stock. We will not receive any proceeds from the sale of our common stock by the selling stockholder.

We have entered into an agreement described elsewhere in this prospectus to acquire all of the indirect ownership interests in Michigan Electric Transmission Company, LLC, or METC, the owner and operator of our neighboring electricity transmission system. This offering is conditioned upon the consummation of the acquisition of METC.

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 September 21, 2006 was $31.39 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 19.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to ITC Holdings Corp. (before expenses)	$	$
Proceeds to the selling stockholder (before expenses)	$	$

The selling stockholder has granted the underwriters a 30-day option to purchase up to an additional 1,433,550 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 passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Lehman Brothers, on behalf of the underwriters, expects to deliver the shares on or about , 2006.

LEHMAN BROTHERS **CREDIT SUISSE**

MORGAN STANLEY **A.G. EDWARDS**

, 2006

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We, the selling stockholder and the underwriters have not authorized any other person to provide you with information different from that contained in this prospectus. If any person provides you with different or inconsistent information, you should not rely on it. We and the selling stockholder are only offering to sell, and only seeking offers to buy, the common stock in jurisdictions where offers and sales are permitted.

Prior to the acquisition described under "The Transactions," ITC Holdings does not own MTH and METC. However, unless otherwise noted or the context requires, we generally present information relating to our business and pro forma financial information in this prospectus assuming the consummation of ITC Holdings' acquisition of all of the indirect ownership interests in METC as well as the consummation of this offering, the issuance by ITC Holdings of senior notes, the issuance of our common stock to a selling shareholder in connection with the acquisition, repayments of MTH's and certain of METC's debt and the payment of a management services agreement termination fee. Historical financial information is presented separately for ITC Holdings and subsidiaries and for MTH and METC.

The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

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

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

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

"We," "our" and "us" are references to ITC Holdings together with all of its subsidiaries (including, after the consummation of ITC Holdings' acquisition of all of the indirect ownership interests in METC and the other transactions described under "The Transactions," MTH and METC);

the "FERC" are references to the Federal Energy Regulatory Commission;

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

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

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

"selling stockholder" are references to International Transmission Holdings Limited Partnership, a Michigan Limited Partnership, or the IT Holdings Partnership.

SUMMARY

This summary highlights selected information in this prospectus, but it may not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus carefully, including the "Risk Factors" section, ITC Holdings and Subsidiaries' audited and unaudited historical consolidated financial statements and the notes to those statements, the unaudited pro forma condensed consolidated financial statements and the notes to those statements and MTH and METC's audited and unaudited historical consolidated financial statements and the notes to those statements, all included elsewhere in this prospectus.

Our Business

Overview

Through our operating subsidiaries, ITC*Transmission* and METC, we are the only publicly traded company engaged exclusively in the transmission of electricity in the United States. We are also the largest independent electric transmission company and the tenth largest electric transmission company in the country based on transmission load served. Our business strategy is to operate, maintain and invest in our transmission infrastructure in order to enhance system integrity and reliability and to reduce transmission constraints. By pursuing this strategy, we seek to reduce the overall cost of delivered energy for end-use consumers by providing them with access to electricity from the lowest cost electricity generation sources. ITC*Transmission* and METC operate contiguous, fully-regulated, high-voltage systems that transmit electricity to local electricity distribution facilities from generating stations throughout Michigan and surrounding areas. The local distribution facilities connected to our systems serve an area comprising substantially all of the lower peninsula of Michigan, which had a population of approximately 9.8 million people at December 31, 2005.

As transmission utilities with rates regulated by the FERC, our subsidiaries earn revenues through fees charged for the use of their electricity transmission systems by our customers, which include investor- owned utilities, municipalities, co-operatives, power marketers and alternative energy suppliers. As independent transmission companies, our subsidiaries are subject to rate regulation only by the FERC. The rates charged by our subsidiaries are established using a formulaic cost-of-service model and re-calculated annually, allowing for the recovery of actual expenses and income taxes and a return of and on invested capital.

The Electricity Transmission Sector

Electricity transmission is the flow of electricity at high voltages from electricity generation resources to local distribution systems. In the United States, electricity transmission assets are predominantly owned, operated and maintained by utilities that also own electricity generation and distribution assets, known as vertically integrated utilities. The vertically integrated utility model has produced inadequate investment in electricity transmission systems and has inhibited the provision of non-discriminatory electricity transmission access to all market participants. These factors, along with significant growth in electricity demand, have resulted in significant electricity transmission constraints, increased stress on aging electricity transmission equipment, electric power outages and other electric power quality problems. Given historical underinvestment, continued growth in demand for electricity and the costs associated with power outages, we believe a significant opportunity exists to invest in electricity transmission infrastructure with the support of policy makers and end-use consumers. See "Industry Overview" for a further description of the electricity transmission sector.

Our Operations

Our operations are conducted through ITC*Transmission* and METC. We have no ownership of or financial interest in electricity generation or distribution assets, allowing us to focus exclusively on the transmission of electricity and investment in transmission infrastructure. Our primary operating responsibilities include maintaining, improving and expanding our transmission systems to meet our customers' ongoing needs, scheduling outages on transmission system elements to allow for maintenance and construction, balancing electricity generation and demand, maintaining appropriate system voltages and monitoring flows over transmission lines and other facilities to ensure physical limits are not exceeded.

Our operating subsidiaries' assets include over 8,000 circuit miles of high-voltage lines, 236 stations and substations, approximately 61,000 transmission towers and poles and 14 external interconnections, which connect our transmission lines to generation resources, distribution facilities and neighboring transmission systems. There are also nine interconnections between ITC*Transmission* and METC. The rate base of our operating subsidiaries, which is comprised primarily of transmission property, plant and equipment, was in excess of $1.0 billion as of December 31, 2005.

We are committed to investing capital in our transmission systems to improve reliability and lower the delivered cost of energy to end-use consumers. By prudently investing capital in our transmission systems, we believe we will enhance our earnings growth as we continue to earn a regulated return on our expanding rate base. For the period from January 1, 2004 through December 31, 2005, ITC*Transmission* and METC invested $199.3 million and $65.0 million, respectively, in property, plant and equipment. We expect investments by ITC*Transmission* and METC in property, plant and equipment in 2006 to be approximately $145.0 million and $50.0 million, respectively. ITC*Transmission* and METC have invested $73.4 million and $35.5 million, respectively, in property, plant and equipment during the six months ended June 30, 2006.

Over the seven-year period from January 1, 2005 through December 31, 2011, we anticipate that ITC*Transmission* and METC will invest approximately $1.6 billion to rebuild and upgrade existing equipment, relieve congestion and provide access to the lowest cost generation sources. Our forecasted investment in property, plant and equipment in 2007 for ITC*Transmission* and METC is estimated to be between approximately $205.0 million to $215.0 million in total. The actual timing and amounts of capital investment are dependent upon the timing of the closing of the acquisition, the timing of completion of the joint planning process for the two systems and our ability to procure equipment with long lead times for production that has not yet been ordered. The amounts could also vary for the reasons described in footnote (c) to the table below. The remaining forecasted investment in property, plant and equipment for 2008 through 2011 for ITC*Transmission* and METC is estimated to be between $1.0 billion and $1.1 billion in total.

Property, plant and equipment additions in excess of depreciation and amortization expense result in an expansion of the rate base of our operating subsidiaries when these additions are placed in service. The table below presents the historical capital investment of our operating subsidiaries and our forecasts for capital investment for 2006.

(in thousands)

(a) Amount represents additions to property, plant and equipment. Additions to property, plant and equipment differ from cash expenditures for property, plant and equipment in any period primarily due to differences in construction labor and materials costs incurred compared to cash paid for those costs and services during that period.

(b)
Amount represents depreciation and amortization expense. ITC Holdings' acquisition of all of the indirect ownership interests in METC will be accounted for using the purchase method of accounting. The application of the purchase method of accounting for the acquisition is expected to result in the recognition of an intangible asset relating to recoverable amounts that were deferred under METC's rate freeze to reflect its fair market value, which is expected to result in additional amortization expense of approximately $13.7 million on an annual basis recognized on a straight-line method from the date of closing of the acquisition through May 31, 2011. See the discussion of this item in Note 6 to the notes to MTH and METC's audited historical consolidated financial statements for the year ended December 31, 2005 included elsewhere in this prospectus. This item represents the portion of METC's regulatory asset that is not recorded in METC's GAAP financial statements.

(c)
Estimated amount that ITC*Transmission* and METC expect to invest in additions to property, plant and equipment. Investments in property, plant and equipment could vary due to, among other things, 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 systems at any one time or regulatory approvals for reasons relating to environmental, siting or regional planning issues or as a result of legal proceedings and variances between estimated and actual costs of construction contracts awarded. The allocation of our budgeted investments between ITC*Transmission*'s and METC's transmission systems remains contingent on our assessment of market conditions and opportunities and other factors. Therefore, future investments in ITC*Transmission*'s or METC's transmission system may be higher or lower than currently planned, or may be allocated differently between ITC*Transmission* and METC.

Substantially all of our revenues for the year ended December 31, 2005 were derived from providing transmission service. The Detroit Edison Company, a wholly-owned subsidiary of DTE Energy Company, and Consumers Energy Company, a wholly-owned subsidiary of CMS Energy Corporation, accounted for approximately 50.7% and 25.2%, respectively, of our pro forma consolidated revenues for the year ended December 31, 2005. ITC Holdings and Subsidiaries generated operating revenues, net income and adjusted EBITDA of $205.3 million, $34.7 million and $118.9 million, respectively, for the year ended December 31, 2005. ITC Holdings and Subsidiaries generated operating revenues, net income and adjusted EBITDA of $87.5 million, $10.7 million and $48.3 million, respectively, for the six months ended June 30, 2006. We generated pro forma operating revenues, net income and adjusted EBITDA of $311.3 million, $31.6 million and $165.5 million, respectively, for the year ended December 31, 2005. We generated pro forma operating revenues, net income and adjusted EBITDA of $154.8 million, $13.5 million and $86.2 million, respectively, for the six months ended June 30, 2006. See " Summary Historical and Pro Forma Financial Data" for the definition of adjusted EBITDA, which is a non-GAAP measure, and a discussion of its usefulness as a measure of our overall financial and operating performance and a reconciliation of net income to adjusted EBITDA.

Regulation and Ratemaking

Our utility subsidiaries operate in two different rate zones in each of which a different transmission service rate is charged. The rates of our utility subsidiaries are determined using a FERC-approved formulaic rate setting mechanism known as Attachment O. Attachment O is a rate template used by members of the Midwest Independent Transmission System Operator, Inc. that is completed with financial information primarily from a transmission provider's FERC Form No. 1 and calculates a transmission rate. Under Attachment O, our subsidiaries' rates adjust annually to account for year-to-year changes in network load, expenses and a return of and on invested capital, among other items. These annual adjustments occur under Attachment O without the need to file a rate case at the FERC.

ITC*Transmission*'s FERC-approved rate allows it to earn a return of 13.88% on the actual equity portion of its capital structure in calculating rates. Effective June 1, 2005, ITC*Transmission*'s billed network transmission rate was $1.594 per kW per month, or per kW/month, and, based upon 2005 data, its billed network transmission rate for the period which began June 1, 2006 increased to $1.744 per kW/month. The network transmission rate of $2.099 per kW/month, which will be effective for ITC*Transmission* beginning on January 1, 2007, is based on ITC*Transmission*'s implementation of a forward-looking Attachment O as described below, which consists of forecasted information for the upcoming year.

On July 14, 2006, the FERC authorized ITC*Transmission* to modify the implementation of its Attachment O formula rate so that, beginning January 1, 2007, ITC*Transmission* will recover expenses and will earn a return on and recover investments in transmission on a current rather than a historical basis. ITC*Transmission*'s current rate-setting method for network transmission rates primarily uses historical data to establish a rate. As a result of the FERC authorization, ITC*Transmission* will be allowed to collect revenues based on its current expenses and capital investments, which is expected to result in higher revenues and cash flows in the initial years after implementation. During periods of capital expansion and increasing rate base, ITC*Transmission* will recover the costs of these capital investments on a more timely basis than it would under the current Attachment O method. ITC*Transmission*'s authorization to implement a forward-looking Attachment O does not affect METC's ratemaking regardless of whether the acquisition is consummated.

Until December 31, 2005, METC's billed network transmission rate was subject to a rate freeze of $0.98 per kW/month. On December 30, 2005, the FERC issued an order that authorized METC to bill rates determined using Attachment O, subject to specified adjustments. The December 2005 rate order also authorized METC to earn a return of 13.38% on the actual equity portion of its capital structure in calculating rates. Pursuant to the December 2005 rate order, METC began to charge a network transmission rate of $1.567 per kW/month effective as of January 1, 2006, subject to refund based on the outcome of METC's current rate proceeding. METC began to charge a network transmission rate of $1.524 per kW/month on June 1, 2006, subject to refund, based primarily on data from METC's 2005 FERC Form No. 1.

Business Strengths

We believe that our business combines operational excellence, growth through prudent capital investment and predictability resulting from a formulaic rate setting system. Our business strengths include:

Operational excellence. We are committed to operating, maintaining, planning and investing in our transmission systems to improve performance and reliability and lower the delivered cost of energy to end-use consumers.

- Our goal is to provide best-in-class system performance. ITC*Transmission* is a top-quartile performer among participants in an independent industry benchmarking study in key reliability measures such as average circuit momentary outages and average circuit sustained outages.

- We strive to provide cost-effective service. This is supported by our competitive bid process for major capital projects and by our business model whereby we outsource non-core functions to optimize the productivity of our workforce.

Growth. We will prudently invest in our systems to improve reliability and lower the delivered cost of energy to end-use consumers. Under the Attachment O rate setting mechanism, capital investment drives increases in rate base and revenues. Our forecasted capital investment plan to invest approximately $1.6 billion from 2005 to 2011 includes projects needed to:

- rebuild existing property, plant and equipment;

- accommodate changes in regional population growth and related load requirements, wholesale markets and generation interconnections in Michigan and across the region; and
- maintain reliable regional transmission systems that allow efficient access to generation resources.

We will also seek to identify opportunities in addition to those included in our current capital investment forecast resulting from coordinated regional transmission planning across the lower peninsula of Michigan. In addition, our growth strategy includes pursuing opportunities to acquire other complementary transmission systems and engaging in the development of new transmission systems outside our existing service territories.

Predictability. We believe that the following elements make our performance more predictable than other regulated businesses:

- formulaic rate setting mechanism;
- no rate hearings required to adjust rates; and
- rates adjusted annually to reflect recent capital investment.

In addition, we believe that the following strengths, when combined with our growth strategy and predictable performance, provide us with an opportunity for growth:

- supportive regulatory environment for independent transmission companies;
- lower risk, less contentious capital investment largely focused on rebuilding and upgrading existing transmission equipment;
- minimal commodity and energy demand risk;
- attractive service territories;
- lack of competition; and
- experienced management team.

The METC Acquisition

On May 11, 2006, ITC Holdings entered into an agreement to acquire all of the indirect ownership interests in METC, ITC*Transmission*'s neighboring transmission system, for an aggregate purchase price of $555.6 million plus approximately $311.7 million of MTH and METC debt and certain liabilities (net of $4.5 million of cash and cash equivalents) based on June 30, 2006 balances, which we, MTH or METC will assume, repay or redeem in connection with the acquisition. METC's service area covers approximately two-thirds of Michigan's lower peninsula and is contiguous with ITC*Transmission*'s service area with nine interconnection points. On September 21, 2006, the FERC granted an order conditionally approving ITC Holdings' acquisition of METC as further described under "The Transactions."

We believe that ITC Holdings' acquisition of all of the indirect ownership interests in METC will provide significant operating and financial benefits through the common ownership of complementary transmission utilities, including:

earnings growth through the creation of opportunities for additional capital projects between the two systems to further our goals of improving reliability and reducing congestion;

enhanced ability to plan and coordinate transmission projects across our systems;

a larger platform for further consolidation of independent transmission assets through the creation of the tenth largest electric transmission company in the country based on transmission load served;

more efficient operation of the transmission systems, which generate cost savings that will benefit end-use consumers; and

diversification of our customers located in our service territories.

Concurrently with ITC Holdings' acquisition of all of the indirect ownership interests in METC and this offering, ITC Holdings expects to issue approximately $510.0 million aggregate principal amount of senior notes in a private placement. We expect to use the net proceeds from this offering, together with a portion of the net proceeds from the senior notes private placement and the issuance of shares of our common stock with a value of $70.0 million to Macquarie Essential Assets Partnership, a current owner of indirect ownership interests in METC, as consideration for the acquisition. In addition, we, MTH or METC expect to assume, repay or redeem outstanding debt and certain liabilities (net of $4.5 million of cash and cash equivalents) based on June 30, 2006 balances in the amount of approximately $311.7 million at MTH and METC, repay the outstanding balances under ITC Holdings' revolving credit facility and pay related fees and expenses. The consummation of this offering and the senior notes private placement are conditioned upon the closing of the acquisition. The acquisition is also subject to customary closing conditions and those described under "The Transactions."

The following table shows the expected sources and uses of capital from our planned financings in connection with the acquisition and related transactions based primarily on information as of June 30, 2006:

Sources		**(in millions)**
Liabilities:		
Assumed METC Notes(1)		175.0
Assumed METC interest bearing obligations		29.7
ITC Holdings' issuance of senior notes(2)		510.0
Total		714.7
Equity:		
Net proceeds to us from this offering		198.5
Shares of our common stock to be issued to Macquarie Essential Assets Partnership		70.0
Total		268.5
Total Sources	**$**	**983.2**
Uses		
Enterprise purchase price:		
Equity purchase price	$	555.6
MTH Notes(3)		90.0
METC Notes(1)		175.0
METC revolving credit facility		15.5
METC interest bearing obligations		29.7
Trans-Elect management services agreement termination payment		6.0
Cash and cash equivalents		(4.5)
Total enterprise purchase price		867.3
Repayment of ITC Holdings revolving credit facility		50.0
MTH Notes redemption costs(4)		5.9
Estimated fees, expenses and other(5)		60.0
Total Uses	**$**	**983.2**

(1) METC's outstanding $175.0 million aggregate principal amount of 5.75% Senior Secured Notes due 2015, or the METC Notes.

(2) The senior notes will be issued in a private placement and 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.

(3) MTH's outstanding $90.0 million aggregate principal amount of 6.05% Senior Secured Notes due 2015, or the MTH Notes.

(4) Consists of the payment of estimated "make-whole" premiums in connection with the redemption or repayment of all of the outstanding MTH Notes as of September 21, 2006.

(5) Consists of costs and expenses associated with the redemption or repayment of all of the outstanding MTH Notes (other than the payment of "make-whole" premiums), fees and expenses incurred in connection with this offering and the private placement of ITC Holdings' senior notes, as well as other costs and expenses associated with the transactions described under "The Transactions." Also consists of remaining cash of $43.1 million to be used for general corporate purposes.

For more 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."

Recent Developments

New Subsidiaries

In July 2006, ITC Holdings formed two new subsidiaries ITC Grid Development, LLC and ITC Great Plains, LLC. As an extension of our existing strategy, ITC Grid Development was formed to focus on bringing improvements to the U.S. electricity transmission system by partnering with entities in regions where we believe significant investment is needed to improve reliability and address local energy needs. ITC Great Plains, which has opened an office in Topeka, Kansas, was formed to focus on transmission improvements in Kansas and the Great Plains region. In Kansas, and in other states or regions where we may engage in operations through our two new subsidiaries, we expect to partner with local experts, such as firms that specialize in design and engineering, and other entities in order to achieve our mission of enhancing the U.S. transmission grid and providing a framework for lower electric energy costs. These subsidiaries are working to identify, and are expected to eventually undertake, projects consisting of upgrades to existing electricity transmission systems, as well as the construction of new electricity transmission systems or portions of systems. We expect to pursue only development opportunities that are consistent with ITC*Transmission*'s business model, such as those that are anticipated to result in the creation of a FERC-regulated entity using formula-based rates.

Earnings and Other Guidance

On August 10, 2006, we announced that we expect that ITC Holdings and Subsidiaries will have total net income of between $31.0 million and $34.0 million for the year ending December 31, 2006 and diluted earnings per share of between $0.97 and $0.99 for the same period, which does not include any impact from MTH and METC. In addition, we announced that we expect ITC Holdings and Subsidiaries on a pro forma basis, including MTH and METC, will have diluted earnings per share of between $1.50 and $1.60, which includes $13.7 million of pre-tax non-cash amortization ($8.9 million after-tax) of an intangible asset recognized as a result of the acquisition, for the year ending December 31, 2007. Our forecasted amount of adjusted EBITDA, without including any impact for MTH and METC, is expected to be between $112.0 million and $117.0 million for the year ending December 31, 2006 and between $141.0 million and $147.0 million for the year ending December 31, 2007, and is expected to be between $235.0 million and $241.0 million for the year ending December 31, 2007 including the impact of MTH and METC. For more information and limitations of this prospective financial information and a reconciliation of estimated net income to estimated adjusted EBITDA, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Prospective Financial Information."

Dividend

On August 16, 2006, our board of directors declared a quarterly cash dividend of $0.275 per share on our common stock, payable on September 15, 2006 to stockholders of record on September 1, 2006, which was an increase from the quarterly cash dividend of $0.2625 per share on our common stock that we paid for each of the first and second quarters of 2006. We intend to grow dividends on our common stock by approximately 2% to 4% per year, subject to board approval and availability of funds.

Risks Related to Our Business

Our ability to grow our business is subject to certain risks, including those generally associated with the electricity transmission industry. In addition, ITC Holdings is a holding company and is not able to pay dividends to its stockholders and fulfill its cash obligations unless it receives dividends or other payments from ITC*Transmission*, METC or its other subsidiaries. After giving effect to the consummation of our acquisition of all of the indirect ownership interests in METC and the other transactions described under "The Transactions," we expect to have approximately $1.2 billion of consolidated indebtedness, which may adversely affect our ability to generate cash flow, pay dividends on our common stock, remain in compliance with debt covenants and operate our business. In addition, we may not be able to successfully consolidate METC's business with ours. Any of these factors or other risks described under "Risk Factors" or elsewhere in this prospectus may limit our ability to grow our business.

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. ITC Holdings' website is located at www.itc-holdings.com. The information on our website is not part of this prospectus.

Ownership Structure

The chart below illustrates the ownership of our company after giving effect to this offering, ITC Holdings' acquisition of the indirect ownership interests in METC and the other transactions described under "The Transactions."

(1) The IT Holdings Partnership is managed by its general partner, Ironhill Transmission, LLC. The sole member of Ironhill Transmission, LLC is Mr. Lewis M. Eisenberg. We refer to Ironhill Transmission, LLC, together with its sole member, Mr. Lewis M. Eisenberg, as the General Partner. The IT Holdings Partnership has issued limited partnership interests to: KKR Millennium Fund, L.P. and KKR Partners III, L.P. (Series A), together the KKR Partnerships; Trimaran Fund II, L.L.C., Trimaran Parallel Fund II, L.P., Trimaran Capital, L.L.C., CIBC Employee Private Equity Fund (Trimaran) Partners and CIBC MB Inc., collectively, the Trimaran Partnerships; and Stockwell Fund, L.P., or Stockwell. The General Partner holds a 0.45% general partnership interest in the IT Holdings Partnership and the KKR Partnerships, the Trimaran Partnerships and Stockwell hold limited partnership interests of 68.11%, 29.19% and 2.25%, respectively.

(2) Includes 2,230,010 shares of our common stock to be issued to Macquarie Essential Assets Partnership, or MEAP, in connection with ITC Holdings' acquisition of the indirect ownership interests in METC, assuming a price per share of $31.39, the closing price per share of our common stock on the New York Stock Exchange on September 21, 2006. Also may include shares of our common stock held by employees, amounts of which we are unable to determine.

(3) Assumes the issuance of 6,690,000 shares of our common stock by us and the sale of 2,867,000 shares of our common stock by the selling stockholder in this offering, assuming a price per share of $31.39, the closing price per share of our common stock on the New York Stock Exchange on September 21, 2006. This assumes the underwriters do not exercise their over-allotment option.

(4) After the acquisition, ITC Holdings will directly hold 100% of the equity interests in the following entities: METC GP Holdings, Inc., Evercore METC Investment Inc., Evercore METC Co-Investment Inc., Macquarie Transmission Michigan Inc., NA Capital Holdings Inc. and Mich 1400 Corp. After the acquisition, these entities will collectively directly own all of the partnership interests in MTH which, in turn, is the sole member of METC.

The Offering

Shares of common stock outstanding prior to this offering	33,370,460
Shares of common stock offered by ITC Holdings Corp.	6,690,000
Shares of common stock offered by the selling stockholder	2,867,000
Shares of common stock outstanding after this offering	42,290,470
Use of proceeds	We estimate that our net proceeds from this offering, after deducting estimated underwriting discounts and commissions and estimated offering expenses, will be approximately $198.5 million.
	We intend to use the net proceeds we receive from this offering, together with a portion of the net proceeds from the concurrent private placement of ITC Holdings' senior notes and the issuance of shares of our common stock with a value of $70.0 million to MEAP, a current owner of indirect ownership interests in METC, as consideration for ITC Holdings' acquisition of all of the indirect ownership interests in METC as described under "The Transactions."
	We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholder in this offering.
Dividend policy	We have declared a quarterly cash dividend of $0.275 per share on our common stock which is payable to stockholders of record on September 1. We paid a quarterly cash dividend of $0.2625 per share on our common stock for each of the first and second quarters of 2006. We intend to continue to pay quarterly dividends on our common stock.
New York Stock Exchange symbol	"ITC"

The number of shares of our common stock that will be outstanding after this offering is based on 33,370,460 shares outstanding as of September 21, 2006, the number of shares of our common stock expected to be issued by us in this offering that would result in gross proceeds of approximately $210.0 million to us and the issuance of common stock to MEAP concurrently with the consummation of this offering, both issuances assuming a price per share of $31.39, the closing price per share of our common stock on the New York Stock Exchange on September 21, 2006. Unless we specifically state otherwise, all information in this prospectus assumes:

- no exercise of the over-allotment option by the underwriters;
- that none of the remaining 4,667,253 shares of common stock reserved for issuance under the Amended and Restated 2003 Stock Purchase and Option Plan for Key Employees of ITC Holdings Corp. and its Subsidiaries, or the 2003 Stock Purchase and Option Plan, the ITC Holdings Corp. 2006 Long Term Incentive Plan, or 2006 Long Term Incentive Plan, and ITC Holdings Corp. Employee Stock Purchase Plan, or Employee Stock Purchase Plan, has been issued, including 1,900,417 shares of common stock issuable upon the exercise of outstanding stock options at an exercise price of $7.48 per share, 1,145,143 of which were vested as of the

date of this prospectus, 695,178 shares of common stock issuable upon the exercise of outstanding stock options at an exercise price of $23.00 per share, 161,561 of which were vested as of the date of this prospectus, and 192,301 shares of common stock issuable on the exercise of outstanding stock options at an exercise price of $33.00 per share, none of which was vested as of the date of this prospectus; and

that 2,230,010 shares of common stock are issued to MEAP concurrently with the consummation of this offering, as described under "The Transactions," assuming a price per share of $31.39, the closing price per share of our common stock on the New York Stock Exchange on September 21, 2006.

Risk Factors

Investing in our common stock involves substantial risk. You should carefully consider all of the information included in this prospectus and, in particular, should evaluate the specific factors set forth under "Risk Factors" in deciding whether to invest in our common stock.

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 as of June 30, 2006 and for the six months ended June 30, 2006 and 2005 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 MTH and METC's unaudited historical condensed consolidated financial statements and the notes to those statements, all included elsewhere in this prospectus. The unaudited historical condensed consolidated financial statements 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 financial data presented for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. The summary historical consolidated financial data for the years ended December 31, 2005 and 2004 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 MTH and METC's audited historical consolidated financial statements and the notes to those statements, all included elsewhere in this prospectus.

The unaudited pro forma condensed consolidated financial data as of June 30, 2006 and for the six months ended June 30, 2006 and for the year ended December 31, 2005 have been developed by the application of pro forma adjustments to ITC Holdings and Subsidiaries' audited and unaudited historical consolidated financial statements and the notes to those statements for the six months ended June 30, 2006 and the year ended December 31, 2005 and to MTH and METC's audited and unaudited historical consolidated financial statements for the six months ended June 30, 2006 and the year ended December 31, 2005, all included elsewhere in this prospectus.

The unaudited pro forma condensed consolidated financial data give effect to the following transactions associated with the acquisition:

- the issue and sale by us of 6,690,000 shares of our common stock in this offering;
- the issuance of 2,230,010 shares of our common stock to MEAP;
- the private placement of $510.0 million aggregate principal amount of ITC Holdings' senior notes;
- the acquisition of all of the indirect ownership interests in METC; and
- the payment of $6.0 million to Trans-Elect, Inc. in consideration of the termination of a management services agreement,

all as described under "The Transactions."

The unaudited pro forma condensed consolidated financial statements also give effect to the following transactions associated with debt repayments which we expect to occur concurrently with or shortly after this offering:

- the make-whole redemption or repayment of $90.0 million aggregate principal amount of MTH Notes;
- the repayment of approximately $15.5 million outstanding as of June 30, 2006 under METC's $35.0 million revolving credit facility; and
- the repayment of approximately $50.0 million outstanding as of June 30, 2006 under ITC Holdings' revolving credit facility,

all as described under "The Transactions."

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The pro forma adjustments are based upon available information and assumptions that management believes are reasonable. We will account for the proposed acquisition of all of the indirect ownership interests in METC using the purchase method of accounting, which will require us to estimate the fair values of assets and liabilities acquired. Since the acquisition has not been consummated, 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 and debt repayments, the number of shares of our common stock to be issued in this offering, the number of shares of our common stock to be issued to MEAP, the interest rates applicable to ITC Holdings' senior notes, as well as other assumptions used in the unaudited pro forma condensed consolidated financial statements 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 financial statements provide a more detailed discussion of how such adjustments were derived and presented in the unaudited pro forma condensed consolidated financial statements. See "Unaudited Pro Forma Condensed Consolidated Financial Information."

The unaudited pro forma condensed consolidated financial statements have been compiled from historical financial statements and other information, but do not purport to represent what our consolidated financial position or our consolidated results of operations would have been had this offering, the issuance of shares of our common stock to MEAP, the private placement of ITC Holdings' senior notes, the acquisition of all of the indirect ownership interests in METC, the termination of a management services agreement or any of the transactions associated with debt repayments 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 Consolidated Financial Data," "Unaudited Pro Forma Condensed Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "The Transactions," ITC Holdings and Subsidiaries' audited and unaudited historical consolidated financial statements and the notes to those statements and MTH and METC's audited and unaudited historical consolidated financial statements and the notes to those statements, all included elsewhere in this prospectus.

ITC Holdings and Subsidiaries

	Pro Forma Six Months Ended June 30, 2006	Six Months Ended June 30		Pro Forma Year Ended December 31, 2005	Year Ended December 31,	
		2006	2005		2005	2004
	(in thousands, except share and per share data)					
Statement of operations data:						
Operating revenues(a)	$ 154,756	$ 87,544	$ 93,178	$ 311,324	$ 205,274	$ 126,449
Operating expenses:						
Operation and maintenance	31,226	13,775	16,391	89,728	48,310	24,552
General and administrative	22,853	15,465	10,011	35,943	25,198	24,412
Depreciation and amortization	35,523	17,954	16,172	43,771	33,197	29,480
Taxes other than income taxes	14,314	10,330	8,119	21,451	13,982	20,840
Termination of management agreements				6,725	6,725	
Total operating expenses	103,916	57,524	50,693	197,618	127,412	99,284
Operating income	50,840	30,020	42,485	113,706	77,862	27,165
Other expenses (income):						
Interest expense	36,983	15,134	14,008	68,493	28,128	25,585
Allowance for equity funds used during construction	(2,177)	(1,360)	(1,471)	(3,744)	(2,790)	(1,691)
Loss on extinguishment of debt				1,308		
Gain on sale of assets, net	(5,031)					
Other income	(686)	(550)	(468)	(1,913)	(1,700)	(1,289)
Other expense	814	261	258	615	615	283
Total other expenses (income)	29,903	13,485	12,327	64,759	24,253	22,888
Income before income taxes	20,937	16,535	30,158	48,947	53,609	4,277
Income tax provision	7,423	5,883	10,672	17,307	18,938	1,669
Income before cumulative effect of a change in accounting principle(b)	$ 13,514	10,652	19,486	$ 31,640	34,671	2,608
Cumulative effect of a change in accounting principle		29				
Net income		$ 10,681	$ 19,486		$ 34,671	$ 2,608
Earnings per share data:(c)						
Basic earnings per share:	&					