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# FEDERAL ENERGY REGULATORY COMMISSION

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WASHINGTON, D.C. 20426

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## NEWS RELEASE

### NEWS MEDIA CONTACT:

Barbara A. Connors  
(202) 502-8680

### FOR IMMEDIATE RELEASE

September 21, 2006  
Docket No. EC06-123

### COMMISSION CONDITIONALLY APPROVES ITC HOLDINGS' ACQUISITION OF MICHIGAN TRANSCO

The Federal Energy Regulatory Commission today conditionally approved the acquisition of Michigan Transco Holdings LP by ITC Holdings Corp., marking the first time the Commission has authorized the acquisition of a stand-alone transmission company, or "transco," by another transco.

"The Commission has supported the development of transcos for a number of years. Transcos are a proven vehicle for attracting investment in the power grid. This order marks an important step in the development of the transco business model," said Commission Chairman Joseph T. Kelliher.

Under the transaction authorized by today's order, ITC Holdings, the parent of International Transmission Co., is acquiring 100 percent ownership interest in Michigan Transco, the parent of Michigan Electric Transmission Co. (METC). The Commission also authorized an intracorporate reorganization of ownership of METC and Trans-Elect NTD Path 15 LLC.

The acquisition agreement calls for ITC Holdings to pay \$486 million in cash and \$70 million in the company's publicly traded common shares to Trans-Elect and other investors, and to assume or refinance \$311 million of METC debt.

Today's order also marks the first time the Commission has applied its new merger rule. The Commission reviewed the transaction according to its merger review policy and orders implementing the Energy Policy Act of 2005 amendments to section 203 of the Federal Power Act. Amended section 203 requires Commission authorization for certain mergers and other corporate transactions only if they are valued in excess of \$10 million. It also requires findings that a transaction does not result in cross-subsidization of a non-utility associate company or the pledge or encumbrance of utility assets for the benefit of an associate company, unless consistent with the public interest.

Upon review, the Commission found that the proposed transaction and

reorganization will not adversely affect either competition or regulation. However, the Commission found that the applicants did not adequately show that the transaction would not adversely affect transmission rates. Therefore, the Commission conditioned today's authorization upon the protection of ratepayers through a comprehensive hold-harmless commitment.

The Commission also determined that the transaction and reorganization will not result in cross-subsidization of a nonutility associate company or the pledge or encumbrance of utility assets for the benefit of an associate company. The Commission found no encumbrance of assets or cross-subsidization concerns since the companies have no captive customers that could be harmed.

Subject to the ratepayer protection conditions, the Commission found the transaction and reorganization to be consistent with the public interest.

R-06-56