Statement of Linda Apsey, President and CEO

ITC Holdings Corp.

Senate Budget Committee Hearing

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Thank you, Chairman Whitehouse, Ranking Member Grassley and distinguished members of the Committee for inviting me to testify on the critical need to modernize our energy grid to benefit consumers, protect against the impacts of severe weather and secure our nation's energy future.

I am Linda Apsey, President and Chief Executive Officer of ITC Holdings Corp. (ITC), the largest independent electricity transmission company in the United States. ITC provides transmission grid solutions to improve reliability, expand access to markets, allow new generating resources to interconnect to its systems and lower the overall cost of delivered energy. Through its regulated operating subsidiaries ITC *Transmission,* Michigan Electric Transmission Company, ITC Midwest and ITC Great Plains, ITC owns, operates and maintains high-voltage transmission infrastructure in Michigan, Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma, and in development in Wisconsin. These systems deliver nearly five percent of the electricity consumed in the United States, from all sources of generation, with a combined peak load exceeding 26,000 megawatts along 16,000 circuit miles of transmission line, supported by 700 employees and 1,000 contractors.

Next month marks the 20th anniversary of the Northeast blackout that left 50 million people without power for two days in the largest blackout in North American history. It was a sobering reminder of how vulnerable our nation's energy security can be when we fail to adequately invest in transmission infrastructure. This event served as the impetus for regulators and energy providers to put safeguards in place that have made our grid more reliable and resilient than it was before August 14, 2003. I wish I could tell you the safeguards put in place following the blackout were the end of the story, and we don't have to worry about the grid, but the truth is that was only the beginning. The investment we make in transmission, as well as the regulatory and policy environment our leaders create, will determine whether the next chapter in America's energy security story is a successful one. I can assure you that there are measures we can take to get there, however, we must act with the same urgency and vigor that our industry and government leaders did 20 years ago.

Today, we are standing at the gateway to a modernized electric grid that will play an integral role in powering a strong economy. Investment in the grid will ensure reliable, resilient access to cost effective energy, yield thousands of jobs and save consumers billions annually. New long-distance, high-voltage transmission lines will be vital if the United States is to deploy enough renewable generation capacity to decarbonize the power sector and integrate it cost-effectively, as well as electrify our economy in time to meet the Administration's climate targets. Independent estimates indicate that to meet growing clean electricity demands, we'll need to

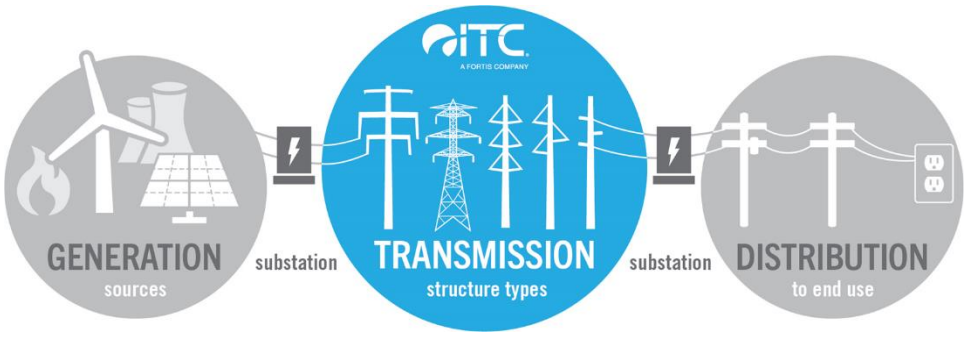
expand transmission systems by 60% by 2030 and may need to triple those systems by 2050.[1] That means significant investments in transmission infrastructure will be required.

However, building transmission is difficult, time-consuming and often faces numerous barriers to get over the finish line in under a decade. This pace is nowhere near fast enough to reach the country's clean energy goals set out by the Administration. It's imperative that we examine what needs to be changed to ensure that permitting and planning the grid is predictable, stable and cost-effective in order to realize the full suite of benefits brought about by a modernized transmission grid.

I hope to leave the Committee with two key takeaways. First, proactive investment in transmission infrastructure is needed more than ever to grow, sustain and protect our economy. Second, the private sector stands ready to make these investments in our infrastructure, but we need a supportive regulatory and policy environment to accomplish America's urgent need for transmission that will safely and reliably deliver power across vast regions of the nation.

Transmission's Role in the Energy System and ITC's Stewardship of the Grid

Power flows to people through a three-part system: from power plants and other sources where electricity is generated; through transmission lines that carry the power at high voltages over long distances; and finally, into smaller, local wires known as distribution lines that bring electricity into our homes and other buildings. At ITC, we build, operate and maintain the high-voltage transmission infrastructure that holds this three-part system together, moving power from where it's generated to where it's needed – acting much like the country's network of highways.



Our company's sole focus on electricity transmission (we don't own generating plants, or purchase or sell electricity, in the energy markets) gives us a unique, neutral view of the electric grid and its current and future needs. We are actively involved in planning an integrated energy network to serve our customers, communities and the greater grid.

At ITC, I am most proud of our operating performance, from our safety record to our top quartile and top-decile reliability metrics. And while ITC has made significant investments in our

[1] https://repeatproject.org/docs/REPEAT_IRA_Transmission_2022-09-22.pdf

transmission grid over the past 20 years, we are only as strong as our weakest link. The transmission grid is a highly interconnected network of high-voltage lines that moves power within our states, across state lines, across vast regions and over international borders.

The demands on our grid are ever increasing and ever evolving. Long gone are the days when the grid was simply used to transport electrons from local power plants to local customers. Today, we expect a grid that can deliver the cheapest energy, that is reliable, that is resilient, that is secure, and can access all generating resources, regardless of type or location. Regardless of how our energy future develops, we must continue to make significant investments in our transmission grid to meet our current and future energy needs.

Now more than ever, the health of our nation's economy depends on reliable and affordable access to electricity. From the rolling farmland of eastern Iowa to the busy streets of Detroit, millions of people depend on ITC to safely and reliably operate the grid, upgrade and improve our aging infrastructure, and make the necessary investments to strengthen our energy infrastructure.

The ability to harden the grid, and quickly plan and develop large-scale regional and interregional transmission, will determine whether our nation can achieve critical economic, national security and energy goals. Policymakers, utilities and stakeholders must act with urgency to promote the investments necessary for reliability, resilience, energy security and economic growth

Transmission Investments are Needed to Ensure Reliability, Resilience and Grid Security

Grid resilience means increasing our ability to anticipate, withstand, recover and adapt to a wide variety of dynamic and material risks to our electric systems. Transmission can provide crucial operational flexibility when the system is under stress. In these times, sufficient transmission capacity can mean the difference between uninterrupted power and a devastating blackout.

ITC is no stranger to the severe weather that is impacting infrastructure all over the country. Our regions frequently experience blizzards, windstorms, flooding and other natural disasters. ITC has observed an increase in the frequency and severity of these and other extreme weather events, as well as their potential to disrupt the reliable delivery of energy to customers.

For example, in 2020, Iowa experienced a devastating storm known as a derecho, causing widespread power outages. The derecho was the equivalent of a 40-mile-wide tornado with up to 140-mph winds steamrolling across 200 miles of Iowa. Extreme weather events of an intensity comparable to the Midwest derecho in August 2020 can no longer be considered "black swan" or one-in-a-hundred-year events. Since that time, Iowa has experienced two additional derecho storms, all of which have caused damage to electric infrastructure. These examples, along with the recent extended heat waves across much of the U.S., demonstrate the importance of a resilient and reliable grid. Our ability to quickly restore service for our customers after these storms was only possible due to the proactive investments ITC has made in reliability and resilience.

At ITC, we are upgrading our systems to provide greater redundancy to the grid and keep power flowing to consumers during storms. We also are working to ensure long-term reliability by planning and investing in significant new regional transmission that will increase our ability to move power over long distances, which can protect system reliability in times of distress.

However, as discussed below, ITC believes that there is more to be done on permitting and planning to make it possible to hasten the buildout of new, high-impact transmission lines to increase reliability and resilience, and transfer power between regions.

Transmission Investment Provides Significant Economic and Consumer Benefits

There are many real-world examples of transmission development creating consumer benefits that are lasting and real. For instance, ITC constructed major portions of MISO's Multi-Value Project (MVP) portfolio in the Upper Midwest. The 17 MVPs, which were approved in 2011 after an extensive stakeholder process, are a model for regional infrastructure development. Retrospective analysis of these major projects confirms that they have led to significant new generation development, enhanced reliability, and lower costs for customers.

MISO's Long-Range Transmission Plan (LRTP) builds on the legacy of the MVPs and provides a roadmap for future transmission investment across the region. The 18 projects approved in 2022 are anticipated to provide economic benefits that significantly exceed costs, with a benefit-to-cost ratio of 2.2 – 3.4 for all resource zones in MISO Midwest. These benefits include congestion and fuel savings, avoided capital costs of local resource investment, avoided transmission investment, resource adequacy savings, avoided risk of load shed and decarbonization.

Additionally, investments in transmission create and support thousands of jobs, both directly during construction and over the lifetime of the investments. According to a report on transmission benefits released by the WIRES Coalition and London Economics, job creation and economic benefits achieved through transmission development can be substantial and long-lasting. Many of these economic benefits accrue to rural communities that are economically disadvantaged. Americans for a Clean Energy Grid estimates that in the Eastern U.S. alone, expanding and modernizing the transmission grid would unleash up to $7.8 trillion in investment and generate more than 6 million net new jobs, primarily in rural areas.

Policy Certainty, Crucial Reforms Needed to Spur Transmission Investment

While ITC has been steadfast in upgrading and investing in transmission infrastructure, the reality is that it takes an average of seven years from planning a project to when the project goes into service. ITC participates in robust, regional transmission planning processes that identify changing needs and requirements, and facilitate transmission project development, but it remains extremely challenging to build the regional transmission that is necessary to secure our nation's energy future.

To chart a path to the future, we should examine successful models from the past. MISO's MVPs, and more recently its LRTP offer successful examples of regionally planned transmission

that will provide real, long-lasting benefits to customers. The MVP portfolio will generate benefits two to four times its costs, while the LRTP projects are expected to provide customers with wide-ranging benefits including increased reliability, lower costs and access to new generating resources.

To promote needed investment, more needs to be done to address how we plan, pay for and permit transmission. To begin, policymakers should adopt transmission planning policies that capture the full range of transmission benefits. This will help to promote highly beneficial investment in the backbone transmission grid. Policymakers also should establish more robust interregional transmission planning standards, which can help to ensure reliability during severe weather conditions.

In addition, policymakers should continue to focus on streamlining permitting approval processes at both the state and federal level. Recently, Congress made progress by passing federal permitting reforms, but more needs to be done to decrease the permitting lead times for major transmission lines, which can extend to a decade or more. For example, the Midcontinent Independent System Operator's (MISO) Cardinal Hickory Creek (CHC) project is the last of its 2011 MVPs under construction in the Midwest.

Cardinal-Hickory Creek Transmission Line Project

The CHC Transmission Line Project, co-owned by ITC Midwest, American Transmission Co., and Dairyland Power Cooperative, is a vital 345-kV interconnection to the Midwest region's renewable energy developments. This transmission line, upon completion, will reduce energy costs, improve the reliability and flexibility of the region's transmission system, and deliver wind energy from the upper Great Plains to southern Wisconsin. The CHC project was recognized as a national priority infrastructure project by both the Obama and Trump Administrations.

The project was approved by MISO in 2011 as part of the MVP portfolio, designed to deliver renewable energy to facilitate compliance with state renewable energy standards and enhance grid reliability. Federal involvement in the project is small, but requires approvals and permits from the U.S. Fish and Wildlife Service, the Army Corps of Engineers, and USDA RUS. The 102-mile route from Dubuque County, Iowa, to Dane County, Wisconsin, crosses mostly private and non-federal land, except for approximately 1.3 miles in the Upper Mississippi National Wildlife and Fish Refuge, which has led to costly delays and permitting challenges.

Route planning for the CHC project began in 2013 that included alternatives analysis. Federal scoping for this project began in October 2016 using those alternatives analysis for the agencies Notice of Intent to prepare an environmental impact statement (EIS) under the National Environmental Policy Act (NEPA). The NEPA process took 3 years, from the October 2016 notice of intent to the October 2019 Final EIS, which the Rural Utility Service, U.S. Fish and Wildlife Service, and U.S. Army Corps of Engineers adopted in their January 2020 Record of Decision. Additionally, during these several years of environmental review there were extensive opportunities for public involvement. The federal government approved the refuge portion, in part, because the CHC line would replace two other existing transmission lines in the refuge, thereby reducing the number of structures in the refuge.

Subsequent legal claims were raised alleging that the EIS and ROD violated NEPA. In March 2022, a Federal District Court vacated and remanded the EIS and ROD, based on those claims. It found that the new transmission line through the refuge was incompatible with the purpose of the refuge. USDA and Fish and Wildlife Service appealed the decision, and recently the federal government and project owners just won a major decision from the Seventh Circuit Court of Appeals that clears the way for the federal agencies to make their final decisions on the project. We stand ready to have construction completed and the line energized in a timely fashion. However, this is contingent on federal agency efficient implementation of a supplemental environmental review and authorization of a pending land exchange with the Fish and Wildlife Service.

With over 100 renewable generation projects depending on the completion of the CHC project, the need to complete this line on time is greater than ever. Its primary benefits continue to include improvement of electric system reliability, support for renewable energy projects and economic savings for energy consumers that will benefit millions of homes, and time is of the essence to realize these benefits.

There are many projects like CHC that have been in the works for a decade or more, going through years of siting processes, environmental reviews and litigation. This decade-long pace is nowhere near fast enough to reach aggressive clean energy goals. These projects will not happen in a timely manner until workable transmission policies are realized.

Finally, policymakers should abandon policy experiments that have been shown to complicate and extend the transmission development process – such as the imposition of so-called "competitive bidding" into the transmission planning process. These policies have achieved little except to stymie broader grid investment.[2] Meanwhile, states that have removed the impediment of competitive bidding have been able to move ahead with large scale transmission investments such as MISO's LRTP.

Conclusion

Transmission investment is needed now and it's urgent. We need to scrutinize polices that make it harder to build. ITC supports the bipartisan goal of investing in the nation's transmission grid. We are investing considerable capital to this effort, and we stand ready to work with Congress, FERC, and others to ensure that we can seize this opportunity to improve the nation's transmission system and realize the benefits of the nation's abundant and affordable energy resources, as well as increase the resilience of our energy system. By doing so, we can chart a pathway to a reliable and affordable system with benefits that are broadly shared across the economy. If we fail to act with urgency, the grid could become a significant roadblock to America's energy future.

Thank you again for the opportunity to testify before the Committee. I look forward to working with Congress to invest in America's energy future, and I welcome your questions.

[2] https://ceadvisors.com/building-new-transmission/