Designated Entity Pre-Qualification Package of

ITC Mid-Atlantic Development LLC

May 2020 Update

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Statement of Financial Support from ITC Holdings Corp.

ITC Mid-Atlantic Development LLC ("ITC Mid-Atlantic," or "ITCMAD") is a wholly-owned subsidiary of ITC Grid Development, LLC, which is itself a wholly-owned subsidiary of ITC Holdings Corp. As a wholly-owned subsidiary of ITC Grid Development, LLC, ITC Mid-Atlantic has full access to the resources, capabilities and expertise of ITC Holdings Corp. ("ITC," or "ITC Holdings"), a Michigan corporation and its affiliates.

For the purposes of pre-qualification as a Designated Entity, ITC Mid-Atlantic is supported by the financial capabilities of its parent, ITC Holdings Corp.

Financial statements for ITC Holdings Corp. for the most recent three years (2019, 2018, and 2017), as well as for the most recent quarter, can be found on the website of the Securities and Exchange Commission at the following links:

Q1 2020: https://www.itc-holdings.com/docs/default-source/itc-fact-sheets/itc-3-31-2020-10-q-final.pdf?sfvrsn=c829cbf6_2

2019: https://www.sec.gov/ix?doc=/Archives/edgar/data/1317630/000131763020000004/itc2019123110k.htm

2018: https://www.itc-holdings.com/docs/default-source/sec-filings/itc-2018-12-31-10k-final.pdf?sfvrsn=7e7fcaf6_2

2017: https://www.itc-holdings.com/docs/default-source/investor-relations/quarterly-filings/itc-2017-12-31-10k.pdf

Commitment to Execute Designated Entity Agreement

ITC Mid-Atlantic hereby commits to execute the Consolidated Transmission Owners Agreement if it becomes a Designated Entity.

Overview of Pre-Qualifying Entity and Affiliates

ITC is the nation's largest independent electricity transmission company. Since its founding in 2003, ITC has invested approximately $8B in the electric transmission grid to improve reliability, expand non-discriminatory access to markets, lower the overall cost of delivered energy, and allow new generating resources to interconnect independent of ownership. A brief summary of our existing operating companies will augment this high-level overview of ITC and highlight our capabilities to develop and own transmission projects – including obtaining approvals, siting, engineering, construction, operations and maintenance.

In its first 10 years, ITC successfully acquired and integrated three transmission systems that became ITC affiliate members of the Midwest ISO (now the Midcontinent ISO): International Transmission Company, d/b/a ITCTransmission ("ITCT"); Michigan Electric Transmission Company, LLC ("METC"), and ITC Midwest LLC ("ITCMW" or "ITC Midwest"). In addition, ITC established a new subsidiary company, ITC Great Plains LLC ("ITC Great Plains" or "ITCGP"), a new transmission-only utility that has identified and developed critical regional transmission infrastructure in the Southwest Power Pool ("SPP") footprint by partnering with local utilities and electric cooperatives. As discussed in more detail below, these four operating companies own, operate and maintain transmission assets of multiple voltage levels in diverse geographies and conditions.

More recently, ITC Interconnection LLC ("ITCI" or "ITC Interconnection") became a transmission-owning member of PJM. ITC's first project in PJM, the Covert to Segreto 345kV line in Southwest Michigan, went into service on June 1, 2016.

ITCTransmission, the operating company in Southeast Michigan, is comprised of approximately 3,100 circuit miles of transmission assets formerly owned by DTE Electric and its parent company DTE Energy. Over $2.6 billion has been invested by ITC to upgrade and expand this system. ITCT serves the densely populated Detroit metropolitan area and its concentration of automotive and other manufacturing and supplier facilities in the region. ITCT's transmission system is comprised predominantly of 120kV and 345kV facilities. ITCT also owns and operates some 230kV facilities, as well as underground transmission facilities operated at 120kV and 345kV. ITCT has existing transmission interconnections with the Ontario Independent Electricity System Operator ("IESO") and the ATSI Control Zone of PJM Interconnection ("PJM").

Michigan Electric Transmission Company serves much of the remainder of Michigan's Lower Peninsula and is comprised of the transmission assets formerly owned by Consumers Energy and its parent company CMS Energy. METC's transmission system has approximately 5,600 circuit miles of 138kV and 345kV facilities. Over $1.7B has been invested in the METC system to strengthen the transmission network. METC also has existing interconnections with the AEP Control Zone of PJM.

ITC Midwest serves much of Iowa and parts of Minnesota, Illinois and Missouri with approximately 6,600 circuit miles of transmission assets formerly owned by Interstate Power and Light Company and its parent company Alliant Energy. ITC has invested over $3.4 billion into the ITCMW system since acquiring the assets in late 2007. The ITCMW footprint is predominantly rural and includes 34.5kV, 69kV, 115kV, 161kV, and 345kV facilities. ITCMW has existing interconnections with the ComEd Control Zone of PJM.

ITC Great Plains owns and operates approximately 470 miles of transmission facilities in Kansas and Oklahoma, mostly at the 345kV voltage level. Unlike ITC's other operating companies, ITCGP was not created from the acquisition of an existing transmission system, but was established through acquiring transmission assets in a new region; and also acquiring the rights to construct, own and operate specific facilities through co-development agreements with utilities in Kansas and Oklahoma.

In total, ITC's operating companies own, operate and maintain more than 15,800 miles of transmission line serving a combined peak load of approximately 26,000 megawatts, and operate in eight states (Michigan, Iowa, Minnesota, Illinois, Missouri, Kansas, Oklahoma, and Wisconsin). ITC is a transmission owning member of the MISO, SPP and PJM Regional Transmission Organizations ("RTOs") and has established itself as a premier operator of high voltage transmission systems – a testament to ITC's substantial transmission experience. As the largest independent transmission owner in the country, and having substantial experience in multiple regions, ITC is ideally suited to develop, construct, own, operate, and maintain additional transmission projects in PJM.

The below sections provide a detailed discussion of the capabilities, expertise and processes of ITC, to which ITC Mid-Atlantic, as the pre-qualifying entity, will have full access.

Transmission Project Development Record – Examples

ITC has significant experience developing, constructing, operating and maintaining transmission facilities to help improve reliability, reduce congestion, improve system efficiency, and interconnect new generation to load, lowering the overall costs of delivered energy to ITC's customers. ITC develops and holds transmission assets over the long term, rather than "flipping" investments. Several recent examples of projects that ITC developed and constructed, and now operates and maintains, are provided below. This selected list of projects illustrates that ITC is well-prepared to successfully construct, own and operate similar transmission facilities in the PJM region.

ITC engages in maintenance activities on behalf of its affiliates through strategic partnerships with its dedicated operations and maintenance contractor, Utility Lines Construction Services, and through operations and maintenance agreements with local utility partners, such as Sunflower Electric Cooperative, in geographic areas where ITC has not yet established a physical presence. Operations are conducted from ITC's Operations Center in Novi, Michigan. Maintenance and operations activities are described in greater detail in later sections of this narrative.

<u>Thumb Loop Project</u>

The Michigan Thumb Loop project was the first of MISO's Multi-Value Projects (MVPs) to be approved and serves as the backbone of a system designed to meet requirements set by Michigan's Wind Energy

Resource Zone Board. The Thumb Loop project also provides additional power delivery capacity for future economic development, thereby helping existing businesses grow and also attracting new businesses, jobs and investment to the region. Representing a $510 million investment in Michigan's grid, the project consists of approximately 140 miles of double-circuit, 345kV lines and four new substations. ITC led the planning, construction and development phases, working with skilled labor, engineering and project management organizations to prudently manage project resources and deliver exceptional results. ITC finished the project on-time and on budget – a testament to the company's project management and construction team abilities.

Phase 1 of the project was placed in-service in September 2013, Phase 2 entered into service in May 2014, and the remainder of the project was completed in May 2015. In total, the Thumb Loop project includes nearly 800 structures consisting of both tubular steel poles and lattice steel towers. Additional lines and facilities are being added as wind generators go into service and connect to the system to fulfill the requirements of the state's Renewable Portfolio Standard. The Thumb Loop project is an example of ITC's efforts to improve the national electric transmission system, create access to competitive energy markets, and foster growth for local and regional economies – all for the benefit of customers.

KETA Project

The Kansas Electric Transmission Authority (KETA) identified this particular project in 2007 through its initiatives to bring significant economic and reliability benefits to Kansas and the regional transmission grid. KETA is an organization created in 2005 by the Kansas Electric Transmission Authority Act (HB 2263) and is intended to promote and facilitate expansion of Kansas transmission infrastructure for the betterment of the Kansas economy. This 227-mile project runs from Spearville, Kansas, in the southwestern part of Kansas; north to the Post Rock substation just outside of Hays, Kansas; and then north to Axtell, Nebraska.
ITC worked with incumbent electric cooperatives to acquire the rights to build the Kansas portion of this 345kV project, from Spearville to the Kansas/Nebraska state line. This allowed the electric cooperatives to deploy their own limited capital for other projects in their footprints and to take advantage of ITC's expertise in building, operating and maintaining the transmission project. Our agreement with the electric cooperatives prevented them from having to choose between new generation resources for meeting their load obligations, and transmission investment to bring cheaper and renewable resources to the region.

ITC placed its portion of the KETA (Spearville-Axtell) transmission project into service in 2012. The Nebraska portion was constructed and is operated by the Nebraska Public Power District. ITC completed its 174-mile portion in Kansas significantly under budget and ahead of schedule, which demonstrates ITC's focus and commitment to cost containment and operational excellence.

V-Plan

In cooperation with Sunflower Electric Power Corporation and Mid-Kansas Electric Company, ITC designed and constructed two segments of the V-Plan project totaling approximately 122 miles of double-circuit 345kV line. The high-voltage transmission line is designed to connect eastern and western Kansas to improve electric reliability and enable energy developers to tap into the transmission grid. The project was placed in-service in December 2014.

Au Sable Circuit

This 110-mile line from Zilwaukee to Mio, Michigan is important to electric reliability in northeastern Michigan. In June 2014, ITC completed rebuilding and upgrading this line from single-circuit 138kV to future double-circuit 230kV design and construction standards. This increased its capacity and reliability, provided increased lightning protection, and facilitated potential future 230kV system expansion in northern Michigan. The project is the result of ITC's rigorous planning process that is designed to anticipate future customer needs and provide the grid flexibility to meet those needs in an efficient and cost-effective manner.

MISO Multi-Value Projects (MVPs)

ITC has built and continues to advance multi-value projects (MVPs) in Iowa, Minnesota and Wisconsin through construction of approved segments, and work with its utility partners, including Dairyland Power Cooperative, to advance routing, regulatory review and siting applications for MVP project #5 in Wisconsin and Iowa.

The MVPs were approved by the Midwest ISO (now the Midcontinent ISO, or MISO) in December 2011. Upon completion, these projects are expected to provide broad regional benefits and support approved state and federal energy policy mandates in the MISO region. ITC has built or is in the process of developing portions of the following projects, which include approximately 300 miles of new 345kV lines and four major new substations:

- MVP 3 – a joint project with MidAmerican Energy Company of about 70 miles in Minnesota and about 145 miles in Iowa. Completed Q4 2018.
- MVP 4 –a joint project with MidAmerican Energy Company of approximately 190 miles in Iowa. Projected completion Q4 2019.
- MVP 5 – a joint project with American Transmission Company (ATC) of about 160 miles in Wisconsin and Iowa. Projected completion Q4 2023.
- MVP 7 – a joint project with MidAmerican; approximately 90 miles in Iowa and Missouri. Projected completion Q2 2019.

Transmission Project Development – Discussion of Capabilities

ITC's engineering department has successfully managed a capital project portfolio which has averaged approximately $500 million per year in transmission grid infrastructure capital investment since 2003. ITC personnel manage projects involving rebuilds and greenfield facilities alike, including substation and transmission line projects from voltage classes of 69kV and greater.

In addition to extensive in-house capabilities, ITC has forged effective relationships with a variety of local, regional and national firms to supplement a wide array of technical, engineering, real estate, right-of-way, permitting, regulatory and related functions. These experts have included Black & Veatch, Burns & McDonnell, Brattle, Louis Berger Group, Environmental Consulting Technology, Ulteig, Terracon and Atwell Group.

Engineering

ITC's in-house engineering staff totals over 300 engineering employees across Design, Operations, and Planning departments. These resources include over 50 engineers in project development functions, such as detailed designs for high voltage electrical infrastructure, and project management. Most preliminary engineering is performed in-house, but on occasion ITC will work with partner Architecture/Engineering (AE) consulting firms to assist with more in-depth engineering or design for a specific project.

All design packages are reviewed, finalized, and approved for construction by ITC internal engineering staff.

Through the detailed design process, ITC strives to create efficiency and optimize system performance and functionality. This effort has resulted in the standardization of station layouts, protective relay and control panels, control center design, station equipment, and line structures. This standardization method accelerates design, minimizes error, creates efficiencies during maintenance practices, and optimizes required inventories due to the use of interchangeable parts.

Siting, Routing and Permitting

Between 2005 and 2018, ITC sited more than 600 miles of new transmission lines with voltages ranging from 69kV to 345kV. ITC has formed consulting relationships with established partners to perform detailed routing studies, with ITC staff overseeing the legal/real estate activities performed by these firms. ITC has been successful in routing transmission lines and gaining necessary approvals in four states.

ITC has successfully sited more than 60 new substations with voltages ranging from 69kV to 345kV. For substation siting ITC relies on internal substation design, permitting, community relations and legal/real estate departments to identify substation sites and work through the negotiations and community approvals necessary to acquire the rights to build the substations. ITC also has sited four 345kV substations outside of our legacy service territories. In those instances, ITC worked with consultants with knowledge of those areas to assist with community relations and permitting issues.

Transmission infrastructure development requires a wide variety of permits, ranging from road crossing permits to state Department of Natural Resources and U.S. Army Corps of Engineers permits. Since 2009, ITC has obtained more than 1,500 permits. ITC has a well-established permitting process involving a cross-functional team led by internal design engineering and including experts from project engineering, environmental, legal, and community relations departments. This team works closely with targeted consulting firms to identify required permits for the project and provide the information needed for filing permit applications. ITC has effectively leveraged a variety of local, regional and national firms to successfully acquire the necessary permits.

ITC uses experienced in-house counsel, external counsel and other professionals to support regulatory permitting efforts for projects. These professionals have extensive permitting expertise in multiple jurisdictions and work to ensure timely completion of permitting requirements to meet required in-service dates.

Rights-of-Way, Eminent Domain & Land Acquisition

Obtaining broad stakeholder support is critical to ITC's success in routing, siting, and permitting. ITC's siting process begins with a routing study that considers multiple stakeholder input broadly and carefully. As a project advances, ITC begins acquiring Rights-of-Way ("ROW"), works extensively and collaboratively with landowners to secure land rights on a voluntary basis and makes every effort to avoid condemnation proceedings. ROW are generally secured voluntarily but the company will invoke its eminent domain rights when available and necessary. In the rare instances when ITC has filed condemnation actions, the company continues to work with landowners and has typically been able to reach mutually acceptable resolutions outside of a judicial forum.

ITC has extensive experience acquiring ROW in the Eastern Interconnection. The primary land acquisition firm with whom ITC partners has extensive experience working on ROW acquisition projects. This experience and partnership, along with a proven track record of success in building stakeholder support, is another strength offered by ITC.

Project Examples

Examples of siting, routing and permitting activities on major projects include:

KETA project: 174 miles (ITC's portion) of single-circuit, 345kV line on new Rights-of-Way ("ROW") in Kansas. ITC performed a routing study and worked with the state siting authority to secure route approval. ITC secured 10 Department of Transportation (DOT) permits and 15 Department of Environmental Quality (DEQ) permits for the project. ITC also worked with the U.S. Fish and Wildlife Service and the Kansas Department of Wildlife, Parks and Tourism on whooping crane protection and lesser prairie chicken habitat protection and remediation.

Salem-Hazleton project: An 81-mile, single-circuit, 345kV line on mostly new ROW in Iowa. ITC was able to successfully negotiate co-locating approximately 20 miles of the new line jointly with another transmission company's facilities. ITC obtained approval through the Iowa Utilities Board siting process. ITC secured six Iowa DOT permits, one DEQ permit, 124 road crossing permits, two Department of Natural Resources permits or letters of no effect, three Federal Aviation Administration permits, three county floodplain permits and two Army Corps of Engineers permits or letters of no effect.

Thumb Loop project: A 140-mile, double-circuit, 345kV line in Michigan. ITC actively participated with the Michigan Public Service Commission (MPSC), which approved the preferred route. The project was placed in service in May of 2014, well ahead of the 2015 required in-service date. ITC obtained 16 Michigan DOT permits, 20 DEQ permits, six soil erosion permits, 175 county road crossing permits and 60 drain commission permits.

V-Plan project: A 122-mile, double-circuit, 345kV line constructed in Kansas. ITC obtained siting approval from the Kansas Corporation Commission and nine Kansas DOT and five DEQ permits. ITC worked with environmental stakeholders to find alternative routes to minimize impact to landowners and to lesser prairie chicken habitat and to help facilitate further wind farm development.

<u>Environmental</u>

ITC's environmental stewardship activities are driven by an ISO-14001-based environmental management system across ITC's operations. These standards provide a framework to set goals for

environmental improvement; develop policies, procedures and work practices to meet those goals; evaluate performance; and develop corrective and preventive actions. Following several years of development, ITC fully implemented its environmental management system in 2011. The company has since earned significant recognition for its environmental activities.

ITC strives to minimize the environmental, health and safety risks to its employees and the communities in which it operates through safe technologies, facilities and operating procedures, and by being prepared for emergencies. ITC is committed to making environmental concerns an integral part of its planning and day-to-day decision-making processes.

Land Use

As part of ITC's environmental management system and in line with its best-in-class approach to conducting business, ITC is committed to considering environmental impacts in its decision-making process when planning infrastructure improvement projects. Transmission line projects can span many miles and occasionally cross environmentally sensitive areas. ITC's project teams understand this and includes environmental assessments for wetlands, threatened and endangered species, and other sensitive habitats as part of the planning process.

ITC works with the U.S. Fish and Wildlife Service, U.S. Forest Service, the Kansas Department of Wildlife and Parks, and various other state and federal agencies to ensure its projects are meeting regulatory compliance with the respective agencies' rules and regulations.

ITC safely, effectively, and responsibly manage properties, materials, emissions, and wastes in ways that are both responsible and environmentally sound through appropriate due diligence. When feasible ITC strives to:

- Purchase and use environmentally preferable materials, products, and services
- Eliminate or reduce emissions and wastes at the source of generation
- Properly store, handle, and dispose of all wastes
- Pursue opportunities to recycle and reuse waste materials
- Communicate ITC's corporate's sustainability measures and pollution prevention technology, knowledge and methods with business partners and the public, and
- Encourage responsible use of energy

ITC continually improves environmental management policies, programs, and performance based on the results of periodic reviews, and taking into account regulatory and technical developments, customer needs, and community expectations.

Recycling (substation/field operations)

ITC places a strong emphasis on identifying and replacing outdated and inefficient electrical transmission equipment. While this effort has strengthened and improved the reliability of the transmission grid, it has also challenged ITC to handle an increasing amount of decommissioned equipment in an environmentally responsible manner. The company disposes of this used electrical transmission equipment in ways that minimize landfill disposal.

- The insulating oil contained within a variety of transmission equipment is reclaimed for recycling.

- The electrical equipment and components are sent to facilities for dismantling and all copper, aluminum and steel are recycled and used as raw materials in other industrial applications.
- Old substation batteries are sent to a battery recycling facility where the lead and acid are separated. The lead is sent to a smelter for future battery production and the acid is sold as reclaimed acid.
- Concrete pads from construction projects are sent to concrete recyclers where it is crushed and used as aggregate in the production of new concrete.
- Utility poles are reconditioned for future reuse or donated to the landowner along the right of way.

Equipment and Material Procurement

ITC's Equipment and Material Procurement group consists of approximately 25 full-time-equivalent employees. Material bidding and procurement for major construction projects at ITC is carried out through a competitive bidding process. Alliance agreements are in place with suppliers of key components, such as transformers, breakers, wire conductors, structures and pole line hardware, which are based on open book pricing. The process allows ITC to verify that the open book agreements are providing the most competitive overall bid, including component price, delivery, field support, and other factors. Existing alliance agreements with critical suppliers also allow ITC to reserve manufacturing capacity at those suppliers' facilities for future demand, thereby greatly reducing the risk of non-availability of these components.

All prospective vendors and contractors must meet ITC's initial supplier qualification requirements and are subsequently required to participate in periodic business reviews or audits. Key performance indicators are also provided to vendors as part of the business review process. Upon receipt of purchase orders from ITC, vendors are required to adhere to all terms and conditions including, but not limited to, delivery and pricing commitments. Any variance from contracted terms requires ITC's prior approval. ITC is not liable for any cost overruns unless agreed to in writing. Extended warranties are typically negotiated into contracts for critical equipment at no additional cost to ITC.

Construction

ITC's commitment to invest in needed transmission grid infrastructure has resulted in over $8 billion of capital investment in ITC transmission and related assets since 2003. This investment level places ITC among the top U.S. utilities for transmission investment. In support of these investment levels, ITC has reached alliance partnerships with national scale construction contractors that understand ITC's construction standards, expectations, and are readily available to support ITC's construction needs. These external resources are monitored on a daily basis by internal construction supervisors to verify adherence to safety standards, construction practices and workmanship. ITC's construction supervisors consist of 21 full-time-equivalent employees. For large capital projects, ITC seek competitive bids to verify the value of the alliance agreement and to ensure that customers are receiving the best value.

To ensure ITC's expectations are achieved, certain policies and field manuals have been developed. These include:

- *Field Supervisor Checklists*: Task lists for various activities typically completed as part of a construction project.

- *ITC Safety Manual*: ITC safety rules are given to all ITC staff and contractors. Contractors adhere to the more stringent standard when comparing ITC's and their own.
- *Daily Logs*: Listing of crew and other resources on the job site and activities that occurred.
- *Project Close-out Process*: Process for closing project and reporting documents such as red-lined as-built drawings.

ITC's design and construction standards meet or exceed National Electric Safety Code (NESC) requirements. ITC has committed to constructing transmission to a NESC Grade B standard or above. It is the objective of ITC to maintain best-in-class construction standards and techniques to provide a reliable and efficient transmission system.

Project Management

ITC has an internal project engineering department that consists of approximately 20 full-time-equivalent employees. These employees are staffed in multiple offices across the various ITC service territories.

ITC has implemented a project engineering philosophy for large capital projects that augments in-house staff with onsite support from well-established contract firms that offer significant experience in managing large capital programs. This philosophy has been highly successful in the completion of capital projects on time and on budget. In support of this philosophy and consistent with ITC's team approach during the siting process, ITC employs a team approach on project management where internal resources work hand-in-hand with the contract staff. This ensures the ITC project management philosophy is seamless in its application when using external resources. Policies and procedures include but are not limited to:

- *Project team development and commitment*: includes templates and processes for developing cross functional teams required for large capital projects.
- *Project scheduling*: process for creating and updating to project schedules. Templates exist for the typical project types encountered and are customized as necessary.
- *Monthly cash flow review and updates*: a process for verifying monthly project costs and updates to forecasts for all projects within the portfolio.
- *Project controls*: includes a process for managing monthly and annual forecasts and budgets, reporting on variances, and the development of management reports.
- *In-service notification process*: is a process for communicating with the accounting group and other critical internal departments of assets placed in-service and the specific timing.

ITC project engineering continues to proactively seek new construction methods and policies that offer safety enhancement or improvement in efficiencies.

Cost Containment

ITC's management approach to major capital projects employs a project team concept. Each contributing department assigns team members to represent their respective functional area. This project team collaborates on the specific issues surrounding the project and how those issues need to be resolved. Once the major issues have been identified, key milestone dates are established from which the critical path of the overall project schedule is derived. From that point forward, those key

milestone dates are managed to ensure success in meeting the scope, schedule and budget for the project.

ITC manages the cost and schedule portion of our capital investment program with two industry standard software applications. A separate schedule is maintained for each individual work order or project, with summary tasks for each phase of a project (design, material, construction, etc.) and milestones that are specific to the reporting requirements that each business unit has for its respective Regional Transmission Organization. Schedules also contain a summary activity for each of the categories used to estimate projects. This allows the team to keep forecasted spend and expected in-service dates in lockstep with progress in the field while always having a comparison to the original estimated cost of the project.

Further, these applications allow for tracking of all commitments, expenditures, changes, and total project cost in a single location. They contain workflows and approval requirements that enable the responsible project managers and ITC management to monitor progress in the field and to track the financial aspects of a project.

Commissioning

Since 2003 ITC has successfully partnered with strategic partner contractors for the commissioning and testing of capital transmission grid infrastructure projects. ITC seeks to maintain long-term contractual relationships with its external field technicians. This creates stability and ensures availability while minimizing the re-training associated with frequent turnover. Furthermore, ITC's relay engineers provide a strong field presence and timely responsiveness to field technicians' inquiries.

The ITC engineering staff has also developed hundreds of detailed procedures for commissioning, testing and maintaining the high voltage transmission system. These standards and procedures enable field personnel to have superior knowledge of ITC's equipment and known and repeatable testing procedures ensuring the proper functioning of system equipment upon commissioning. ITC would coordinate with local partner contractors and the other interconnecting parties in advance to ensure that there are no surprises prior to and during commissioning. This model has proven successful for commissioning efforts both inside and outside ITC's traditional operating footprints.

New & Emerging Technologies

As a premier transmission infrastructure developer, owner and operator, ITC deploys proven technology to improve reliability and decrease costly outages and catastrophic failures. Recognizing that transmission transformers represent some of the most expensive pieces of equipment in the system and have the most significant impact attributable to a catastrophic failure, ITC deployed a transformer monitoring system to track key parameters and characteristics of more than 100 system transformers throughout ITC's systems. Using data networks, this web-based monitoring system alerts ITC operations staff when it detects abnormalities with a transformer's function or components. Using this data, ITC engineers can perform targeted diagnostics on the transformer to determine the nature of the abnormality. In one instance, ITC engineers were able to successfully avert a catastrophic transformer failure by warning about an imminent fault before it occurred. This example highlights one area where ITC deployed advanced technology and it provided an incremental improvement in reliability. These technological deployments allow ITC to direct and perform maintenance before catastrophic failure

renders a transformer inoperable. This improves system performance and can reduce costly outages and damaged equipment.

Another example of ITC's use of advanced technology is the deployment of Phase Measurement Units ("PMU"), or synchrophasors, across the system. ITC participated with MISO on its synchrophasors project, which received financial support from the Department of Energy. Synchrophasors use highly accurate microprocessor-based data collection to gather detailed data at a high sample rate and use broadband communication to provide the magnitude and phase angle of system current and voltage, synchronize them via GPS, and stream the data for system operations applications. This data acquisition occurs at a much higher rate and with much greater accuracy than traditional data acquisition systems. ITC has installed PMUs at 15 stations across its MISO operating companies' systems. Each PMU streams data to ITC's Phase Data Concentrator, which then passes the data on to MISO.

Synchrophasor data has already been used to support after-the-fact investigations in instances where traditional data acquisition systems would have been ineffective. With synchrophasor data, system operators have improved real-time wide area visualization and can more precisely determine potential system conditions that would adversely impact system reliability. In the future, synchrophasor data will continue to improve the reliable operation of the grid by detecting system anomalies, preventing power outages and improving real-time operations.

Safety

Safety Program and Execution

Few industries pose greater inherent hazards than high-voltage electric transmission. ITC takes a proactive approach to safety and is committed to providing a safe workplace for all employees and contractors.

ITC requires and provides all industry-related personal protective equipment and proper tools. ITC management is committed to making safety training an ongoing priority and we maintain a zero-tolerance drug and alcohol policy for employees. ITC management has also implemented unique safety incentive programs for employees and contractor employees.

On-site safety inspections are conducted frequently by ITC's Safety Department, as well as by an independent third-party safety contractor. Meetings are held regularly with ITC Field Supervisors, safety coordinators, and management personnel from the construction contract firms to discuss safety performance and areas in which improvement is necessary.

An ITC Safety Handbook is made available online to all ITC employees who will be working on or near energized equipment. The ITC Safety Handbook serves as a guide to ITC's safe work practices and policies, including explanation of ITC's policies regarding the wearing of personal protective equipment, use of safety rope barriers, and other such safety related topics. Contractors are provided with ITC's Safety Handbook for Contractors, which serves as their guide to ITC's safe work practices and procedures. These handbooks supplement the specific training provided to field personnel about safe work practices for the equipment they operate.

ITC requires that all accidents, injuries and near miss events be reported promptly to the Operations Control Room. Investigations are conducted to determine the factors causing and contributing to the accident or event. Results of the investigations are communicated to appropriate groups in a timely manner and corrective actions are implemented.

Customer and public safety is also important. Safety in this context is a consideration in the design, construction and overall operation and maintenance of the system, and includes being compliant with all applicable safety codes.

A few examples of how ITC works to extend the reach of and to improve its safety program include:

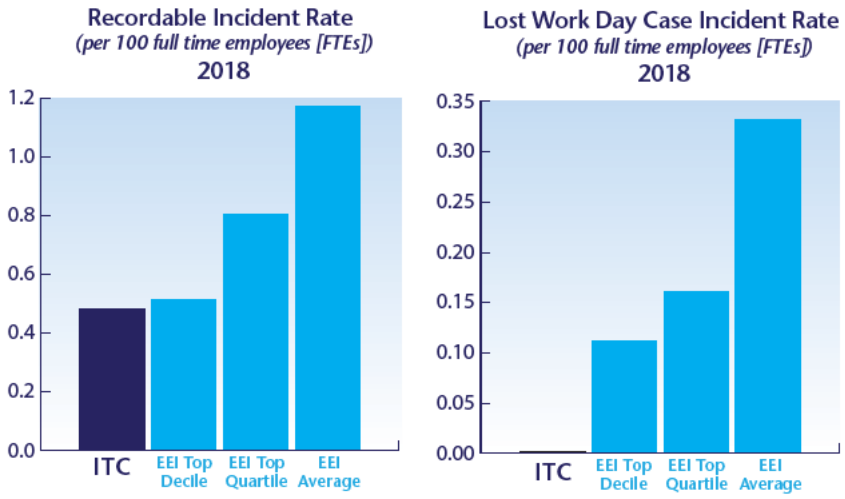
- Holding focused meetings with employees and contractors, including "safety summit" meetings, on a routine basis.
- Providing tools for leaders to incorporate "safety moments" into other meetings they lead in the normal course of business.
- Requiring morning and afternoon job briefings to address potential safety hazards prior to beginning any maintenance or construction work.
- Conducting regular safety audits of field work.

ITC management reviews the ongoing safety-related performance of employees and contractors. Not only does the management team receive regular reports, but the ITC Board of Directors' Security, Safety, Environmental, Health, and Reliability Committee reviews safety performance as part of its charter.

The true measure of the effectiveness of these activities is actual performance. As discussed in the next section, ITC continues to demonstrate that it is not only a top performing transmission owner and operator, but that safety is integral to ITC's culture of excellence.

Safety Performance Record

ITC consistently ranks at the top of the industry in safety performance. As an illustration of ITC's exemplary safety record, the Edison Electric Institute's (EEI) annual Safety Survey looks at the number of injuries and lost work day cases.



Source: Edison Electric Institute (EEI) Annual Safety Survey

In 2018, 2016 and 2014, ITC's safety performance placed us in the top 10% of surveyed companies for lowest number of recordable incidents and lost work day cases.

In 2017, ITC was in the top 10% of companies in the survey for lowest number of recordable incidents and the top 25% for lost work day cases; and in 2015, ITC ranked in the top 25% of companies in the survey for safety performance.

Transmission Operations

Operating Entity

ITC handles transmission operations, coordination and communication for all of its operating companies from ITC's Operations Center in Novi, Michigan. As discussed in more detail below, the Operations Center is staffed at all times and is available by phone to respond to issues, perform remote operations, and dispatch field crews when needed. ITC's Operations staff in Novi performs the necessary operations planning and communication required, including communication with regional transmission organization operational staff, affected transmission owner(s) and other impacted parties, to successfully schedule planned outages for maintenance or repair. ITC's backup Operations Center is located in Ann Arbor, Michigan.

Control Center Operations & Staffing

The ITC Operations Control Room ("OCR") is located in Novi, Michigan. The OCR is staffed at all times with one Senior Transmission System Coordinator, the shift leader, four Transmission System Coordinators ("TSC") who perform switching, tagging and system monitoring and one System Reliability Controller ("SRC") who performs Local Balancing Authority functions for the Michigan footprint and voltage control for all ITC operating companies. Additional TSC positions are staffed as necessary for increased workload or abnormal system or adverse weather conditions. Also located in the control room are field crew dispatchers from Utility Line Construction Services ("ULC"), ITC's sole contractor performing the field operation and maintenance for the majority of ITC's operating subsidiary assets. In total, ITC's control center operations staff consists of 61 internal full-time-equivalent employees.

From ITC's operations control room, the TSC continuously monitor the performance of the ITC transmission systems for all operating companies, using software and communication systems to perform analysis to plan for contingencies and maintain security and reliability following any unplanned events on the system. Transmission system operators are also responsible for the switching and protective tagging function, taking equipment in and out of service to ensure capital construction projects and maintenance programs can be completed safely and reliably.

For routine maintenance or construction work, ITC Shutdown Coordinators create Equipment Outage Requests and coordinate outages with all connected parties. Response and restoration activities for emergency or forced outages are coordinated by the TSC using a similar process on an accelerated timeframe. For large scale events, ITC's Emergency Operations Plan is activated and a coordinated response effort initiated under ITC's Incident Command System (ICS). These processes are discussed in greater detail in the following sections.

Outage Coordination & Response

The Outage Coordination Process procedure describes the coordination of equipment outage requests to ensure the proper communication, review, scheduling and approvals are implemented. This procedure also defines the roles and responsibilities of the various departments involved in the Equipment Outage Request procedure.

The Equipment Outage Request ("EOR") procedure defines the various types of equipment outage requests and their use.

Non-emergency switching is planned and coordinated by the ITC Shutdown Coordinator. Once an EOR is received, the Shutdown Coordinator prepares an EOR Memorandum which describes the equipment to be shutdown, duration of the shutdown, nature of the work and switching personnel requirements. This memorandum is distributed to all affected interconnected entities as well as the in-house resources. Operations Engineering performs an analysis of the EOR for impacts on the system. If the EOR is acceptable, Operations Engineering submits the EOR to the impacted RC. If the EOR requires a mitigation plan, Operations Engineering will develop the mitigation plan, coordinating with any affected Transmission Operators, Local Distribution Company, Interconnected Utility, Generation Facility (if affected), and the RC.

Small Scale Forced Outages

Response to a single forced outage or small-scale area outage is handled by in-house resources. The OCR staff create a work exception and requests field personnel to assess, repair and restore the equipment to service. ITC resources are utilized from normal in-house work crews, in-house crews from other ITC systems or outside contractors working on ITC projects – depending on the system needs. The control room staff will also assess the transmission system and create mitigation plans for any contingencies that may occur due to the forced outage.

In cases where the first responder is from another company, ITC allows personnel from that company to operate ITC field equipment to restore customers or relieve an emergency situation, pursuant to External Entity Interface ("EEI") protocols. EEI protocols are documents that describe the operating practices and procedures for protective tagging on the interconnections between ITC and the connecting entity for planned and un-planned outages. ITC endeavors to have an EEI in place with all interconnected parties.

Large Scale Outages

Large scale outages are handled using the Emergency Operations Plan which is based on the National Incident Management System. The Emergency Operations Plan provides the framework for the organizational structure, responsibilities, processes, and information necessary to prepare for, respond to, and recover from any event.

Depending upon the size of the event, resources are utilized from normal in-house work crews, in-house crews from other ITC systems, outside contractors working on ITC projects, outside contractors, or mutual assistance resources. ITC belongs to the Great Lakes and Midwest Mutual Assistance groups.

Additional ITC policies and procedures include:

- *Line Outage Response Guidelines* – Provides parameters for use in responding to unplanned momentary and sustained transmission line outages.
- *Emergency Operations Plan* – Provides the organizational structure, responsibilities, processes, and information necessary to prepare for, respond to, and recover from any emergency affecting the transmission system.

Trouble Equipment Outages: Emergency Switching & Emergency Repair

Emergency switching is coordinated and directed by the OCR. The TSCs are solely responsible for entering, authorizing, administrating, and completing Trouble Equipment Outage Requests. The TSC requests in-house personnel to be dispatched to ITC assets to perform field operations. In cases where the first responder is from another company, ITC allows personnel from that company to operate our field equipment to restore customers or relieve an emergency situation. The TSC will coordinate directly with the external entity's Operating Authority to accomplish the emergency switching.

Large scale repairs are handled using the Emergency Operations Plan which is based on the National Incident Management System. This plan details the use of normal work crews, crews from other ITC systems, outside contractors and mutual assistance resources.

Storm / Outage Response and Restoration

ITC's systems are vulnerable to storms and other extreme weather conditions, and ITC has experience in responding to these events. ITC Michigan experiences tornadoes and ice storms. ITC Midwest deals with tornadoes, ice storms and flooding. ITC Great Plains is in the heart of a region known as "tornado alley," and experiences both ice storms in the winter and extreme heat and wind in the summer.

Quickly restoring power following an emergency outage is critical, and this is both a core competency and area of focus for ITC. The ITC Emergency Operations Plan provides the framework for responding to and recovering from all types of transmission system emergencies, in accordance with FEMA's Incident Command System ("ICS") principles.

ITC's Emergency Operations Plan works in conjunction with the Disaster Recovery/Business Continuity Plan to provide emergency organizations and processes capable of immediate response to transmission system damage and/or damage to primary or backup business locations for each ITC operating company. Each Plan provides a scalable response, incident stabilization, and reestablishment of operational and/or business functions within timeframes required by regulatory requirements and the business impact analysis commissioned specifically for this purpose. These plans are published broadly so that employees are aware of the procedures in the event of a catastrophe. The objective of the plans is to minimize system restoration time, ensure personnel and equipment safety, effectively manage resources, provide open and accurate communications to the public, and reduce the cost of emergency events. The Plans include comprehensive checklists and flowcharts.

Quick and effective mobilization is one of ITC's strengths. The types of weather events that impact ITC's systems often strike with little or no warning, necessitating the ability to respond quickly. As specified in the Emergency Operations Plan, ITC follows a well-defined and straightforward approach in organizing emergency response activities:

- An Emergency Operations Center is established with leads from key functional areas.
- The Director of Asset Protection and Performance or the Vice President of Operations serves as the Emergency Response Coordinator.
- Leaders are appointed for specific areas such as damage assessment, restoration, operations, communications and logistics. Personnel are assigned dependent upon the type of incident and operating company/region(s) involved.
- An emergency response coordinator schedules and conducts periodic conference calls to obtain updates and facilitate information sharing between all functional areas.
- Depending upon the size of the area impacted and what distribution entities are affected (municipal utility, electric cooperative or IOU) a liaison from ITC will be assigned to work at the local distribution company operations center. The liaison's primary purpose is to ensure information flow necessary to prioritize restoration efforts of areas affected.

All ITC operating companies use dedicated field operations and maintenance crews that are under exclusive contract with ITC for storm restoration. ITC supplements these maintenance crews with construction crews with whom agreements are already in place for existing ITC capital projects. ITC's dedicated field operations and maintenance contractors and capital project crews are staffed by large, national companies that ITC can rely on for supplemental resources and logistics. ITC has the ability to leverage these national contractors to deploy crews to any region in the United States to support both storm restoration efforts and post-storm work.

As noted earlier, ITC also relies on other utilities for mutual assistance, and anticipates joining mutual assistance groups in other areas as appropriate to a broadened geographic footprint.

Spare Equipment & Material

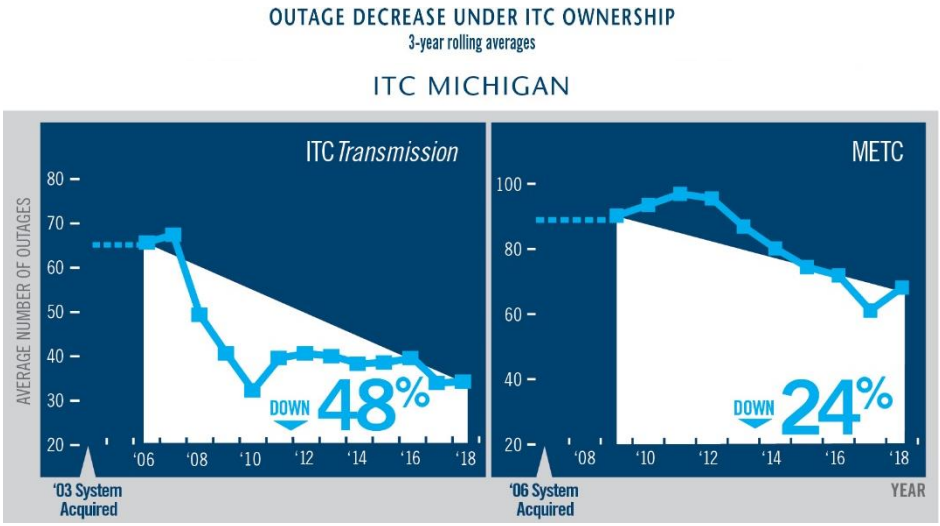
By analyzing past storm-related damage and the associated material needed to respond, ITC has proactively identified and staged the optimal level of spare material at ITC warehouses. These warehouses are strategically located throughout the company's service footprint and can supply spare material 24x7 under emergency situations. In areas outside our traditional service territories, ITC's approach is to also stock certain spare material, including key items such as circuit breakers and transformers, at our maintenance partners' locations for our potential emergency needs. Spare material and equipment is then replenished as needed.

Reliability Performance Record

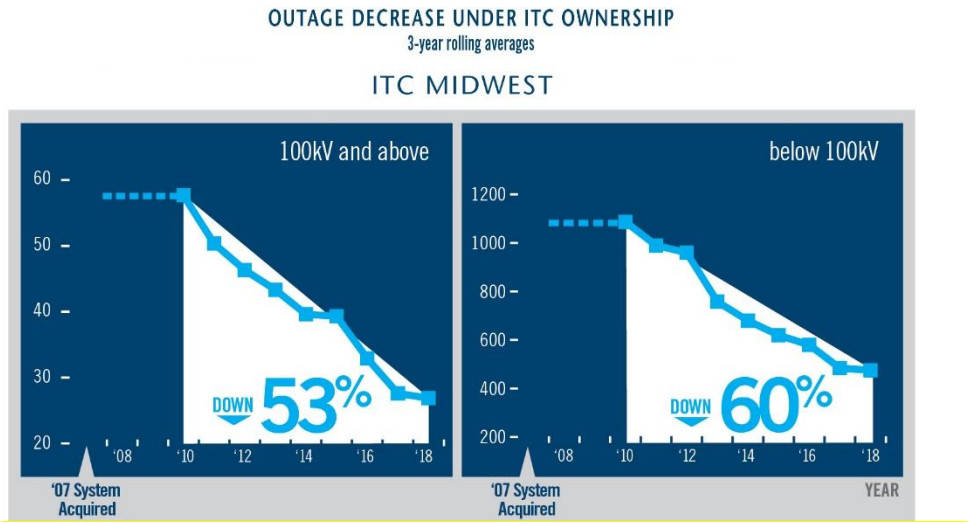
While descriptions of operational processes and procedures can be helpful, the proof is in actual performance. Operational excellence, including forced outage response, is the foundation of ITC's business and is of paramount importance.

As ITC has taken responsibility for three existing transmission systems, the focus has been on improving their overall performance. The reliability of each of these systems, as measured by the percentage decrease in all system outages (calculated on a three-year rolling average basis), has improved significantly. These impressive results validate ITC's approach and focus on operational excellence.

ITC took responsibility for the ITC*Transmission* system, formerly Detroit Edison (DTE), in 2003; and for the Michigan Electric Transmission Company (METC) system, formerly Consumers Energy (CMS), in 2006. The outage decrease figures for these systems are shown in the chart below on the left and the right, respectively.



ITC took responsibility for the ITC Midwest system, formerly Interstate Power & Light, or Alliant, in 2008. The two graphs below show outage reductions by voltage class, with facilities at 100kV and above on the left, and facilities below 100kV on the right.



NERC Registration, Compliance Process and History

ITC is currently the registered Transmission Owner / Transmission Operator (TO/TOP) for its operating company assets, including ITC Interconnection's assets in PJM.

ITC has an excellent record of compliance with the NERC Reliability and CIP Standards. This has been achieved through rigorous operational processes and procedures, a commitment to training and continuous improvement, and a focus on operational excellence. It is also a result of ITC's Corporate Compliance Program, which encompasses compliance with the NERC Reliability and CIP Standards, and is discussed in more detail in the upcoming sections of this narrative.

Training

ITC is a NERC-certified provider of continuing education that meets NERC Reliability Standard requirements. ITC is currently staffed with a manager of training and nine trainers to meet the needs of 52 Reliability Coordinator-certified staff. ITC's system operator shift schedule has a dedicated training week in the work rotation to allow for ample classroom, simulation, and field training opportunities.

A significant component and focus of the training program is the use of the Energy Management System vendor-supplied dynamic training simulator, which mimics the real-time operating environment to provide a real-life, hands-on application of the lessons taught in the classroom environment. ITC uses the Analyze, Design, Develop, Implement, and Evaluate ("ADDIE") process to ensure effective implementation of a systematic approach to training.

A key component of this process is a training advisory committee comprised of control room management, system operators, trainers, and training management. The advisory committee conducts a gap analysis prior to each cycle of training and feedback after each cycle of training, as well as an annual review of the overall training program. ITC annually participates in regional (MISO, SPP, PJM) restoration training activities to ensure effective coordination of its plan with those of neighboring utilities and the pertinent Reliability Coordinator. As a measure of the effectiveness of its training program, since 2009, all new ITC system operators have passed the NERC reliability operator certification examination on the first attempt with an average score of at least 90%.

Transmission Maintenance

Maintenance Entity

ITC would address maintenance staffing by either establishing services agreements with local transmission owning entities or fielding a maintenance team in the region through its dedicated O&M contractor, Utility Lines Construction ("ULC") Services. For example, for its ITC Great Plains facilities in Kansas, ITC has contracted with Sunflower Cooperative and Midwest Energy to provide maintenance services. These agreements with local entities and our dedicated contractor incorporate ITC's approach to maintenance, including requirements for adherence to ITC's policies and procedures.

Staffing and Crew Training

Continuous training and education are paramount in supporting ITC's corporate philosophy on transmission maintenance. Recurring training sessions on ITC's maintenance approach and practices are mandatory for ITC's strategic partner contractor, ULC, and other maintenance contractors. These sessions include both on-the-job and classroom activities, with predefined milestones. In addition to this routine training, ad hoc training sessions are initiated when new equipment is introduced or when systemic issues are identified and warrant timely correction. The training enables ITC's maintenance

contractors to have a core understanding of ITC's practices and procedures, as well as the specific power equipment employed and potential hazards involved.

Transmission Facility and Equipment Maintenance

The ITC engineering staff has developed detailed procedures for maintaining the high voltage transmission system. Beyond ITC's responsibility to comply with NERC Reliability Standards and Good Utility Practice, ITC strives for top quartile reliability performance, and maintenance procedures and practices are aimed at achieving that goal.

ITC takes the approach that reliability depends on four key factors:

- Design
- Capital improvements
- Operations
- Maintenance

The first and second factors – efficient system design and cost-effective capital improvements – expand and improve the system such that there are consistently fewer and shorter outages. ITC's Capital Maintenance Program involves the systematic upgrading of aging, obsolete equipment such as circuit breakers, switches, relays, surge arrestors, transmission line structures and other equipment on an ongoing basis. In addition, unreliable or maintenance-intensive equipment is upgraded or replaced with state-of-the-art equipment that is more dependable, more secure and more easily maintained.

Operations is the third factor, and deals with using existing assets in the most efficient and reliable manner possible. For example, advanced protection schemes and systems monitor the transmission grid and maintain reliability during outages. These systems can collect data, localize a fault and help to more quickly determine the cause of an outage.

Maintenance, the fourth factor, ensures that ITC's transmission facilities remain in proper condition to perform their intended function, whether during routine operations, switching, or emergency conditions. ITC's maintenance practices are comprised of four building blocks:

1. Maintenance practices must be robust, so that all individual components receive the appropriate level of preventive maintenance; and they must be comprehensive, so that all equipment is included.

2. Completion of 100% of the maintenance plan every year. If a component requires periodic maintenance, then it must receive the required maintenance within its scheduled interval.

3. The "find-it, fix-it" approach, where corrective actions are taken for any equipment deemed to be unfit for service.

4. Continuous improvement, by implementing outage cause analysis and feedback into both the maintenance and the capital improvement plans.

ITC has a comprehensive program for transmission line and related grid infrastructure maintenance on its existing systems that includes annual aerial inspections as well as cyclical ground line inspections and steel tower maintenance. Items that are identified for follow-up maintenance or repair are recorded in a computerized maintenance management system for following and monitoring.

For vegetation management, ITC's policy is to actively manage – through removing, pruning, mowing and/or applying herbicides – the vegetation that grows within, under and around electrical tower structures and wires. This ensures safety, reliability and, in the case of 200 kV and above facilities, meets or exceeds NERC Reliability Standards. It is ITC's policy goal to have zero outages as a result of vegetation interference.

ITC's systematic approach to substation maintenance includes routine visual inspections of equipment in substations and control houses. As with the line maintenance program, areas flagged for maintenance or repair are documented in a computerized maintenance management system for follow-up and review. The program also includes cyclical and predictive maintenance intervals on major substation equipment including, but not limited to, circuit breakers, switches, transformers, relay and protective systems, DC systems, and capacitor banks.

ITC uses modern high-speed networked Supervisory Control and Data Acquisition (SCADA) equipment health monitoring on key ITC assets such as transformers, circuit breakers and protective relaying. Alarming on these systems is monitored 24x7 by the ITC central operations control room. When under active alarm, corrective action is initiated, which includes dispatch of appropriate field maintenance resources.

To manage and prioritize spare parts inventory and placement, a review of life expectancy of critical assets is performed, and areas of highest risk are determined. Spare parts planning and stocking is based on formulas that account for expected lifetime of equipment and key components as well as past usage and experience data. Stock levels are determined by expected annual usage incorporating critical factors such as lead time, failure analysis, line criticality and other contributing factors. Shared equipment is determined by operating entities, with each fractionally stocking spare parts and other critical assets based on expected requirement.

These maintenance practices, when taken together and applied to ITC's multiple maintenance categories (preventative, reactive, facilities, vegetation and vehicular), comprise our comprehensive maintenance program, which has increased reliability by maximizing the availability of critical equipment during times of greatest need. ITC's focus, commitment, and execution in these areas has not only markedly improved system reliability, it has reduced the annual cost for reactive maintenance and enabled ITC to shift approximately three quarters of the total operations and maintenance budget to preventive maintenance and operations/training. Trend data reveals a consistent reduction in reactive or unplanned maintenance, which indicates fewer outages, and an emphasis on proactive preventive maintenance.

Performance Record

Effective and efficient maintenance activities help improve system performance and reliability. As discussed in more detail in the sections above, ITC has steadily improved the performance of the three transmission systems we acquired beginning in 2003. Through 2018, ITC has reduced the average number of outages by 48% at ITC*Transmission*, 24% at METC, and 53% (100kV and above) at ITC Midwest. ITC compares the most recent three-year rolling average number of all system outages with the first three-year average number of outages under ITC ownership as data points. These continuing improvements in reliability track with ITC's system investments over the years and our targeted capital

and maintenance programs. ITC's transmission systems have routinely performed among the top 25% of utilities in national benchmark surveys.

NERC Compliance Process and History

ITC has entered into strategic partnerships with ULC and local entities for maintenance services, but retains the fundamental responsibility to comply with all applicable NERC Reliability Standards and Requirements and to operate and maintain its systems in accordance with Good Utility Practice, regional and local planning criteria, and other applicable laws and regulations. As discussed above, this has been accomplished through a systematic approach and rigorous training practices. It is also accomplished through ITC's Corporate Compliance Program, which encompasses compliance with the NERC Reliability Standards, and is discussed in more detail below.

Compliance with Applicable Standards, Practices and Criteria

To provide oversight for ITC's activities to comply with all applicable laws and regulations – including NERC Reliability Standards, Good Utility Practice, regional and local planning criteria and other industry standards – ITC has established a Corporate Compliance Program ("Compliance Program"). The Compliance Program is overseen by the Corporate Compliance Steering Committee, which directs its implantation and ensures that sufficient resources are assigned.

The Compliance Program provides visibility to ITC's compliance obligations through assignment of a subject matter expert "owner" for each obligation, and at least one independent reviewer or approver, who is responsible to ensure sufficient documentation is on file to demonstrate compliance. ITC's Corporate Compliance Monitoring System ("CCMS") identifies and tracks pending compliance items, as well as the owners, reviewers and approvers of those items. CCMS also allows for evidence to be stored by owners and subsequently reviewed to verify compliance.

ITC's Compliance Program is consistent with the Federal Sentencing Guidelines for Organizations and the FERC Penalty Guidelines. As such, it has established standards and procedures to prevent and detect compliance violations, provides a mechanism to manage investigatory or disciplinary needs to address non-compliance, and offers a structure to support a culture based in compliance and in a manner that is transparent, complete and auditable. Policies and procedures are in place across the organization to set the appropriate "tone from the top," and to establish expected standards of work and behavior.

In the event of potential non-compliance, Corporate Compliance Program staff will work in conjunction with the relevant subject matter experts and functional leadership to review and document the instance of potential non-compliance. This documentation includes an after-action review to identify the cause of the potential non-compliance and mitigating actions to be taken in the future in order to prevent another occurrence.

NERC Reliability and CIP Standards

ITC's goal with regards to the NERC Standards is "100% compliant - 100% of the time." ITC believes that the best way to achieve this goal is to create and maintain a culture of compliance, beginning from the top of the organization.

To this end, ITC has established a Reliability Compliance Steering Committee ("RCSC"), the scope of which covers both the NERC Reliability Standards and the NERC Critical Infrastructure Protection ("CIP") Standards. The RCSC includes executives from all departments that have responsibility for complying with the NERC Reliability and CIP Standards, who are accountable for ensuring the compliance of the departments under their direction and for providing the necessary support and resources to ensure compliance. Executives are also responsible for ensuring that their groups work cooperatively with Compliance Program staff in implementing the overall compliance program.

The RCSC is chaired by the appointed Reliability Compliance Officer. To support the direction established by the Steering Committee, a matrix organization is in place, led by the Reliability Compliance Director and the CIP Senior Manager. All the applicable Standards have been assigned to members of ITC's staff based on those staff members' subject matter expertise and roles within the organization.

If incidents of non-compliance are discovered, it is ITC's policy to report promptly to the appropriate NERC Regional Entity. ITC will work cooperatively with the Regional Entity to implement mitigation plans that contain corrective actions to both eliminate the cause of the violation and prevent future occurrences.

The core attributes of ITC's NERC compliance program include:

- *Auditability*: This program provides demonstration to management, auditors (internal & external), and regulators that ITC is in compliance with applicable Standards.
- *Accountability*: Any person determined to have engaged in conduct that violates FERC or NERC rules, regulations, standards or ITC written policy and procedure, will be required to undergo additional training, and may also be subject to disciplinary action and, where applicable, legal action.
- *Manageability:* The program is appropriate to the size and complexity of ITC. This encourages employees to follow the compliance program process and procedures (ensuring compliance) and to maintain records required for audits without being unnecessarily burdensome.
- *Sustainability:* The program is designed to be reviewed at least once each calendar year and modified if necessary.
- *Traceability*: The program includes specific record requirements so that program and Compliance Records are traceable; and time-based records are linked to the applicable Standard in effect at that point in time.

The most accurate indicators of the effectiveness of ITC's NERC compliance program are performance and continuous improvement. During ITC's NERC Reliability Standards audit in 2017, as well as in the previous 2014 audit, zero findings of potential non-compliance were identified. These results showcase ITC's process-driven approach and commitments to reliability and compliance.

During ITC's audit of the NERC CIP Standards in 2017, only two instances of potential non-compliance were identified, which were administrative in nature. This represented a marked improvement over ITC's previous 2014 CIP Standards audit, demonstrating ITC's focus on correcting identified issues. Notably, the 2017 CIP Standards audit team recorded 12 positive observations about ITC's CIP

compliance program and staff, identifying a number of areas in which ITC exceeds the performance minimums established in the Standards, and showcases industry best practices.