

August 14, 2007

Mr. Carl Monroe
Sr. Vice President and Chief Operating Officer
Southwest Power Pool
415 North McKinley
Suite 800
Little Rock, AR 72205-3020

Dear Carl:

Please accept this letter as an official request by ITC Panhandle Transmission, LLC ("ITC Panhandle") to include the project described below in the Southwest Power Pool Transmission Expansion Plan ("STEP").

Project description: The construction of a 345 kV transmission line from the existing Mooreland 345 kV switchyard, terminating in Southwestern Public Service Company's Texas Panhandle area, which will be determined specifically after further studies; referred to as the "Project". The line length for the Project is presently estimated at between 150 miles and 250 miles. A current initial estimate places the cost of the Project at approximately \$195 million, assuming 345 kV construction and 200 miles. However, ITC Panhandle will work with Southwest Power Pool to construct this project at 765 kV or 500 kV where prudent to do so. In addition, the current initial cost estimate is preliminary and likely will be adjusted based on the completion of detailed engineering design and future actual cost of material, labor, and other expenses.

ITC Panhandle is a wholly owned subsidiary of ITC Grid Development, LLC, which in turn is wholly owned by ITC Holdings Corp. ITC Panhandle is an affiliate of ITC Great Plains, LLC, which recently has communicated to SPP its commitment to construct projects in Kansas and Oklahoma. ITC Panhandle and ITC Great Plains will coordinate the design and construction of their respective projects to timely and efficiently complete those projects together.

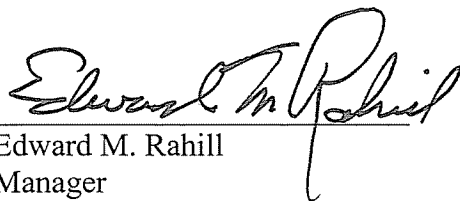
ITC Panhandle believes this request to include the Project in the STEP illustrates its interest and commitment to the Project. ITC Panhandle hereby expresses its commitment to fund, construct, own and operate the Project upon and subject to the receipt of all appropriate regulatory approvals, including successful inclusion of the Project in the STEP, any certificate and siting approvals from Public Utility Commission of Texas, appropriate ITC Panhandle transmission rate and other approvals from the Federal Energy Regulatory Commission ("FERC"), and any other appropriate regulatory approvals.

Subject to the completion of detailed engineering design, the Project is expected to be rated at a minimum of 1200 MVA with terminal equipment at 3000 amperes. ITC Panhandle will utilize its strategic partners to engineer and maintain the project. The primary partners on the project are anticipated to be Black & Veatch and Asplundh. The vendors for equipment and construction will be determined based on a competitive bid process.

ITC Panhandle expects to be compensated for electric transmission service provided over facilities constructed as part of the Project through an open access transmission tariff service rate, which must be approved by the FERC. That rate would be based on ITC Panhandle transmission-related costs and investments and is expected to be included in the tariff administered by SPP, which would functionally control those facilities as the regional transmission organization. ITC Panhandle understands that this Project would be eligible for any SPP-adopted or other FERC-approved regional cost allocation methodology for economic projects in SPP. ITC Panhandle anticipates constructing the Project using a combination of debt financing, which it anticipates raising through access to debt capital markets, and equity. By comparison, ITC Panhandle's parent company, ITC Holdings Corp., and both of its operating utility affiliates ITC Transmission and Michigan Electric Transmission Company LLC, all maintain investment grade credit ratings from both Standard and Poor's and Moody's credit services.

It is ITC Panhandle's present intention to place the Project in service in late 2012 if all regulatory and siting approvals are obtained in a timely manner, and sooner if possible, in order to coordinate with the other SPP commitments related to the X-Plan of ITC Great Plains SPP received earlier. Please advise of SPP's disposition of this matter as soon as practicable. We look forward to working with you on this most important regional project.

Very Truly Yours,



Edward M. Rahill
Manager
ITC Panhandle Transmission, LLC