ITC Holdings Corp.
Form DEF 14A
April 08, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

ITC Holdings Corp.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

27175 ENERGY WAY
NOVI, MICHIGAN 48377
April 8, 2016

Dear Shareholder:

You are cordially invited to attend our Annual Meeting of Shareholders, which will be held on Thursday, May 19, 2016, at 9:00 a.m. local time at our corporate headquarters located at 27175 Energy Way, Novi, Michigan for the following purposes, as more fully described in the accompanying proxy statement. After the formal business session, there will be a report to the shareholders on the state of the Company and a question and answer session.

We are pleased to furnish our proxy statement, which describes the items of business being transacted at the meeting, and our 2015 annual report to shareholders via the Internet. Providing our materials to shareholders electronically allows us to conserve natural resources and reduce our printing and mailing costs related to the distribution of the proxy materials. As a result, we are mailing to shareholders a Notice of Internet Availability of Proxy Materials for the 2016 Annual Meeting which contains instructions on how to access these documents over the Internet. Shareholders who wish to receive paper copies of the proxy materials may do so by following the instructions on the Notice of Internet Availability of Proxy Materials.

Your vote is important, regardless of the number of shares you own. I urge you to vote now, even if you plan to attend the Annual Meeting. You can vote your shares in person, by phone, Internet or, if you received printed copies of the proxy materials, by mail. Remember, you can always vote in person at the Annual Meeting even if you do so now, provided you are a shareholder of record or have a legal proxy from a shareholder of record.

Sincerely,

ITC HOLDINGS CORP.

By:

Joseph L. Welch
Chairman, President and Chief Executive Officer

Novi, Michigan
April 8, 2016

27175 ENERGY WAY
NOVI, MICHIGAN 48377
(248) 946-3000

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 19, 2016

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of ITC Holdings Corp. will be held at our corporate headquarters located at 27175 Energy Way, Novi, Michigan 48377, on May 19, 2016, at 9:00 a.m. Eastern Daylight Time, for the following purposes, as more fully described in the accompanying proxy statement:

(1) To elect a Board of Directors to serve until the next annual meeting of shareholders;

(2) To act upon a non-binding proposal to approve the compensation of the Company's named executive officers;

(3) To act upon a proposal to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accountants for the fiscal year ended December 31, 2016;

(4) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on March 21, 2016 are entitled to notice of, to attend, and to vote at, the 2016 Annual Meeting of Shareholders.

YOUR VOTE IS IMPORTANT. PLEASE VOTE NOW BY ONE OF THE MEANS NOTED IN THE PROXY STATEMENT EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING. IF YOU DO ATTEND THE ANNUAL MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON IF YOU ARE A SHAREHOLDER OF RECORD OR HAVE A LEGAL PROXY FROM A SHAREHOLDER OF RECORD.

By Order of the Board of Directors,

Wendy A. McIntyre
Secretary

Novi, Michigan
April 8, 2016

27175 ENERGY WAY
NOVI, MICHIGAN 48377
(248) 946-3000

April 8, 2016

PROXY STATEMENT

The Board of Directors is furnishing this proxy statement in connection with its solicitation of proxies for use at our 2016 Annual Meeting of Shareholders, and at any and all adjournments and postponements thereof, for the purposes set forth in the accompanying notice. References in this proxy statement to "the Company", "we", "our" and "us" are to ITC Holdings Corp., a Michigan corporation. The Company has made these materials available to you on the Internet or, upon your request, has delivered printed versions of these materials to you by mail. These materials were first sent or made available to shareholders on or about April 8, 2016. The following are questions and answers that convey important information regarding the Annual Meeting and how to vote your shares.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

1. Q: Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

A: Pursuant to rules adopted by the Securities and Exchange Commission, the Company is using the Internet as the primary means of furnishing proxy materials to shareholders. Accordingly, the Company is sending a Notice of Internet Availability of Proxy Materials to the Company's shareholders. All shareholders will have the ability to access the proxy materials on the website referred to in the notice or request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the notice.

2. Q: What is included in these materials?

A: The proxy materials include our proxy statement, the 2015 annual report to shareholders (which includes the 2015 Form 10-K) and proxy card.

3. Q: Who may vote?

A: Shareholders of our common stock as of the close of business on the record date of March 21, 2016 are entitled to vote at the Annual Meeting. Our common stock is our only class of outstanding voting securities.

4. Q: What will I be asked to vote on at the Annual Meeting?

A: We are aware of the following items to be voted on at the meeting:

The election of directors to serve until the next annual meeting and the election and qualification of their successors;

A non-binding proposal to approve the compensation of the named executive officers; and

The ratification of Deloitte & Touche LLP to act as our independent registered public accountants.

If any other business is properly presented at the Annual Meeting, Rejji P. Hayes and Christine Mason Soneral, officers of the Company and the named proxies, generally will have authority to vote your shares voted on our proxy card on such matters in their discretion.

5. Q: When and where will the Annual Meeting be held?

A: The meeting will be held at 9:00 a.m. Eastern Daylight Time, on Thursday, May 19, 2016 at our corporate headquarters located at 27175 Energy Way, Novi, Michigan 48377.

6. Q: What is the difference between a shareholder of record and a beneficial owner?

A: You are considered a shareholder of record if your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A.

You are considered a beneficial owner if your shares are held in a stock brokerage account or by a bank or other nominee. This is also commonly referred to as holding shares in "street name." As the beneficial owner, you have the right to direct your broker, bank or nominee how to vote your shares. You are also invited to attend the Annual Meeting. However, since as a beneficial owner you are not the shareholder of record, you may not vote your shares in person at the meeting unless you request and obtain a legal proxy from your bank, broker or other agent or nominee.

7. Q: How do I cast my vote?

A: If you are a shareholder of record, you may vote by:

(1) ***Telephone,*** using the toll-free number 1-800-652-VOTE (8683), or if you requested printed proxy materials, by following the instructions on your proxy card. If you vote by telephone, do not mail in your proxy card.

(2) ***Internet,*** going to the voting site at www.envisionreports.com/ITC and follow the instructions outlined on the secured website using certain information provided on the Notice of Internet Availability of Proxy Materials, or if you requested printed proxy materials, by following the instructions provided on your proxy card or vote instruction form. If you vote using the Internet, do not mail in your proxy card.

(3) ***Written Proxy,*** if you received your proxy materials by mail, you may submit your written proxy by completing the proxy card enclosed with those materials and signing, dating and returning your proxy card by mail in the enclosed return envelope, which requires no additional postage if mailed in the United States.

(4) ***Attending the Annual Meeting*** and voting in person.

If you hold your shares in "street name" you should have received a vote instruction form from your bank or broker and you should follow the instructions given by that institution. If you are a "street name" owner and have a legal proxy from the shareholder of record, you may vote at the annual meeting.

8. Q: How do I vote if I attend the Annual Meeting?

A: If you are a shareholder of record, you can attend the Annual Meeting and vote in person the shares you hold directly in your name. If you choose to do that, you must present valid government-issued photo identification such as a driver's license or passport. If you want to vote in person at our Annual Meeting and you hold our common stock through a bank, broker or other agent or nominee, you must present valid government-issued photo identification such as a driver's license or passport and a power of attorney or other proxy authority from your broker, bank or other agent or nominee. Please follow the instructions from your bank, broker or other agent or nominee, or contact your bank, broker or other agent or nominee to request a power of attorney or other proxy authority. If you vote in person at the Annual Meeting, you will revoke any prior proxy you may have submitted.

9. Q: How do I revoke my proxy or change my vote?

A: You may revoke your proxy and change your vote at any time prior to voting at the Annual Meeting by:

(1) notifying our Corporate Secretary in writing;

(2) voting again by telephone or Internet (prior to May 19, 2016 at 1:00 a.m. Eastern Daylight Time), since only your latest vote will be counted;

(3) signing and returning, prior to the Annual Meeting, another proxy card that is dated after the date of your first proxy card; or

(4) voting in person at the Annual Meeting (if you are a shareholder of record or have a legal proxy from a shareholder of record).

Attendance at the Annual Meeting will not, by itself, revoke your proxy or change your vote. If your shares are held in street name, you must contact your broker or nominee to revoke your proxy.

10. Q: How many shares can vote at the Annual Meeting?

A: As of the record date, 152,744,016 shares of our common stock were outstanding. Every shareholder of common stock is entitled to one vote for each share held.

11. Q: What is a "quorum"?

A: A "quorum" is the number of shares that must be present, in person or by proxy, in order for business to be transacted at the meeting. The required quorum for the Annual Meeting is a majority of the shares outstanding and entitled to vote as of the record date. There must be a quorum present for the meeting to be held. All shares represented at the Annual Meeting in person or by proxy (including those voted by telephone or Internet) will be counted toward the quorum. Abstentions and withheld votes will be treated as shares represented at the meeting for purposes of determining the presence of a quorum.

12. Q: Who will count the vote?

A: A representative from Computershare Trust Company, N.A., our transfer agent, will count the votes and act as inspector of election.

13. Q: Who can attend the Annual Meeting?

A: All shareholders who owned shares on March 21, 2016 may attend the Annual Meeting. Please indicate whether you plan to attend when you vote your shares.

14. Q: How will the voting on any other business be conducted?

A: If any business is properly presented at the Annual Meeting, Rejji P. Hayes and Christine Mason Soneral, officers of the Company and the named proxies, generally will have authority to vote your shares voted on our proxy card on such matters at their discretion.

15. Q: How is my proxy tabulated if I sign and date my proxy card but do not indicate how I want to vote?

A: If you do not indicate on the proxy card how you want your votes cast, the named proxies (Mr. Hayes or Ms. Mason Soneral, as your representatives) will vote your shares consistent with the recommendation of the Board of Directors: FOR all of the director-nominees in the Company's proxy statement, FOR the nonbinding proposal to approve the compensation of the Company's named executive officers, and FOR the ratification of Deloitte & Touche LLP to act as our independent registered public accountants.

16. Q: Will my shares be voted if I do not sign and return my proxy card or vote by telephone or Internet?

A: If your shares are held in street name, your brokerage firm may vote your shares on "routine matters" (such as ratification of appointment of registered independent public accountants) but must otherwise leave your shares unvoted unless you provide voting instructions. We encourage you to provide instructions to your brokerage firm by completing the vote instruction form that they send to you. This enables your shares to be voted at the meeting as you direct. Your brokerage firm must receive instructions from you in order to vote your shares on the election of directors and the non-binding proposal to approve the compensation of the Company's named executive officers.

If you are a shareholder of record and do not vote your proxy by telephone, Internet, mail or vote your shares in person at the Annual Meeting, your shares will not be voted.

17. Q: Who pays the cost of the solicitation of proxies?

A: The cost of soliciting proxies by our Board, including the preparation, assembly, printing and mailing of this proxy statement and any additional materials furnished to our shareholders, will be borne by the Company. Proxies will be solicited primarily by mail and may also be solicited by directors, officers and other employees of the Company without additional compensation. Copies of solicitation material will be furnished to banks, brokerage houses and other agents holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to these beneficial owners. In addition, if asked, we will reimburse these persons for their reasonable expenses in forwarding the solicitation material to the beneficial owners. The Company has requested banks, brokerage houses and other custodians, nominees and fiduciaries to forward all solicitation materials to the beneficial owners of the shares they hold of record.

IMPORTANT NOTICE REGARDING DELIVERY OF ANNUAL REPORT AND PROXY STATEMENT

To reduce the expenses of delivering duplicate materials to our shareholders, we are taking advantage of householding rules that permit us to deliver only one copy of the proxy statement and annual report or the Notice of Internet Availability of Proxy Materials to shareholders who share the same address, unless otherwise requested. Each shareholder retains a separate right to vote on all matters presented at the meeting.

If you share an address with another shareholder and have received only one copy of the proxy statement and annual report or Notice of Internet Availability of Proxy Materials, you may write or call us to request a separate copy of the proxy statement and annual report or Notice of Internet Availability for Proxy Materials at no cost to you. For future annual meetings, you may request separate copies of the proxy statement and annual report or Notice of Internet Availability for Proxy Materials or request that we only send one copy to you if you are receiving multiple copies by writing to us at ITC Holdings Corp., Attn: Corporate Secretary, 27175 Energy Way, Novi, Michigan 48377, or calling us at (248) 946-3000.

SECURITY OWNERSHIP OF MANAGEMENT AND MAJOR SHAREHOLDERS

The following table sets forth certain information regarding the ownership of our common stock as of March 21, 2016, except as otherwise indicated, by:

- each current director;
- each director nominee;
- each of the persons named in the Summary Compensation Table under Compensation of Executive Officers and Directors;
- all current directors and executive officers as a group; and
- each person who is known by us to own beneficially 5% or more of our 152,744,016 outstanding shares of common stock, each of whom we refer to as a 5% Owner.

The number of shares beneficially owned is determined under rules of the Securities and Exchange Commission, or SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire on March 21, 2016 or within 60 days thereafter through the exercise of any stock option or other right. Unless otherwise indicated, each holder has sole investment and voting power with respect to the shares set forth in the following table:

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class
Joseph L. Welch(2)	2,616,886	1.7%
Linda H. Blair	753,055	*
Rejji P. Hayes	87,744	*
Jon E. Jipping	605,779	*
Daniel J. Oginsky	386,858	*
Albert Ernst(3)	11,839	*
Christopher H. Franklin	10,958	*
Edward G. Jepsen	185,756	*
David R. Lopez	3,131	*
Hazel R. O'Leary	21,650	*
Thomas G. Stephens	7,199	*
G. Bennett Stewart, III	32,495	*
Lee C. Stewart	35,240	*
All current directors and executive officers as a group (14 persons)	4,828,260	3.2%
The Vanguard Group(4)	10,709,047	7.0%

* Less than one percent

(1) Includes unvested restricted stock and performance share grants and shares that may be acquired upon exercise of options that are currently exercisable or become exercisable prior to May 20, 2016. The number of performance shares issued to the NEOs was based on target performance. The number of performance shares that become vested may exceed the number of shares beneficially owned. See "Compensation Discussion and Analysis Key Components of Our NEO Compensation Program Long Term Equity Incentives. Shares set forth in the table are not subject to any pledge arrangements.

Name	Restricted Stock	Performance Shares	Option Shares
Joseph L. Welch	68,993	40,279	708,510
Linda H. Blair	25,347	16,266	645,475
Rejji P. Hayes	23,590	10,596	52,315
Jon E. Jipping	20,720	13,299	480,799
Daniel J. Oginsky	16,079	11,206	267,044
Albert Ernst	3,131		
Christopher H. Franklin	6,836		
Edward G. Jepsen	6,836		
David R. Lopez	3,131		
Hazel R. O'Leary	6,836		
Thomas G. Stephens	6,836		
G. Bennett Stewart, III	6,836		
Lee C. Stewart	6,836		
All current directors and executive officers as a group	218,505	100,918	2,186,857

(2)

The amount shown in the table does not include 377,700 shares beneficially owned by the spouse of Mr. Welch, 49,200 of which are subject to a standard pledge account. Mr. Welch has no voting or dispositive power with respect to, and disclaims beneficial ownership of such shares.

(3)

Includes 2,940 shares owned by the spouse of Mr. Ernst.

(4)

Based on information contained in a Schedule 13G/A filed on February 10, 2016, with information as of December 31, 2015, The Vanguard Group has sole voting power with respect to 122,616 shares, shared voting power with respect to 7,700 shares, shared dispositive power with respect to 109,616 shares and sole dispositive power with respect to 10,599,431 shares. The business address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

PROPOSAL 1 ELECTION OF DIRECTORS

Background

Our Bylaws provide for the election of directors at each annual meeting of shareholders. Each director serves until the next annual meeting and until his or her successor is elected and qualified, or until his or her resignation or removal. Directors are elected by a plurality of the votes cast, so that only votes cast "for" directors are counted in determining which directors are elected. The nine directors receiving the most votes "for" will be elected. Withheld votes will have no effect on the vote for the election of directors, but may have ramifications under our Corporate Governance Guidelines.

Under our Corporate Governance Guidelines, in any uncontested election, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election is expected to tender his or her resignation to the Chairman of the Board promptly following certification of the shareholder vote, which resignation shall be effective only upon acceptance by the Board of Directors. In that event, within 90 days following certification of the voting results on the election, the Nominating and Governance Committee will determine whether to recommend acceptance of the director's resignation and will submit such recommendation for prompt consideration by the Board, and the Board will act on the Nominating and Governance Committee's recommendation not later than its next regularly scheduled meeting following receipt of such recommendation. The Nominating and Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation. The Company will promptly disclose the Board's decision-making process and decision regarding whether to accept the director's resignation offer in a Current Report on Form 8-K furnished to the Securities and Exchange Commission. The director in question generally will not participate in the Nominating and Governance Committee's or the Board's considerations of the appropriateness of his or her continued service, but may otherwise remain active and engaged in all other Board-related activities, deliberations and decisions while consideration of the director's resignation is ongoing.

The Board of Directors recommends a vote FOR each of the director nominees. **The named proxies will vote for the election of the nominees named in this proxy statement unless shareholders specify otherwise in their proxies.** If any nominee at the time of election is unable to serve, or otherwise is unavailable for election, and if other nominees are designated by the Board of Directors, the persons named as the proxies on the accompanying proxy card intend to vote for such nominees. Management is not aware of the existence of any circumstance which would render the nominees named below unavailable for election. All of the nominees are currently directors of the Company.

Nominees For Directors

Below you will find each nominee's biography. Following the biographies, we have included a chart that exhibits the collective, experience, qualifications, attributes and skills of our nominees. **THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES NAMED BELOW.**

Albert Ernst, 67. Mr. Ernst became a Director of the Company in August 2014. Mr. Ernst is a retired member of the law firm of Dykema Gossett PLLC, where he served as director of Dykema's Energy Industry Group. His experience with companies in the public utility, energy, transmission, telecommunications and rural electric cooperative fields spans more than three decades. With Dykema, Mr. Ernst worked with leading energy clients including International Transmission Company and Michigan Electric Transmission Company. Prior to joining Dykema in 1979, Mr. Ernst was an assistant attorney general for the State of Michigan. He also served as a consultant on utility-related matters to the U.S. Department of Defense, the Department of Energy and the General Services Administration. The Board selected Mr. Ernst to serve as a director due to his lifelong career in the energy industry, as well as his invaluable experience with public utility and energy matters and decades of experience in the practice of law.

Christopher H. Franklin, 51. Mr. Franklin became a Director of the Company in August 2011. Mr. Franklin was appointed as Chief Executive Officer of Aqua America, Inc., a water and wastewater utility holding company in July 2015. Previously Mr. Franklin served as President and Chief Operating Officer, Regulated Operations at Aqua America, a position he held since December 2011. Prior to that appointment, Mr. Franklin served as Regional President, Midwest and Southern Operations and Senior Vice President of Corporate and Public Affairs from 2010 to 2011 and Regional President, Southern Operations and Senior Vice President of Customer Operations & Public Affairs from 2007 to 2010 and has served in a variety of other operations, customer service and public affairs positions since joining Aqua America, Inc. in 1993. Prior to joining Aqua America, Inc., Mr. Franklin served as Regional Civic and Economic Development Officer for Peco Energy (Exelon) from 1990 to 1992. He began his career in 1987 as Congressional Aide to U.S. Congressman Richard Schulze. Mr. Franklin currently sits on the Board of the Magee Rehabilitation Hospital and the Walnut Street Theatre. He also has served as a Director on the Southeastern Pennsylvania Transportation Authority. The Board selected Mr. Franklin to serve as a director due to his significant experience in the utility industry, as well as his knowledge of public policy matters.

Edward G. Jepsen, 72. Mr. Jepsen became a Director of the Company in July 2005. Since December 2010, Mr. Jepsen has served as the Chairman and CEO of Coburn Technologies, Inc., a privately held manufacturer and servicer of ophthalmic lens processing equipment. Mr. Jepsen currently serves as a director and is chair of the audit committee and a member of the nominating and corporate governance committee of the board of directors of Amphenol Corporation, a publicly traded manufacturer of electrical, electronic and fiber optic connectors, interconnect systems and cable. Until December 2010, Mr. Jepsen served as a director and chairman of the audit and finance committee and member of the compensation committee of Gerber Scientific, Inc. Mr. Jepsen served as Executive Vice President and Chief Financial Officer of Amphenol Corporation from 1989 to 2004. Prior to joining Amphenol Corporation, Mr. Jepsen worked at Price Waterhouse LLP from 1969 to 1988, ultimately attaining the position of partner. The Board selected Mr. Jepsen to serve as a director because of the expansive financial and accounting experience he obtained as a chief financial officer and Certified Public Accountant. Mr. Jepsen is an "audit committee financial expert" as defined in applicable SEC and NYSE rules.

David R. Lopez, 64. Mr. Lopez became a Director of the Company in August 2014. Mr. Lopez currently serves as a director and a member of the Independent Directors' committee of BancFirst Corporation and as an independent consultant for Schnake Turnbo Frank, a public relations consulting firm that focuses on public relations, management and business strategy. Mr. Lopez served as interim superintendent of Oklahoma City Public Schools from 2013 to 2014. Mr. Lopez served as Oklahoma's Secretary of Commerce and Tourism from 2011 to 2013 and as the Executive Director of the Oklahoma Department of Commerce from 2011 to 2012 where he was responsible for overseeing the state's economic development efforts while serving on the governor's cabinet. Mr. Lopez served as the president of the American Fidelity Foundation, a private foundation, from 2006 to 2011 and was President of Downtown Oklahoma City, Inc., a non-profit organization, from 2004 to 2006. In 2003, he served as Vice President of Development for the Oklahoma Arts Institute and from 1979 to 2001 Mr. Lopez held various officer positions with SBC Communications, Inc., now AT&T, including President of SBC's Oklahoma and Texas operations. The Board selected Mr. Lopez to serve as director due to his experience in local government in one of our markets and his familiarity with the South Central states in which the Company operates and conducts business.

Hazel R. O'Leary, 79. Ms. O'Leary became a Director of the Company in July 2007. Ms. O'Leary served as the President of Fisk University in Nashville, Tennessee from 2004 through February 2013 and currently serves on the boards of directors of the Nashville Alliance for Public Education, Nashville Business Community for the Arts, World Wildlife Fund, Arms Control Association and CAMAC Energy Inc. Ms. O'Leary served as an Assistant Attorney General and Assistant Prosecutor in the state of New Jersey and was appointed to the Federal Energy Administration under President Gerald Ford and to the United States Department of Energy under President Jimmy Carter. Ms. O'Leary worked in the private sector as a principal at the independent public accounting firm of Coopers and Lybrand from 1977 to 1979. In 1981 she was named Vice President and General Counsel of O'Leary and Associates, a company focused on international economics as related to energy issues. She served in that capacity until 1989 and then returned as President from 1997 to 2001. In 1989, she became Executive Vice President for Environmental and Public Affairs for the Minnesota Northern States Power Company and in 1992 she was promoted to President of the holding company's gas distribution subsidiary. Ms. O'Leary served as the United States Secretary of Energy from 1993 to 1997 and as President and Chief Operating Officer for the investment banking firm Blaylock and Partners in New York from 2000 to 2002. Ms. O'Leary also served on the board of directors of UAL Corporation from 1999 to 2005. The Board selected Ms. O'Leary to serve as a director due to her unique combination of experience in government and in the utility industry.

Thomas G. Stephens, 67. Mr. Stephens became a Director of the Company in November 2012. Mr. Stephens retired in April 2012 from General Motors Company, a designer, manufacturer and marketer of vehicles and automobile parts, after 43 years with the company. Prior to his retirement, Mr. Stephens served as Vice Chairman and Chief Technology Officer from February 2011 to April 2012, Vice Chairman, Global Product Operations from 2009 to 2011, Vice Chairman, Global Product Development in 2009, Executive Vice President, Global Powertrain and Global Quality from 2008 to 2009, Group Vice President, Global Powertrain and Global Quality from 2007 to 2008, Group Vice President, General Motors Powertrain from 2001 to 2007 and has served in a variety of other engineering and operations positions. Mr. Stephens currently is Vice Chairman of the Board of FIRST (For Inspiration and Recognition of Science and Technology in Michigan Robotics), Chairman of the Board of the Michigan Science Center and sits on the Board of Managers of Warehouse Technologies LLC and Board of Directors of xF Technologies Inc. The Board selected Mr. Stephens to serve as a director because of his strong technical and engineering background as well as his experience and proven leadership capabilities assisting a large organization to achieve its business objectives.

G. Bennett Stewart, III, 63.* Mr. Stewart became a Director of the Company in July 2006. In 1982, he co-founded Stern Stewart & Co., a global management consulting firm, where he served as Senior Partner until March 2006. Since then, Mr. Stewart has served as Chief Executive Officer of EVA Dimensions, a firm that offers corporate financial benchmark data, software tools for corporate financial intelligence, performance management, valuation modeling and executive decision support, and equity research services. Mr. Stewart has written and lectured widely in his 30 year professional career on topics such as accounting for value and management incentive plans. The Board selected Mr. Stewart to serve as a director because of his vast experience with executive compensation valuation and his unique insight into corporate governance matters.

Lee C. Stewart, 67.* Mr. Stewart, an independent financial consultant, became a Director of the Company in August 2005. Mr. Stewart currently serves as a director, chair of the compensation committee and a member of the finance committee of P.H. Glatfelter Company, as a director, chair of the compensation committee and member of the audit committee of AEP Industries, Inc. From May 2013 to October 2014, Mr. Stewart served as a director, chair of the conflicts committee and a member of the audit committee of Momentive Performance Materials Inc. Mr. Stewart also served as director, chair of the human resources and compensation committee and member of the audit committee of Marsulex, Inc. from 2000 to 2011 when the company was sold and ceased to exist. Previously, Mr. Stewart was Executive Vice President and Chief Financial Officer of Foamex International, Inc., a publicly traded manufacturer of flexible polyurethane and advanced polymer foam products, in 2001 and was Vice President responsible for all areas of Treasury at Union Carbide Corp., a chemicals and polymers company, from 1996 to 2001. Prior to that, Mr. Stewart was an investment banker for over 25 years. The Board selected Mr. Stewart to serve as a director due to his extensive knowledge of finance and capital raising through his experience as a treasury officer and an investment banker, which are critical elements in the execution of our business strategy. Mr. Stewart is also an "audit committee financial expert" as defined in applicable SEC and NYSE rules.

Joseph L. Welch, 67. Mr. Welch has been a Director and the President and Chief Executive Officer of the Company since it began operations in 2003 and served as its Treasurer until April 2009. Mr. Welch has also served as Chairman of the Board of Directors of the Company since May 2008. As the founder of ITCTransmission, Mr. Welch has had overall responsibility for the Company's vision, foundation and transformation into the first independently owned and operated electricity transmission company in the United States. Mr. Welch worked for Detroit Edison Company, or Detroit Edison, and subsidiaries of DTE Energy Company, which we refer to collectively as DTE Energy, from 1971 to 2003. During that time, he held positions of increasing responsibility in the electricity transmission, distribution, rates, load research, marketing and pricing areas, as well as regulatory affairs that included the development and implementation of regulatory strategies. The Board selected Mr. Welch to serve as a director because he is the Company's President and Chief Executive Officer and he possesses unparalleled expertise in the electric transmission business.

*

G. Bennett Stewart, III and Lee C. Stewart are not related.

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES AND SKILLS	WELCH	ERNST	FRANKLIN	JEPSEN	LOPEZ	O'LEARY	STEPHENS	BENNETT STEWART	LEE STEWART
Utility Industry Experience is a positive attribute as it greatly increases a director's understanding of our business and its management.	X	X	X		X	X			
Regulatory/Energy Policy Experience is beneficial given the heavily regulated industry in which we operate.	X	X	X		X	X	X		
Financial Expertise is important given our use of financial targets as measures of success and the importance of accurate financial reporting and robust internal auditing.			X	X				X	X
Legal/Government Experience is useful in our industry as we are in a highly regulated industry directly affected by governmental actions.		X	X		X	X	X		
Leadership Experience is critical because we want directors with the experience and knowledge to advise our management team on a wide range of issues.	X		X	X	X	X	X	X	X

CORPORATE GOVERNANCE

Director Independence

Based on the absence of any material relationship between them and us, other than their capacities as directors and shareholders, the Board has determined that Ms. O'Leary and Messrs. Ernst, Franklin, Jepsen, Lopez, Stephens, Bennett Stewart, and Lee Stewart are "independent" under applicable NYSE and SEC rules for board members. In addition, our Board has determined that, as the committees are currently constituted, all of the members of the Audit and Finance Committee, the Compensation Committee and the Nominating and Governance Committee are "independent" under applicable NYSE and SEC rules. None of the directors determined to be independent is or ever has been employed by us. The Company has made charitable contributions of less than $1 million each to organizations with which certain of our directors have affiliations. The Board determined that these contributions would not interfere with the exercise of independent judgment by these directors in carrying out their responsibilities.

Mr. Ernst, who became a director of the Company on August 13, 2014, was a member of the law firm Dykema Gossett PLLC until he retired in August 2014. We made payments for legal services to the Dykema law firm amounting to less than 5% of its gross revenues during each of the last three calendar years. However, as a former member of Dykema who has no consulting or employment relationship with that firm, Mr. Ernst has no financial or other interest in payments made to that firm following his retirement. Our Board considered this former relationship when determining that Mr. Ernst is independent and determined that this relationship was not material and was unlikely to affect his ability to act as an independent board member.

Meetings and Committees of the Board of Directors

During 2015, our Board held 15 meetings. Each director attended 75% or more of the total number of meetings of the Board and committees of which he or she was a member in 2015. Mr. Lee Stewart was selected by our Board as Lead Director and to chair its executive sessions. These sessions were held several times throughout the year.

Our policy is that all members of our Board are expected, absent a valid reason, to attend our annual shareholders' meetings. All directors who were serving as such at the time of last year's annual shareholders' meeting attended the meeting.

Our Board has several standing committees, including but not limited to an Audit and Finance Committee, Compensation Committee, Nominating and Governance Committee and Operations Committee. The Board has adopted a written charter for each of these committees. The charters and our corporate governance guidelines are accessible on our website at www.itc-holdings.com through the "Corporate Governance" link on the "Investors" page.

Audit and Finance Committee

The Audit and Finance Committee met 7 times during 2015. The members of the Audit and Finance Committee are Messrs. Ernst, Franklin, Jepsen, Bennett Stewart and Lee Stewart, with Mr. Jepsen serving as Chair. Until May 20, 2015, Mr. Bennett Stewart served as Chair. The Board has determined that Messrs. Jepsen and Lee Stewart are "audit committee financial experts," as that term is defined under SEC rules, and that all members of the Audit and Finance Committee satisfy all independence and other qualifications for Audit and Finance Committee members set forth in applicable NYSE and SEC rules. Our Audit and Finance Committee is responsible for, among other things, (1) selecting our independent public accountants, (2) approving the overall scope of the audit, (3) assisting our Board in monitoring the integrity of our financial statements, the independent public accountant's qualifications and independence, the performance of the independent public accountants and our internal audit function and our compliance with legal and regulatory requirements, (4) annually reviewing a report of our independent public accountants describing the firm's internal quality-control procedures and any material issues raised by the most recent internal quality-control review, or peer review, of the firm, (5) discussing our annual audited and quarterly unaudited financial statements with management and our independent public accountants, (6) meeting separately and periodically with our management, internal auditors and independent public accountants, (7) reviewing with our independent public accountants any audit problems or difficulties and management's response, (8) setting clear hiring policies for employees or former employees of our independent public accountants, and (9) handling such other matters that are specifically delegated to the Audit and Finance Committee by our Board from time to time, as well as other matters as set forth in the committee's charter.

Audit and Finance Committee Report

In accordance with its written charter, the Audit and Finance Committee provides assistance to our Board in fulfilling the Board's responsibility to our shareholders, potential shareholders and investment community relating to independent registered public accounting firm oversight, corporate accounting, reporting practices and the quality and integrity of the financial reports, including our internal controls over financial reporting.

The Audit and Finance Committee received and reviewed a formal written statement from Deloitte & Touche LLP, our independent registered public accounting firm, describing all relationships between Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates, to whom we refer collectively as Deloitte, and us that might bear on Deloitte's independence consistent with applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, discussed with Deloitte any relationships that may impact their objectivity and independence, and satisfied itself as to Deloitte's independence.

The Audit and Finance Committee discussed with Deloitte the matters required to be discussed by Auditing Standard No. 16, "Communications with Audit Committees" issued by the Public Company Accounting Oversight Board, and, with and without management present, discussed and reviewed the results of Deloitte's examination of the consolidated financial statements.

The Audit and Finance Committee reviewed and discussed with management and Deloitte our consolidated audited financial statements as of and for the year ended December 31, 2015.

Based on the above-mentioned reviews and discussions with management and Deloitte, the Audit and Finance Committee approved the inclusion of our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2015 for filing with the SEC.

ALBERT ERNST CHRISTOPHER H. FRANKLIN EDWARD G. JEPSEN
G. BENNETT STEWART LEE C. STEWART

Compensation Committee

The Compensation Committee met 7 times during 2015. The current members of the Compensation Committee are Ms. O'Leary and Messrs. Lopez and Stephens, with Mr. Lopez serving as Chair. Until May 20, 2015, the members of the Compensation Committee were Ms. O'Leary, Messrs. Lopez and Stephens and former director William Museler, with Mr. Museler serving as Chair. All members of the Compensation Committee satisfy all independence and other qualifications for Compensation Committee members set forth in applicable NYSE rules. The Compensation Committee is responsible for (1) reviewing employee compensation policies, plans and programs, (2) reviewing and approving the compensation of our executive officers and Directors, (3) reviewing and recommending to the full Board of Directors the compensation of our Chief Executive Officer, (4) reviewing and approving employment contracts and other similar arrangements between us and our executive officers, (5) reviewing and consulting with the chief executive officer on the selection of officers and evaluation of executive performance and other related matters, (6) administration of stock plans and other incentive compensation plans and (7) such other matters that are specifically delegated to the Compensation Committee by our Board from time to time. The Compensation Committee has the sole authority to retain or receive advice from an advisor or consultant but only after taking into consideration, to the extent required by NYSE rules, all factors the Committee deems relevant to such advisor's independence from management. With respect to any advisor or consultant retained by the Committee, the Committee is directly responsible for such appointment, determining the terms and fees of any such retention and overseeing the work performed by the advisor or consultant. The Compensation Committee is entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.

Nominating and Governance Committee

The Nominating and Governance Committee met 5 times during 2015. The current members of the Nominating and Governance Committee are Ms. O'Leary, and Messrs. Jepsen, Lopez and Bennett Stewart, with Ms. O'Leary serving as Chair. The Nominating and Governance Committee is responsible for (1) developing and recommending criteria for selecting new directors, (2) screening and recommending to our Board individuals qualified to become directors, (3) overseeing evaluations of our Board, its members and its committees and (4) handling such other matters that are specifically delegated to it by our Board from time to time. In identifying candidates for director, the Nominating and Governance Committee considers suggestions from incumbent directors, management or others, including shareholders. The committee may retain the services of a consultant from time to time to identify qualified candidates for director. The committee reviews all candidates in the same manner without regard to who suggested the candidate. The committee selects candidates to meet with management and conduct an initial interview with the committee. Candidates whom the committee believes would be valuable additions to the Board are recommended to the full Board for election. Individuals recommended by shareholders for nomination as a director should be submitted to our Corporate Secretary and, if submitted in accordance with the procedures set forth in our annual proxy statement, will be forwarded to the Nominating and Governance Committee for consideration.

As stated in the committee's charter, in selecting candidates, the committee will consider all factors it believes appropriate, which may include (1) ensuring that the Board of Directors, as a whole, is diverse and consists of individuals with various and relevant career experience, technical skill, industry knowledge and experience, financial expertise, local or community ties, and (2) individual qualifications, including strength of character, mature judgment, familiarity with our business and industry, independence of thought and an ability to work collegially. Although it has no formal policy with regard to diversity, the Nominating and Governance Committee believes that the Board will function best when its members possess a broad range of backgrounds and expertise so that the Board as a whole reflects diverse but complementary skills and viewpoints.

Operations Committee

The Operations Committee met 4 times during 2015. The current members of the Operations Committee are Messrs. Ernst, Franklin, Stephens and Lee Stewart, with Mr. Franklin serving as Chair. Until May 20, 2015, the members of the Operations Committee were Messrs. Ernst, Franklin, Museler, Stephens and Lee Stewart, with Mr. Franklin serving as Chair. The Operations Committee is responsible for (1) determining whether the Company has appropriate policies and management systems in place with respect to security, safety, environmental, health and reliability matters, (2) ensuring that the policies and their implementation support the Company's overall business objectives and meet the Company's obligations to its shareholders, employees and regulators, (3) monitoring and reviewing compliance with applicable laws, rules, regulations and industry standards, and management's criteria for determining compliance of the Company's security, safety, environmental, health and reliability policies and procedures, and reviewing performance against these criteria annually, (4) investigating any matter of interest or concern that the Committee deems appropriate while having sole authority to retain and terminate advisors, outside counsel or other experts for this purpose, (5) overseeing and reviewing issues and concerns which affect or could affect the Company's security, safety, environmental, health and reliability practices, (6) reviewing the scope, effectiveness, cost, objectivity and independence of security, safety, environmental, health and reliability related audits, reviewing any significant findings of internal and external audits and investigations and making recommendations to the Board of Directors as the Committee deems appropriate, (7) monitoring the adequacy of the Company's operational risk management process and reviewing the operational contingency planning process within the Company to ensure all security, safety, environmental, health and reliability risks are identified and that appropriate risk management processes are in place, (8) reviewing actions taken by the Company's management with respect to any security, safety, environmental, health and reliability deficiencies identified or improvements recommended, (9) reviewing periodically reports from the Company's management regarding (i) the Company's performance with respect to security, safety, environmental, health and reliability matters and compliance with applicable laws, (ii) significant risks to, and the physical and cyber security of, the Company's facilities and IT systems, (iii) significant security, safety, environmental, health and reliability related litigation and regulatory proceedings in which the Company is or may become involved and (iv) significant legislation or regulations, judicial decisions or other agreements, public policies or other developments involving security, safety, environmental, health and reliability matters in the electricity transmission sector that will or may have a material effect on the Company's business, (10) reporting regularly to the Board of Directors and (11) carrying out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purposes of the committee.

Board Leadership Structure / Role in Risk Oversight and Management

The Board believes that Mr. Welch, the Company's President and Chief Executive Officer, is best situated to serve as Chairman of the Board because he is ultimately responsible for overseeing the day-to-day operation of the Company, identifying Company priorities and opportunities, and executing the Company's strategic plan. The Board also believes having Mr. Welch as Chairman better promotes the flow of information between management and the Board than would a chairman who is an outside director. The Board further believes that independent oversight of management is an important component of an effective board of directors and is essential to effective governance and has therefore appointed Mr. Lee Stewart as Lead Director of the Board. The roles and responsibilities of the Lead Director include:

- Providing general leadership of the affairs of the independent directors;
- Presiding over all executive sessions of the Board and all other meetings at which the Chairman is not present, including summarizing discussions and communicating the same back to the Chairman;
- Serving as primary liaison between the independent directors and the Chairman, including facilitating organization and communication among the independent directors;
- In conjunction with the Chair of the Nominating and Governance Committee, identifying underperforming directors and providing appropriate counseling for improvement;
- Participating in performance evaluations of the CEO;
- Providing advice and consultation to the Chairman and CEO;
- Being available to consult with Committee Chairs;
- Being available to discuss with any director any concerns that s/he may have regarding the Board, the Company, or the management team;

Being available as appropriate for consultation and direct communications with shareholders, customers, and other key constituents of the Company;

Providing leadership of the independent directors in anticipating and responding to crisis; and

Fulfilling such other duties as the Board may provide from time to time.

The Board believes the combined role of Chairman and Chief Executive Officer, together with an independent Lead Director, is appropriate and in the best interest of shareholders because it provides the appropriate balance between company-specific expertise and independent management and risk oversight.

The Board and its Committees play an active role in overseeing management of the Company's risks. The Audit and Finance Committee reviews financial risks including those related to internal controls and the annual financial audit, financial reporting, credit and liquidity. The Compensation Committee oversees the management of risks associated with the Company's executive compensation plans and arrangements. The Nominating and Governance Committee reviews and manages risks related to director independence and corporate governance. The Operations Committee oversees the risks associated with reliability compliance obligations, Company security plans, safety programs and environmental regulations. The full Board is regularly informed of and consulted about such risks through quarterly Committee reports as well as quarterly reports provided by members of the Company's senior management team.

Shareholder Communications

Shareholder Proposals. Any proposal by a shareholder of the Company to be considered for inclusion in the proxy statement for the 2017 annual meeting must be received by Wendy McIntyre, our Corporate Secretary, by the close of business on December 9, 2016. Such proposals should be addressed to her at our principal executive offices and should satisfy the informational requirements applicable to shareholder proposals contained in the relevant SEC rules. If the date for the 2017 Annual Meeting is significantly different than the first anniversary of the 2016 Annual Meeting, SEC Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides for an adjustment to the notice period described above.

For shareholder proposals not sought to be included in our proxy statement, Section 4.11 of our Bylaws provides that, in order to be properly brought before the 2017 Annual Meeting, written notice of such proposal, along with the information required by Section 4.11, must be received by our Corporate Secretary at our principal executive offices no earlier than the close of business on January 19, 2017 and no later than the close of business on February 18, 2017. If the 2017 annual meeting date has been significantly advanced or delayed from the first anniversary of the date of the 2016 annual meeting, then notice of such proposal must be given not earlier than the close of business on the 120th day before the meeting and not later than the close of business on the 90th day before the meeting or, if later, the 10th day after the first public disclosure of the date of the annual meeting. A proponent must also update the information provided in or with the notice at the times specified in our Bylaws.

Only persons who are shareholders both as of the giving of notice and the date of the shareholder meeting and who are eligible to vote at the shareholder meeting are eligible to propose business to be brought before a shareholder meeting. The proposing shareholder (or his qualified representative) must attend the shareholder meeting in person and present the proposed business in order for the proposed business to be considered.

Nominees. Shareholders proposing director nominees at the 2017 annual meeting of shareholders must provide written notice of such intention, along with the other information required by Section 4.11 of our Bylaws, to our Corporate Secretary at our principal executive offices no earlier than the close of business on January 19, 2017 and no later than the close of business on February 18, 2017. If the 2017 annual meeting date has been significantly advanced or delayed from the first anniversary of the date of the 2016 annual meeting, then the notice and information must be given not earlier than the close of business on the 120th day before the meeting and not later than the close of business on the 90th day before the meeting or, if later, the tenth day after the first public disclosure of the date of the annual meeting. Notwithstanding the foregoing, if the number of directors to be elected is increased and there is no public disclosure regarding such increase or naming all of the nominees for director at least 100 days prior to the first anniversary of the prior year's annual meeting, then shareholder notice with regard to nomination of directors shall also be considered timely with respect to any new board positions if received by our Corporate Secretary no later than the tenth day following public disclosure of the increase in the number of directors to be elected. A proponent must also update the information provided in or with the notice at the times specified by our Bylaws. Nomination notices which do not contain the information required by our Bylaws or which are not delivered in compliance with the procedure set forth in our Bylaws will not be considered at the shareholders meeting.

Only persons who are shareholders both as of the giving of notice and the date of the shareholders meeting and who are eligible to vote at the shareholders meeting are eligible to nominate directors. The nominating shareholder (or his qualified representative) must attend the shareholder meeting in person and present the proposed nominee in order for the proposed nominee to be considered.

The Nominating and Governance Committee's policy is to review the qualifications of candidates submitted for nomination by shareholders and evaluate them using the same criteria used to evaluate candidates submitted by the Board for nomination.

Communications with the Board. A person who wishes to communicate directly with our Board or with an individual director should send the communication, addressed to the Board or the individual director, to our executive offices at the address shown on the first page of this proxy statement and the communication will be forwarded to the director or directors to whom it is addressed.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, executive officers and directors, including our chief executive officer, chief financial officer and principal accounting officer. The Code of Business Conduct and Ethics, as currently in effect (together with any amendments that may be adopted from time to time), is available on our website at www.itc-holdings.com through the "Corporate Governance" link on the "Investors" page. In the future, to the extent any waiver is granted or amendment is made with respect to the Code of Business Conduct and Ethics that requires disclosure under applicable SEC rules, we intend to post information regarding such waiver or amendment on the "Corporate Governance" page of our website.

Corporate Governance Guidelines

The Board has adopted and annually reviews our Corporate Governance Guidelines. These governance principles, along with the charters of the Board's committees and our Articles of Incorporation and Bylaws, form the framework for the governance of the Company. These principles include board responsibilities, the process of selecting directors, our director resignation policy, director orientation, continuing education and a requirement that the Board and each of its Committees perform an annual self-evaluation. The Corporate Governance Guidelines, as currently in effect, is available on our website at www.itc-holdings.com through the "Corporate Governance" link on the "Investors" page.

EXECUTIVE OFFICERS

Set forth below are the names, ages and titles of our current executive officers and a description of their business experience. Our executive officers serve as executive officers at the pleasure of the Board of Directors.

Joseph L. Welch, 67. Mr. Welch's background is described above under "Election of Directors Nominees for Directors."

Linda H. Blair, 46. Ms. Blair was named Executive Vice President, Chief Business Unit Officer and President, ITC Michigan on February 4, 2015. Ms. Blair is responsible for leading all aspects of the financial and operational performance of the Company's four regulated operating companies and also serves as the business unit head and president of the ITCTransmission and METC operating companies. Ms. Blair previously served as Executive Vice President and Chief Business Officer of the Company since June 2007. In this role, Ms. Blair was responsible for managing each of our regulated operating companies and the necessary business support functions, including regulatory strategy, federal and state legislative affairs, community government affairs, human resources, and marketing and communications. Prior to this appointment, Ms. Blair served as our Senior Vice President Business Strategy and was responsible for managing regulatory affairs, policy development, internal and external communications, community affairs and human resource functions. Ms. Blair was Vice President Business Strategy from March 2003 until she was named Senior Vice President in February 2006. Prior to joining the Company, Ms. Blair was the Manager of Transmission Policy and Business Planning at ITCTransmission for two years when it was a subsidiary of DTE Energy and was a supervisor in Detroit Edison's regulatory affairs department for two years.

Rejji P. Hayes, 41. Mr. Hayes has served as Senior Vice President and Chief Financial Officer since August 2014. In this position, Mr. Hayes is responsible for the Company's accounting, finance, treasury, internal audit, investor relations and other related financial functions. Prior to this appointment, Mr. Hayes served as our Vice President, Treasurer and interim Chief Financial Officer beginning in June 2014 and previously served as our Vice President, Finance and Treasurer since February 2012 and served as Treasurer until November 2015. Prior to joining the Company, Mr. Hayes served from 2009 to 2012 as Assistant Treasurer and Director, Corporate Finance and Financial Strategy at Exelon Corporation in Chicago, Illinois, where he was responsible for developing the company's financial strategy, and planning, structuring and executing all debt and equity financings. Prior to his employment with Exelon Corporation, Mr. Hayes served from 2007 to 2009 as Vice President, Mergers and Acquisitions at Lazard Freres & Co. LLC, where he provided strategic and corporate finance advisory services for corporate clients and private equity firms. Previously, Mr. Hayes served for a total of 8 years in a variety of financial leadership roles with financial institutions and investment banks. Mr. Hayes currently serves as an Alumni Trustee of Phillips Andover Academy and is a Board Member of the Cranbrook Institute of Science.

Jon E. Jipping, 50. Jon E. Jipping has served as our Executive Vice President and Chief Operating Officer since June 2007. In this position, Mr. Jipping is responsible for transmission system planning, system operations, engineering, supply chain, field construction and maintenance, facilities and safety functions. From June 2007 to February 2015, Mr. Jipping was also responsible for information technology. Prior to this appointment, Mr. Jipping served as our Senior Vice President Engineering and was responsible for transmission system design, project engineering and asset management. Mr. Jipping joined us as Director of Engineering in March 2003, was appointed Vice President Engineering in 2005 and was named Senior Vice President in February 2006. Prior to joining the Company, Mr. Jipping was with DTE Energy for thirteen years. He was Manager of Business Systems & Applications in DTE Energy's Service Center Organization, responsible for implementation and management of business applications across the distribution business unit, and held positions of increasing responsibility in DTE Energy's Transmission Operations and Transmission Planning department. Mr. Jipping currently serves as a member of the Advisory Board of the Michigan Technological University College of Engineering.

Christine Mason Soneral, 43. Christine Mason Soneral was named Senior Vice President and General Counsel in April 2015 and served as Vice President and General Counsel from February 2015 through this appointment. In this position she is responsible for all corporate legal affairs and the leadership of our Legal Department. Prior to this role, Ms. Mason Soneral was Vice President and General Counsel-Utility Operations since 2007 and was responsible for legal matters connected with the operations, capital projects, contract, regulatory, property and litigation issues of our four regulated transmission company subsidiaries. Ms. Mason Soneral joined us in 2007 from Dykema Gossett PLLC, a national law firm where she was a member. While in private practice at Dykema from 1998 through 2007, Ms. Mason Soneral represented clients before state and federal trial courts, appellate courts and regulatory agencies. In 2014, Ms. Mason Soneral was appointed to the board of Citizens Research Council, a privately funded, not-for-profit public affairs research organization. Ms. Mason Soneral also currently serves as an officer of the State Bar of Michigan's Council of Administrative and Regulatory Law Section and as a member of the Michigan State University Department of Political Science's External Advisory Board.

Daniel J. Oginsky, 43. Mr. Oginsky was named Executive Vice President, U.S. Regulated Grid Development on February 4, 2015. In this role Mr. Oginsky is responsible for leading the Company's growth and expansion through new investments in regulated electric transmission infrastructure across the United States. Mr. Oginsky joined us as our Vice President and General Counsel in November 2004, served as Senior Vice President and General Counsel since May 2009 and was named Executive Vice President and General Counsel in May 2014. In these roles, Mr. Oginsky was responsible for the legal affairs of the Company and oversaw the legal department, which included the legal, corporate secretary, real estate, contract administration and corporate compliance functions. Mr. Oginsky also served as the Company's Secretary from November 2004 until June 2007. Prior to joining the Company, Mr. Oginsky was an attorney in private practice for five years with various firms, where his practice focused primarily on representing ITCTransmission and other energy clients on regulatory, administrative litigation, transactional, property tax and legislative matters. Mr. Oginsky currently serves as a member of the Advisory Board of Directors of Belle Tire, Inc., a member of the Board of Directors of GearUp2Lead, and a member of the Board of Visitors for James Madison College at Michigan State University.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis describes the elements of compensation for our chief executive officer, our chief financial officer, the three other most highly compensated executive officers who were serving as such at December 31, 2015. We refer to these individuals collectively as the named executive officers or NEOs.

The Company's named executive officers for 2015 were:

Name	Position
Joseph L. Welch	Chairman, President and Chief Executive Officer
Linda H. Blair	Executive Vice President, Chief Business Unit Officer and President, ITC Michigan
Rejji P. Hayes	Senior Vice President and Chief Financial Officer
Jon E. Jipping	Executive Vice President and Chief Operating Officer
Daniel J. Oginsky	Executive Vice President, U.S. Regulated Grid Development

Executive Summary

The Compensation Committee is responsible for determining the compensation of our NEOs and administering the plans in which the NEOs participate. The goals of our compensation system are to attract first-class executive talent in a competitive environment and to motivate and retain key employees who are crucial to our success by rewarding Company and individual performance that promotes long-term sustainable growth and increases shareholder value. The key components of our NEOs' compensation package include base salary, annual cash bonus, long-term equity incentives, as well as certain perquisites and other benefits. In determining the amount of NEO compensation, we consider competitive compensation practices by our peer companies, the executive's individual performance against objectives, the executive's responsibilities and expertise, and our performance in relation to annual goals that are designed to strengthen and enhance our value.

Over the past year, we continued to evaluate our executive pay practices to ensure they support the achievement of our business and talent strategies. This reflects our "continuous improvement" approach that we apply to our business and enables us to incorporate much of what we learned from our engagement with our shareholders. With the program design changes made in 2014 and 2015, we have significantly improved our executive pay program to drive shareholder value while enabling us to attract, retain and motivate top talent to help create future value.

Our results flow from the execution of our strategy, which is premised on investing in our core systems to achieve operational excellence while building on our leadership position in establishing a stronger grid to deliver efficient, reliable, continuous electricity now and in the future. It is this strategy that drove our solid operations as well as strategic and financial results for 2015 and will continue to drive our performance going forward.

In 2015, the Company reported another year of strong financial results. We have outperformed the Dow Jones Utility Index every year since our initial public offering in July 2005 and have produced a total shareholder return over that period of approximately 554%. We are very pleased with our ability to translate customer benefits into shareholder returns and expect to continue to deliver value on both fronts going forward. The chart below summarizes our 2015 stock performance compared to the Dow Jones Utility Index.

2015 Stock Performance

Further, the chart below displays our total shareholder returns over the past three, five, and ten years compared to the Dow Jones Utility Index.

Total Shareholder Return

We have also been steadfast in delivering sustainable dividend growth. We increased our dividend approximately 15% in August 2015 and as a result, our dividend has now increased approximately 114% since we instituted our first dividend in August 2005. Our dividend policy is premised on continuing to grow our dividend in a manner that keeps pace with our earnings growth, resulting in our dividend becoming a more meaningful element of our overall shareholder return proposition. The chart below summarizes our dividend growth since September 2005.

In light of these and other factors, the Compensation Committee made the following decisions with regard to executive compensation in 2015 and early 2016:

- ***Base salary increases.*** With one exception, our NEOs did not receive a base salary increase in 2015 due to our increased focus on performance-based incentives. Mr. Hayes received a salary increase in 2015 after a market review determined that his salary was significantly below the market median.

- ***Cash incentive bonuses.*** We paid cash incentive bonuses for 2015 at 97.5% of target. This was based on achieving the performance targets which were established under the bonus plan in early 2015. See "Compensation Discussion and Analysis Key Components of Our NEO Compensation Program Bonus Compensation."

- ***Milestone bonuses.*** We paid modest cash bonuses in conjunction with the successful completion of the KETA Phase II and V-Plan transmission projects. These projects are critical to our ability to provide reliable service to our customers and deliver value to our shareholders.

- ***Long-term equity incentives.*** We granted long-term equity incentive awards to our NEOs. Total award values were determined as a percentage of base salary and delivered in the form of performance shares, restricted stock and stock options. Fifty percent of the 2015 long-term equity incentive awards were granted as performance shares, as we continue our focus on rewarding and motivating performance and to further align management's interests with those of shareholders. See "Compensation Discussion and Analysis Key Components of Our NEO Compensation Program Long Term Equity Incentives."

To provide additional insight into how actual pay levels compared to ASC Topic 718 accounting values presented in the summary compensation table under "Summary Compensation", "realizable pay" levels have been presented below. The key difference is that equity compensation values reported in the summary compensation table represent the value of incentive opportunities at grant based on various assumptions, while "realizable pay" is the intrinsic value of the incentive awards at the end of a defined period of time.

The table below compares the average annual compensation for the three-year period ended December 31, 2015 for each NEO from the summary compensation table to each NEO's "realizable pay". "Realizable pay" includes base salary, earned annual corporate performance bonus, equity awards granted, 23

and other reported compensation during the three-year period. However, payments made under the special bonus plan, which were associated with option awards granted in 2003 and 2005, retention compensation and project development bonuses have been excluded, as these amounts are not considered recurring pay related to current services performed. In addition, changes in pension values have been excluded as they can vary significantly based on assumptions, including mortality, retirement age and interest rates, as well as executive age and years of service. Average "realizable pay" over the recently completed three-year period, ending December 31, 2015, approximated the summary compensation table values.

3-Year Average Compensation (2013 - 2015)

NEO	Summary Compensation Table	Realizable Pay as of 12/31/2015	Realizable Pay as % of Summary Compensation
Joseph L. Welch	$ 5,537,685	$ 5,685,188	103%
Linda H. Blair	$ 2,418,409	$ 2,379,858	98%
Rejji P. Hayes	$ 1,379,075	$ 1,318,285	96%
Jon E. Jipping	$ 1,988,228	$ 1,956,727	98%
Daniel J. Oginsky	$ 1,597,476	$ 1,553,032	97%

Notes:

Excludes special, retention and project bonuses, as well as the change in pension value.

Assumes target payout for 2015 - 2017 performance share grant.

We also reviewed our CEO's three-year average "realizable pay" rank and our Company's three-year TSR rank relative to peer group levels, and found pay to be aligned with performance. Our CEO's three-year realizable compensation falls at the peer group 85th percentile, while the three-year TSR falls at the peer group 69th percentile. The shaded area in the graph below illustrates the range where pay and performance are within plus or minus 25 percentile points. According to Pay Governance, our compensation consultant, companies falling in this range are considered to have generally aligned pay and performance levels.

Pay for Performance Alignment Relative to Compensation Peer Group

Overview and Philosophy

The objective of our compensation program is to attract first-class executive talent in a competitive environment and to motivate and retain key employees who are crucial to our success by rewarding Company and individual performance that promotes long-term sustainable growth and increases shareholder value by:

- Performing best-in-class utility operations;
- Improving reliability, reducing congestion, and facilitating access to generation resources; and
- Utilizing our experience and skills to seek and identify opportunities to invest in needed transmission and to optimize the value of those investments.

Our compensation program is designed to motivate and reward individual and corporate performance. Our compensation philosophy is to:

- Provide for flexibility in pay practices to recognize our unique position and growth proposition;
- Use a market-based pay program aligned with pay-for-performance objectives;
- Leverage incentives, where possible, and align long-term incentive awards with improvements in our financial performance and shareholder value;
- Provide benefits through flexible, cost-effective plans while taking into account business needs and affordability; and
- Provide other non-monetary awards to recognize and incentivize performance.

What We Do

- ü **Pay for performance** about 80% of our CEO's pay and about 75% of our other NEOs' pay is at-risk (see "Compensation Discussion and Analysis Risk and Reward Balance")

- ü **Share ownership** our Compensation Committee has established stock ownership guidelines for our executives. Failure to maintain minimum stock ownership under these guidelines may result in future bonus payments paid in the form of company stock until stock ownership levels are met (see "Compensation Discussion and Analysis Stock Ownership Guidelines")

- ü **Performance based vesting** beginning with our 2015 grants, at least 50% of each executive's award will be subject to financial and/or TSR performance-based vesting conditions at the end of three years (see "Compensation Discussion and Analysis Key Components of Our NEO Compensation Program Long-Term Equity Incentives")

- ü **Benchmarking** we benchmark total compensation paid to our NEOs against relevant and size-adjusted competitive data. We target total compensation between the 50th and 75th percentiles of the market in order to attract, motivate and retain the best talent and to recognize individual contributions. (see "Compensation Discussion and Analysis Benchmarking and Relationship of Compensation Elements")

- ü **Cap on annual bonus plan and performance share payouts** our annual bonus plan and performance shares have a maximum payout opportunity of 200% of target (see "Compensation Discussion and Analysis Key Components of Our NEO Compensation Program Bonus Compensation")

- ü **Clawbacks** our recoupment policy applies to all of our executive officers and includes all bonus or other incentive-based or equity-based compensation (see "Compensation Discussion and Analysis Other Components of Our Executive Compensation Programs Recoupment Policy")

- ü **Shareholder outreach** we proactively engage with our shareholders and other interested parties to discuss our compensation programs and objectives (see "Compensation Discussion and Analysis Role of Shareholder Say-on-Pay Vote")

- ü **Independent advice** the Compensation Committee engages its own independent advisor on executive compensation issues (see "Compensation Discussion and Analysis Role of Compensation Consultant")

- ü **Tally Sheets** we regularly review executive tally sheets to ensure a broad view of current and potential compensation (see "Compensation Discussion and Analysis Benchmarking and Relationship of Compensation Elements Use of Tally Sheets")

- ü **Limited number of benefits and perquisites** the variety of benefit programs we offer are a part of total compensation and are designed to enable us to attract and retain employees in a competitive market (see "Compensation Discussion and Analysis Other Components of Our Executive Compensation Program Benefits and Perquisites")

What We Don't Do

× **No re-pricing of stock options** our long term incentive plan requires us to obtain shareholder approval before we re-price stock options

× **No cash dividends on performance shares** dividend equivalents will accrue on unvested performance shares and will be subject to the same performance goals and restrictions as the performance shares

× **No guaranteed bonuses** bonuses are tied to performance and subject to approval by our Compensation Committee

× **No change in control tax gross-ups** we do not reimburse executives for change in control excise taxes

× **No new tax reimbursements** we do not reimburse executives for income tax they pay on the value of executive perquisites; however, some reimbursements will continue to be provided to our current CEO through the end of his tenure

Risk and Reward Balance

When reviewing the compensation program, the Compensation Committee considers the impact of the program on the Company's risk profile. The Compensation Committee believes that the compensation program has been structured with the appropriate mix and design of elements to provide strong incentives for executives to balance risk and reward, without incentivizing excessive risk taking.

In early 2016, the Compensation Committee engaged Pay Governance, its independent compensation consultant, to conduct a comprehensive compensation risk assessment. Pay Governance reviewed the attributes and structure of our executive compensation programs for the purpose of identifying potential sources of risk within the program design. The review covered plan design and administration/governance risk, corporate governance and investor relations risk and talent risk.

Based on a report from Pay Governance, the Compensation Committee believes that none of our compensation programs and features contain elements that create material risk to the Company. Risk mitigating factors with respect to the Company's compensation programs include a market competitive pay mix, the linking of pay to performance through annual and long-term incentive plans, caps on bonus and performance share payouts, performance measures that are both financially and operationally focused, a compensation recoupment policy, share ownership guidelines, regular review of share utilization (overhang, dilution and run rates), oversight by an independent Compensation Committee, regular review of NEO tally sheets and engagement of an independent compensation consultant.

The pay mix, assuming target performance, of our CEO and NEOs is generally aligned with market practices with slightly more emphasis on annual incentives and slightly less on long-term incentives than our peer group. Variable pay is linked to Company performance and/or stock performance.

Pay Governance concluded and confirmed that the Company's compensation programs do not create risks that are reasonably likely to have a material adverse impact on the Company. The Compensation Committee discussed and accepted Pay Governance's report.

Role of Shareholder Say-on-Pay Vote

At the Company's annual meeting of shareholders held in May 2015, the advisory vote on our executive compensation program was approved by shareholders by a vote of approximately 70% in favor. We believe this result was influenced by ISS's recommendation against our say on pay proposal in 2015, while Glass Lewis recommended a vote in favor.

In response to this vote result, we continued with our increased shareholder outreach efforts during 2016. We contacted our top twenty-five institutional shareholders, representing about 60% of our outstanding shares. We were able to engage in conversations with about 44% of those contacted, representing about 7% of our outstanding shares and were able to speak with governance representatives on our calls. We directly discussed the issues raised by the proxy advisory service providers last year as well as other compensation and governance topics where our shareholders sought clarification or wanted to share their perspectives. Through our shareholder outreach program, we received valuable investor feedback on our compensation program. We used these outreach sessions to begin or continue a dialogue with our shareholders on our compensation practices and our corporate governance practices. More specifically, we discussed topics of interest to our shareholders, solicited investor viewpoints, conveyed our views on these topics, and gained a better understanding of areas of mutual agreement. This feedback included, among other things:

- Positive comments regarding our implementation of performance share awards (which now represent 50% of the executive team's target long-term incentive award opportunity);
- Positive response to the new methodology established in 2016 for benchmarking pay; and
- The desire to continue proactive shareholder outreach around our compensation and corporate governance practices.

We believe that the institutional shareholders with whom we talked left our discussions with a better understanding about our pay program and how our unique business model, as an independent transmission-only company, has influenced our approach to assessing the competitive market for talent and related pay levels. They also expressed appreciation for our reaching out to them and for the steps we have taken to respond to their concerns.

Over the past three years, we have taken the following steps with respect to our executive compensation program consistent with our "continuous improvement" approach and to respond to the results of our shareholder outreach program which indicated shareholders' desire for us to establish best practices and ensure strong alignment of executive compensation with shareholder interests:

- **Redesigned our Long-Term Equity Incentives.** 2015 long-term equity incentives were granted as 20% time-based restricted stock (to encourage retention), 30% stock options and 50% performance shares to drive company performance. The performance shares vesting is contingent on achieving two independent financial metrics: a three-year TSR goal and a three-year Diluted EPS Growth goal. Stock options only provide realizable value if share price increases after the grant date.
- **Expanded disclosure of annual bonus plan goals and results.** We have provided additional disclosure and transparency with respect to the operational and financial targets and results associated with the metrics in our annual bonus plan.
- **Re-examined the use of market data.** As the only stand-alone electricity transmission provider, our business model is unique to the industry and it has been a challenge through the years to identify an appropriate peer group for benchmarking compensation. We do not incur or pass-through fuel

related expenses or revenues; therefore, our revenues appear artificially lower when making market comparisons. As a result of a comprehensive analysis, in January 2016 we established a new methodology for benchmarking pay. Working with Pay Governance we conducted an analysis to size-adjust our revenue to reflect the competitive incremental revenue that is typically embedded in rates/revenues. For 2016 benchmarking, instead of attempting to identify a peer group, we will utilize two distinct published surveys to develop competitive market compensation rates. This includes a set of about 60 investor-owned, publicly traded utilities participating in the Towers Watson Energy Services Database and about 465 companies across a broad range of industries participating in the Towers Watson General Industry Compensation Database. The market data will be size-adjusted using regression analyses to correspond to our size-adjusted revenue scope. We believe this approach will provide more relevant market data and appropriate context for compensation decisions.

Refined our Market Compensation Definition. In 2016, we changed our "market compensation" definition. Going forward, though we will continue to target the 50th to 75th percentile of market, we will utilize a broader market context and judgment regarding individual roles and contributions.

Eliminated most tax gross-ups. Consistent with market trends in executive compensation, we eliminated the reimbursement (tax gross-up) for income taxes related to the inclusion of the value of the perquisites by the Company, effective January 1, 2014, except for the CEO. Our CEO and co-founder, Mr. Welch, retains this benefit; however, the benefit will not continue for the CEO beyond Mr. Welch's tenure with the Company. Although there was no contractual obligation to maintain this benefit for Mr. Welch, the Compensation Committee determined that this benefit was negotiated with Mr. Welch as part of his initial employment with the Company. As a result, it would be unfair to him to eliminate the benefit at this time and that the impact of maintaining the benefit for a limited time until his retirement would not be material to the Company. Our employment agreements also provide for limited tax gross-ups following termination in some circumstances.

Added double-trigger change in control provision. In 2014, we modified our equity grant agreements for future grants so that the change in control vesting provision has a "double-trigger;" that is, accelerated vesting requires both a change in control and a qualified termination.

Project-based bonuses. In 2007, the Compensation Committee approved a methodology through which certain cash awards were funded and paid upon the Company achieving established key milestones related to specific long-term development projects. The last of those payments was made in February 2016 and there are no current plans to continue this type of project-related bonus.

Increased the CEO's minimum stock ownership guideline. In 2015, the Compensation Committee increased the CEO's stock ownership guideline to 6x salary, up from 5x salary.

Adopted a compensation recoupment policy. In 2014, we adopted a formal compensation recoupment or "clawback" policy, which gives the Compensation Committee authority to recover or reduce excess cash or other incentive-based or equity-based compensation based on certain financial results that are subsequently restated.

Revised annual bonus plan. In 2014, the annual bonus plan for executives was restructured to place added emphasis on the Company's financial performance; however the maximum potential bonus opportunity for participating executives remained unchanged as a percent of base salary. See "Compensation Discussion and Analysis Key Components of Our NEO Compensation Program Bonus Compensation."

The Compensation Committee continues to review and evaluate with its consultant executive compensation trends and practices, and may further modify the program or philosophy from time to time as it deems necessary or appropriate and in the best interests of the Company. In addition, the Company found its shareholder outreach meetings to be helpful and plans to hold more meetings of this nature in the future to provide shareholders with the opportunity to provide feedback around compensation and governance-related matters.

The Company provides shareholders with an opportunity to approve the compensation of the named executive officers each year at the annual meeting of shareholders. It is expected that the next such vote after the 2016 annual meeting will occur at the 2017 annual meeting of shareholders.

Role of Compensation Consultant

From August 2010 through September 2015, the Compensation Committee used Mercer (US), Inc., or Mercer, as its advisor on executive and compensation issues, to provide market data on all of the components of compensation, including salary, bonus, long-term incentives and total compensation, for all executive officers, including the NEOs. The Compensation Committee engaged Mercer to provide market data and comments about the design of our executive compensation programs with respect to both market practice and the unique strategic goals of our business model. The Compensation Committee also engaged Mercer to review the competitiveness of the current compensation levels of our Directors. Mercer was engaged by and reported to the Compensation Committee and, at the Compensation Committee's discretion, participated in its meetings and executive sessions.

All services provided by Mercer were approved by the Compensation Committee. Total fees paid to Mercer relating to executive and director compensation were $157,612 for 2015. The Company also purchased Mercer's annual salary and benefits surveys in 2015 for a total cost of $8,300. These surveys are used for benchmarking pay below the executive level.

In June 2015, the Compensation Committee conducted a comprehensive request for proposal process and, in September 2015, with the recommendation of management, engaged Pay Governance, LLC, as its new advisor on executive compensation issues. The Compensation Committee engaged Pay Governance to provide market research and counsel regarding executive and non-employee director pay practices. This included assessing our pay peer group, benchmarking executive and director pay levels, conducting a pay program risk assessment, and researching incentive plan design and other pay practices. At the Compensation Committee's discretion, Pay Governance participated in its meetings and executive sessions. Total fees paid to Pay Governance for consulting services related to executive compensation, as well as the transition, were $120,151 for 2015. All services provided by Pay Governance were approved by the Compensation Committee.

Annually, the Compensation Committee assesses the independence of its advisor, taking into consideration all factors relevant to independence, including the factors specified in the NYSE listing standards. Its advisor provides the Compensation Committee with written confirmation of its independence and the existence of any potential conflicts of interest. The Compensation Committee also obtains an understanding of the policies and procedures its advisor has in place to prevent conflicts of interest, confirms that there are no personal or business relationships between its advisory and members of the Board and our executive officers and validates that employees of its advisor who perform consulting services do not own any of our common stock. After considering these factors, the scope of services provided by its advisor, and the amount of fees paid for executive compensation consulting and other valuation services, pursuant to SEC and NYSE rules, the Compensation Committee has concluded that no conflict of interest exists that would prevent Pay Governance or Mercer from serving the Compensation Committee as its independent consultant.

Benchmarking and Relationship of Compensation Elements

Benchmarking. As previously discussed, effective for 2016 we changed our market definition for pay benchmarking. Instead of attempting to identify a peer group, we will utilize two distinct published surveys to develop competitive market rates. The remainder of this section summarizes the pay benchmarking approach that was applied in 2015.

In 2015, the Compensation Committee benchmarked total compensation paid to our NEOs as well as the base salary, annual cash bonus opportunity and long-term equity components to compensation paid to comparable executives by a peer group of companies approved by the Compensation Committee. In February 2015, the Compensation Committee, through Mercer, updated its 2014 benchmarking study that compared NEO total compensation, including base salary, annual bonus awards and long-term incentives to the 50^{th} and 75^{th} percentiles of market compensation among selected peer companies listed below. The updated study indicated that total direct compensation paid to our NEOs approximates the 75^{th} percentile of our peer companies.

The Compensation Committee selected a peer group comprised of regulated utility companies that are geographically diverse. This approach was used given that we are the only publicly traded company that exclusively owns stand-alone electricity transmission companies. Specific peers were selected from among regulated utilities, considering market capitalization and level of net income rather than revenue or assets given our unique business model. This peer group also accounts for the complexity in our business relative to other publicly-traded utility companies, the scope of our investments, our growth and diversification plans, and our projected future size. The methodology used by the Compensation Committee to determine the composition of the peer group was confirmed by advice from Mercer as to its reasonableness. Periodically, the composition of the peer group is reviewed and updated for consistency with the profile of the Company. The peer group used in 2015 consisted of the following entities:

AGL Resources Inc.	Alliant Energy Corporation
Atmos Energy Corporation	CMS Energy Corporation
Great Plains Energy Incorporated	MDU Resources Group, Inc.
National Fuel Gas Company	OGE Energy Corp.
Pepco Holdings, Inc.	Questar Corporation
SCANA Corp.	UGI Corporation
Wisconsin Energy Corporation	

NV Energy was acquired and therefore removed from the peer group for 2015.

Use of Tally Sheets. The Compensation Committee, with the assistance of management and its advisor, creates tally sheets to facilitate their review of the total annual compensation of our NEOs. The tally sheets contain annual cash compensation (salary and bonuses), long-term equity incentives, benefit contributions and perquisites. In addition, the tally sheets include retirement program balances, outstanding vested and unvested equity values and potential severance and termination scenario values.

Pay Review Process. In addition to the Compensation Committee's benchmarking analysis and review of tally sheets, our chief executive officer reviews and examines market survey compensation levels and practices, as well as individual responsibilities and performance, our compensation philosophy and other related information to determine the appropriate level of compensation for each of our NEOs. Mr. Welch evaluates the performance of the NEOs, other than himself, and makes recommendations on their salaries, bonus targets and long-term incentive awards. The Compensation Committee considers these recommendations in its decision making and confers with its compensation consultant to understand the impact and result of any such recommendations. The Compensation Committee uses market data and recommendations from the Committee's consultant and makes recommendations on Mr. Welch's salary, bonus targets and long-term incentive awards to the Board of Directors. The Board of Directors (other than Mr. Welch) evaluates Mr. Welch's performance and considers the Compensation Committee's recommendations in its decision making.

The Compensation Committee reviews and considers each element of compensation and all elements of compensation together in measuring total compensation packages as part of its benchmarking analyses and in measuring compensation packages against the objectives of our compensation program. The Compensation Committee does not determine the mix of compensation elements using a pre-set formula. In setting executive compensation levels, the Committee retains full discretion to consider or disregard data collected through benchmarking or peer group studies. Compensation decisions are also considered in the context of individual and Company performance, retention concerns, the importance of the position, internal equity and other factors.

Key Components of Our NEO Compensation Program

The key components of our executive compensation program are discussed below. The elements in the table immediately below include the principal components of our program. The other elements of our executive compensation program are discussed below under the heading Other Components of Our Executive Compensation Program which summarize the benefit programs that are available to our NEOs.

Principal Components of our Compensation Program for 2015

Component	Purpose	Form	Pay-for-Performance	Comment
Base Salary	Provide sufficient competitive pay to attract and retain experienced and successful executives.	Cash	Adjustments to base salary consider individual performance and contributions to the business with reference to base salary levels of executives with comparable responsibilities at peer companies.	Annual fixed cash compensation. Reflects employee's level of responsibility, expertise, and individual performance.
Bonus Compensation	Encourage and reward contributions to our corporate performance goals.	Cash	The potential award amount varies with the degree to which we achieve our annual corporate performance goals.	Annual variable cash compensation. The Compensation Committee determines the goals and amounts of the annual bonus each year.

Component	Purpose	Form	Pay-for-Performance	Comment
Long-term Incentives	Encourage equity ownership, reward building long-term shareholder value and retain NEOs. We provide a mix of equity award types to balance these objectives. Stock Options: Reward stock price appreciation. Restricted Stock: Facilitate longer-term retention. Value increases or decreases with stock price, aligning the interests of the recipient with shareholders' interests. Performance Shares: Drive company performance with focus on specific multi-year TSR and financial metrics.	Stock Options, Restricted Stock Awards and Performance Shares	The potential value created by appreciation in our stock price motivates our NEOs' individual performance, which encourages them to achieve strong company performance and, in turn, results in increased shareholder value. For performance shares, the potential award amount varies with the degree to which we achieve our 3-year performance goals.	Long-term variable stock-based compensation. The Compensation Committee determines the amounts and value of these awards each year. We encourage stock ownership through guidelines applicable to all of our NEOs.

Base Salary

The Compensation Committee annually reviews and approves the base salaries, and any adjustments thereto, of the NEOs. In making these determinations, the Compensation Committee considers the executive's job responsibilities, individual performance, leadership and years of experience, the performance of the Company, the recommendation of the chief executive officer and the total direct compensation package as well as the benchmarking analysis conducted by its advisor.

The 2015 base salaries for the named executive officers, including any year-over-year change, were:

NEO	2014 Base Salary	2015 Base Salary	Percent Increase
Joseph L. Welch	$ 1,023,400	$ 1,023,400	
Rejji P. Hayes	$ 325,000	$ 400,000	23.1%
Linda H. Blair	$ 614,000	$ 614,000	
Jon E. Jipping	$ 502,000	$ 502,000	
Daniel J. Oginsky	$ 423,000	$ 423,000	

In February 2015, the Compensation Committee approved an immediate increase to Mr. Hayes' base salary from $325,000 to $400,000. In approving the increase, the Compensation Committee considered both the benchmarking data it had obtained in early 2015 and the importance of his position relative to other NEOs. Mr. Hayes' base salary remains considerably below our peer group median.

In May 2015, based on the benchmarking data provided by Mercer, the Compensation Committee decided to hold the base salaries of Ms. Blair and Messrs. Hayes, Jipping and Oginsky constant and the Board of Directors, based on the recommendation of the Compensation Committee, decided to do the same for Mr. Welch.

Bonus Compensation

Annual bonus awards based on corporate performance goals, as well as occasional cash bonuses made on a discretionary basis upon completion of significant projects or milestones, are used to provide incentives for and to reward contributions to our growth and success. Annual corporate performance bonuses for 2015 are listed in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table in this proxy statement. Project-related bonuses for 2015 are listed in the Bonus column of the Summary Compensation Table. Some of the NEOs also participated in the Executive Group Special Bonus Plan, described below. Amounts paid under this plan are reflected in the Bonus column of the Summary Compensation Table.

Annual Corporate Performance Bonus. &n