STATUS REPORT ON THE

OBLIGATIONS AND UNDERTAKINGS ARISING OUT OF

THE IESO'S FISCAL 2007 FEES SUBMISSION FOR REVIEW

November 2, 2007

I. 2007 SETTLEMENT AGREEMENT

1.1 OPERATING COSTS

Undertaking:
At the January 17 – 18 Settlement Conference, the parties agreed to the following:

- The IESO has agreed that as part of its 2008 fees case filing the IESO will explain its use of compensation surveys in the area of compensation planning, strategy and implementation. The IESO will also outline with specificity, other factors that are also utilized in these activities, and changes in the year-over-year results of the compensation survey.
- The IESO acknowledges that it does not presently target median compensation levels for the purpose of setting staff compensation and the IESO will explain as part of its 2008 fees application what steps would need to be taken to achieve median compensation levels and what barriers the IESO believes there are to taking such steps.

Status: **Completed**
The IESO has complied with this undertaking. Attached as Appendix I is the IESO response explaining its use of compensation surveys and what steps would need to be taken to achieve median compensation levels, and the barriers to taking such steps.

1.2 CAPITAL SPENDING

Undertaking:
At the January 17 – 18 Settlement Conference, the parties agreed to the following:

- The IESO agrees and undertakes to:

    a) not authorize or make any capital expenditures on DAM until a business case on DAM, including a cost/benefit analysis, has been submitted to the IESO Board and the IESO Board has approved capital expenditures on DAM; and

    b) not make any capital expenditures on DAM in excess of $5 million until approval by the OEB of the IESO's 2008 fees application, or any intra-year approval by the OEB.

Status: **Completed**
The IESO has complied with this undertaking. It has not authorized or made any capital expenditures on DAM.

1.3 METHODOLOGY TO EVALUATE DAM

Undertaking:
At the January 17 – 18 Settlement Conference, the parties agreed to the following:

- The IESO agrees to file as part of its 2008 fees application, its DAM business case, including a cost/benefit analysis, if such business case has been issued by that time.

Status: **Completed**
The IESO has not yet prepared a DAM business case.

1.4 BENCHMARKING

Undertaking:
At the January 17 – 18 Settlement Conference, the parties agreed to the following:

- The IESO will consider the identification of major services as a basis for benchmarking and will report as part of its 2008 fees application on whether breaking down and comparing costs by major services is feasible and useful.

Status: **Completed**
Since 2006, as directed by the OEB, the IESO has been tracking its costs in accordance with FERC's uniform system of accounts and has been publicly reporting the results on the IESO web site. Also, pursuant to the Board's direction, the IESO filed available comparative information as part of its 2007 Fees Submission and is filing further comparative information as part of its current Fees Submission.

This is the first year in which the IESO has had a full year of cost data from other ISOs. The IESO has therefore undertaken an analysis and comparison of this cost data.

Based on its analysis, the IESO has concluded that its costs are generally comparable and at a high level comparison are reasonable relative to its ISO peers. That being said, lack of uniformity in the application of the FERC uniform system of accounts among the ISOs limits the conclusions that can be drawn from that analysis because primarily ISOs have allocated similar costs differently among the defined FERC accounts. The IESO has therefore contacted the ISO/RTO Council and suggested that consideration be given to improving consistency so that more meaningful cost comparisons can be done.

The FERC uniform system of accounts provides a breakdown of costs based on major services – transmission operations and maintenance, regional market operations and maintenance, customer accounts and services, and general and administrative. Each of these major accounts also

includes sub-accounts. In accordance with the foregoing undertaking, the IESO has considered whether further breaking down and comparing costs by other major services would be feasible and useful.

After due consideration, the IESO does not believe that breaking down and comparing costs by major service categories that are different than the FERC uniform system of accounts would be feasible or useful since there are no further cost breakdowns from other ISOs to compare against. Benchmarking cost data is attached as Appendix II.

1.5 RELIABILITY

Undertaking:
At the January 17 – 18 Settlement Conference, the parties agreed to the following:

- The IESO agrees to publish a short summary setting out system actual peak forecast versus actual (for load, generation by fuel type, and CDM under IESO control), and to identify significant constraints and curtailments, if any.

Status: **Completed**
The IESO has complied with this undertaking.

Attached as Appendix III is the system peak summary as of October 2007, which is published on the IESO website at http://www.ieso.ca/imoweb/corp/regulatory.asp.

1.6 PERFORMANCE MEASURES

Undertaking:
At the January 17 – 18 Settlement Conference, the parties agreed to the following:

- The IESO is supportive of the following recommendation to the Stakeholder Advisory Committee (SAC).

Recommendation #6 from the Demand Forecast Deviations Working Group (SE28) to the IESO Stakeholder Advisory Committee reads:

"The IESO should publish, on a monthly basis, the monthly on and off peak demand forecast error and bias. These measures should be published for all three forecasting timeframes (day ahead; 1-hour ahead; 3-hour ahead) and for comparison purposes, be rolled up to winter and summer seasons. In addition, to support the development of performance targets, the IESO should publish historical data in this format (on/off peak monthly and seasonally) for the period at least 2004 to 2006. Using historical data (2004 to 2006), the IESO during 2007 should

recommend new monthly and/or seasonal corporate performance measures and appropriate targets for implementation in 2008. As the IESO gains further experience using the new demand forecasting tool, targets for incremental improvement should be developed."

The IESO confirms that the following process will be followed in 2007 with respect to the formulation of new monthly and/or seasonal corporate performance measures and appropriate targets for implementation in 2008:

- No less than 6 weeks prior to the SAC meeting at which this issue is scheduled as an agenda item, the IESO shall post on its public website information inviting comment on this issue.
- Comments will be collected by the IESO from interested stakeholders on this issue and input will be considered in formulating new measures and targets.
- Recommendations coming out of this stakeholdering process shall be carried forward to the SAC, as per normal IESO practices.

Status: **Completed**
The IESO complied with this undertaking by following the aforementioned process.

1.7 STAKEHOLDERING

Undertaking:
At the January 17 – 18 Settlement Conference, the parties agreed to the following:

a) The IESO agrees to establish a "Consumers Forum"; and

b) The IESO shall meet with consumer representatives and, within 45 days of OEB approval of this Settlement Proposal, distribute to intervenors and file with the OEB for its information the framework, terms of reference, and workplan for the Consumers Forum. Prior to distributing to intervenors and filing with the OEB, the IESO shall distribute for written comment to all intervenors drafts of the said framework, terms of reference, and workplan and the IESO shall consider any intervenor comments before finalizing these documents.

Status: **Completed**
The IESO has complied with this undertaking and established a Consumer Forum. In accordance with the terms of the undertaking, the draft framework, terms of reference and workplan were distributed for comment to intervenors and the IESO considered these comments prior to filing with the OEB.

II. CONDITIONS OF APPROVAL FROM 2006 FEES FOR REVIEW

2.1 COORDINATION BETWEEN IESO AND OPA

The Board directed the IESO to file as part of its 2007 Fees Submission, the actual costs incurred and charged by the IESO to the OPA for services provided up to the end of September 2006. The IESO will file an update of the actual annual costs following year end.

Status: **Completed**
As part of its 2007 Fees Submission, the IESO filed the actual costs incurred and charged by the IESO to the OPA for services provided up to the end of September 2006. The actual annual costs for 2006 are $473,469.28.

III. 2006 SETTLEMENT AGREEMENT

3.1 RELIABILITY INITIATIVES FOR 2006

Undertaking: At the January 30-31 Settlement Conference, the parties agreed to the following:

On a trial basis for the 2006 forecast year, the IESO will provide, as part of its 2007 Fees Case filing, an informed estimate of the actual OM&A costs incurred in 2006 for each identified current market initiative in the event that such OM&A costs for any initiative exceeds $500,000, to be updated once final 2006 costs are known.

Status: **Completed**
As part of its 2007 Fees Submission, the IESO filed information indicating that it estimated that none of the identified market initiatives would exceed the $500,000 threshold, and that it would file an update after 2006 year end. The IESO confirms that no OM&A costs in excess of $500,000 were incurred for any of the market initiatives in 2006.

Appendix I

Use of Compensation Surveys for Compensation Planning, Strategy and Implementation

The IESO uses compensation surveys for strategic business comparisons (to benchmark labour costs) and for resourcing purposes (to set rates for compensation necessary to attract skills and competencies to meet the IESO's mandate and business objectives). The IESO has provided the OEB with the results of its various compensation surveys in previous years' fees cases. The IESO also considers other factors in making comparisons and setting appropriate compensation levels. These other factors are discussed below.

In the past, organizations generally used compensation surveys that compared base salaries to those of other organizations. As variable compensation programs became more prevalent, organizations began including variable compensation components within these surveys. Today with the focus on total compensation and governance, firms are increasingly moving towards total compensation surveys which include fixed pay, variable compensation, benefit and pension provisions. The IESO agrees with, and has adopted the approach of, using total compensation surveys which it believes provide more meaningful comparisons. Over the past two years information on fixed compensation, variable compensation and total compensation (including benefits and pension) has been provided to the IESO Board, the OEB and others (such as the Agency Review Panel).

The IESO notes that there are challenges to carrying out compensation surveys, such as whether the job matches are appropriate and whether appropriate comparator organizations are willing to participate in the survey, and participate on an ongoing basis. In addition, the IESO must determine how year to year adjustments should be made in a sector where mergers, acquisitions and restructuring occur with some frequency, and how Canadian/US dollar fluctuations should be accounted for if American organizations are included. Also, the IESO must decide how different demographic/skill levels between organizations should be reflected. The IESO, with the help of expert consultants, seeks to appropriately consider and account for these factors, albeit, with the understanding that comparisons are bound to be imperfect.

The IESO Board reviews salary information, including survey results, when making decisions relating to the management compensation program, Society bargaining, PWU bargaining and other significant compensation issues. The information and surveys are standardized as much as possible from year to year to make comparisons meaningful. Nevertheless, as noted, IESO Board members and staff understand that the information and surveys are imperfect and are only one tool, albeit an important one, for making business comparisons and establishing appropriate compensation levels.

Other Factors the IESO Considers and Uses for Compensation Planning, Strategy and Implementation

In addition to compensation surveys, the IESO considers other factors in making business comparisons and setting appropriate compensation levels, which include :

- Business requirements of the organization - The IESO considers whether the business needs of the organization require compensation consideration for the attraction and retention of needed skills and competencies, how pressing these needs are, whether they are short-term or long-term needs, and whether there are considerations relating to compensation which are needed to motivate staff or to reward staff for the delivery of results.
- Skill/Competency availability – The IESO assesses the availability in the labour market of the skills and competencies needed by the IESO. It must determine if there is a shortage or a surplus of talent in areas such as engineering, IT, finance, etc., and if the organization needs to include compensation premiums or whether median compensation levels are sufficient.
- Labour market pay trends – The IESO estimates what the typical increases for the current year and next year are for such resources and whether the IESO should be ahead of the market or if the IESO is in a position to align increases in annual compensation to rate increases within the economy or below those in the economy.
- Internal Relativities – The IESO considers whether the compensation levels compare to comparable groups in other jurisdictions, and whether the organization will have problems with internal recruitment if there are disparities between groups. The IESO must also give consideration to whether it will continually need to bring in new inexperienced staff to fill key positions if there are internal compensation gaps as staff bid on other internal positions, and if staff will accept promotions if there are not financial inducements to accept greater accountabilities.
- Bargaining – The IESO determines whether there are non compensation related requirements that the organization requires in bargaining such as greater work flexibility which the organization expects "to pay for". The IESO also has to consider what the capability of the organization is to negotiate specific compensation levels with their unions. In addition, the IESO must consider the expectation of the organization relative to an arbitrator's decision.
- Employee profile – The IESO must determine the demographic profile of the workforce, identify whether there is a turnover issue within the organization, and assess whether there is the expectation that the turnover rate will increase significantly in the future.
- Risk assessment – The IESO considers what the likely impact to the economy or to stakeholders of the organization will be if significant turnover occurs, what the impact will be if key positions in the organization go unfilled, or if positions are filled with staff of lesser capability.

These are all important factors which the IESO considers in the course of compensation planning, strategy and implementation.

Steps Necessary to Achieve Median Compensation Levels

The Agency Review Panel (ARP) indicated in its recent report on senior management compensation levels that the most appropriate comparison for senior management employees was median total compensation (fixed and variable compensation plus benefits and pensions) for appropriate comparator organizations weighted 50/50 by government and non governmental organizations. Based on 2006 data (the latest market data currently available), total compensation for IESO executives (CEO, Vice Presidents, Directors and Managers) lies approximately at median for total compensation in the market. As pointed out to the ARP these comparators do not include U.S. Independent System Operators (ISOs) which, based on information available, provide compensation levels to senior management considerably above those of the IESO.

For other staff groups (Society represented, PWU represented and Management Group employees who are not senior management) the most recent available data is that provided to the OEB in 2006 for the 2007 Fee Submission. The data from the previous submission indicated that the compensation for these staff groups was above the 75th percentile of the market.

For these other staff groupings, over 90 percent are unionized. Because of internal relativity considerations, compensation for non unionized staff below senior management is sufficiently aligned to those of their unionized counterparts to be able to retain staff within management positions.

Compensation adjustments to move these groups to the median of the market would need to be accomplished through collective bargaining. Currently the collective agreements for the PWU will expire on March 31, 2009 and for the Society on December 31, 2009. As indicated at previous hearings, steps have been taken which have moved these groups closer to the median and have more closely aligned them with their industry peers. Benefit costs were reduced and employee pension contributions were increased. As well, salary schedule increases were limited to levels at or below those anticipated for the industry. The IESO was able to achieve these results within the last two rounds of bargaining in part because of the focus on non-compensation issues. In previous rounds, while external relativities and costs were important, so were other considerations relating to increased flexibility relating to outsourcing and the removal of various operating limitations in the inherited collective agreements.

Further alignment with median compensation levels for Society and PWU employees would have to be negotiated through upcoming collective bargaining rounds in 2009. Along with this there would be a need to align total compensation for Management staff below executive level, as described above, to the median of the market.

Barriers to Achieving Median

The ability to move to median total compensation levels is limited by a number of factors. These include:

- As outlined above, adjusting total compensation levels to the median for Society and PWU staff would need to be achieved through collective bargaining. This poses obvious challenges – especially if staff in other electricity sector organizations were not facing similar reductions in compensation levels. An attempt to significantly reduce compensation could also cause labour unrest with the potential of increased risk to electricity reliability and the Ontario economy.
- Arbitration would not necessarily achieve median compensation levels. Experience with arbitration indicates that arbitrators regard compensation levels of other close comparator organizations significantly in their decisions. Our experience has shown that arbitrators are reluctant to make significant step changes to the relative positions of bargaining units within their community. This approach does not lend itself to a significant change within a unionized environment.
- For staff who are not unionized, and therefore not party to a labour contract, a unilateral reduction in their compensation could in some circumstances constitute constructive dismissal. This could trigger severance obligations and the loss of valued, experienced staff.
- As indicated to the OEB previously, a significant and growing portion of the IESO's staff are eligible to retire. If compensation levels are adjusted downward or even frozen many of these staff members may exercise their option to retire earlier than would otherwise be the case resulting in earlier loss of talent and experience. In addition, younger technically proficient staff who came into the organization over the last few years with expectations for career growth with commensurate compensation increases would begin to seek other employment alternatives – particularly those with the most essential and marketable skills. Again, this could lead to the loss of skilled, competent staff for the present and the future.
- If IESO compensation were to be adjusted downward while that of other electricity sector companies was not similarly adjusted, then skilled, experienced IESO staff would likely seek employment with those organizations. Any significant IESO turnover would necessitate a search for replacement talent in a market with low unemployment rates and increasing demands for engineering talent. This could involve some increased allocation of management and HR resources as recruitment becomes a larger and more impactful activity for human resource staff, as well as line staff also engaged in the hiring process.
- In addition to the previous point, any increased turnover of the IESO workforce could result in more inexperienced and less capable staff. Obviously if other electricity sector companies have vacancies (which is likely given the aging demographics that exists in the sector), there is the potential to lose valuable staff members, resulting in eroded competencies, skills and experience. This could result in a marked deterioration of the

ability of the IESO to provide the level of service it has in the past and the level that Ontarians have come to expect.

- Information on compensation trends from various management consulting organizations (including Mercer, Hay Group, and Towers Perrin) indicate a rising trend in compensation being paid to employees, with the expectation of this trend continuing. This is a reflection of a growing scarcity for resources in the energy sector in western Canada (where compensation increases of the order of 5.0% to 6.0% are occurring). Demand for engineering and other technical skills is particularly high. Thus organizations such as the IESO, with an increasingly older workforce and a high degree of reliance on engineering and other technical skills, will likely face growing compensation pressures and recruitment challenges over the coming years from other companies and organizations in the energy sector.

Appendix II

IESO - Cost Comparison Activity

FERC recently implemented a revised uniform system of accounts ("USoA") to improve cost comparability among ISOs/RTOs. These changes became effective in 2006 and accordingly, all ISOs subject to FERC jurisdiction completed their FERC reporting in accordance with the revised account structure. The IESO, though not governed by FERC, participated in reporting its costs in accordance with the USoA. No other Canadian ISOs are participating. The cost information reported by the IESO and the U.S. ISOs is included on the following pages.

Data Limitations

Prior to investing significant resources in performing in-depth comparisons, the IESO undertook a comparison of the USoA reported costs against the operating costs included in the ISO/RTO financial statements and a high-level review of the data across the ISOs/RTOs. The purpose of this initial work was to assess the usefulness of the data.

The IESO's comparison of the financial statements of the ISOs and their respective costs reported under the USoA, confirmed that the USoA reported information encompasses all, or at least most, categories of operating costs of the group. This was generally the case as OM&A costs derived from financial statements were within ±4% of the FERC reported costs for all ISOs/RTOs. The only exception was Southwest Power Pool which seemed to have 91% of their OM&A costs included within their FERC reported figures. Although this difference is almost 10% in this case, overall it would appear that operating costs reported in financial statements are being captured fully by postings made to the USoA accounts.

In performing its review, the IESO noted that there are disparities in how ISO/RTO costs have been recorded within the USoA. Certainly, the IESO recognizes that the various ISOs/RTOs provide different products and services, however the variations (e.g. administrative and general expenses range from below 30% to over 80%) appear to reflect material differences in how ISOs/RTOs allocated costs to particular accounts prescribed by the USoA.

Therefore, the IESO believes that the usefulness of this data is limited.

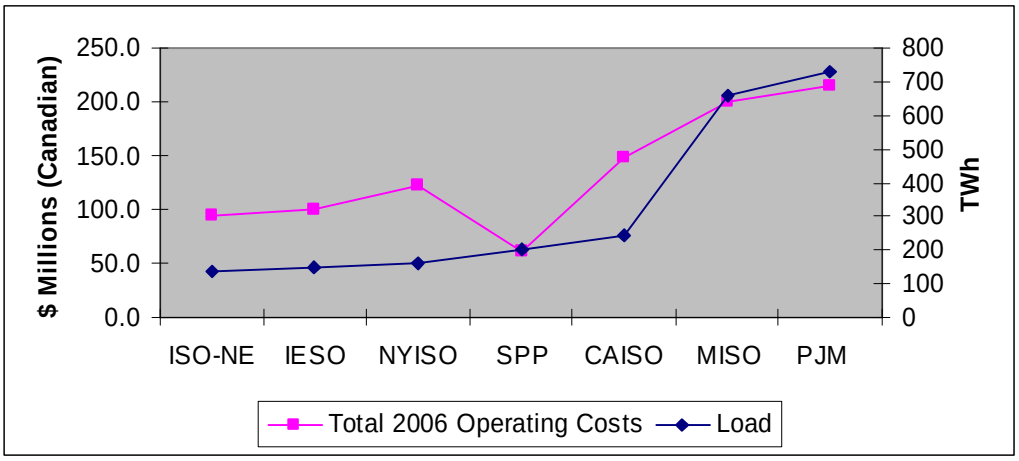
Annual Operating Costs – 2006

The following table outlines the total operating costs for 2006, as reported to FERC by the respective ISOs/RTOs in Millions of Canadian Dollars[1].

	ISO-NE	IESO	NYISO	SPP	CAISO	MISO	PJM
Total 2006 Operating Costs	95.2	100.4	121.8	61.3	147.2	200.2	214.8

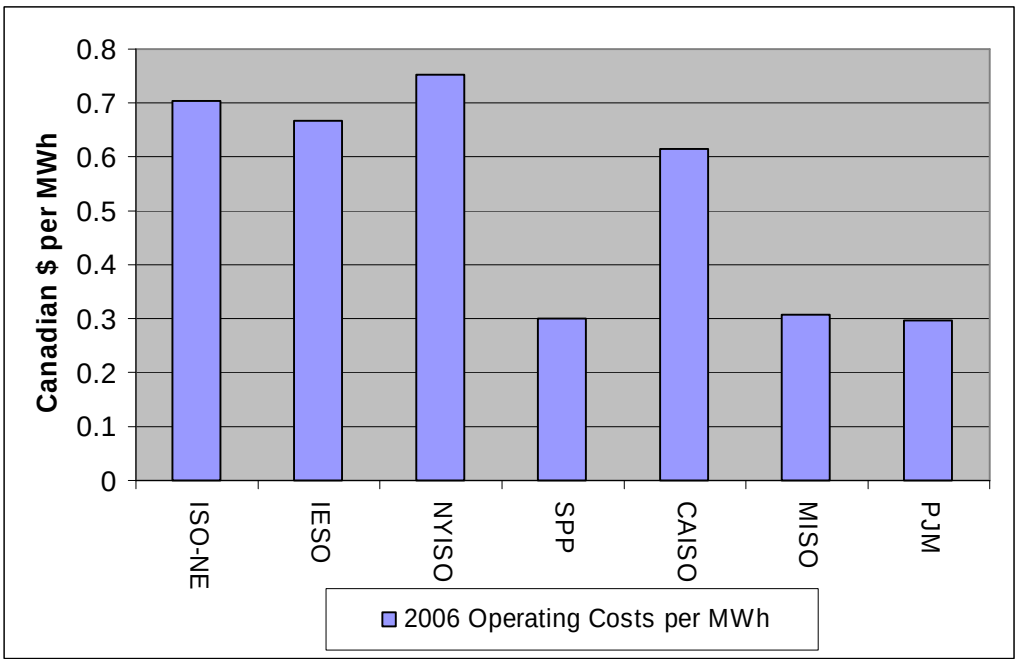
The details of all FERC account reporting has been included as Schedule A.

On an overall basis, total operating costs in 2006 within the ISO community largely fall in order based on the size of the load served, as depicted in the following chart:



Although there are limitations in the usefulness of normalizing total operating costs due to the differences in the operations and roles of the ISOs, it is nonetheless common practice to measure costs against load served. The following chart serves to do that for 2006 operating costs:

[1] US$/Cdn$ Exchange based on average 2006 rate from Bank of Canada (0.88176144)



The table above suggests that there may be economies of scale as costs do not rise on a one to one basis (linearly) as load increases. Accordingly, a comparison of total operating costs is likely more meaningful for the IESO when compared to ISOs which have similar loads. Those include NYISO and ISO-NE and those three entities have operating costs per MWh that are within about ten percent of each other: IESO at 0.66$Cdn/MWh, ISO-NE at 0.71$Cdn/MWh and NYISO at 0.75$Cdn/MWh. This seems to indicate that, at a total level, IESO's operating costs are reasonable when compared to the other jurisdictions with similar annual load.

Sub-category Reporting

The USoA cost data reported by the IESO and other ISOs is publicly available and may be reviewed and analyzed by IESO stakeholders and other interested persons. However, in the interest of efficiency, the IESO has included the following sections which provide high-level comparisons of operating cost information based on the service categories within the FERC uniform system of accounts along with some potentially useful metrics in the various areas. Based on the obvious limitations on the usefulness of the data, the IESO cannot draw meaningful conclusions.

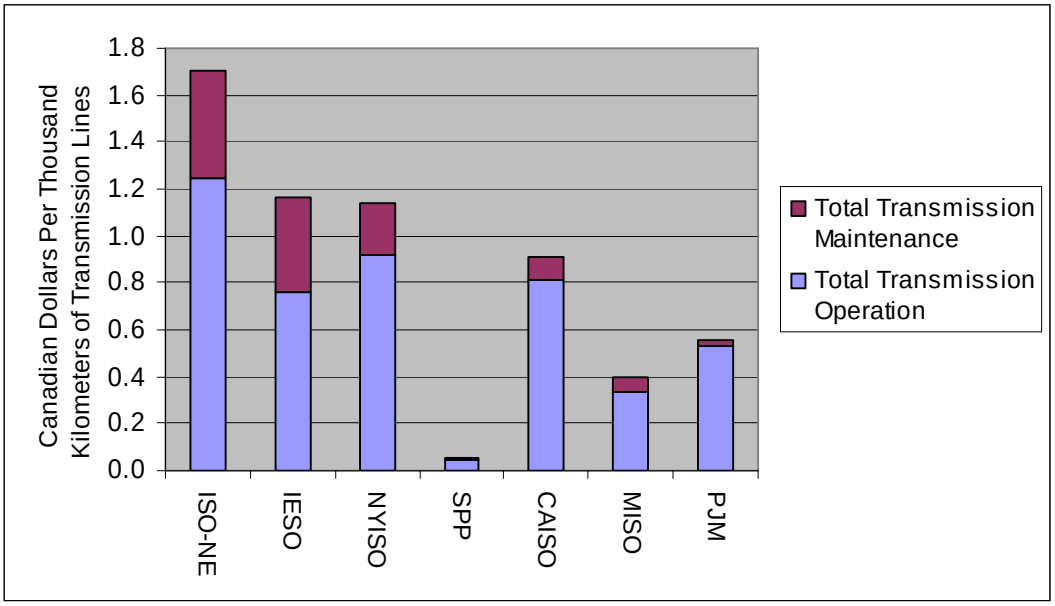
Transmission Expenses

The following table outlines the transmission expenses in millions of Canadian dollars:

	ISO-NE	IESO	NYISO	SPP	CAISO	MISO	PJM
Total Transmission Operation	16.0	22.0	15.9	3.7	33.5	50.5	47.4
Total Transmission Maintenance	5.9	11.7	3.9	0.5	3.7	9.0	3.0
Total Transmission Expenses	21.9	33.7	19.8	4.2	37.2	59.5	50.4

One factor that may be used to normalize transmission costs is the size of the transmission network, identified in the following table and reflected in the following charts:

	ISO–NE	IESO	NYISO	SPP	CAISO	MISO	PJM
Transmission Lines (thousands of kilometres)	12.9	29.0	17.3	84.2	41.1	150.6	90.2



Regional Market Expenses

The following table outlines the regional market expenses in millions of Canadian dollars:

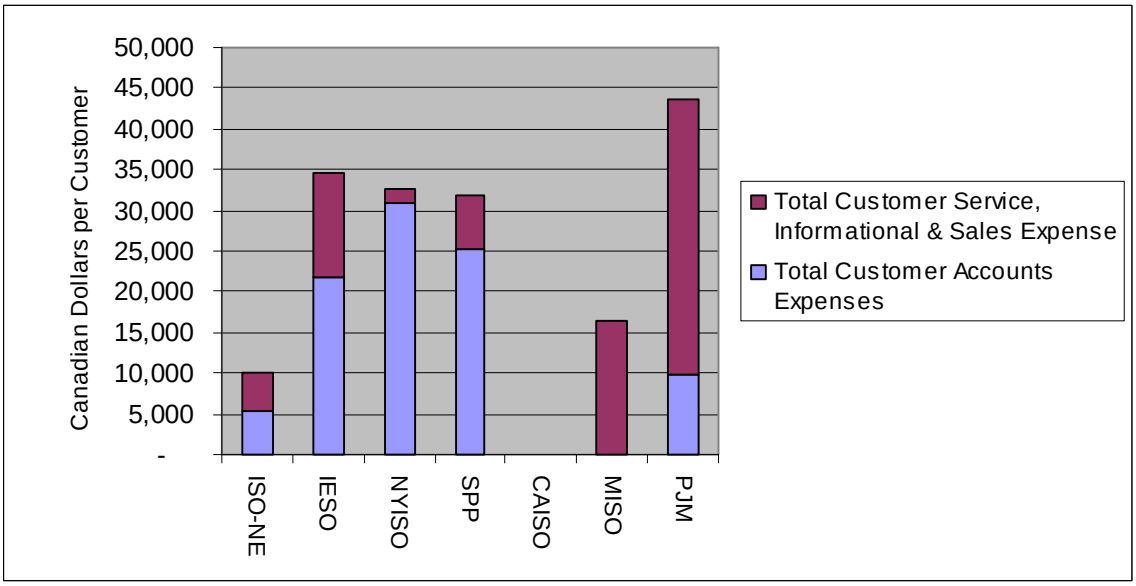
	ISO-NE	IESO	NYISO	SPP	CAISO	MISO	PJM
Regional Market Operation	7.8	13.4	18.2	1.8	16.7	41.0	22.5
Regional Market Maintenance	10.5	13.9	4.6	3.3	2.8	19.4	1.8
Total Regional Market Expenses	18.3	27.3	22.8	5.1	19.5	60.4	24.3

Customer Accounts and Service

The following table outlines the customer account and customer service expenses in millions of Canadian dollars:

	ISO-NE	IESO	NYISO	SPP	CAISO	MISO	PJM
Total Customer Accounts Expenses	1.9	6.6	11.1	1.2	5.9	-	4.4
Total Customer Service, Informational & Sales Expense	1.6	3.9	0.6	0.3	3.7	4.2	15.2
Total Customer Expenses	3.4	10.5	11.7	1.5	9.6	4.2	19.6

	ISO-NE	IESO	NYISO	SPP	CAISO	MISO	PJM
Direct Customers or Market Participants of the ISO	344	304	360	47	N/A	256	450



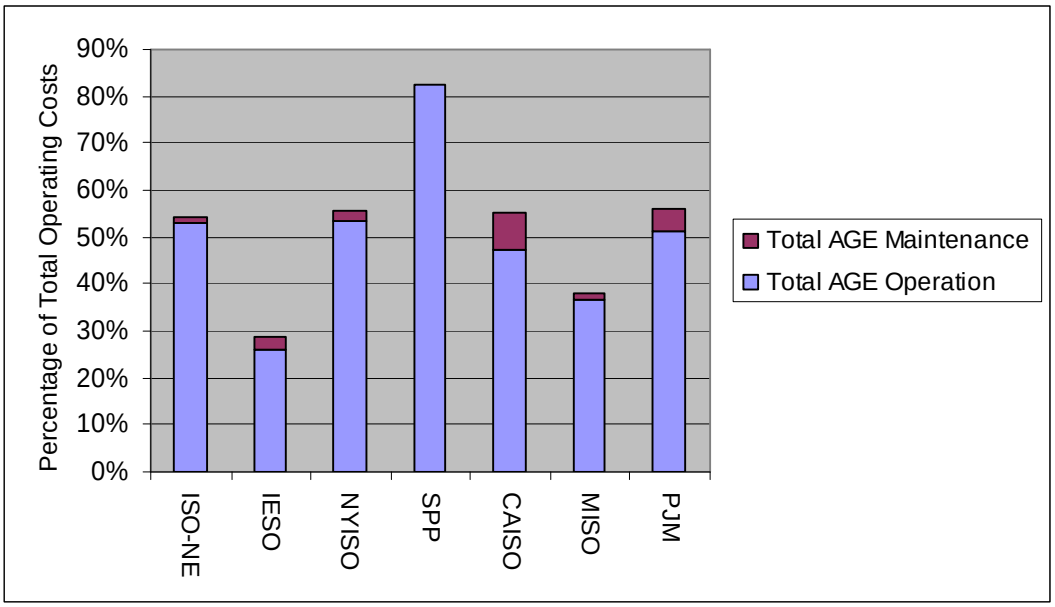
No data for CAISO due to structural differences in the California markets.

Administration and General Expenses

Administration and general expenses will likely be influenced by the overall size of the organization and other governance and regulatory factors. The following outlines these expenditures:

	ISO-NE	IESO	NYISO	SPP	CAISO	MISO	PJM
Total Administration and General Expenses - Operation	50.3	26.3	64.9	50.6	69.5	72.9	110.1
Total Administration and General Expenses - Maintenance	1.3	2.6	2.6	0.0	11.4	3.2	10.3
Total Administration and General Expenses	51.6	28.9	67.5	50.6	80.9	76.1	120.4

As these costs relate to the overall administration and running of the organization, it seems a reasonable metric to utilize in assessing this area of cost. The portion it represents of total costs is depicted in the following chart:



Schedule A - 2006 ISO/RTO Costs

(Cdn $)		ISO New England	IESO	New York ISO	Southwest Power Pool	California ISO	Midwest ISO	PJM
FERC No.	FERC Account							
Transmission Expenses								
560	Operation Supervision & Engineering	2,902,222	1,545,968	2,016,883	-	3,510,336	492,667	10,592,104
561	Load Dispatching	-		-	-	6,246,365	-	-
561.1	Load Dispatch - Reliability	1,342,893	3,703,144	1,533,908	1,517,899	2,939,391	11,305,071	5,918,275
561.2	Load Dispatch - Monitor and Operate Trans system	3,442,184	6,716,494	7,806,387	812,554	10,218,097	20,731,721	18,222,540
561.3	Load Dispatch - Transmission Service and Scheduling	3,888,552		1,648,917	946,482	6,938,268	6,649,344	3,155,620
561.5	Long-term Reliability Planning & Standards Dev	4,429,767	8,898,169	2,441,766	-	3,456,205	5,753,730	6,199,628
561.6	Transmission Service Studies	-		403,539	78,171	-	1,818,454	292,137
561.7	Generation Interconnection Studies	-	654,490	-	316,513	157,206	3,758,290	3,034,436
561.8	Long-Term Reliability Planning & Standards Dev Services	-		-	-	-	-	-
566	Miscellaneous Transmission Expenses	-	485,739	-	-	-	-	-
	Total Transmission Operation	16,005,617	22,004,004	15,851,400	3,671,619	33,465,868	50,509,277	47,414,741
568	Maintenance Supervision & Engineering	-	545,995	-	-	3,735,296	-	-
569.1	Maintenance of Computer Hardware	902,134	2,109,113	1,301,113	201,650	-	1,947,881	1,225,455
569.2	Maintenance of Computer Software	4,962,675	6,109,785	2,610,268	265,980	-	7,029,054	1,740,218
569.3	Maintenance of Communication Equipment	50,797	2,926,415	-	24,231	-	27,028	-
	Total Transmission Maintenance	**5,915,606**	**11,691,308**	**3,911,381**	**491,861**	**3,735,296**	**9,003,963**	**2,965,673**
	Total Transmission Expenses	**21,921,223**	**33,695,312**	**19,762,781**	**4,163,480**	**37,201,164**	**59,513,240**	**50,380,414**

		ISO New England	IESO (2)	New York ISO	Southwest Power Pool (3)	California ISO	Midwest ISO	PJM
FERC No.	FERC Account							
Regional Market Expenses								
575.1	Operation Supervision	2,508,611	1,287,461	615,617	315,768	5,950,340	2,317,772	5,997,478
575.2	Day-Ahead and Real-Time Market Administration	605,811	8,615,663	6,393,471	1,035,427	6,183,529	31,524,027	3,419,553
575.3	Transmission Rights Market Administration	307,135	8,576	2,650,505	-	543,579	3,078,843	1,364,036
575.4	Capacity Market Facilitation	1,885,323		2,095,237	-	-	110,225	4,433,335
575.5	Ancillary Services Market Administration	544,272	819,537	1,621,043	-	634,175	1,368,850	426,595
575.6	Market Monitoring and Compliance	1,271,908	2,678,081	4,815,728	-	2,589,099	2,591,176	6,873,214
575.8	Rents	627,741		-	444,244	814,920	-	-
RME Operation	**Total RME Operation**	**7,750,801**	**13,409,318**	**18,191,600**	**1,795,439**	**16,715,641**	**40,990,892**	**22,514,211**
576.1	RME Maintenance of Structures and Improvements	313,702		-	-	-	-	-
576.2	RME Maintenance of Computer Hardware	628,068	2,109,113	2,158,231	122,636	129,110	7,284,323	649,247
576.3	RME Maintenance of Computer Software	9,553,973	11,103,370	2,416,417	3,122,638	927,969	12,099,440	1,179,050
576.4	RME Maintenance of Communication Equipment	35,366	716,936	-	25,985	1,742,411	27,028	-
RME Maintenance	**Total RME Maintenance**	**10,531,108**	**13,929,419**	**4,574,648**	**3,271,260**	**2,799,490**	**19,410,791**	**1,828,297**
Total Regional Market Expenses		**18,281,909**	**27,338,737**	**22,766,247**	**5,066,699**	**19,515,131**	**60,401,683**	**24,342,508**
Customer Accounts Expenses								
901	Supervision	119,115	842,746	572,436	-	(74,756)	-	-
902	Meter Reading Expenses	1,760,378	1,039,179	-	-	1,256,688	-	-
903	Customer Records and Collection Expenses	-	3,987,202	7,293,626	1,185,585	4,488,782	-	4,425,153

905	Miscellaneous Customer Account Expenses	-	743,466	3,243,487	-	219,238	-	-
Total Customer Accounts Expenses		**1,879,492**	**6,612,593**	**11,109,549**	**1,185,585**	**5,889,953**	**-**	**4,425,153**
Year-to-Date ISO/RTO Results –Jan - Dec 2006 (1) (Cdn $)		ISO New England	IESO	New York ISO	Southwest Power Pool	California ISO	Midwest ISO	PJM
Customer Service and Informational Expenses								
907	CSIE Supervision	130,447	331,727	602,189	-	-	-	-
908	Customer Assistance Expenses	1,422,833	1,199,679	-	76,862	3,748,305	2,818,970	15,224,322
909	Informational and Instructional Expenses	-	2,325,921	-	231,563	-	1,353,347	-
910	Misc. Customer Service and Informational Expense	-	-	-	-	-	1,651	-
911-916	Sales Expenses	-		-	-	-	-	-
Total Customer Service, Informational & Sales Expense		**1,553,280**	**3,857,326**	**602,189**	**308,425**	**3,748,305**	**4,173,968**	**15,224,322**
Administration and General Expenses								
920	Administration and General Salaries	17,962,527	11,171,603	11,838,540	11,998,592	29,675,604	10,277,392	21,872,282
921	Office Supplies and Expenses	828,214	259,244	3,066,977	1,478,024	7,072,607	2,922,592	4,829,504
923	Outside Services Employed	11,261,887	1,560,448	12,421,824	16,383,829	12,926,856	7,969,879	7,972,518
924	Property Insurance	1,647,699	239,091	289,498	1,004,112	2,330,884	317,875	243,524
925	Injuries and Damages	347,310	847,687	3,864,439	37,332	(656,508)	-	3,676,469
926	Employee Pensions and Benefits	8,790,359	10,252,463	10,923,612	6,377,671	-	2,152,520	-
928	Regulatory Commission Expenses	-	556,597	18,042,369	11,857,817	4,110,492	42,427,597	44,196,327
930.1	General Advertising Expenses	-		-	-	21,761	72,262	-
930.2	Miscellaneous General Expenses	8,818,850	344,469	3,397,308	493,331	439,278	3,251,230	27,265,879
931	Rents	631,545	1,087,081	1,048,235	941,519	13,531,827	3,485,916	-
AGE Operation	**Total AGE Operation**	**50,288,392**	**26,318,683**	**64,892,801**	**50,572,228**	**69,452,800**	**72,877,263**	**110,056,504**

935	Maintenance of General Plant	1,277,620	2,572,226	2,648,738	-	11,427,449	3,221,462	10,324,162
AGE Maint.	**Total AGE Maintenance**	**1,277,620**	**2,572,226**	**2,648,738**	**-**	**11,427,449**	**3,221,462**	**10,324,162**
Total Administration and General Expenses		**51,566,012**	**28,890,910**	**67,541,539**	**50,572,228**	**80,880,250**	**76,098,725**	**120,380,666**
Grand Total	**Total Operating Costs**	**95,201,916**	**100,394,878**	**121,782,305**	**61,296,416**	**147,234,803**	**200,187,617**	**214,753,063**

NOTES

(1) US$/Cdn$ exchange based on average rates from Bank of Canada
2006 (Jan '06 - Dec '06) average rate = 0.88176144
(2) Values shown for 2006 IESO reflect 2006 expenditures but with revised (effective 2007) accounting treatment for allocating unapproved timesheets.
(3) SPP provided an amended filing where the grand total indicated was 54,448,824 US$, however detailed amended changes add only to 54,048,816 US$. The detailed amounts adding to $54,048,816 were used in this table.

Appendix III

The following is a summary of the system peak forecast availability and the system actual peak availability and energy, as of the date of filing of the 2007 Fees Application.

Generation Contributions for Peak Hour			
Fuel Type	**Forecast Availability [MW]**	**Actual Availability [MW]**	**Actual Hourly Energy [MWh]**
Nuclear	11,346	9,872	9,842
Hydro	6,026	6,865	5,137
Coal	5,879	5,556	5,174
Oil / gas	5,032	4,367	4,098
Wind	40	84	80
Biomass / Landfill Gas	37	36	38
Total Generation	28,359	26,779	24,368
	Seasonal Forecast Demand [MW]		**Actual Hourly Demand [MW] (Weather Corrected)**
Total Ontario Demand	25,762		25,737 (24,820)

- Forecast Availability values are based on the 2007Q1 18-Month Outlook, published in April 2007.
- Forecast Availability values shown for Nuclear, Coal, Oil/Gas and Other resources include planned outages and known forced outages.
- Forecast Availability values shown for Wind are based on 10% of the expected nameplate capacity.
- Actual Availability values are based on offers made by generator owners, and may not reflect all outages.
- L&C forecast values, used for Nuclear, Coal, Oil/Gas and Other, are prior to the application of EFOR.
- Forecast Availability for Hydro resources are based on historical median contribution at time of weekday peak.
- IESO identifies situations where transmission limitations may limit generation in a particular zone of Ontario. There were no transmission limitations that occurred during the day of June 26, 2007.
- There were no IESO controlled CDM initiatives implemented on this day.