

IESO Financial Update

Actual 2010 Financial Results (unaudited)

The following table outlines the IESO's 2010 actual results. As these figures are not yet audited, they are subject to change.

(\$ millions)	2010 Actual Unaudited	2010 Budget	Variance
Usage Fees	127.1	122.8	4.3
Cost Recovery for Service	2.9	2.0	0.9
Total Revenues	130.0	124.8	5.2
OM&A Program Costs	85.3	91.5	6.2
OM&A Pension Expense	13.0	11.2	(1.8)
Amortization	13.9	21.0	7.0
Net Interest	(0.5)	1.0	1.4
Total Costs	111.7	124.7	13.0
Operating Surplus/(Deficit)	18.3	-	18.3
Accumulated Operating Surplus (opening balance)	5.0	5.0	-
Rebates to Market Participants	(10.2)	-	10.2
Accumulated Operating Surplus (closing balance)	13.1	5.0	8.1

The initial filing (Exhibit B, Tab 1, Schedule 1, pages 8-11 and Exhibit B, Tab 2, Schedule 1) included projected 2010 results and included explanations for those projected variances. The following table details the variances from the actual 2010 results (unaudited) and the projected 2010 results included in the IESO 2011-2013 Business Plan.

(\$ millions)	2010 Actual Unaudited	2010 Projected in 2011-13 B/Plan	Variance
Usage Fees	127.1	124.4	2.7
Cost Recovery for Service	2.9	3.1	(0.2)
Total Revenues	130.0	127.5	2.5
OM&A Program Costs	85.3	89.9	4.6
OM&A Pension Expense	13.0	14.8	1.8
Amortization	13.9	14.0	0.1
Net Interest	(0.5)	0.7	1.2
Total Costs	111.7	119.4	7.7
Operating Surplus	18.3	8.1	10.2
Accumulated Operating Surplus (opening balance)	5.0	5.0	-
Rebates to Market Participants	(10.2)	-	(10.2)
Accumulated Operating Surplus (closing balance)	13.1	13.1	-

Revenues from cost recovery for service, and amortization were largely consistent with the 2010 projected results in the IESO 2011-2013 Business Plan.

Usage Fees

Actual usage fee revenues for 2010 are \$127.1 million, approximately \$2.7 million higher than the 2010 projection included in the 2011-2013 Business Plan. The positive variance was the result of higher than forecast domestic demand and exports. The following table details the variance in terawatt hours (TWh).

TWh	2010 Actual Unaudited	2010 Projected in 2011-13 B/Plan	Variance
Ontario Demand (net of line losses)	139.4	137.8	1.6
Exports	15.2	13.5	1.7
Total	154.6	151.3	3.3

OM&A Program Costs

(\$ millions)	2010 Actual Unaudited	2010 Projected in 2011-13 B/Plan	Variance
Staff Costs	61.6	62.4	0.8
Computer Support, Maintenance & Equipment	8.0	8.8	0.8
Contract Service & Consultants	5.8	7.9	2.1
Administration	7.2	7.5	0.3
Telecommunications	2.7	3.3	0.6
Total OM&A Program Costs	85.3	89.9	4.6

Forecast staff costs were lower than projected by \$0.8 million primarily due to staff vacancies and lower spending associated with staff expenses and training.

OM&A program costs related to computer support, maintenance & equipment were also \$0.8 million lower than projected largely due to the allocation of support and maintenance resources to capital and lower than expected usage for computer leases and consumables.

Contract services and consultants were \$2.1 million below the projected cost level as a result of projects being completed in-house or being deferred until 2011.

Telecommunications was \$0.6 million below the project cost level largely as a result of lower than expected usage.

Administration was largely consistent with the 2010 projections included in the 2011-2013 Business Plan.

OM&A Pension Expense

(\$ millions)	2010 Actual Unaudited	2010 Projected in 2011-13 B/Plan	Variance
Pension Costs	15.7	15.7	-
Capitalized Pension	(0.7)	(0.5)	0.2
SERP Investment Income	(2.0)	(0.4)	1.6
OM&A Pension Expense (net)	13.0	14.8	1.8

OM&A pension expense was \$1.6 million lower than the 2010 projection mainly as a result of higher than expected income on the SERP investment. The actual returns on the investment in 2010 were approximately 10.7%.

Net Interest

(\$ millions)	2010 Actual Unaudited	2010 Projected in 2011-13 B/Plan	Variance
Interest on Debt	0.3	0.3	-
Financing Charges	0.6	0.6	-
Investment/Other Income	(1.3)	(0.1)	1.2
Capitalized Interest	(0.1)	(0.1)	-
Net Interest	(0.5)	0.7	1.2

Net interest was \$1.2 million lower than the 2010 projection as a result of: the write-off of an outstanding accrued payable related to an out-of-service asset (\$0.7 million); the divestment of asset-backed commercial paper (ABCP) investment (\$0.3 million); and foreign exchange gains of \$0.2 associated with the forward purchases of US dollars.

Rebate to Market Participants

The initial filing (Exhibit B, Tab 3, Schedule 1, page 3) stated that the IESO was projecting a surplus for 2010 of \$8.1 million which, when added to the \$5.0 million surplus in the IESO's deferral account, would result in an accumulated surplus of \$13.1 million to the end of 2010. The IESO proposed that this accumulated surplus be retained in order to assist in rate stabilization and to address the higher than normal risk that energy volumes will be lower than assumed over the planning period (2011- 2013).

The 2010 actual operating surplus of \$18.3 million is \$10.2 million higher than projected. Accordingly, the IESO is proposing to retain \$13.1 million for the reasons stated above and to rebate the balance of approximately \$10.2 million to market participants, following approval of the audited 2010 financial statements by the IESO Board of Directors.

2011 Financial Outlook

The 2011 financial outlook currently remains unchanged from that included in the 2011-2013 Business Plan.