Independent Electricity System Operator
Statements of Operations and Accumulated Deficit
(Unaudited)

For the quarter ended March 31 (in thousands of Canadian dollars)	2010	2009
	$	$
REVENUES		
System fees	32,656	34,055
Other revenue	302	242
TOTAL REVENUES	**32,958**	**34,297**
EXPENSES		
Labour	19,848	19,419
Computer services, support and equipment	2,665	2,654
Contract services and consultants	1,071	1,633
Telecommunications	717	718
Other costs	1,960	1,953
Smart metering program costs	2,444	1,616
Amortization	6,007	6,168
TOTAL EXPENSES	**34,712**	**34,161**
Income/(loss) before interest, financing charges and investment income	**(1,754)**	**136**
Interest and investment income/(loss)	265	(311)
Interest expense and financing charges	(380)	(1,579)
NET (LOSS) FOR THE PERIOD	**(1,869)**	**(1,754)**
ACCUMULATED DEFICIT - BEGINNING OF PERIOD	(19,525)	(4,015)
ACCUMULATED DEFICIT - END OF PERIOD (Note 3)	**(21,394)**	**(5,769)**

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Independent Electricity System Operator
Statement of Financial Position
(Unaudited)

As at (in thousands of Canadian dollars)	March 31, 2010	December 31, 2009
	$	**$**
ASSETS		
Current Assets		
Cash and cash equivalents	10,870	8,990
Accounts receivable	12,403	13,500
Prepaid expenses	2,626	3,693
	25,899	**26,183**
Property & Equipment		
In service	69,984	74,856
Construction-in-progress	8,752	4,882
	78,736	**79,738**
Other Assets		
Intangible assets	6,539	6,685
Long-term investments	18,427	18,204
Prepaid pension cost	1,877	3,349
	26,843	**28,238**
TOTAL ASSETS	**131,478**	**134,159**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	17,925	20,073
Accrued interest on debt	57	66
Rebates to market participants	4,324	4,324
	22,306	**24,463**
Long-term Liabilities		
Long-term debt (Note 4)	78,200	78,200
Accrual for employee future benefits other than pensions	52,366	51,021
	130,566	**129,221**
TOTAL LIABILITIES	**152,872**	**153,684**
ACCUMULATED SURPLUS/(DEFICIT) (Note 3)	(21,394)	(19,525)
TOTAL LIABILITIES & ACCUMULATED DEFICIT	**131,478**	**134,159**

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Independent Electricity System Operator
Statement of Cash Flows
(Unaudited)

For the quarter ended March 31 (in thousands of Canadian dollars)	**2010**	**2009**
	$	**$**
OPERATING ACTIVITIES		
Net loss for the period	(1,869)	(1,754)
Adjustments for non-cash items:		
Amortization	6,007	6,168
Pension cost	3,910	3,125
Other employee future benefits cost	1,774	1,551
Change in fair value of long-term investments held for trading	(224)	654
	11,467	11,498
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	(1,786)	(1,262)
Change in accounts receivable	1,097	118
Change in prepaid expenses	1,067	1,222
	378	78
Other:		
Contribution to pension fund	(2,438)	(2,201)
Payment of employee future benefits	(430)	(392)
	(2,868)	(2,593)
Cash provided by operating activities	**7,108**	**7,229**
INVESTING ACTIVITIES		
Net purchase of long-term investments	-	(91)
Investment in property and equipment	(3,941)	(2,200)
Investment in intangible assets	(1,287)	(85)
Cash used in investing activities	**(5,228)**	**(2,376)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**1,880**	**4,853**
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	8,990	12,691
CASH AND CASH EQUIVALENTS - END OF PERIOD	**10,870**	**17,544**

Supplementary Information: (in thousands of Canadian dollars)

Interest Paid	**99**	**-**

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Independent Electricity System Operator
Notes to Financial Statements (unaudited)

March 31, 2010

1) INTERIM FINANCIAL STATEMENTS

The interim financial statements follow the same accounting policies and methods of their application as the 2009 annual financial statements, except where noted below. The interim financial statements should be read in conjunction with the 2009 annual financial statements. It is management's assessment that the IESO continues to operate as a going concern and these financial statements have been prepared accordingly.

2) REGULATORY APPROVALS FOR 2010

On April 1, 2010, the Ontario Energy Board (OEB) issued its order approving the IESO's application fee of $1000, the usage fee of $0.822/MWh and the IESO's revenue requirements in the amount of $122.8 million and capital expenditures in the amount of $21.6 million.

3) ACCUMULATED DEFICIT

As at March 31, 2010 and December 31, 2009, the components of the IESO's Accumulated Deficit were as follows:

(in thousands of Canadian dollars)	As at March 31, 2010	As at December 31, 2009
Approved regulatory deferral account	6,501	5,000
Accumulated market penalties and fines	1,309	1,372
Accumulated deficit – Smart Metering Entity	(29,204)	(25,897)
	(21,394)	(19,525)

4) DEBT

Note payable to OEFC

The note payable to OEFC is unsecured, bears interest at a per annum rate equal to the yield earned on 90 day Province of Ontario treasury bills on the quarterly reset date plus 25 basis points and is repayable in full on May 1, 2011. Interest accrues daily and is payable in arrears quarterly in February, May, August and November of each year. As at March 31, 2010, the note payable to the OEFC was $78.2 million (December 31, 2009 - $78.2 million).

Credit facility

IESO has an unsecured credit facility agreement with a Canadian chartered bank, under which the bank will make available to the IESO an amount up to $60.0 million. The credit facility expires on April 30, 2010. Advances under this facility are available in Canadian dollars by way of prime rate loan plus 75 basis points or the issuance of Bankers' Acceptances at market rates plus a stamping fee of 175 basis points per annum. Unused portions of this credit facility are subject to a commitment fee of 45 basis points per annum. As at March 31, 2010, there were no funds drawn on the credit facility.