Independent Electricity System Operator
Statements of Operations, Comprehensive Income/(Loss) and Accumulated Surplus /(Deficit)
(Unaudited)

(in thousands of Canadian dollars)	For the three months ended September 30, 2010	For the nine months ended September 30, 2010	For the three months ended September 30, 2009	For the nine months ended September 30, 2009
	$	$	$	$
REVENUES				
System fees	33,427	94,936	31,169	93,517
Other revenue	1,119	2,018	402	1,008
TOTAL REVENUES	**34,546**	**96,954**	**31,571**	**94,525**
EXPENSES				
Labour	20,471	59,475	18,093	56,282
Computer services, support and equipment	1,646	6,465	1,716	6,672
Contract services and consultants	1,274	3,561	1,307	4,679
Telecommunications	727	2,144	790	2,200
Other costs	1,705	5,425	1,729	5,392
Smart metering program costs	2,856	8,149	1,929	5,336
Amortization	(447)	11,896	5,898	18,266
TOTAL EXPENSES	**28,232**	**97,115**	**31,462**	**98,827**
Income/(loss) Before Interest and Investment Income	**6,314**	**(161)**	**109**	**(4,302)**
Interest and investment income/(loss)	1,698	1,882	1,148	2,146
Interest expense and financing charges	(290)	(930)	(301)	(2,624)
NET INCOME/(LOSS) FOR THE PERIOD	**7,722**	**791**	**956**	**(4,780)**
ACCUMULATED SURPLUS/(DEFICIT) - BEGINNING OF PERIOD	(26,456)	(19,525)	(9,751)	(4,015)
ACCUMULATED SURPLUS/(DEFICIT) - END OF PERIOD (Note 3)	**(18,734)**	**(18,734)**	**(8,795)**	**(8,795)**

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Independent Electricity System Operator
Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)	As at September 30, 2010	As at December 31, 2009
	$	$
ASSETS		
Current Assets		
Cash and cash equivalents	11,018	8,990
Accounts receivable	13,735	13,500
Prepaid expenses	2,992	3,693
	27,745	**26,183**
Property & Equipment		
In service	67,567	74,856
Construction-in-progress	13,225	4,882
	80,792	**79,738**
Other Assets		
Intangible assets	6,313	6,685
Long-term investments	20,189	18,204
Prepaid pension cost	4,953	3,349
	31,455	**28,238**
TOTAL ASSETS	**139,992**	**134,159**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	22,141	20,073
Short-term debt (Note 4)	81,200	-
Accrued interest on debt	128	66
Rebates to market participants	-	4,324
	103,469	**24,463**
Long-term Liabilities		
Long-term debt (Note 4)	-	78,200
Accrual for employee future benefits other than pensions	55,257	51,021
	55,257	**129,221**
TOTAL LIABILITIES	**158,726**	**153,684**
ACCUMULATED SURPLUS/(DEFICIT) (Note 3)	(18,734)	(19,525)
TOTAL LIABILITIES & ACCUMULATED DEFICIT	**139,992**	**134,159**

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Independent Electricity System Operator
Statements of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)	For the three months ended September 30, 2010	For the nine months ended September 30, 2010	For the three months ended September 30, 2009	For the nine months ended September 30, 2009
	$	$	$	$
OPERATING ACTIVITIES				
Net Income/(loss) for the period	7,722	791	956	(4,780)
Adjustments for non-cash items:				
Amortization	(447)	11,896	5,898	18,266
Pension cost	3,960	11,776	3,125	9,375
Other employee future benefits cost	1,987	5,537	1,540	4,640
Change in fair value of long-term investments held-for-trading	(1,364)	(981)	(983)	(1,415)
	4,136	28,228	9,580	30,866
Changes in non-cash balances related to operations:				
Change in accounts payable and accrued liabilities	(1,286)	(3,331)	1,285	(3,402)
Change in accounts receivable	(1,774)	(235)	158	2,019
Change in prepaid expenses	434	701	301	972
	(2,626)	(2,865)	1,744	(411)
Other:				
Contribution to pension fund	(2,341)	(13,380)	(2,403)	(15,448)
Payment of employee future benefits	(435)	(1,302)	(366)	(1,279)
	(2,776)	(14,682)	(2,769)	(16,727)
Cash provided by operating activities	**6,456**	**11,472**	**9,511**	**8,948**
INVESTING ACTIVITIES				
Net sale/(purchase) of long-term investments	112	(1,004)	(84)	(828)
Investment in property and equipment	(1,740)	(8,781)	(3,125)	(8,537)
Investment in intangible assets	(501)	(2,659)	341	(144)
Cash used in investing activities	**(2,129)**	**(12,444)**	**(2,868)**	**(9,509)**
FINANCING ACTIVITIES				
Net retirement of debt	(3,000)	3,000	-	-
Cash used in financing activities	**(3,000)**	**3,000**	**-**	**-**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**1,327**	**2,028**	**6,643**	**(561)**
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	9,691	8,990	5,487	12,691
CASH AND CASH EQUIVALENTS - END OF PERIOD	**11,018**	**11,018**	**12,130**	**12,130**

Supplementary Information: (in thousands of Canadian dollars)

Interest Paid	**187**	**399**	**91**	**3,180**

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Independent Electricity System Operator
Notes to Financial Statements (unaudited)

September 30, 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 September 30, 2010 and December 31, 2009, the components of the IESO's Accumulated Deficit were as follows:

(in thousands of Canadian dollars)	As at September 30, 2010	As at December 31, 2009
Approved regulatory deferral account	15,637	5,000
Accumulated market penalties and fines	1,166	1,372
Accumulated deficit – Smart Metering Entity	(35,537)	(25,897)
	(18,734)	(19,525)

4) DEBT

Note payable to Ontario Electricity Finance Corporation (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 September 30, 2010, the note payable to the OEFC was $78.2 million (December 31, 2009 - $78.2 million).

Credit facility

The IESO had an unsecured credit facility agreement with a Canadian chartered bank which expired on April 30, 2010. Effective May 1, 2010, the IESO entered into a new unsecured credit facility agreement with the OEFC, which will make available to the IESO an amount up to $60.0 million. The credit facility expires on April 30, 2013. Advances under this facility are available in Canadian dollars by way of the Province of Ontario's cost of borrowing for a 30 day term plus 25 basis points per annum. As at September 30, 2010, $3.0 million was drawn on the credit facility.

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