

2010 – 2012 BUSINESS PLAN



CONTENTS

MESSAGE FROM THE PRESIDENT & CHIEF EXECUTIVE OFFICER	1
ABOUT THE IESO	3
STRATEGIC OBJECTIVES	3
BUSINESS PLAN SUMMARY	4
TODAY: REAL-TIME OPERATIONS	5
TOMORROW: PREPARING FOR THE FUTURE	7
INTERNAL: OUR EMPLOYEES	8
EXTERNAL: CUSTOMERS AND STAKEHOLDERS	8
FINANCIAL OVERVIEW	10
FINANCIAL OUTLOOK 2010-2012	12
APPENDIX 1: IESO USAGE FEE FINANCIAL STATEMENTS	20
APPENDIX 2: IESO CAPITAL PROJECTS	23
APPENDIX 3: SMART METERING ENTITY	28
APPENDIX 4: CONSOLIDATED FINANCIAL STATEMENTS	29

MESSAGE FROM THE PRESIDENT & CHIEF EXECUTIVE OFFICER

On behalf of the Independent Electricity System Operator (IESO), I am pleased to provide the company's 2010-2012 Business Plan, which identifies the company's short and medium-term strategic priorities as well as our operational plan to achieve our key objectives.

The reliable operation of Ontario's electricity system continues to be the IESO's primary focus. But reliability is taking on a whole new colour as implementation of the Government of Ontario's *Green Energy and Green Economy Act, 2009* moves ahead.

Building on the electricity infrastructure upgrades already underway, the Act will expedite the growth of clean, renewable sources helping Ontario become a North American leader in renewable energy. Implementation of the government's policy, which sets a new course for the future, will require a considerable amount of effort and necessitate significant changes by all of us in the electricity industry.

A major focus of the IESO over the next three years will be associated with the high volume of work in the areas of connection assessments and market entry expected from the new Feed-in Tariff (FIT) applicants. The IESO will also be instrumental in incorporating new renewable generation projects and transmission infrastructure, while preparing for the operation of a power system with substantially different characteristics from today's.

We have moved to a new organizational structure to better position us to deliver on our core system and market responsibilities in the changing electricity sector. This new structure will help us respond to the demands associated with the implementation of the Act.

As part of the restructuring, the IESO will be increasing our organizational focus in certain areas and reducing focus in areas of less immediate value to our customers, while continuing to develop streamlined and efficient business processes that serve the changing needs of our market participants.

The recession has had an undeniable impact on industrial demand for electricity, which has declined dramatically in recent months. When combined with conservation plans, IESO forecasts indicate demand for electricity is unlikely to return to pre-recession levels any time soon, resulting in lower revenues for the IESO over the foreseeable future.

Many of our customers continue to feel the effects of the declining economy and it is incumbent upon the IESO to help them better manage their electricity costs. I am pleased to report that as part of our 2010-2012 submission to the Ontario Energy Board, we are committing to no increase in our fees for 2010. It is another example of the IESO's commitment to sound financial management. Our total operating costs have been reduced in each of the last six years.



In this context of financial constraints and shifting priorities, proceeding with the design, development and implementation of a smart grid in Ontario will pose a unique – but necessary – challenge. The goal of a smart grid is to use advanced information-based technologies to increase grid efficiency, reliability and flexibility. A smart grid in Ontario will enable the changes anticipated through the *Green Energy and Green Economy Act, 2009* delivering significant operational, environmental and consumer benefits. Working closely with our industry partners through the Ontario Smart Grid Forum, we have been at the forefront of smart grid research, planning and coordination in Ontario.

As the system operator and market administrator, the company is uniquely positioned to increasingly play a major coordinating role in the evolution of reliable, sustainable and competitively priced electricity service in the province. The ongoing evolution of Ontario's electricity system will bring with it new players, new technologies and new accountabilities. The IESO remains fully committed to providing Ontarians with the power they need, when and where they need it.

A handwritten signature in black ink, appearing to read "Paul Murphy". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Paul Murphy
President & Chief Executive Officer

ABOUT THE IESO

The Independent Electricity System Operator (IESO) oversees the safe, sustainable and reliable operation of Ontario's power system. Defined by statute as a non-profit corporate entity without share capital, the IESO was established by the Government of Ontario through the *Electricity Act, 1998*. The IESO is governed by a Board of Directors appointed by the Ontario Minister of Energy and Infrastructure.

The IESO serves as the nerve centre for the province's electricity grid, bringing together approximately 300 generators, transmitters, distributors, traders and large-volume commercial and industrial consumers. The company is responsible for managing Ontario's wholesale electricity market, through which supply and demand for electricity are kept in balance and the Hourly Ontario Energy Price (HOEP) is set. Independent of all electricity market participants, the IESO is an objective and impartial market administrator operating the wholesale electricity market in the best interests of Ontarians.

The IESO also undertakes short- and mid-term operational planning to ensure resource adequacy and reliability. In this way, all consumers in Ontario can be assured they will have the electricity they need, when and where they need it.

Separately, the IESO serves as Ontario's interim Smart Metering Entity, a role established as part of the Government's Smart Metering Initiative. In this capacity, the IESO is responsible for the design, development and management of a sophisticated database to collect and store real-time energy consumption data from Ontario's 4.5 million smart meters to determine billing quantities for local distribution companies.

STRATEGIC OBJECTIVES

The IESO's strategic objectives include:

- Direct the operation and maintain the reliability of the IESO-Controlled Grid and the IESO-Administered Markets;
- Prepare for future power system operations and adapt the IESO-Administered Markets to promote the purposes of the *Green Energy and Green Economy Act, 2009*;
- Efficiently manage our business; and
- Effectively contribute to the development and efficient implementation of government policy in the electricity sector for the sake of reliability, economic efficiency and the environment.

BUSINESS PLAN SUMMARY

Ontario's electricity industry continues to change at a rapid pace. The passage of the *Green Energy and Green Economy Act, 2009* will accelerate the development of renewable energy in Ontario and drive expansion of the transmission and distribution systems. Local distribution companies are being given substantial new authorities to implement conservation and demand management programs and invest in renewable generation embedded in their service territories. With its core system and market responsibilities, the IESO has a key role to play in the implementation of the Act.

At the same time, the economic downturn continues to impact the IESO in a number of ways. Many market participants are under severe financial pressure and the IESO is mindful of the need to hold the line on costs wherever possible. The lower than previously forecast demand for electricity as a result of economic factors will also result in lower revenues for the IESO, as may the increasing contribution of distributed generation. Given the financial pressures faced by market participants, efficiently managing its business is a key priority for the IESO.

The 2010-2012 Business Plan includes a commitment for no increase in IESO fees for 2010 and a consideration of extending that flat fee into 2011.

The IESO has introduced a new organizational structure that better positions the company to deliver on its core responsibilities in the changing electricity sector. In particular, this new structure will help the IESO respond to the demands associated with the implementation of the government's renewable energy policies.

The foundation for the new IESO organization is built on four pillars: Today, Tomorrow, Internal and External, complemented by support functions such as Finance and Legal Services. The "Today" pillar encompasses real-time operations with respect to power system operations, market administration and immediate support areas such as outage planning and emergency preparedness. The "Tomorrow" pillar encompasses the functions that prepare for tomorrow's operation, both from a system and market perspective, as well as preparation for future changes within the sector. The "Internal" pillar provides a focus for internal business excellence and brings together the enabling tools, people and processes while the "External" pillar promotes more effective relationships with external stakeholders. These four areas also help define the IESO's strategic objectives over the business planning period.

Foundation for the new IESO organization	
T	ODAY – encompasses real-time operations with respect to power system operations, market administration and immediate support areas such as outage planning and emergency preparedness
T	OMORROW – encompasses the functions that prepare for tomorrow's operation, both from a system and a market perspective, as well as preparation for future changes with the sector
I	INTERNAL – provides a focus for internal business excellence and bring together the enabling tools, people and processes
E	EXTERNAL – promotes more effective relationships with external stakeholders

TODAY: Real-time Operations

The IESO's responsibilities related to real-time operations include directing the safe and reliable operation of the IESO-Controlled Grid as well as the operation and settlement of the IESO-Administered Markets.

The IESO forecasts electricity demand throughout the province and accepts bids and offers from generators and large volume customers to meet that demand. The IESO also settles the Province's annual \$11-billion energy market, on behalf of approximately 300 buyers and sellers of electricity.

The power system is undergoing a fundamental change. The pace of change is expected to accelerate over the planning timeframe with the overhaul of the IESO-Controlled Grid, the addition of cleaner and distributed energy sources, the incorporation of smart grid technologies, the expansion of conservation and demand management initiatives and the continued reduction in the use of coal.

Historically, power systems were built around large generation projects. All required infrastructure (transmission, transformers, protection, monitoring and control) was planned and coordinated around these massive supply points. Today, many new projects are being added in a much more distributed fashion, attempting to leverage existing infrastructure wherever possible. Often, new facilities are brought onto the grid in places where the original planners did not contemplate. Instead, new supply sources are located where the wind blows or where added efficiencies can be achieved through combined heat and power projects that must by their nature be close to industry. In many cases, special operating arrangements will need to be developed to reliably merge the new and existing facilities.

The growing number of market participants and the changing nature of the equipment they operate further add to the complexity of system and market operations. There has been a significant increase in the number of intermittent generators, such as wind. With approximately 1,000 MW of wind in service today combined with strong performance from Ontario's baseload generation fleet, and minimum demand dropping down to 1997 levels, the IESO has gained valuable insight into some future challenges. Significant increases to the Ontario wind generation fleet will mean surplus baseload generation will no longer be confined to spring and fall weekends. The future power system may have to contend with this at various times throughout the year. A day of tight supply conditions may be followed by a day of more baseload generation than the province needs, due solely to a change in the wind. Experience in 2009 has demonstrated that these surplus supply conditions are challenging for the IESO and its participants, highlighting the importance of coordinated actions and effective communications, two cornerstones of a smart grid.



With approximately 1,000 MW of wind in service today, a centralized wind forecasting service is being introduced by the IESO. (Photo: CanWEA)

Communication and coordination will be a key priority for IESO over the planning period to ensure the reliable, efficient and environmentally-responsible operation of Ontario's electricity sector.

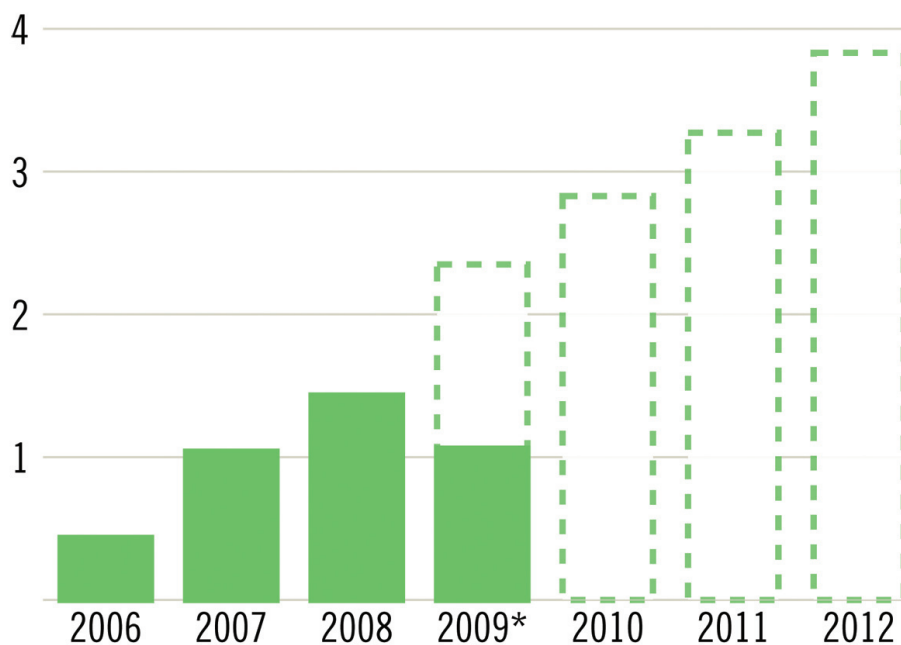
Up to date, accurate forecasts from the wind-powered fleet will continue to be a challenge, as a growing number of separate facilities begin operations. Although wind operators have made significant efforts to improve their forecasting capabilities, a centralized wind forecasting service is being introduced by the IESO and embraced by wind producers to further improve the quality of forecasts while reducing the administrative burden on producers.

The management of outages and the incorporation of new facilities will be a key priority for the IESO over the business planning period.

Both periodic maintenance and the physical incorporation of new facilities are managed through the IESO's outage management process. The volume and complexity of the outages on the power system has increased significantly in recent years. With many new facilities scheduled to be incorporated into the power system, outage growth required to facilitate new construction will accelerate, putting further pressure on outage planning and real-time outage management.

The diversity and large number of new participants entering the market further adds to the complexity of outage coordination and real-time operations. In some instances, the IESO's systems are not conducive to efficient processes with many smaller participants. The IESO will be pursuing improvements in areas such as electronic outage data submission, resulting in both a more effective and efficient process for both the participant and the IESO. The first stage of the new Outage Management program will be in service in the first quarter of 2010.

Actual and Projected Wind Energy Production (TWh)



*Actual energy production as of June 20, 2009

TOMORROW: Preparing for the future

Maintaining reliability will continue to be a cornerstone of the IESO. Reliability is the organization's number one priority and occupies much of the company's focus. This includes introducing more effective ways to ensure compliance with reliability standards. Attention also needs to be given to other priorities including the need to facilitate the implementation of the *Green Energy and Green Economy Act, 2009* and develop continuous organizational efficiency improvements.

The Act will result in substantially different power system outcomes than were originally anticipated under the Integrated Power System Plan. In particular, the open 'feed in tariffs' (FIT) without quantity limits for renewable energy sources and the associated 'right to connect' obligations on transmitters and distributors, will significantly increase the quantity of renewable resources and drive significant expansion of the transmission and distribution networks. A major focus of the IESO over the business planning period will be to respond to the high volume of work in market assessments and market entry driven by FIT applicants, the incorporation of renewable generation and new transmission, and preparation for the operation of a power system with substantially different characteristics.

A key initiative of the IESO over the business planning period will be to deliver on our obligations under the Green Energy and Green Economy Act, 2009, including the integration of renewable technologies into reliable operation.

The current Ontario market has played an important role in achieving operational efficiency in the province and market development options are being pursued to adapt the market to better address future operating conditions. The wholesale market can continue to play an important role in fostering conservation by providing reliable price signals in support of retail pricing particularly as time-of-use pricing is introduced. The IESO has integrated both system and market planning to build capacity and to manage additional change.



A key initiative of the IESO over the next three years will be to build a critical mass of integrated system and market analytical capability to be able to work with stakeholders and effectively contribute to the development and implementation of policy in the energy sector.

Finally, over the course of the business planning period, stakeholders can remain updated on the forecasted security and adequacy of Ontario's integrated power system through IESO publications such as the Ontario Reliability Outlook, the 18-Month Outlook, interim updates, daily Security and Adequacy Assessments (SAA) and System Status Reports (SSR). As project commitments are made by the Ontario Power Authority (OPA), or included in the IPSP, the Ontario Reliability Outlook will continue to monitor and report on the progress of these infrastructure developments and their impact on future reliability.

INTERNAL: Our Employees

The flat fee commitment for 2010 will result in an overall staff complement that is in line with the number of employees today but below budgeted staff levels for 2009. This will necessitate a change in the IESO's approach to meeting its responsibilities, increasing focus in certain areas and reducing focus in areas of less value to customers.

A key initiative for the IESO throughout the business planning period will be to continue to seek and enhance efficiencies within IESO operations, developing efficient business processes and tools that demonstrate the IESO is a well-managed company, responsive to its customers' needs.

This will also necessitate continued focus on the ongoing training and development of IESO staff to enable increased flexibility in staffing and maintenance of strong performance even with significant levels of staff retirements.

A key initiative will be to invest in existing and new staff skills to increase flexibility and career opportunity, and to support efficient workload realignment and adequate succession planning.

EXTERNAL: Customers and Stakeholders

With approximately 300 market participants, the IESO provides a number of services that promote the efficient operation of the market for both buyers and sellers. The IESO also works with local distribution companies, associations and others, to help ensure Ontario electricity customers are well informed and better able to make sound decisions about electricity purchasing and energy management options.

A key initiative for the IESO over the business planning period will be to expand the availability and accessibility of system and market information by leveraging the web and other online channels and utilizing current publications and speaking and meeting opportunities.



The IESO also runs a comprehensive stakeholder engagement process, allowing stakeholders to provide input and feedback about proposed decisions or market rule changes. This stakeholder interaction will continue over the business planning period and accommodate the provincial government's role as the major change agent in the sector.

One of the IESO's key initiatives over the business planning period will be to utilize its system and market expertise to effectively contribute to the development and efficient implementation of government policy in the electricity sector for the sake of reliability, economic efficiency and the environment.

As the interim Smart Metering Entity the IESO will work with the Ontario Energy Board (OEB) and local distribution companies to move forward their programs to utilize time-of-use rates for residential and small general service consumers.

A key initiative for the IESO over the business planning period is to support the move of Ontario's over 4.5-million residential and small general service customers to time-of-use billing.

FINANCIAL OVERVIEW

The IESO's fiscal management continues to be based on a simple objective – to demonstrate continued diligent financial management while achieving its corporate objectives.

The IESO operates two separately funded aspects of the business – wholesale operations and Smart Metering Entity.

Financial Outlook Related to the IESO Usage Fee:

Financial statements related to the IESO Usage Fee are included in Appendix 1.

PROJECTED 2009 FINANCIAL RESULTS

The following table outlines the 2009 financial projections compared to the approved budgets for the year:

(\$ millions)	2009 Projected	2009 Budget	Projected Variance
Usage Fees	122.8	124.7	(1.9)
Market-related Interest Income	-	3.6	(3.6)
Cost Recovery for Services	1.7	2.0	(0.3)
Total Revenues	124.5	130.3	(5.8)
OM&A Program Costs	90.5	93.1	2.6
OM&A Pension Expense (net)	10.8	12.0	1.2
Amortization	20.9	22.4	1.5
Net Interest	2.6	2.8	0.2
Total Costs	124.8	130.3	5.5
Operating Deficit	(0.3)	-	(0.3)
Accumulated Operating Surplus	4.7	5.0	(0.3)

The most recent projected 2009 financial results demonstrate two things – continued strong cost controls on the part of IESO management and difficult economic conditions.

The difficult economic conditions are reflected in the lower than budgeted usage fee revenues and the lack of market-related investment income. The usage fee revenues are a direct result of energy volumes within the province and exports. Provincial volumes are down as a result of a strained economy and successful conservation initiatives. The energy volumes for 2009 are projected at 149.4 terawatt hour (TWh), some 2.3 TWh below the budgeted volumes of 151.7 TWh. Also, the difficult economic conditions are reflected in the world's capital markets, impacting upon the IESO's estimated value for its corporate and real-time market investments in Canadian Asset-Backed Commercial Paper (ABCP). As a result, the actual and projected investment income on non-ABCP investments is insufficient to offset the current loss of value on ABCP investments. Accordingly, the IESO is not projecting to recognize any market-related interest income.

On the cost side, the IESO has been effective in managing its operations, maintenance and administration (OM&A) program costs to levels \$2.6-million below the approved budget. As well, interest rates used to calculate the pension expense were slightly higher than the planning assumption, helping to reduce the projected pension expense for the year. Amortization costs are projected to be \$1.5 million less than the approved budget in 2009 as a result of timing of capital spending in 2009, lower than budgeted capital spending in the year and successful asset management resulting in modest extensions to some asset service lives. The projected capital spending level for 2009 is \$12.6 million, some \$10.3 million below the approved budget of \$22.9 million. Most of the 2009 capital plan was delivered in a manner consistent with the 2009-2011 Business Plan. The Enhanced Day-Ahead Commitment project (EDAC) accounts for the majority of the variance (\$9.5 million of the \$10.3 million variance), due to the detailed project schedule extending beyond the high-level timing assumptions incorporated into last year's business plan. The projected 2009 capital program details are included in Appendix 2. Reflecting the 2009-2012 capital plan, necessary revisions to existing asset service lives were estimated, resulting in a \$0.8 million reduction in 2009 amortization. Lastly, projected net interest expense is largely consistent with the approved budget.

FINANCIAL OUTLOOK 2010-2012

The financial outlook to 2010 and beyond extends the message from 2009 – prudent cost management on the part of the IESO and difficult economic conditions.

The following table outlines the planned operating results over the planning period:

(\$ millions)	2009 Projected	2010 Budget	2011 Plan	2012 Plan
Usage Fees	122.8	122.8	122.7	127.1
Cost Recovery for Services	1.7	2.0	2.1	2.1
Total Revenues	124.5	124.8	124.8	129.2
OM&A Program Costs	90.5	91.5	91.4	93.8
OM&A Pension Expense(net)	10.8	11.3	14.1	16.5
Amortization	20.9	21.0	17.8	16.9
Net Interest	2.6	1.0	1.5	2.0
Total Costs	124.8	124.8	124.8	129.2
Operating Surplus/(Deficit)	(0.3)	-	-	-
Accumulated Operating Surplus	4.7	4.7	4.7	4.7

Total Revenues

As depicted in the table, revenues are budgeted to effectively remain flat in 2010 and 2011. At this time, an increase is forecast for 2012 is due to an increased usage fee rate.

Usage fee revenues are the result of the proposed usage fee rate and the forecast energy volumes. The following table outlines those details over the planning period:

	2009 Projected	2010 Budget	2011 Plan	2012 Plan
Outlook Demand Forecast (TWh)	140.4	142.5	142.3	141.4
Less: Transmission Line Losses (TWh)	(3.1)	(3.1)	(3.1)	(3.1)
Exports (TWh)	12.1	10.0	10.1	10.2
Total Energy Volumes (TWh)¹	149.4	149.4	149.3	148.5
IESO Usage Fee (\$/MWh)	\$0.822	\$0.822	\$0.822	\$0.856
Total Usage Fee Revenue (million)	\$122.8	\$122.8	\$122.7	\$127.1

¹Load forecasts used in calculating the usage fees over the plan horizon are based on the 18-month outlook released May 25, 2009.

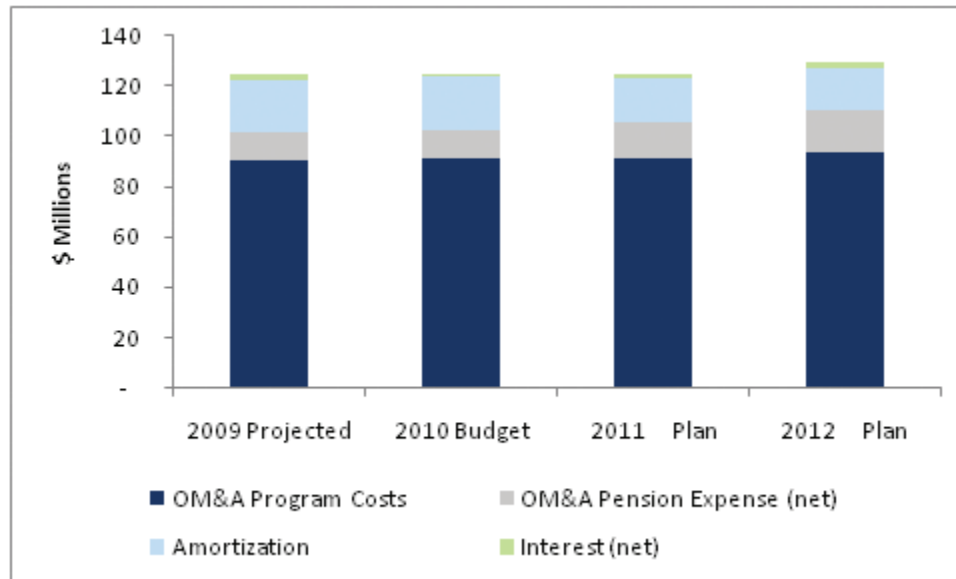
The usage fee rate represents the forecast required fee in the year for the IESO to break even.

Cost recovery revenues are budgeted to increase over the planning period, to \$2.0 million in 2010. These revenues represent services that are provided at cost and there are corresponding costs within the OM&A program for these services.

There remains significant uncertainty with respect to the timing and volume of new applications, which drive connection assessments and other work and the IESO has taken and will continue to take action to address the anticipated workload. This uncertainty is not a material financial concern as cost recovery revenues will be consistent with corresponding costs within the IESO. Accordingly, there should be no net impact on the IESO for these services and no impact on the IESO usage fee.

In prior years, the IESO had a revenue stream associated with market-related interest income, representing investment income earned on market funds as they flow through the settlement cycle. However, the estimated loss of value on the IESO's ABCP investments to the end of the planning period is greater than the actual, projected and budgeted interest income earned on any market-related investments over that same period, therefore no market-related investment income is assumed for 2010-2012.

Total Costs



(\$ millions)	2009 Projected	2010 Budget	2011 Plan	2012 Plan
OM&A Program Costs	90.5	91.5	91.4	93.8
OM&A Pension Expense (net)	10.8	11.3	14.1	16.5
Amortization	20.9	21.0	17.8	16.9
Interest (net)	2.6	1.0	1.5	2.0
Total Operating Costs	124.8	124.8	124.8	129.2

Over the planning period, it is expected that total costs will remain at current levels for 2010 and 2011, with an increase in 2012 at about the rate of inflation.

OM&A Program Costs

OM&A program costs are budgeted to remain unchanged, at \$124.8 million in 2010 and 2011, with increases in 2012 in line with inflation. Although the total OM&A program costs are budgeted to remain largely unchanged in 2010, the IESO's budgeted staff level will be managed to minimize cost increases. Also, the IESO will continue to employ focused vendor management to limit inflationary and other increases in computer support, maintenance and equipment costs and telecommunication costs.

Staffing

Over the planning period, IESO management expects to achieve efficiencies resulting from organizational redesign, business process redesign, and acceptance of increased risk levels in some areas of the business; and reduced focus in areas of less value for customers. IESO management expects reduced staff levels to be achieved through normal attrition as the business has an expected attrition rate of over 20 regular staff per year over the planning period.

The total staff levels are 460 for 2009, 448 for 2010, 418 for 2011 and 2012. These staffing levels include regular and temporary staff for wholesale operations, Smart Metering Entity, and Customer Education.

Considering the uncertain work volume associated with the Green Energy and Green Economy Act there may be a need to increase staffing levels to assist in dealing with peak work volumes. This expected peak work in 2010 is principally connection assessments and that work is performed on a cost-recovery basis so any additional temporary staff in this area should not impact the net costs associated with the IESO usage fee.

OM&A Pension Expense²

(\$ millions)	2009 Projected	2010 Budget	2011 Plan	2012 Plan
Pension Costs	12.5	12.8	15.7	18.4
Capitalized Pension	(0.5)	(0.3)	(0.3)	(0.3)
SERP Investment (Income)/Loss ³	(1.2)	(1.2)	(1.3)	(1.6)
OM&A Pension Expense (net)	10.8	11.3	14.1	16.5

The OM&A pension expense increases over the planning period as a result of the recognition of prior period investment losses. The pension expense assumes no change in pension benefits over the planning period.

²Pension expense is based on a discount rate of 6.4%. Pension expense for 2010 is based on actual pension plan returns to the end of April 2009 with the 2011 and 2012 pension expense based on plan returns of 6.75%. This latter rate of return is consistent with the assumed expected long-term return on plan assets.

³The IESO's long-term investments represent corporate assets that have been notionally put in place to discharge the liabilities associated with the Supplemental Employee Retirement Plan (SERP). In prior years business plans, this income was included as a component of net interest expense.

Amortization

The amortization expense reflects the following capital spending:

Project (\$ millions)	2009 Projected	2010 Budget	2011 Plan	2012 Plan
Enhanced Day-Ahead Commitment	6.4	13.5	6.6	
On Line Limits Development	1.4	1.3	1.4	1.8
Enrolment Automation	0.2	0.6	0.1	
Outage Management Replacement	0.1	0.1		
NERC Standards Compliance Monitoring Tool	0.1	0.1		
Enhanced Forecasting for the GEGEA Initiatives		0.3	0.8	0.6
Total Key Capital Projects	8.2	15.9	8.9	2.4
Other Projects	4.4	5.7	12.1	16.8
Total Capital Projects	12.6	21.6	21.0	19.2

The total 2009-2012 capital spending level of \$74.4 million includes an anticipated spending level for the Enhanced Day-Ahead Commitment (EDAC) project of \$26.5 million, as approved previously by the IESO Board and included in the 2009-2011 Business Plan approved by the Ontario Energy Board (OEB). With the focus of capital effort on EDAC, the remaining average annual spending level for the planning period of \$12.0 million (\$47.9 million in total) is slightly higher than actual and projected spending levels over the past number of years, reflecting the need to invest in existing and replacement solutions over the planning period.

Given the ongoing need for changes and reprioritization, the business planning process is not used as the mechanism for capital project approval. Rather, through business planning, an appropriate capital envelope is established for future years. This practice is consistent with prior years. As well, the IESO recognizes the need for robust disclosure and information about the projects for which this capital funding will be utilized.

Accordingly, the IESO continues to employ an approach to capital budgeting for the planning period that includes two distinct groupings of capital projects - key capital initiatives and other capital initiatives. Key capital initiatives represent the most critical capital projects over the planning period. The other capital initiatives are also necessary projects, however, they are projects that either afford themselves to more flexibility in planning or delivery so timing is not as critical, or they are lower priority than some key initiatives. Stakeholders should expect that the IESO will deliver the key capital initiatives as scheduled and, over the life of the plan, will deliver the other capital initiatives.

Detailed project descriptions and timing are included in Appendix 2.

The following table outlines the resulting amortization over the period:

(\$ millions)	2009 Projected	2010 Budget	2011 Plan	2012 Plan
Amortization	20.9	21.0	17.8	16.9

Interest Expense (net)

Net interest expense is comprised of the following components:

(\$ millions)	2009 Projected	2010 Budget	2011 Plan	2012 Plan
Interest on Debt	2.2	0.4	1.0	1.3
Financing Charges	0.7	0.7	0.7	0.7
Investment/Other Income	(0.2)	-	-	-
Capitalized Interest	(0.1)	(0.1)	(0.2)	-
Net Interest Expense	2.6	1.0	1.5	2.0

In 2009, the IESO's \$78.2-million note payable to Ontario Electricity Financial Corporation (OEFC) and its credit facilities matured. Due to difficult credit conditions existing at the time lead up to maturity, the IESO effectively extended both arrangements. The IESO entered into a new two-year note payable to OEFC for \$78.2 million at an interest rate equal to Province of Ontario Treasury Bills plus 0.25%. The credit facility was renewed with the existing bank, however, the renewal fees were much higher than in the past (from 0.1% to 0.25%), the carrying cost for undrawn amounts was significantly increased (from 0.1% to 0.45%), and the borrowing rate on drawn funds was increased significantly (from Bankers' Acceptances (BAs) + 0.3% to BAs + 1.75%). The overall cost of borrowing will be significantly less as the maturing note payable to OEFC had an interest rate of 7.9%. These results are reflected in the interest on debt and the financing charges above.

The interest on debt also reflects the following assumptions:

	2009 Projected	2010 Budget	2011 Plan	2012 Plan
Debt at end of year (\$ millions)	39.0	47.2	57.4	62.9
Average Interest Rate	4.00%	0.82%	1.75%	2.15%

Debt levels increase as capital spending levels exceed amortization and pension plan contributions exceed pension expense.

Smart Metering Entity

In 2006, a regulation under the *Electricity Act* was issued expanding the IESO's objects to include responsibilities under the provincial government's Smart Metering Initiative (SMI). These responsibilities cover overall co-ordination of the Smart Metering System Implementation Program and project management of the development and delivery of the Meter Data Management and Repository (MDM/R).

In 2007, a regulation under the *Electricity Act* further designated the IESO as the interim Smart Metering Entity. As such, in addition to its current role, the IESO is responsible for the administration and operation of the MDM/R and the enrolment into the MDM/R of all the local distribution companies in the province.

In 2009, the IESO was requested by the Minister of Energy and Infrastructure to produce a roadmap for the issuance of time-of-use bills across the province. Pursuit of the roadmap was endorsed by Government, including the required additional support from the IESO.

The budget for the Smart Metering System Implementation Program is \$89 million, reflecting amounts for the MDM/R design, delivery, and operation for four years (through February 2012) and support of time-of-use rollout. The budget includes the government-approved \$4 million increase associated with the required additional IESO support for the roll-out of time-of-use across the province. The IESO is forecasting to deliver the Smart Metering System Implementation Program within the approved budget.

From a cost perspective, it is intended that the IESO's internal and contracted expenses will be recovered through a regulatory mechanism, which will be independent of the IESO's current fee structure and of the revenues derived from the wholesale market. Until the regulatory mechanism is in place, the IESO has included preliminary estimates of high-level revenues and costs for its Smart Meter Entity activities. These are shown in the following table and reflected in the consolidated financial statements provided in Appendix 4.

All direct and incremental costs associated with the MDM/R will be collected and charged separately from all other IESO costs that form part of the revenue requirements for the IESO usage fee. Corporate overhead costs are minimal, and are therefore not charged to the Smart Meter Entity accounts.

The IESO will be developing a fee proposal later in the fall of 2009 in respect of its role as the Smart Meter Entity, at which time smart meter revenues and costs will be confirmed.

(\$ millions)	2008 Actual	2009 Projected	2010 Budget	2011 Plan	2012 Plan
SME Fees	-	-	23.7	23.8	24.5
Total Revenues	-	-	23.7	23.8	24.5
SME Program Costs ⁴	7.7	13.4	18.2	13.6	10.3
Amortization	2.6	3.0	3.7	3.7	3.7
Net Interest	0.4	0.2	1.1	1.7	1.1
Total Costs	10.7	16.6	23.0	19.0	15.1
Operating Surplus/(Deficit)	(10.7)	(16.6)	0.7	4.8	9.4
Accumulated (Deficit)	(10.8)	(27.4)	(26.7)	(21.9)	(12.5)

The relevant assumptions and resulting Smart Metering Entity balance sheet are included in Appendix 3.

Overall Financial Outlook

The overall financial outlook of the IESO, including both wholesale operations and smart metering entity activities, are presented in the consolidated financial statements in Appendix 4.

⁴ Includes \$4 million approved by the Government of Ontario for the pursuit of the agreed upon roadmap for the issuance of time-of-use bills across the province.

Appendix 1: IESO Usage Fee Financial Statements

Actual and Pro Forma Statement of Operations and Accumulated Surplus

For the year ended December 31
(in Millions of Canadian Dollars)

	2008 Actual	2009 Projected	2010 Budget	2011 Plan	2012 Plan
REVENUES					
Usage fees	133.9	122.8	122.8	122.7	127.1
Cost recovery for services	1.8	1.7	2.0	2.1	2.1
Total Revenues	135.7	124.5	124.8	124.8	129.2
EXPENSES					
OM&A program costs	88.1	90.5	91.5	91.4	93.8
OM&A pension expense	15.5	10.8	11.3	14.1	16.5
Amortization	20.8	20.9	21.0	17.8	16.9
Net Interest	5.6	2.6	1.0	1.5	2.0
Total Expenses	130.0	124.8	124.8	124.8	129.2
Operating Surplus/(Deficit)	5.7	(0.3)	-	-	-
Rebates to Market Participants	(1.4)	-	-	-	-
Accumulated Surplus - Usage fees	5.0	4.7	4.7	4.7	4.7
Market-related Penalties & Fines	0.1	-	-	-	-
Customer Education Fund Expenditures	(0.7)	(0.7)	(0.6)	(0.5)	-
Accumulated Fines and Penalties					
End of Year	1.8	1.1	0.5	-	-

Actual and Pro Forma Statement of Financial Position

For the year ended December 31
(in Millions of Canadian Dollars)

	2008 Actual	2009 Projected	2010 Budget	2011 Plan	2012 Plan
ASSETS					
Current Assets					
Cash & cash equivalents	12.7	2.0	2.0	2.0	2.0
Receivable from SME	24.1	-	-	-	-
Accounts receivable	13.7	13.1	13.1	13.1	13.2
Short-term prepaid expenses	4.0	4.0	4.0	4.0	4.0
	54.5	19.1	19.1	19.1	19.2
Property & Equipment					
Property & equipment in service	363.1	369.4	377.5	418.4	437.6
Less: accumulated amortization	<u>(279.2)</u>	<u>(300.1)</u>	<u>(321.1)</u>	<u>(338.9)</u>	<u>(355.8)</u>
Net Book Value	83.9	69.3	56.4	79.5	81.8
Construction-in-progress	2.1	8.4	21.9	2.0	2.0
	86.0	77.7	78.3	81.5	83.8
Other Assets					
Long-term investments	15.0	17.6	20.5	23.5	26.8
Prepaid pension expense	-	3.6	11.8	16.9	20.8
TOTAL ASSETS	155.5	118.0	129.7	141.0	150.6
LIABILITIES					
Current Liabilities					
Accounts payable & accrued liabilities	19.8	22.4	22.4	19.9	19.9
Accrued interest	1.0	-	0.1	0.2	0.2
Rebates to market participants	1.4	-	-	-	-
	22.2	22.4	22.5	20.1	20.1
Debt	78.2	39.0	47.2	57.4	62.9
Accrued pension liability	1.8	-	-	-	-
Accrual for employee future benefits other than pension	46.5	50.8	54.8	58.8	62.9
TOTAL LIABILITIES	148.7	112.2	124.5	136.3	145.9
Accumulated Surplus - Usage Fees	5.0	4.7	4.7	4.7	4.7
Accumulated Fines and Penalties	1.8	1.1	0.5	-	-
TOTAL LIABILITIES & ACCUMULATED SURPLUS	155.5	118.0	129.7	141.0	150.6

Actual and Pro Forma Statement of Cash Flows

For the year ended December 31
(in Millions of Canadian Dollars)

	2008 Actual	2009 Projected	2010 Budget	2011 Plan	2012 Plan
OPERATING ACTIVITIES					
Operating surplus/(deficit) after rebates	4.3	(0.3)	-	-	-
Change in rebates to market participants	1.4	(1.4)	-	-	-
Market penalties and fines	0.1	-	-	-	-
Customer education fund expenditures	(0.7)	(0.7)	(0.6)	(0.5)	-
Amortization	20.8	20.9	21.0	17.8	16.9
Change in fair value long-term investment	2.8	(1.2)	(1.2)	(1.3)	(1.6)
Pension cost	13.4	12.5	12.8	15.7	18.4
Increase in accrual for employee future benefits	6.3	6.2	6.0	6.3	6.6
Pension plan contributions	(8.6)	(17.9)	(21.0)	(20.8)	(22.3)
Payment of employee future benefits	(1.7)	(1.9)	(2.0)	(2.3)	(2.5)
Change in SME receivable	(14.7)	24.1	-	-	-
Changes in other non-cash items related to operations	1.2	(21.9)	0.1	(2.4)	(0.1)
Cash Provided from Operations	24.6	18.4	15.1	12.5	15.4
INVESTING ACTIVITIES					
Purchase of long-term investments	(1.0)	(1.4)	(1.7)	(1.7)	(1.7)
Investment in property & equipment	(12.1)	(12.6)	(21.6)	(21.0)	(19.2)
Cash Used in Investing Activities	(13.1)	(14.0)	(23.3)	(22.7)	(20.9)
FINANCING ACTIVITIES					
Issue/(retirement) of debt	-	(15.1)	8.2	10.2	5.5
Cash Provided from Financing Activities	-	(15.1)	8.2	10.2	5.5
Net Change in Cash Flow	11.5	(10.7)	-	-	-
Cash and Cash Equivalents - Beginning of Year	1.2	12.7	2.0	2.0	2.0
Cash and Cash Equivalents - End of Year	12.7	2.0	2.0	2.0	2.0

Appendix 2: IESO Capital Projects

Project (\$ thousands)	Stage	Projected 2009 Capital	2010 Capital	2011 Capital	2012 Capital
Key Initiatives					
Enhanced Day-Ahead Market		6,400	13,500	6,600	
On Line Limits Development (OLLD)	(OLLD Stage II Phase 1 - Bruce Readiness)	1,400			
	(OLLD Phase II Stage 2, Phase III and Phase IV)		1,350	1,400	1,800
Enrolment Automation	Customer Information and Data Efficiency	150	235		
	Customer Process Automation	50	200	50	
	Customer Interface		150	50	
Outage Management Replacement	Outage Submission Automation	100	50		
North American Electric Reliability Corporation (NERC) Standards Compliance Monitoring Tool		100	50		
Enhanced Forecasting for the Green Energy Act (GEA) Initiatives			300	800	600
Key Initiatives Total		8,200	15,835	8,900	2,400
Other Projects					
Renewable visibility for GEA resources				600	800
Renewable operations desk for GEA resources				300	400
Network Refresh				500	500
Financial System Upgrade	Phase 1 - Market	800			
	Phase 2 - Corporate		160		
Email Archiving			300		
Pre-Production Infrastructure Project					500
Settlement system replacements				1,000	3,000
Records Manager Replacement and Introduction of Document Management			500	1,000	
Network Manager Upgrade Supervisory Control and Data Acquisition System (SCADA)/Market Information System (MIS)					1,500
Remote Terminal Unit (RTU) Router Upgrade & Multiprotocol Label Switching (MPLS) Migration			500	250	
Market Information Management (MIM) Refresh	Technical Refresh	200	1,000	800	

Uninterruptible Power Supply (UPS) Replacement				600	
Outage Management Replacement	Internal Systems Replaced			1,000	1,000
Operating Security Limits (OSL) Refresh				800	700
Message Exchange Refresh				800	700
Aspen Refresh			200	400	
IESO Portal Upgrade		650	150		
Private Branch Exchange (PBX) / Enhanced Voice Communication				800	
System Data Repository (SDR) Refresh				500	100
Locational prices for generators, uniform prices for loads				100	500
Real-time improvements (3 part bidding, multi hour optimization)					500
Photo Voltaic (PV) System			500		
Misc Application and Infrastructure Projects < \$500,000		2,500	1,500	1,500	5,500
Other Project Totals		4,150	4,810	10,950	15,700
Other Projects - Funding Provisions					
Increased Disk Storage			200	200	200
Interconnection Metering Replacements			200	200	200
Microsoft Licenses		200	200	400	400
IESO Greening Initiatives			80	80	80
Rack Enclosure Capacity Planning			250	250	250
Other Projects - Funding Provision Totals		200	930	1,130	1,130
Capital Funding Totals		12,550	21,575	20,980	19,230

Key Capital Projects - Descriptions

Project	Stage	Description
Enhanced Day-Ahead Commitment		Improved efficiency of unit commitment to reduce the overall cost of supplying market demand; Improved operational signals to generators, which, among other things, should result in improved coordination of gas and electricity markets; Support to anticipated changes in Ontario's electricity sector without inhibiting future market evolution initiatives.
On Line Limits Development (OLLD)	(OLLD Stage II Phase 1 - Bruce Readiness), Stage 2, Phase III and Phase IV)	Currently much of the limit derivation in the IESO is performed manually both on-and off-shift. This project would acquire or develop the tools to facilitate on-line limit derivation in both the on-shift and back office environments. The new systems would be fully integrated into the existing suite of tools.
Enrolment Automation	Customer Information and Data Efficiency	Improvements will address the handling of customer and market system information currently stored in several IESO registration databases.
	Customer Process Automation	Move the connection assessment, metering and enrolment business processes to an automated Portal environment. Improvements will include the elimination of managing tasks through email and replacement of the various business supported tools.
	Customer Interface	Develop Portal interface to permit IESO customers to submit and modify enrolment type information. The ability will reduce the need for IESO staff to manage customer information and empower customers.
Outage Management Replacement	Outage Submission Automation	This project will provide all market participants with a user interface for submitting and viewing their outages. This project will reduce IESO effort to process outages for MPs that do not have an application programming interface (API).
North American Electric Reliability Corporation (NERC) Standards Compliance Monitoring Tool		This tool is required in order to ensure compliance with NERC standards is monitored, auditable, and effective.
Enhanced Forecasting for the <i>Green Energy Green and Economy Act, 2009</i> Initiatives		Additional tools and services are required by operations to improve the forecasting of available energy from renewable sources and the impacts on demand.

Other Capital Projects - Descriptions

Other Projects	Stage	Description
Renewable visibility for the <i>Green Energy and Green Economy Act, 2009</i> (GEGEA) resources		Enhance and improve telemetry provided from renewable sources and integrate the information into the IESO Supervisory Control and Data Acquisition System (SCADA)/Energy Management (EMS) for operator and software application use.
Renewable operations desk for GEGEA resources		Create a renewable portfolio desk in the control room to assist in managing renewable resources in Ontario.
Network Refresh		This project will upgrade the Network infrastructure components as part of a five-year Lifecycle Update.
Financial System Upgrade	Phase 1 - Market	Purchase of financial application and implementation of the market finance functionality within the application.
	Phase 2 - Corporate	Upgrade the corporate finance functionality with the finance application.
Email Archiving		Provide archive capabilities for the email system to secure important IESO information.
Pre-Production Infrastructure Project		Build of a pre-production infrastructure (network and storage) to support improvement of the quality assurance that will enable better mimicking of the IESO's production environment. This will enable improved quality and reliability assurances from implementation testing, which occurs prior to introducing systems into a full production environment.
Settlement system replacements		Settlements have two major systems that should be replaced during this period: the Commercial Reconciliation System and the Revenue Metering Repository. The order for implementation has not been decided at this time. Priority will be based on a risk assessment and efficiency improvements.
Records Manager Replacement and Introduction of Document Management		Replace the IESO's existing Foremost Records Management system, which has a technological life cycle end date of 2007, in order to maintain the existing records management system capabilities, incorporate needed improvements, and increase storage scalability.
Network Manager Upgrade SCADA/MIS		Lifecycle update to the SCADA/EMS and Market Information System (MIS) application platforms. Similar to EMS/MIS Upgrade but with less impact. Vendor is not expected to make any significant architectural changes in that time frame.
Remote Terminal Unit (RTU) Router Upgrade & Multiprotocol Label Switching (MPLS) Migration		Capital project to convert the IESO real-time telemetry network from Frame Relay to MPLS. This project will result in a substantial savings in telemetry costs for the IESO.
Market Information Management (MIM) Refresh – Technical Refresh		The existing MIM system will be refreshed to extend its life and provide support for additional functionality required by the IESO Markets (e.g. Enhanced Day-Ahead Commitment)
Uninterruptible Power Supply (UPS) Replacement		The International Power Machine (IPM) UPS is aging and should be replaced.
Outage Management Replacement	Internal Systems Replaced	This project will replace the existing outage management systems (Integrated Outage Management System and Operating System) and associated APIs.

Operating Security Limits (OSL) Refresh		This project will replace the existing OSL application. Significant functional enhancements are envisioned to improve the user experience and integrate with the OLLD initiatives.
Message Exchange (MX) Refresh		This project will replace the existing Message Exchange application. Significant functional and technological enhancements are expected. These changes are required to improve market participant interfaces and the API. There is also the assumption MX should support operational instructions over the internet and enable provision operation instructions to renewable resources.
Aspen Refresh		This project will upgrade or replace the existing corporate file server ASPEN. This will ensure that ASPEN continues to provide an acceptable performance level as data volumes grow, as well as to ensure that the hardware continues to be vendor-supported.
IESO Portal Upgrade		This project will upgrade or replace the existing Portal infrastructure. This will ensure that hardware and software continue to be vendor supported and maintain an acceptable availability level.
Private Branch Exchange (PBX) / Enhanced Voice Communication		The existing PBX will be refreshed or replaced. This project will also include a refresh of the Apropos system.
System Data Repository (SDR) Refresh		The project will refresh the infrastructure on which the IESO Data Warehouse is deployed.
Locational prices for generators, uniform prices for loads		Focus on the real-time price signal – This would include nodal prices for generators, imports and exports and a common price for load. It would remove Congestion Management Settlement Credits (CMSC) and some guarantees and would simplify and improve transparency in the current marketplace, as well as providing a better coordinating signal. This would also bring savings to IESO operations.
Real-time improvements (three-part bidding, multi hour optimization)		Focus on real-time efficiency - through our EDAC work we discovered the large efficiencies that can be brought forward with additional information from generators, importers and exporters and optimization over a short time frame to reflect the characteristics of the supply mix we are creating. This step would bring three part bidding to real-time to encompass quick start and not so quick start facilities and would optimize dispatch over several hours. This would allow a move to increased frequency of dispatch with neighbouring markets, improved ability to incorporate variable dispatch, and an improved coordination signal in the Hourly Ontario Energy Price (HOEP).

Appendix 3: Smart Metering Entity

Smart Metering Entity - Projected Balance Sheet

(\$ millions)	2008 Actual	2009 Projected	2010 Budget	2011 Plan	2012 Plan
ASSETS					
Property & Equipment	14.1	16.5	13.0	9.6	6.3
Deferred Charges	1.6	1.6	1.3	1.1	0.8
TOTAL ASSETS	15.7	18.1	14.3	10.7	7.1
LIABILITIES					
Accounts Payable & Accrued Liabilities	2.4	1.0	1.0	1.0	1.0
Payable to IESO	24.1	-	-	-	-
Short-term debt	-	44.5	40.0	31.6	18.6
TOTAL LIABILITIES	26.5	45.5	41.0	32.6	19.6
Accumulated Deficit	(10.8)	(27.4)	(26.7)	(21.9)	(12.5)
TOTAL LIABILITIES & ACCUMULATED DEFICIT	15.7	18.1	14.3	10.7	7.1

Smart Metering Entity - Financial Assumptions

A regular staff complement of four will be required by the SME. The function of these staff will be in the IT and other areas of the business.

An additional two full-time equivalents will be required for other support areas of the business, such as Market Entry, Finance and Settlements, however, it is not intended that these additional staff will be hired as regular staff. It is intended that this support work will be resourced through overtime, temporary resources or other means – the responsibility for managing this provision of service will reside within the respective functional areas of the business.

The development costs for the Meter Data Management and Repository are projected to be recovered over a six-year service life.

Revenues used a model that derives a monthly fee based on, as a minimum, the total 4.5 million smart meters that are projected to be installed across the province.

Required debt financing will be obtained through the IESO's cash balances, OEFC note payable, and the corporate credit facility.

Appendix 4: Consolidated Financial Statements

Actual and Pro Forma Statement of Operations and Accumulated Surplus

For the year Ended December 31
(in Millions of Canadian Dollars)

	2008 Actual	2009 Projected	2010 Budget	2011 Plan	2012 Plan
REVENUES					
Usage fees	133.9	122.8	122.8	122.7	127.1
SME fees	-	-	23.7	23.8	24.5
Cost recovery for services	1.8	1.7	2.0	2.1	2.1
Total Revenues	135.7	124.5	148.5	148.6	153.7
EXPENSES					
OM&A program costs	95.8	103.6	109.4	104.7	103.8
OM&A pension expense	15.6	11.1	11.6	14.4	16.8
Amortization	23.3	23.9	24.7	21.5	20.6
Net Interest	6.0	2.8	2.1	3.2	3.1
Total Expenses	140.7	141.4	147.8	143.8	144.3
Operating Surplus/(Deficit)	(5.0)	(16.9)	0.7	4.8	9.4
Rebates to Market Participants	(1.4)	-	-	-	-
Accumulated Surplus - Usage fees	5.0	4.7	4.7	4.7	4.7
Accumulated Deficit - SME fees	(10.8)	(27.4)	(26.7)	(21.9)	(12.5)
Market-related Penalties & Fines	0.1	-	-	-	-
Customer Education Fund Expenditures	(0.7)	(0.7)	(0.6)	(0.5)	-
Accumulated Fines and Penalties – End of Year	1.8	1.1	0.5	-	-

Actual and Pro Forma Statement of Financial Position

For the year Ended December 31
(in Millions of Canadian Dollars)

	2008 Actual	2009 Proejcted	2010 Budget	2011 Plan	2012 Plan
ASSETS					
Current Assets					
Cash & cash equivalents	12.7	2.0	2.0	2.0	2.0
Accounts receivable	13.7	13.1	13.1	13.1	13.2
Short-term prepaid expenses	4.0	4.0	4.0	4.0	4.0
	30.4	19.1	19.1	19.1	19.2
Property & Equipment					
Property & equipment in service	379.8	391.4	399.5	440.4	459.6
Less: accumulated amortization	<u>(281.8)</u>	<u>(305.6)</u>	<u>(330.1)</u>	<u>(351.3)</u>	<u>(371.5)</u>
Net Book Value	98.0	85.8	69.4	89.1	88.1
Construction-in-progress	2.1	8.4	21.9	2.0	2.0
	100.1	94.2	91.3	91.1	90.1
Other Assets					
Long-term investments	15.0	17.6	20.5	23.5	26.8
Prepaid Pension Expense	-	3.6	11.8	16.9	20.8
Deferred Charges - Smart Meters	1.6	1.6	1.3	1.1	0.8
	16.6	22.8	33.6	41.5	48.4
TOTAL ASSETS	147.1	136.1	144.0	151.7	157.7
LIABILITIES					
Current Liabilities					
Accounts payable & accrued liabilities	22.2	23.4	23.4	20.9	20.9
Accrued interest	1.0	-	0.1	0.2	0.2
Rebates to market participants	1.4	-	-	-	-
	24.6	23.4	23.5	21.1	21.1
Debt	78.2	83.5	87.2	89.0	81.5
Accrued pension liability	1.8	-	-	-	-
Accrual for employee future benefits other than pension	46.5	50.8	54.8	58.8	62.9
TOTAL LIABILITIES	151.1	157.7	165.5	168.9	165.5
Accumulated Surplus - Usage Fees	5.0	4.7	4.7	4.7	4.7
Accumulated Deficit - SME Fees	(10.8)	(27.4)	(26.7)	(21.9)	(12.5)
Accumulated Fines and Penalties	1.8	1.1	0.5	-	-
TOTAL LIABILITIES & ACCUMULATED SURPLUS	147.1	136.1	144.0	151.7	157.7

Actual and Pro Forma Statement of Cash Flows

For the year Ended December 31
(in Millions of Canadian Dollars)

	2008 Actual	2009 Projected	2010 Budget	2011 Plan	2012 Plan
OPERATING ACTIVITIES					
Operating surplus/(deficit) after Rebates	(6.4)	(16.9)	0.7	4.8	9.4
Change in Rebates to Market Participants	1.4	(1.4)	-	-	-
Market Penalties and Fines	0.1	-	-	-	-
Customer Education Fund Expenditures	(0.7)	(0.7)	(0.6)	(0.5)	-
Amortization	23.4	23.8	24.8	21.4	20.5
Change in FV long-term investment	2.8	(1.2)	(1.2)	(1.3)	(1.6)
Pension cost	13.4	12.5	12.8	15.7	18.4
Increase in accrual for employee future benefits	6.3	6.2	6.0	6.3	6.6
Pension plan contributions	(8.6)	(17.9)	(21.0)	(20.8)	(22.3)
Payment of employee future benefits	(1.7)	(1.9)	(2.0)	(2.3)	(2.5)
Changes in Other Non-cash items related to Operations	(1.6)	0.8	0.1	(2.4)	(0.1)
Cash Provided from Operations	28.4	3.3	19.6	20.9	28.4
INVESTING ACTIVITIES					
Purchase of Long-Term Investments	(1.0)	(1.4)	(1.7)	(1.7)	(1.7)
Investment in Property & Equipment	(15.9)	(17.9)	(21.6)	(21.0)	(19.2)
Cash Used in Investing Activities	(16.9)	(19.3)	(23.3)	(22.7)	(20.9)
FINANCING ACTIVITIES					
Issue/(Retirement) of debt	-	5.3	3.7	1.8	(7.5)
Cash Provided from Financing Activities	-	5.3	3.7	1.8	(7.5)
Net Change in Cash Flow	11.5	(10.7)	-	-	-
Cash and Cash Equivalents – Beginning of Year	1.2	12.7	2.0	2.0	2.0
Cash and Cash Equivalents – End of Year	12.7	2.0	2.0	2.0	2.0