475 000 thousand

Market Debt

$475 Million Credit Facility with OFA

The IESO has an unsecured credit facility agreement with the Ontario Financing Authority (OFA), which will make available to the IESO an amount up to $475,000 thousand. Advances are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing plus 0.25% per annum. The credit facility expires December 31, 2019. As at June 30, 2018, $15,843 thousand was outstanding (December 31, 2017 - $12,281 thousand).

X

$2 Billion Credit Facility with OFA

During 2017, the IESO entered into a new unsecured credit facility agreement with the OFA, which will make available to the IESO an amount up to $2,000,000 thousand for the purpose of supporting the IESO's role in the Ontario FHP. Advances are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing plus 0.25% per annum. The credit facility expires September 30, 2022. As at June 30, 2018, $566,535 thousand was outstanding (December 31, 2017 - $971 thousand).

X

$150 Million Credit Facility with TD Bank

The IESO has an unsecured credit facility agreement with TD Bank, which will make available to the IESO an amount up to $150,000 thousand. Advances are payable at a variable interest rate equal to that of banker's acceptance plus a margin per annum. The credit facility expires April 30, 2020. As at June 30, 2018, no amount was drawn on the credit facility (December 31,2017 - $nil).

3) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of Canadian dollars)	As at June 30, 2018	As at December 31, 2017
Relating to operations	34,294	35,743
Relating to tangible capital assets	1,626	1,521
Closing balance	**35,920**	**37,264**

4) REBATES DUE TO MARKET PARTICIPANTS AND ACCUMULATED SURPLUS

As at June 30, 2018 and December 31, 2017, the components of the IESO's Accumulated Surplus were as follows:

Accumulated Surplus

(in thousands of Canadian dollars)	As at June 30, 2018	As at December 31, 2017
Approved regulatory deferral account	8,209	6,000
Smart Metering Entity	4,501	939
Accumulated market sanctions and payment adjustments	574	641
Remeasurement gains	7,396	6,340
Accumulated surplus – end of period	**20,680**	**13,920**

Regulatory Deferral Account

(in thousands of Canadian dollars)	As at June 30, 2018	As at December 31, 2017
Accumulated surplus – December 31, 2017	6,000	10,000
OEB decision and order	-	(4,000)
Revenues (before rebates due to market participants)	96,464	186,559
Rebates due to market participants	-	(1,422)
IESO operation expenses	(94,255)	(185,137)
Accumulated surplus – end of period	**8,209**	**6,000**

Smart Metering Entity - Accumulated Surplus

(in thousands of Canadian dollars)	As at June 30, 2018	As at December 31, 2017
Accumulated surplus – December 31, 2017	939	0
Smart Metering Entity Revenues	17,271	25,655
Smart Metering Entity Expenses	(13,709)	(24,716)
Accumulated surplus – end of period	**4,501**	**939**

Accumulated Market Sanctions and Payment Adjustments

(in thousands of Canadian dollars)	As at June 30, 2018	As at December 31, 2017
Accumulated surplus – December 31, 2017	641	726
Market sanctions and payment adjustments	2,600	3,176
Customer education and market enforcement expenses	(2,667)	(3,261)
Accumulated surplus – end of period	**574**	**641**

5) DEBT

Note Payable to Ontario Electricity Finance Corporation (OEFC)

In April 2017, the IESO entered into a note payable with the OEFC. The note payable is unsecured, bears interest at a fixed rate of 1.767% per annum and is repayable in full on June 30, 2020. ~~Interest~~ accrues daily and is payable ~~in arrears~~ semi-annually in June and December of each year. As at June 30, 2018, the note payable to the OEFC was $120 million (December 31, 2017 - $120 million).

X

Credit Facility Thousand

X

The IESO has an unsecured credit facility agreement with the OEFC, which will make available to the IESO an amount up to $160.0 million. Advances under the credit facility are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing for a 30 day term plus 0.50% per annum, with draws, repayments and interest payments due monthly. The credit facility expires June 30, 2020. As at June 30, 2018, no funds were drawn on the credit facility (December 31, 2017 - $nil).

6) SEGMENT DISCLOSURES

Expenses by object for the quarter ended June 30, 2018 comprised of the following:

(in thousands of Canadian dollars)	**IESO operations**	**Customer education and market enforcement expenses**	**Smart metering entity**	**Other Government Programs**	Totals
	$	$	$	$	$
Compensation & benefits	61,088	1,853	1,384	1,095	65,420
Professional & consulting	6,486	409	7,593	60,376	74,864
Operating & administration	18,599	405	2,704	268	21,976
Amortization	9,722	-	2,001	-	11,723
Interest	1,110		27	-	1,137
Less: Recoveries	(2,751)	-	-	-	(2,751)
Total Expense	**94,255**	**2,667**	**13,709**	**61,739**	**172,370**

Expenses by object for the quarter ended June 30, 2017 comprised of the following:

(in thousands of Canadian dollars)	**IESO operations**	**Customer education and market enforcement expenses**	**Smart metering entity**	**Other Government Programs**	Totals
	$	$	$	$	$
Compensation & benefits	56,428	1,113	1,368	-	58,909
Professional & consulting	6,606	119	6,997	-	13,722
Operating & administration	17,905	354	2,202	-	20,461
Amortization	9,117	-	2,013	-	11,130
Interest	851	-	176	-	1,027
Less: Recoveries	(1,186)	-	-	-	(1,186)
Total Expense	**89,721**	**1,586**	**12,756**	**-**	**104,063**