



Our Company

Ontario Power Generation Inc. is an electricity generating company whose principal business is the generation and sale of electricity in Ontario. OPG operates 64 hydroelectric, 3 nuclear and 5 fossil generating stations. At December 31, 2006, OPG had an in-service generating capacity of 22,147 MW, assets of \$22.8 billion, debt of \$3.4 billion and equity of \$5.7 billion.

Strategic Priorities

OPG's mandate is to cost effectively produce electricity from its nuclear, hydroelectric and fossil generating stations, while operating in a safe, open and environmentally responsible manner. To accomplish this mandate, OPG will:

- operate the Darlington and Pickering nuclear stations in a cost effective manner while undertaking prudent investments to improve their reliability and predictability;
- optimize production from its 64 hydroelectric stations as well as expand, develop, and improve its hydroelectric capacity on its own or in partnership with external parties;
- maintain the productive capability of its four remaining coal fired generating stations while operating them in an environmentally responsible manner until their scheduled closure; and
- operate in accordance with the highest standards of corporate governance, safety, social responsibility and corporate citizenship.

2006 in Review

- While electricity produced at OPG's nuclear stations increased in 2006, capability factors at Darlington and Pickering B were marginally lower than in 2005 due to longer than planned outages and an increase in unplanned outages. OPG's hydroelectric stations improved their reliability during 2006. These stations were available to produce electricity 93% of the time. Reliability of the fossil plants was strong – as evidenced by their significantly lower forced outage rate of 14.1% compared to 15.9% in 2005.
- OPG progressed on a number of electricity generation projects aimed at increasing Ontario's long-term electricity supply. These projects include: a new water diversion tunnel at the Sir Adam Beck generating stations in Niagara; the 12.5 MW Lac Seul hydroelectric generating station; the 550 MW gas-fired, combined cycle Portlands Energy Centre; an Environmental Assessment process as part of the potential refurbishment and life extension of the Pickering B nuclear station; a federal approval process with the Canadian Nuclear Safety Commission for new nuclear generating units at OPG's Darlington nuclear site; the definition phase for a 450 MW hydroelectric development on the Lower Mattagami River; and the potential development of a gas-fuelled electricity generation station at the Lakeview site.

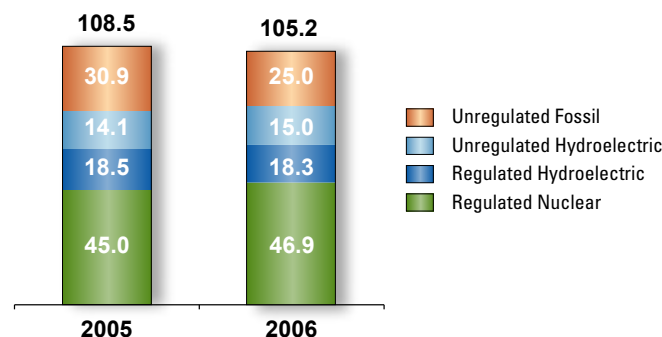
Debt Ratings

	Long Term Debt	Commercial Paper	Outlook
S&P	BBB+	A-1 (low) Cdn	Positive
DBRS	A (low)	R-1 (low)	Stable

Financial Highlights

- Electricity generated of 105.2 TWh in 2006 was slightly lower than 2005 generation of 108.5 TWh mainly due to lower Ontario demand. Nuclear production increased by 4% primarily a result of a full year's production from Unit 1 at the Pickering A nuclear station. Hydroelectric production was marginally higher. Electricity production from OPG's fossil stations declined by 6 TWh mainly as a result of significantly lower Ontario electricity demand.
- Net income of \$490 million in 2006 was higher than 2005 net income of \$366 million. Earnings in 2006 were significantly affected by a reduction in gross margin due to lower electricity generation and lower average sales prices compared to 2005, and an increase in pension and other post employment benefit costs mainly as a result of changes in economic assumptions used to measure the costs. Earnings in 2006 were favourably affected by a decrease in depreciation expense primarily due to an extension of the service lives, for accounting purposes, of the Pickering A and B nuclear generating stations, and all of OPG's coal-fired generating stations as a result of proposed delays in the plan to replace coal-fired generation. In 2005, OPG recorded impairment charges of \$265 million related to its Lennox generating station and to Units 2 and 3 at the Pickering A nuclear station.

Electricity Sold (TWh)



Financial Results

(\$ millions unless otherwise noted)	For the year ended December 31,	
	2005	2006
Electricity generated (TWh)	108.5	105.2
Revenue after rebates	5,798	5,564
Fuel expense	1,297	1,098
Gross Margin	4,501	4,466
OM&A	2,516	2,777
Other expenses	965	898
Operating Income	1,020	791
Impairment of long lived assets	265	22
Net Interest expense & taxes	315	279
Extraordinary item	74	--
Net income	366	490
Capital expenditures	494	637
Total Assets	21,623	22,750
Total Debt	3,895	3,359
Shareholder's Equity	5,387	5,749
Total debt/Total capitalization (%)	42.0	36.9



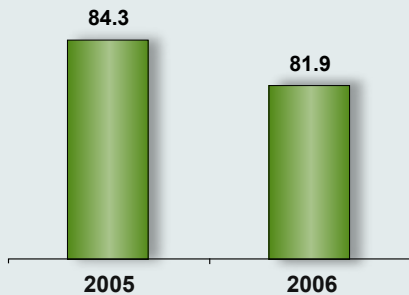
Generation Data

	As at December 31, 2006 Capacity (MW)	2006 Energy (TWh)
Regulated Nuclear		
Darlington	3,512	27.0
Pickering B	2,064	13.5
Pickering A *	1,030	6.4
	6,606	46.9
Regulated Hydroelectric by Plant group		
Saunders Station	1,045	6.8
Niagara Plant Group	2,287	11.5
	3,332	18.3
Unregulated Hydroelectric by Plant group		
Ottawa St. Lawrence	1,526	6.4
Northeast	1,314	4.6
Northwest	665	3.5
Evergreen Energy	119	0.6
	3,624	15.0
Unregulated Fossil		
Nanticoke	3,938	16.2
Lennox	2,140	0.3
Lambton	1,975	6.9
Thunder Bay	310	0.9
Atikokan	215	0.7
	8,578	25.0
Wind	7	--
Total	22,147	105.2

* Units 2 & 3 at Pickering A are being placed in safe storage.

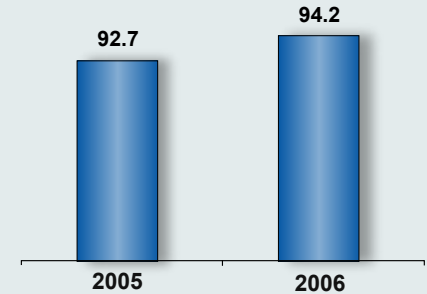
Generation Performance

Regulated Nuclear Capability Factor (%)

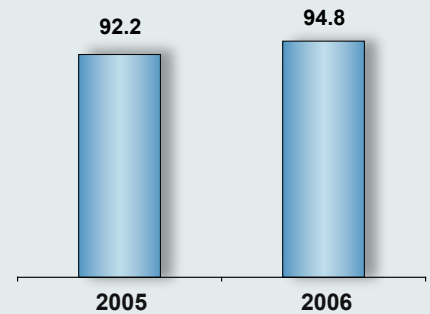


Capability Factor represents actual energy generated, adjusted for external constraints such as transmission or demand limitations, as a percentage of potential maximum generation over a specified period.

Regulated Hydroelectric Availability (%)

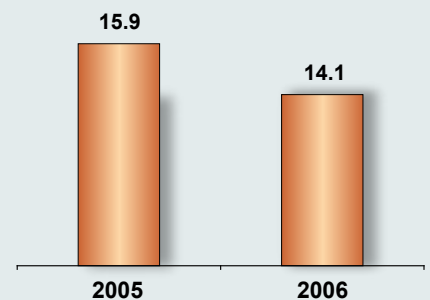


Unregulated Hydroelectric Availability (%)



Availability represents the amount of time that units are capable of producing electricity as a percentage of the total time for a respective period.

Fossil EFOR (%)



Equivalent Forced Outage Rate (EFOR) represents the amount of time that units are forced out of service as a percentage of the amount of time available to operate.