

## INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
<i>(millions of dollars except where noted)</i>				
<b>Revenue</b> (Note 15)				
Revenue before revenue limit rebate	1,396	1,440	2,905	3,070
Revenue limit rebate (Note 14)	1	(55)	(27)	(122)
	<b>1,397</b>	<b>1,385</b>	<b>2,878</b>	<b>2,948</b>
Fuel expense (Note 15)	220	277	481	581
<b>Gross margin</b> (Note 15)	<b>1,177</b>	<b>1,108</b>	<b>2,397</b>	<b>2,367</b>
<b>Expenses</b>				
Operations, maintenance and administration	762	750	1,504	1,441
Depreciation and amortization (Note 5)	185	160	363	335
Accretion on fixed asset removal and nuclear waste management liabilities (Note 9)	159	152	318	287
Earnings on nuclear fixed asset removal and nuclear waste management funds (Note 9)	(301)	(108)	(295)	(57)
Property and capital taxes	24	24	50	30
	<b>829</b>	<b>978</b>	<b>1,940</b>	<b>2,036</b>
<b>Income before the following:</b>	<b>348</b>	<b>130</b>	<b>457</b>	<b>331</b>
Other (gains) losses (Notes 15 and 17)	(6)	-	(6)	7
<b>Income before interest and income taxes</b>	<b>354</b>	<b>130</b>	<b>463</b>	<b>324</b>
Net interest expense	43	39	82	79
<b>Income before income taxes</b>	<b>311</b>	<b>91</b>	<b>381</b>	<b>245</b>
Income tax expense (recovery) (Note 10)				
Current	(52)	(12)	(21)	146
Future	57	4	105	(162)
	<b>5</b>	<b>(8)</b>	<b>84</b>	<b>(16)</b>
<b>Net income</b>	<b>306</b>	<b>99</b>	<b>297</b>	<b>261</b>
<b>Basic and diluted income per common share</b> (dollars)	<b>1.20</b>	<b>0.39</b>	<b>1.16</b>	<b>1.02</b>
<b>Common shares outstanding</b> (millions)	<b>256.3</b>	<b>256.3</b>	<b>256.3</b>	<b>256.3</b>

See accompanying notes to the interim consolidated financial statements

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
<b>Operating activities</b>				
Net income	306	99	297	261
Adjust for non-cash items:				
Depreciation and amortization <i>(Note 5)</i>	185	160	363	335
Accretion on fixed asset removal and nuclear waste management liabilities <i>(Note 9)</i>	159	152	318	287
Earnings on nuclear fixed asset removal and nuclear waste management funds	(301)	(108)	(295)	(57)
Pension and other post employment benefit costs <i>(Note 11)</i>	62	106	125	212
Future income taxes <i>(Note 10)</i>	57	4	105	(162)
Mark-to-market on derivative instruments	10	24	8	30
Provision for used nuclear fuel	9	9	18	17
Regulatory assets and liabilities <i>(Note 6)</i>	(194)	(3)	(190)	(10)
Other	11	(1)	2	7
	<b>304</b>	<b>442</b>	<b>751</b>	<b>920</b>
Contributions to nuclear fixed asset removal and nuclear waste management funds	(88)	(113)	(175)	(227)
Expenditures on fixed asset removal and nuclear waste management <i>(Note 9)</i>	(44)	(41)	(82)	(95)
Reimbursement of expenditures on nuclear fixed asset removal and nuclear waste management	14	-	37	8
Contributions to Pension Fund	(66)	(66)	(132)	(132)
Expenditures on other post employment benefits and supplementary pension plans	(21)	(23)	(40)	(39)
Revenue limit rebate <i>(Note 14)</i>	(58)	(30)	(112)	(96)
Net changes to other long-term assets and liabilities	(7)	5	(24)	132
Net changes in non-cash working capital balances <i>(Note 16)</i>	(217)	(23)	(365)	(75)
<b>Cash flow (used in) provided by operating activities</b>	<b>(183)</b>	<b>151</b>	<b>(142)</b>	<b>396</b>
<b>Investing activities</b>				
Increase in regulatory assets <i>(Note 6)</i>	-	(3)	(1)	(5)
Investment in fixed and intangible assets	(202)	(134)	(323)	(262)
Net proceeds from sale (purchase) of long-term investments	1	(1)	1	5
<b>Cash flow used in investing activities</b>	<b>(201)</b>	<b>(138)</b>	<b>(323)</b>	<b>(262)</b>
<b>Financing activities</b>				
Issuance of long-term debt <i>(Note 7)</i>	275	50	415	325
Repayment of long-term debt <i>(Note 7)</i>	(4)	(1)	(181)	(204)
<b>Cash flow provided by financing activities</b>	<b>271</b>	<b>49</b>	<b>234</b>	<b>121</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(113)</b>	<b>62</b>	<b>(231)</b>	<b>255</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>197</b>	<b>303</b>	<b>315</b>	<b>110</b>
<b>Cash and cash equivalents, end of period</b>	<b>84</b>	<b>365</b>	<b>84</b>	<b>365</b>

See accompanying notes to the interim consolidated financial statements

## INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<b>As at</b> <i>(millions of dollars)</i>	<b>June 30</b> <b>2009</b>	<b>December 31</b> <b>2008</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents <i>(Note 9)</i>	84	315
Accounts receivable <i>(Note 4)</i>	474	525
Fuel inventory	782	736
Prepaid expenses	51	32
Income tax recoverable	111	-
Future income taxes <i>(Note 10)</i>	49	6
Materials and supplies	138	132
	<b>1,689</b>	<b>1,746</b>
<b>Fixed assets <i>(Note 15)</i></b>		
Property, plant and equipment	18,278	17,976
Less: accumulated depreciation	5,533	5,246
	<b>12,745</b>	<b>12,730</b>
<b>Intangible assets <i>(Notes 2 and 15)</i></b>		
Intangible assets	363	357
Less: accumulated amortization	308	300
	<b>55</b>	<b>57</b>
<b>Other long-term assets</b>		
Deferred pension asset	894	797
Nuclear fixed asset removal and nuclear waste management funds <i>(Note 9)</i>	9,662	9,209
Long-term investments <i>(Note 3)</i>	81	74
Long-term materials and supplies	354	338
Future income taxes <i>(Note 10)</i>	-	62
Regulatory assets <i>(Note 6)</i>	1,196	522
Long-term accounts receivable and other assets	48	44
	<b>12,235</b>	<b>11,046</b>
	<b>26,724</b>	<b>25,579</b>

See accompanying notes to the interim consolidated financial statements

## INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at <i>(millions of dollars)</i>	June 30 2009	December 31 2008
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued charges	874	1,015
Revenue limit rebate payable <i>(Note 14)</i>	-	85
Long-term debt due within one year <i>(Note 7)</i>	715	357
Deferred revenue due within one year	12	12
Income and capital taxes payable	-	104
	<u>1,601</u>	<u>1,573</u>
<b>Long-term debt <i>(Note 7)</i></b>	<u>3,359</u>	<u>3,483</u>
<b>Other long-term liabilities</b>		
Fixed asset removal and nuclear waste management <i>(Note 9)</i>	11,640	11,384
Other post employment benefits and supplementary pension plans	1,753	1,703
Long-term accounts payable and accrued charges	410	445
Deferred revenue	119	108
Future income taxes <i>(Note 10)</i>	592	-
Regulatory liabilities <i>(Note 6)</i>	103	54
	<u>14,617</u>	<u>13,694</u>
<b>Shareholder's equity</b>		
Common shares	5,126	5,126
Retained earnings	2,049	1,752
Accumulated other comprehensive loss	(28)	(49)
	<u>7,147</u>	<u>6,829</u>
	<u>26,724</u>	<u>25,579</u>

Commitments and Contingencies (Notes 7, 12, and 13)

See accompanying notes to the interim consolidated financial statements

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY  
(UNAUDITED)**

**Six Months Ended June 30**

*(millions of dollars)*

	<b>2009</b>	<b>2008</b>
<b>Common shares</b>	<b>5,126</b>	5,126
<b>Retained earnings</b>		
Balance at beginning of period	<b>1,752</b>	1,664
Net income	<b>297</b>	261
Balance at end of period	<b>2,049</b>	1,925
<b>Accumulated other comprehensive (loss) income, net of income taxes</b>		
Balance at beginning of period	<b>(49)</b>	17
Other comprehensive income (loss) for the period	<b>21</b>	(34)
Balance at end of period	<b>(28)</b>	(17)
<b>Total shareholder's equity at end of period</b>	<b>7,147</b>	7,034

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

<i>(millions of dollars)</i>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Net income</b>	<b>306</b>	99	<b>297</b>	261
<b>Other comprehensive (loss) income, net of income taxes</b>				
Net gain (loss) on derivatives designated as cash flow hedges <sup>1</sup>	<b>20</b>	(3)	<b>28</b>	(30)
Reclassification to income of gains on derivatives designated as cash flow hedges <sup>2</sup>	<b>(2)</b>	-	<b>(7)</b>	(4)
Other comprehensive income (loss) for the period	<b>18</b>	(3)	<b>21</b>	(34)
<b>Comprehensive income</b>	<b>324</b>	96	<b>318</b>	227

<sup>1</sup> Net of income tax expenses of \$nil for the three months ended June 30, 2009 and 2008. For the six months ended June 30, 2009 and 2008, net of income tax expenses of \$3 million and recoveries of \$3 million, respectively.

<sup>2</sup> Net of income tax recoveries of \$1 million and \$2 million for the three months ended June 30, 2009 and 2008, respectively. For the six months ended June 30, 2009 and 2008, net of income tax recoveries of \$3 million, respectively.

See accompanying notes to the interim consolidated financial statements

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (UNAUDITED)

### 1. BASIS OF PRESENTATION

These interim consolidated financial statements were prepared following the same accounting policies and methods as in the most recent annual consolidated financial statements, except as discussed in Note 2 to these interim consolidated financial statements. These interim consolidated financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles ("GAAP") for annual financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2008.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Certain of the 2008 comparative amounts have been reclassified from financial statements previously presented to conform to the 2009 financial statement presentation.

The interim consolidated financial statements include the accounts of Ontario Power Generation Inc. ("OPG" or the "Company") and its subsidiaries. OPG accounts for its interests in jointly controlled entities using the proportionate consolidation method. All significant intercompany transactions have been eliminated on consolidation.

### 2. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

#### Changes Applicable to the Current Period

##### *Accounting for Regulated Operations*

The Canadian Institute of Chartered Accountants ("CICA") revised its guidance on accounting for rate regulated operations, effective January 1, 2009, with amendments to Handbook Sections 1100, *Generally Accepted Accounting Principles*, ("Section 1100") and Handbook Section 3465, *Income Taxes*, ("Section 3465") and Accounting Guideline 19, *Disclosures by Entities Subject to Rate Regulation*, ("AcG-19") as follows:

- to remove the temporary exemption pertaining to the application of Section 1100 to rate regulated operations, including the elimination of the opportunity to use industry practice as an acceptable basis for recognition and measurement of assets and liabilities arising from rate regulation;
- to amend Section 3465 to require the recognition of future income tax assets and liabilities as well as a separate regulatory asset or liability for the amount of future income taxes expected to be included in future rates and recovered from or paid to customers; and
- to amend AcG-19, as necessary, as a result of amendments to Sections 1100 and 3465.

As a result of the changes to Section 3465, OPG is required to recognize future income taxes associated with its rate regulated operations. OPG applied the changes prospectively to interim and annual consolidated financial statements beginning January 1, 2009. The impact of the change is disclosed in Note 10, *Income Taxes*.

In addition, effective January 1, 2009, with the removal of the temporary exemption in Section 1100, the Company must now apply Section 1100 to the recognition of assets and liabilities arising from rate regulation. Certain assets and liabilities arising from rate regulation continue to have specific guidance under a primary source of GAAP that applies only to the particular circumstances described therein,

including those arising under Handbook Section 1600, *Consolidated Financial Statements*, Handbook Section 3061, *Property, Plant and Equipment*, Section 3465, and Handbook Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*. Other assets and liabilities arising from rate regulation do not have specific guidance under a primary source of GAAP. Therefore, Section 1100 directs the Company to adopt accounting policies that are developed through the exercise of professional judgment and the application of concepts described in Handbook Section 1000, *Financial Statement Concepts*. In developing these accounting policies, the Company may consult other sources including pronouncements issued by bodies authorized to issue accounting standards in other jurisdictions. Therefore, in accordance with Section 1100, the Company has determined that these assets and liabilities qualify for recognition under GAAP and this recognition is consistent with the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*. As a result, there is no effect on the Company's financial statements for the six months ended June 30, 2009, with the exception of the impact of the amendment to Section 3465, as discussed above.

#### *Intangible Assets*

In February 2008, the CICA adopted Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces CICA Handbook Section 3062, *Goodwill and Other Intangible Assets*, and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008, with early adoption encouraged.

OPG adopted the Handbook Section on January 1, 2009 and reclassified prior period comparative amounts from property, plant and equipment to intangible assets. The adoption of this standard did not have a significant impact on the Company's financial position or results of operations. As at June 30, 2009 and December 31, 2008, OPG reported intangible assets of \$55 million and \$57 million, respectively. Intangible assets are amortized over a period of five years.

#### **Changes Applicable to Future Reporting Periods**

##### *Financial Instruments – Disclosures*

In June 2009, the CICA amended Handbook Section 3862, *Financial Instruments – Disclosures*, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require entities to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has three levels. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. These amendments will be applicable to OPG effective for its annual 2009 financial statements.

### **3. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER**

Pursuant to the terms of a restructuring plan announced by the Pan-Canadian Investors Committee for third-party Asset-Backed Commercial Paper ("ABCP"), OPG's short-term commercial paper was exchanged for longer term notes of approximately \$58 million. OPG received five classes of notes, which are supported by margin funding facilities from third-party asset providers, Canadian banks, and governments. OPG replaced existing ABCP notes that had a net book value of \$35 million (\$58 million book value less a provision of \$23 million) with new ABCP notes of \$35 million, which represented the fair value of the new ABCP notes. The restructured notes are expected to have a maturity of eight to nine years. The exact maturity will be determined by the release of collateral as underlying swap trades mature. The stated maturity of the notes is 2056.

OPG classified the new ABCP notes for the purposes of measurement, subsequent to their initial recognition and related income reporting, as held for trading. Fair value was determined based on the same methodology previously developed with updated credit spread and discount rate information.

In the second quarter of 2009, the fair value of the ABCP notes increased by \$6 million as a result of improved market conditions. As at June 30, 2009, the ABCP holdings were valued at \$41 million (December 31, 2008 – \$35 million). OPG continues to monitor the development of a secondary market to assess the fair value of its holdings.

#### 4. SALE OF ACCOUNTS RECEIVABLE

The Company has an agreement to sell an undivided co-ownership interest in its current and future accounts receivable (the "receivables") to an independent trust. The Company also retains an undivided co-ownership interest in the receivables sold to the trust. Under the agreement, OPG continues to service the receivables.

In accordance with the receivable purchase agreement, OPG reduced the securitized receivable balance by \$50 million in May and June of 2009 primarily due to lower cash flows from the Independent Electricity System Operator ("IESO"). The current agreement expires in August 2009. An amendment to the program is currently under review.

The accounts receivable reported and securitized by the Company are as follows:

<i>(millions of dollars)</i>	<b>Principal Amount of Receivables as at</b>	
	<b>June 30 2009</b>	<b>December 31 2008</b>
Total receivables portfolio <sup>1</sup>	<b>378</b>	507
Receivables sold	<b>250</b>	300
Receivables retained	<b>128</b>	207

<sup>1</sup> Amount represents receivables outstanding, including receivables that have been securitized, which the Company continues to service.

The pre-tax charges and average cost of funds are as follows:

<i>(millions of dollars except where noted)</i>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Pre-tax charges	<b>1</b>	3	<b>3</b>	6
Average cost of funds <i>(percent)</i>	<b>1.2</b>	4.0	<b>1.9</b>	4.3

## 5. DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three and six month periods ended June 30, 2009 and 2008 consists of the following:

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Depreciation	150	150	299	289
Amortization of intangible assets	5	5	11	10
Amortization of regulatory assets and liabilities (Note 6)	28	4	49	33
Nuclear waste management costs	2	1	4	3
	185	160	363	335

Interest capitalized to construction in progress at an average rate of six percent during the three and six month periods ended June 30, 2009 (three and six month periods ended June 30, 2008 – six percent) was \$19 million and \$36 million, respectively (three and six month periods ended June 30, 2008 – \$13 million and \$26 million, respectively).

## 6. REGULATORY ASSETS AND LIABILITIES

Pursuant to the Ontario Energy Board's ("OEB") decision issued in 2008 on OPG's application for regulated payment amounts effective April 1, 2008, OPG recorded additions to variance and deferral accounts for the six months ended June 30, 2009. OPG also continued to amortize regulatory balances approved for recovery by the OEB effective April 1, 2008, as well as to record interest on outstanding regulatory balances at the interest rate prescribed by the OEB.

During the second quarter of 2009, OPG established a tax loss variance account retroactive to April 1, 2008 pursuant to the OEB's decision and order in May 2009 on OPG's motion to review, and vary, a portion of the OEB's 2008 decision establishing current regulatory prices, as it pertains to the treatment of tax losses and their use for mitigation of regulated prices. OPG filed the motion with the OEB in January 2009. In accordance with the OEB's decision on the motion, the balance in this variance account is based on the difference between regulatory tax losses for the period from April 1, 2005 to March 31, 2008, calculated in accordance with the methodology specified in the OEB's 2008 decision, and the revenue requirement reduction reflected in current regulated prices. The balance in the variance account will be reviewed by the OEB as part of OPG's next payment amounts hearing. During the three months ended June 30, 2009, OPG recorded a regulatory asset of \$199 million, excluding interest, related to the tax loss variance account and a corresponding increase to revenue. The regulatory asset of \$199 million included amounts of \$119 million and \$40 million related to the periods from April 1, 2008 to December 31, 2008, and from January 1, 2009 to March 31, 2009, respectively.

Beginning on January 1, 2009, OPG also started recording a regulatory asset or liability related to the recognition of future income taxes for its rate regulated operations, as required by the CICA's amended guidance for accounting for rate regulated operations described in Notes 2 and 10.

Prior to April 1, 2008, OPG recorded additions to variance and deferral accounts prescribed by a regulation pursuant to the *Electricity Restructuring Act, 2004* (Ontario). OPG also amortized the Pickering A return to service deferral account prior to April 1, 2008 in accordance with the terms of the regulation. The regulation required OPG to record interest on its regulatory balances at the interest rate of six percent prior to April 1, 2008.

The measurement of regulatory assets and liabilities is subject to certain estimates and assumptions, including assumptions made in the interpretation of the OEB's decisions and the regulation. These estimates and assumptions will be reviewed as part of the OEB's regulatory process.

The regulatory assets and liabilities recorded as at June 30, 2009 and December 31, 2008 are as follows:

<i>(millions of dollars)</i>	<b>June 30 2009</b>	<b>December 31 2008</b>
<b>Regulatory assets</b>		
Future income taxes <i>(Note 10)</i>	<b>505</b>	-
Bruce revenues and costs variance account	<b>256</b>	260
Pickering A return to service deferral account	<b>105</b>	123
Tax loss variance account	<b>202</b>	-
Nuclear liabilities deferral account	<b>109</b>	132
Other	<b>19</b>	7
<b>Total regulatory assets</b>	<b>1,196</b>	522
<b>Regulatory liabilities</b>		
Nuclear generation development costs – Capacity refurbishment	<b>7</b>	6
Nuclear generation development costs – New nuclear development	<b>36</b>	21
Hydroelectric production variance	<b>40</b>	22
Other	<b>20</b>	5
<b>Total regulatory liabilities</b>	<b>103</b>	54

As at June 30, 2009, other regulatory assets included \$12 million related to the under-recovery of approved regulatory balances over the period from April 1, 2008 to June 30, 2009, and \$6 million related to the under-recovery of retroactive revenue for the period April 1, 2008 to November 30, 2008. As at December 31, 2008, other regulatory assets included \$5 million related to the under-recovery of approved regulatory balances over the period from April 1, 2008 to December 31, 2008.

As at June 30, 2009, other regulatory liabilities included \$14 million in the ancillary services revenue liability variance account and \$6 million in the nuclear fuel variance account. As at December 31, 2008, other regulatory liabilities included \$4 million in the ancillary services revenue account and \$1 million in the nuclear fuel variance account.

The changes in the regulatory assets and liabilities for the six months ended June 30, 2009 and the year ended December 31, 2008 are as follows:

<i>(millions of dollars)</i>	Future Income Taxes	Bruce Revenues and Costs Variance	Tax Loss Variance	Pickering A Return to Service Deferral Account	Nuclear Liabilities Deferral Account	Nuclear Generation Develop- ment Costs – Capacity Refurbish- ment	Nuclear Generation Develop- ment Costs – New Nuclear Develop- ment	Hydro- electric Production Variance	Other (net)
Regulatory assets (liabilities), January 1, 2008	-	-	-	183	131	16	12	7	(7)
Increase (decrease) during the year	-	259	-	-	31	(6)	(30)	(25)	(2)
Interest	-	1	-	6	6	-	-	-	-
Amortization during the year	-	-	-	(66)	(36)	-	(3)	(4)	(2)
Other charges <sup>1</sup>	-	-	-	-	-	(16)	-	-	13
Regulatory assets (liabilities), December 31, 2008	-	260	-	123	132	(6)	(21)	(22)	2
Increase (decrease) during the period	505	(7)	199	-	-	(1)	(12)	(16)	(1)
Interest	-	3	3	1	1	-	(1)	-	-
Amortization during the period	-	-	-	(19)	(24)	-	(2)	(2)	(2)
<b>Regulatory assets (liabilities), June 30, 2009</b>	<b>505</b>	<b>256</b>	<b>202</b>	<b>105</b>	<b>109</b>	<b>(7)</b>	<b>(36)</b>	<b>(40)</b>	<b>(1)</b>

<sup>1</sup> Other charges for the year ended December 31, 2008 represent regulatory balances that were charged to operations based on the OEB's decision in 2008 that these amounts would not be refunded to or charged to ratepayers.

The following table summarizes the income statement and other comprehensive income impacts of recognizing regulatory assets and liabilities:

<i>(millions of dollars)</i>	Three Months Ended June 30, 2009			Three Months Ended June 30, 2008		
	As Stated	Impact of Regulatory Assets and Liabilities	Financial Statements without the Impact of Regulatory Assets and Liabilities	As Stated	Impact of Regulatory Assets and Liabilities	Financial Statements without the Impact of Regulatory Assets and Liabilities
Revenue	1,397	(194)	1,203	1,385	-	1,385
Fuel expense	220	(1)	219	277	-	277
Operations, maintenance, and administration	762	(5)	757	750	-	750
Depreciation and amortization	185	(29)	156	160	(4)	156
Earnings on nuclear fixed asset removal and nuclear waste management funds	(301)	(150)	(451)	(108)	-	(108)
Accretion on fixed asset removal and nuclear waste management liabilities	159	(1)	158	152	-	152
Property and capital taxes	24	(1)	23	24	-	24
Net interest expense	43	-	43	39	6	45
Income tax expense (recovery) <sup>1</sup>	5	104	109	(8)	-	(8)
Other comprehensive income (loss) <sup>1</sup>	18	(8)	10	(3)	-	(3)

<sup>1</sup> Effective January 1, 2009, OPG is required to recognize future income taxes and a corresponding regulatory asset or liability associated with its rate regulated operations in accordance with amendments to Section 3465 (see Notes 2 and 10). The impact of the regulatory asset or liability is reflected above for the three months ended June 30, 2009. Prior to January 1, 2009, OPG followed the taxes payable method of accounting for income taxes and therefore did not recognize these regulatory assets or liabilities. Accordingly, the impact of recognizing regulatory assets and liabilities for the three months ended June 30, 2008 shown above does not include the future income tax for the regulated operations and the associated regulatory asset or liability.

<i>(millions of dollars)</i>	Six Months Ended June 30, 2009			Six Months Ended June 30, 2008		
	As Stated	Impact of Regulatory Assets and Liabilities	Financial Statements without the Impact of Regulatory Assets and Liabilities	As Stated	Impact of Regulatory Assets and Liabilities	Financial Statements without the Impact of Regulatory Assets and Liabilities
Revenue	<b>2,878</b>	<b>(199)</b>	<b>2,679</b>	2,948	(1)	2,947
Fuel expense	<b>481</b>	<b>(5)</b>	<b>476</b>	581	(2)	579
Operations, maintenance, and administration	<b>1,504</b>	<b>(13)</b>	<b>1,491</b>	1,441	4	1,445
Depreciation and amortization	<b>363</b>	<b>(51)</b>	<b>312</b>	335	(20)	315
Earnings on nuclear fixed asset removal and nuclear waste management funds	<b>(295)</b>	<b>(20)</b>	<b>(315)</b>	(57)	-	(57)
Accretion on fixed asset removal and nuclear waste management liabilities	<b>318</b>	<b>(1)</b>	<b>317</b>	287	19	306
Property and capital taxes	<b>50</b>	<b>(1)</b>	<b>49</b>	30	1	31
Net interest expense	<b>82</b>	<b>6</b>	<b>88</b>	79	10	89
Income tax expense (recovery) <sup>1</sup>	<b>84</b>	<b>31</b>	<b>115</b>	(16)	-	(16)
Other comprehensive income (loss) <sup>1</sup>	<b>21</b>	<b>(8)</b>	<b>13</b>	(34)	-	(34)

<sup>1</sup> Effective January 1, 2009, OPG is required to recognize future income taxes and a corresponding regulatory asset or liability associated with its rate regulated operations in accordance with amendments to Section 3465 (see Notes 2 and 10). The impact of the regulatory asset or liability is reflected above for the six months ended June 30, 2009. Prior to January 1, 2009, OPG followed the taxes payable method of accounting for income taxes and therefore did not recognize these regulatory assets or liabilities. Accordingly, the impact of recognizing regulatory assets and liabilities for the six months ended June 30, 2008 shown above does not include the future income tax for the regulated operations and the associated regulatory asset or liability.

## 7. LONG-TERM DEBT

Long-term debt consists of the following:

<i>(millions of dollars)</i>	<b>June 30 2009</b>	<b>December 31 2008</b>
Notes payable to the Ontario Electricity Financial Corporation	<b>3,700</b>	3,660
Share of non-recourse limited partnership debt	<b>374</b>	180
	<b>4,074</b>	3,840
Less: due within one year		
Notes payable to the Ontario Electricity Financial Corporation	<b>708</b>	350
Share of limited partnership debt	<b>7</b>	7
	<b>715</b>	357
<b>Long-term debt</b>	<b>3,359</b>	3,483

Interest paid during the three months ended June 30, 2009 was \$22 million (three months ended June 30, 2008 – \$19 million), of which \$20 million relates to interest paid on long-term debt (three months ended June 30, 2008 – \$15 million). Interest paid during the six months ended June 30, 2009 was \$121 million (six months ended June 30, 2008 – \$114 million), of which \$113 million relates to interest paid on long-term debt (six months ended June 30, 2008 – \$107 million). Interest on the notes payable to the Ontario Electricity Financial Corporation (“OEFC”) is paid semi-annually.

Debt financing for the Niagara Tunnel, the Portlands Energy Centre and the Lac Seul hydroelectric generating station projects is provided by the OEFC. As at June 30, 2009, debt financing for these projects, which is included as part of the notes payable to the OEFC, consisted of the following:

<i>(millions of dollars)</i>	<b>Niagara Tunnel</b>	<b>Portlands Energy Centre</b>	<b>Lac Seul Hydroelectric Generating Station</b>
Debt financing, as at December 31, 2008	340	305	20
New borrowing	65	20	30
<b>Debt financing, as at June 30, 2009</b>	<b>405</b>	<b>325</b>	<b>50</b>

OPG reached an agreement with the OEFC in 2007 for a \$950 million credit agreement to refinance senior notes as they mature over the period from September 2007 to September 2009. Refinancing under this agreement totalled \$500 million as at June 30, 2009, which included \$100 million of refinancing in the first quarter of 2009 at an interest rate of 5.65 percent.

In addition, project financing was completed for the Upper Mattagami and Hound Chute project in May 2009. Senior notes totalling \$200 million were issued by the UMH Energy Partnership, a general partnership between OPG and UMH Energy Inc., a wholly-owned subsidiary of OPG. Transaction costs that are directly attributable to the issuance of the senior notes are included in the amortized cost of the notes. The senior notes have an effective interest rate of 7.86 percent and will mature in 2041. These notes are secured by the assets of the Upper Mattagami and Hound Chute project.

#### **8. SHORT-TERM CREDIT FACILITIES**

OPG maintains a \$1 billion revolving committed bank credit facility, which is divided into two tranches – a \$500 million 364-day term tranche and a \$500 million five-year term tranche. During the first quarter of 2009, OPG renewed and extended the maturity date of the 364-day term tranche to May 19, 2010. The renewal became effective in the second quarter of 2009. The five-year term tranche was not extended, and therefore, has four years remaining, with a maturity date of May 20, 2013. The total credit facility will continue to be used primarily as credit support for notes issued under OPG's commercial paper program. As at June 30, 2009, no commercial paper was outstanding (December 31, 2008 – nil), and OPG had no other outstanding borrowings under the bank credit facility.

In the second quarter of 2008, OPG entered into a \$100 million five-year revolving committed bank credit facility in support of the Upper Mattagami and Hound Chute project. As at June 30, 2009, there was no borrowing under this credit facility.

#### **9. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT**

The liability for fixed asset removal and nuclear waste management on a present value basis consists of the following:

<i>(millions of dollars)</i>	<b>June 30 2009</b>	<b>December 31 2008</b>
Liability for nuclear used fuel management	<b>6,375</b>	6,213
Liability for nuclear decommissioning and low and intermediate level waste management	<b>5,110</b>	5,020
Liability for non-nuclear fixed asset removal	<b>155</b>	151
Fixed asset removal and nuclear waste management liabilities	<b>11,640</b>	11,384

The change in the fixed asset removal and nuclear waste management liabilities for the six months ended June 30, 2009 and the year ended December 31, 2008 are as follows:

<i>(millions of dollars)</i>	<b>June 30 2009</b>	<b>December 31 2008</b>
Liabilities, beginning of period	11,384	10,957
Increase in liabilities due to accretion	317	608
Increase in liabilities due to nuclear used fuel and nuclear waste management variable expenses	21	47
Liabilities settled by expenditures on waste management	(82)	(195)
Decrease in the liabilities for non-nuclear fixed asset removal	-	(33)
<b>Liabilities, end of period</b>	<b>11,640</b>	<b>11,384</b>

The cash and cash equivalents balance as at June 30, 2009 includes \$36 million of cash and cash equivalents that are for the use of nuclear waste management activities.

### **Ontario Nuclear Funds Agreement**

OPG sets aside and invests funds held in segregated custodian and trustee accounts specifically for discharging its nuclear fixed asset removal and nuclear waste management liabilities. The nuclear fixed asset removal and nuclear waste management funds ("Nuclear Funds") as at June 30, 2009 and December 31, 2008 consist of the following:

<i>(millions of dollars)</i>	<b>Fair Value</b>	
	<b>June 30 2009</b>	<b>December 31 2008</b>
Decommissioning Fund	4,553	4,325
Used Fuel Fund <sup>1</sup>	4,842	4,424
Due from Province – Used Fuel Fund	267	460
	<b>5,109</b>	<b>4,884</b>
	<b>9,662</b>	<b>9,209</b>

<sup>1</sup> The Ontario NFWA Trust represented \$1,623 million as at June 30, 2009 (December 31, 2008 – \$1,386 million) of the Used Fuel Fund on a fair value basis.

As required by the terms of the Ontario Nuclear Funds Agreement, the Province provides a Provincial Guarantee to the Canadian Nuclear Safety Commission ("CNSC") on behalf of OPG. The *Nuclear Safety and Control Act (Canada)* requires OPG to have sufficient funds available to discharge the current nuclear decommissioning and waste management liabilities. The Provincial Guarantee provides for any shortfall between the long-term liabilities and the current market value of the Used Fuel Fund and the Decommissioning Fund. As of June 30, 2009, the value of this guarantee was \$760 million. It is expected that the CNSC will require the guarantee to be increased to approximately \$1.5 billion as a result of the market value losses experienced in the latter half of 2008.

The earnings from the Nuclear Funds during the three and six month periods ended June 30, 2009 were partially reduced by the establishment of a variance account for revenues and costs associated with the Bruce nuclear stations, as a result of the OEB's decision in the fourth quarter of 2008. The earnings on the Nuclear Funds for the three and six month periods ended June 30, 2009 and 2008 are as follows:

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Decommissioning Fund	377	13	258	(72)
Used Fuel Fund	74	95	57	129
Bruce Revenues and Costs Variance	(150)	-	(20)	-
Total earnings	301	108	295	57

## 10. INCOME TAXES

From April 1, 2005 to December 31, 2008, OPG followed the liability method of tax accounting for its unregulated operations and the taxes payable method for the rate regulated segments of its business. Under the liability method, future tax assets and liabilities are determined based on differences between the accounting and tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Under the taxes payable method, OPG does not recognize future income taxes relating to the rate regulated segments of its business to the extent those future income taxes are expected to be recovered or refunded through future regulated prices charged to customers. Accordingly, OPG did not record future tax expenses of \$13 million and \$115 million during the three and six month periods ended June 30, 2008, respectively, which would have been recorded had OPG accounted for income taxes for the regulated segments using the liability method.

As discussed in Note 2, *Changes in Accounting Policies and Estimates*, effective January 1, 2009, OPG is required to recognize future income taxes associated with its rate regulated operations, including future income taxes on temporary differences related to the regulatory assets and liabilities recognized for accounting purposes. Accordingly, on January 1, 2009, OPG recorded a future income tax liability of \$340 million, being the cumulative future income tax liability on January 1, 2009 related to differences between the accounting and tax bases of assets and liabilities, measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse, and recorded a corresponding regulatory asset. OPG also recorded an additional future income tax liability and a corresponding regulatory asset of \$126 million for future income taxes resulting from regulatory assets that were recorded due to amendments to Section 3465. Effective January 1, 2009, OPG follows the liability method of tax accounting for all its business segments and records a corresponding regulatory asset or liability for the future income taxes relating to its rate regulated segment.

In addition to the transitional adjustment related to the amendments to Section 3465, for the three and six month periods ended June 30, 2009, OPG recorded an increase to the future income tax liability of \$75 million and \$39 million, respectively, which is expected to be recovered through future regulated prices and recorded a corresponding increase to the regulatory asset for future income taxes. As a result, the future income tax expense for the three and six month periods ended June 30, 2009 was not impacted. The increase in the future income tax liability for the three and six month periods ended June 30, 2009 included \$20 million and \$10 million, respectively, related to the increase to the regulatory asset for future income taxes.

The following table summarizes the future income tax liabilities recorded as a result of the changes to Section 3465:

<i>(millions of dollars)</i>	
<b>Transition – January 1, 2009:</b>	
Future income tax liabilities on temporary differences related to regulated operations	<b>340</b>
Future income tax liabilities resulting from the regulatory asset for future income taxes	<b>126</b>
	<b>466</b>
<b>Changes during the period:</b>	
Increase in future income tax liabilities on temporary differences related to regulated operations	<b>29</b>
Increase in future income tax liabilities resulting from the regulatory asset for future income taxes	<b>10</b>
	<b>505</b>
<b>Balance at June 30, 2009</b>	<b>505</b>

The amount of income taxes paid during the three months ended June 30, 2009 was \$45 million (three months ended June 30, 2008 – \$30 million). For the six months ended June 30, 2009, income taxes paid were \$192 million (six months ended June 30, 2008 – \$30 million).

#### 11. PENSION AND OTHER POST EMPLOYMENT BENEFIT COSTS

Total benefit costs for the three and six month periods ended June 30, 2009 and 2008, are as follows:

<i>(millions of dollars)</i>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Registered pension plan	<b>17</b>	47	<b>35</b>	94
Supplementary pension plans	<b>4</b>	4	<b>8</b>	8
Other post employment benefits	<b>41</b>	55	<b>82</b>	110
<b>Pension and other post employment benefit costs</b>	<b>62</b>	106	<b>125</b>	212

#### 12. FINANCIAL INSTRUMENTS

OPG's Board of Directors has approved, and management has implemented, a risk management governance structure designed to effectively identify, measure, monitor and report on key risks across the Company. Risk management activities are coordinated through a centralized risk management group, separate and independent from operational management. Risk information from the business units is independently assessed and aggregated by the Risk Services Group, and is reported by the Chief Risk Officer to the Executive Risk Committee and to the Audit/Risk Committee of the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

OPG is exposed to risks related to changes in electricity prices associated with a wholesale spot market for electricity in Ontario, changes in interest rates, and movements in foreign currency that affect its assets, liabilities, and forecast transactions. Select derivative instruments are used to limit such risks. Derivatives are used as hedging instruments, as well as for trading purposes.

## Derivatives and Hedging

At the inception of a hedging relationship, OPG documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. OPG also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

Hedge accounting is applied when the derivative instrument is designated as a hedge and is expected to be effective throughout the life of the hedged item. When such a derivative instrument hedge ceases to exist or be effective as a hedge, or when designation of a hedging relationship is terminated, any associated deferred gains or losses are carried forward to be recognized in income in the same period as the corresponding gains or losses associated with the hedged item. When a hedged item ceases to exist, any associated deferred gains or losses are recognized in the interim consolidated statement of income.

### *Derivative Instruments Qualifying for Hedge Accounting*

The following table provides the estimated fair value of derivative instruments designated as hedges. The majority of OPG's derivative instruments are treated as hedges, with gains or losses recognized in net income upon settlement when the underlying transactions occur.

OPG holds financial commodity derivatives primarily to hedge the commodity price exposure associated with changes in the price of electricity.

<i>(millions of dollars except where noted)</i>	<b>Notional Quantity</b>	<b>Terms</b>	<b>Fair Value</b>	<b>Notional Quantity</b>	<b>Terms</b>	<b>Fair Value</b>
	<b>June 30, 2009</b>			<b>December 31, 2008</b>		
Electricity derivative instruments	<b>0.7TWh</b>	<b>1.5 yrs</b>	<b>25</b>	0.9TWh	1 yr	20
Foreign exchange derivative instruments	<b>U.S. \$80</b>	<b>Dec/09</b>	<b>(2)</b>	U.S. \$35	July/09	6
Floating-to-fixed interest rate hedges	<b>39</b>	<b>1-10 yrs</b>	<b>(5)</b>	40	1-11 yrs	(8)
Forward start interest rate hedges	<b>190</b>	<b>1-11 yrs</b>	<b>(14)</b>	272	1-12 yrs	(50)

Foreign exchange derivative instruments are used to hedge the exposure to anticipated U.S. dollar denominated purchases. The weighted average fixed exchange rate for contracts outstanding at June 30, 2009 and December 31, 2008 was U.S. \$0.84 and U.S. \$0.95, respectively, for every Canadian dollar.

One of the Company's joint ventures is exposed to changes in interest rates. The joint venture entered into an interest rate swap to manage the risk arising from fluctuations in interest rates by swapping the short-term floating interest rate with a fixed rate of 5.33 percent. OPG's proportionate interest in the swap is 50 percent and is accounted for as a hedge.

Net gains of \$7 million related to derivative instruments qualifying for hedge accounting were recognized in net income during the six months ended June 30, 2009. This amount was previously recorded in other comprehensive income (loss). Existing net gains of \$13 million deferred in accumulated other comprehensive income at June 30, 2009 are expected to be reclassified to net income (loss) within the next 12 months.

### *Derivative Instruments Not Qualifying for Hedge Accounting*

The carrying amount (fair value) of derivative instruments not designated for hedging purposes is as follows:

<i>(millions of dollars except where noted)</i>	<b>Notional Quantity June 30, 2009</b>	<b>Fair Value</b>	<b>Notional Quantity December 31, 2008</b>	<b>Fair Value</b>
Commodity derivative instruments				
Assets	<b>7.7 TWh</b>	<b>54</b>	6.9 TWh	49
Liabilities	<b>2.8 TWh</b>	<b>(36)</b>	2.2 TWh	(19)
		<b>18</b>		30
Market liquidity reserve		-		(4)
<b>Total</b>		<b>18</b>		26

### **Fair Value**

Fair value is the value at which a financial instrument can be closed out or sold, in a transaction with a willing and knowledgeable counterparty. The fair value of financial assets and liabilities, including exchange traded derivatives and other financial instruments for which quoted prices are available in an active market, are determined directly from those quoted market prices.

For financial instruments which do not have quoted market prices directly available, fair values are estimated using forward price curves developed from observable market prices or rates which may include the use of valuation techniques or models, based, wherever possible, on assumptions supported by observable market prices or rates prevailing at the dates of the interim consolidated balance sheets. This is the case for over-the-counter derivatives and securities, which include energy commodity derivatives, foreign exchange derivatives, interest rate swap derivatives, and ABCP issued by third-party trusts. Valuation models use general assumptions and market data and therefore do not reflect the specific risks and other factors that would affect a particular instrument's fair value. The methodologies used for calculating the fair value adjustments are reviewed on an ongoing basis to ensure that they remain appropriate.

### **13. COMMITMENTS AND CONTINGENCIES**

#### **Litigation**

Various legal proceedings are pending against OPG or its subsidiaries covering a wide range of matters that arise in the ordinary course of its business activities.

In August 2006, a Statement of Claim in the amount of \$500 million (the "Claim") was served on OPG and Bruce Power L.P. by British Energy Limited and British Energy International Holdings Limited ("British Energy"), claiming that OPG is liable to them for breach of contract and negligence. OPG leased the Bruce nuclear generating stations to Bruce Power L.P. in 2001.

British Energy was an investor in Bruce Power L.P. In 2003, British Energy sold its interest in Bruce Power L.P. to a group of investors (the "Purchasers"). The Purchasers are claiming that British Energy is liable to them with respect to this purchase transaction. Their claim is currently the subject of an arbitration proceeding (the "Arbitration"). British Energy is therefore suing OPG in order to preserve any similar claim it may have against OPG pursuant to the 2001 lease transaction. British Energy had previously indicated that it does not require OPG to actively defend the Claim until the Arbitration had concluded. The Arbitration is scheduled to proceed in September 2009. It may narrow or eliminate the

claims or damages British Energy has, so as to narrow or eliminate the need to continue the Claim against OPG.

British Energy recently requested that OPG and Bruce Power L.P. provide Statements of Defence and that the action proceed. The defendants have taken the position that the action should be stayed as it is premature until the conclusion of the Arbitration. The defendants are prepared to bring a motion for a stay if British Energy continues to insist on proceeding with the action prior to the conclusion of the Arbitration.

In September 2008, a certain First Nation has served a Notice of Action against Canada, Ontario, OPG and the OEFC claiming damages in the amount of \$200 million arising from breach of contract, fiduciary duty, trespass to property, negligence, nuisance, misrepresentation, breach of riparian rights and unlawful and unjustifiable infringement of the aboriginal and treaty rights and \$0.5 million in special damages. A Notice of Arbitration was served at the same time upon OPG pursuant to an agreement between OPG and the said First Nations to address OPG's role in the sharing of benefits related to hydro development. While OPG assesses the merits of the litigation, neither the arbitration nor the claim is likely to have any material impact on the Company's financial position, and therefore, OPG has minimal exposure with respect to this claim.

Certain First Nations have commenced actions for interference with reserve and traditional land rights. The claims by some of these First Nations total \$45 million and claims by others are for unspecified amounts.

Each of these matters is subject to various uncertainties. Some of these matters may be resolved unfavourably with respect to OPG and could have a significant effect on OPG's financial position. Management has provided for contingencies that are determined to be likely and are reasonably measurable.

## **Environmental**

OPG was required to assume certain environmental obligations from Ontario Hydro. A provision of \$76 million was established as at April 1, 1999 for such obligations. As at June 30, 2009 and December 31, 2008, the remaining provision was \$41 million.

Current operations are subject to regulation with respect to emissions to air, water and land as well as other environmental matters by federal, provincial and local authorities. The cost of obligations associated with current operations is provided for on an ongoing basis. Management believes it has made adequate provision in its interim consolidated financial statements to meet OPG's current environmental obligations.

## **14. REVENUE LIMIT REBATE**

Eighty-five percent of the generation output from OPG's unregulated generation assets, excluding the Lennox generating station and forward sales as of January 1, 2005, was subject to a revenue limit. The term of the revenue limit rebate ended on April 30, 2009.

The change in the revenue limit rebate liability for the six months ended June 30, 2009 and the year ended December 31, 2008 are as follows:

<i>(millions of dollars)</i>	<b>June 30 2009</b>	<b>December 31 2008</b>
Liability, beginning of period	85	100
Increase to provision during the period	27	277
Payments made during the period	<b>(112)</b>	<b>(292)</b>
Liability, end of period	-	85

## 15. BUSINESS SEGMENTS

<b>Segment Income (Loss) for the Three Months Ended June 30, 2009</b>	<b>Nuclear</b>	<b>Regulated Nuclear Waste Manage- ment</b>	<b>Hydro- electric</b>	<b>Unregulated</b>			<b>Other</b>	<b>Elimination</b>	<b>Total</b>
				<b>Hydro- electric</b>	<b>Fossil- Fuelled</b>				
<i>(millions of dollars)</i>									
Revenue	754	11	219	151	241	31	(11)	1,396	
Revenue limit rebate	-	-	-	1	-	-	-	1	
	754	11	219	152	241	31	(11)	1,397	
Fuel expense	41	-	63	28	88	-	-	220	
Gross margin	713	11	156	124	153	31	(11)	1,177	
Operations, maintenance and administration	542	12	26	48	144	1	(11)	762	
Depreciation and amortization	120	-	20	16	16	13	-	185	
Accretion on fixed asset removal and nuclear waste management liabilities	-	157	-	-	2	-	-	159	
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(301)	-	-	-	-	-	(301)	
Property and capital taxes	11	-	3	2	5	3	-	24	
Other gains	-	-	-	-	-	(6)	-	(6)	
Income (loss) before interest and income taxes	40	143	107	58	(14)	20	-	354	

<b>Segment (Loss) Income for the Three Months Ended June 30, 2008</b>	<b>Nuclear</b>	<b>Regulated Nuclear Waste Manage- ment</b>	<b>Hydro- electric</b>	<b>Unregulated Hydro- electric</b>	<b>Fossil- Fuelled</b>	<b>Other</b>	<b>Elimination</b>	<b>Total</b>
<i>(millions of dollars)</i>								
Revenue	593	10	191	282	359	15	(10)	1,440
Revenue limit rebate	-	-	-	(3)	(52)	-	-	(55)
Fuel expense	593	10	191	279	307	15	(10)	1,385
Gross margin	36	-	67	30	144	-	-	277
Operations, maintenance and administration	557	10	124	249	163	15	(10)	1,108
Depreciation and amortization	541	11	24	47	135	2	(10)	750
Accretion on fixed asset removal and nuclear waste management liabilities	95	-	16	16	24	9	-	160
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	150	-	-	2	-	-	152
Property and capital taxes	-	(108)	-	-	-	-	-	(108)
(Loss) income before interest and income taxes	10	-	3	4	4	3	-	24
	(89)	(43)	81	182	(2)	1	-	130

<b>Segment Income (Loss) for the Six Months Ended June 30, 2009</b>	<b>Nuclear</b>	<b>Regulated Nuclear Waste Manage- ment</b>	<b>Hydro- electric</b>	<b>Unregulated</b>			<b>Other</b>	<b>Elimination</b>	<b>Total</b>
				<b>Hydro- electric</b>	<b>Fossil- Fuelled</b>				
<i>(millions of dollars)</i>									
Revenue	<b>1,527</b>	<b>21</b>	<b>398</b>	<b>368</b>	<b>534</b>	<b>78</b>	<b>(21)</b>	<b>2,905</b>	
Revenue limit rebate	-	-	-	<b>(10)</b>	<b>(17)</b>	-	-	<b>(27)</b>	
	<b>1,527</b>	<b>21</b>	<b>398</b>	<b>358</b>	<b>517</b>	<b>78</b>	<b>(21)</b>	<b>2,878</b>	
Fuel expense	<b>90</b>	-	<b>115</b>	<b>50</b>	<b>226</b>	-	-	<b>481</b>	
Gross margin	<b>1,437</b>	<b>21</b>	<b>283</b>	<b>308</b>	<b>291</b>	<b>78</b>	<b>(21)</b>	<b>2,397</b>	
Operations, maintenance and administration	<b>1,094</b>	<b>23</b>	<b>49</b>	<b>90</b>	<b>265</b>	<b>4</b>	<b>(21)</b>	<b>1,504</b>	
Depreciation and amortization	<b>234</b>	-	<b>38</b>	<b>34</b>	<b>34</b>	<b>23</b>	-	<b>363</b>	
Accretion on fixed asset removal and nuclear waste management liabilities	-	<b>314</b>	-	-	<b>4</b>	-	-	<b>318</b>	
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	<b>(295)</b>	-	-	-	-	-	<b>(295)</b>	
Property and capital taxes	<b>22</b>	-	<b>6</b>	<b>4</b>	<b>11</b>	<b>7</b>	-	<b>50</b>	
Other gains	-	-	-	-	-	<b>(6)</b>	-	<b>(6)</b>	
Income (loss) before interest and income taxes	<b>87</b>	<b>(21)</b>	<b>190</b>	<b>180</b>	<b>(23)</b>	<b>50</b>	-	<b>463</b>	

<b>Segment Income (Loss) for the Six Months Ended June 30, 2008</b>	<b>Nuclear</b>	<b>Regulated Nuclear Waste Manage- ment</b>	<b>Hydro- electric</b>	<b>Unregulated</b>		<b>Other</b>	<b>Elimination</b>	<b>Total</b>
				<b>Hydro- electric</b>	<b>Fossil- Fuelled</b>			
<i>(millions of dollars)</i>								
Revenue	1,358	19	369	526	780	37	(19)	3,070
Revenue limit rebate	-	-	-	(27)	(95)	-	-	(122)
	1,358	19	369	499	685	37	(19)	2,948
Fuel expense	77	-	116	53	335	-	-	581
Gross margin	1,281	19	253	446	350	37	(19)	2,367
Operations, maintenance and administration	1,040	21	48	92	256	3	(19)	1,441
Depreciation and amortization	201	-	32	36	46	20	-	335
Accretion on fixed asset removal and nuclear waste management liabilities	-	283	-	-	4	-	-	287
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(57)	-	-	-	-	-	(57)
Property and capital taxes	3	-	6	4	11	6	-	30
Other (gains) losses	-	-	-	-	(2)	9	-	7
Income (loss) before interest and income taxes	37	(228)	167	314	35	(1)	-	324

<i>(millions of dollars)</i>	Regulated		Unregulated			Total
	Nuclear	Hydro-electric	Hydro-electric	Fossil-Fuelled	Other	
<b>Selected Balance Sheet Information</b>						
As at June 30, 2009						
Segment fixed assets in service, net	3,767	3,795	3,023	411	776	11,772
Segment construction in progress	201	558	177	33	4	973
Segment property, plant and equipment, net	3,968	4,353	3,200	444	780	12,745
As at June 30, 2009						
Segment intangible assets in service, net	18	-	1	-	21	40
Segment development in progress	10	1	-	2	2	15
Segment intangible assets, net	28	1	1	2	23	55
As at December 31, 2008						
Segment fixed assets in service, net	3,822	3,823	2,970	396	456	11,467
Segment construction in progress	230	445	190	29	369	1,263
Segment property, plant and equipment, net	4,052	4,268	3,160	425	825	12,730
As at December 31, 2008						
Segment intangible assets in service, net	23	-	1	-	24	48
Segment development in progress	3	2	-	-	4	9
Segment intangible assets, net	26	2	1	-	28	57

#### 16. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Accounts receivable	(80)	(16)	51	(40)
Prepaid expenses	(13)	13	(19)	10
Fuel inventory	(95)	(51)	(46)	13
Materials and supplies	(10)	(4)	(6)	(3)
Revenue limit rebate	(1)	55	27	122
Accounts payable and accrued charges	81	15	(157)	(152)
Income and capital taxes payable	(99)	(35)	(215)	(25)
	(217)	(23)	(365)	(75)

## 17. OTHER (GAINS) AND LOSSES

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
ABCP valuation adjustment <i>(Note 3)</i>	(6)	-	(6)	9
Other	-	-	-	(2)
	(6)	-	(6)	7

In the second quarter of 2009, OPG recorded gains of \$6 million associated with the valuation adjustment of the ABCP, details of which are disclosed in Note 3.

## 18. SEASONAL OPERATIONS

OPG's quarterly results are impacted by changes in demand resulting from variations in seasonal weather conditions. Historically, OPG's revenues are higher in the first and third quarters of a fiscal year as a result of winter heating demands in the first quarter and air conditioning/cooling demands in the third quarter. Regulated prices for most of OPG's baseload hydroelectric facilities and all of the nuclear facilities that OPG operates, the revenue limit related to the generation from OPG's other generating assets up to April 30, 2009, and OPG's hedging strategies significantly reduced the impact of seasonal price fluctuations on the results of operations.