

INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) (UNAUDITED)

Three Months Ended March 31

(millions of dollars except where noted)

| | <u>2010</u> | <u>2009</u> |
|--|--------------|---------------|
| Revenue (Note 15) | | |
| Revenue before revenue limit rebate | 1,444 | 1,509 |
| Revenue limit rebate (Note 14) | - | (28) |
| | <u>1,444</u> | <u>1,481</u> |
| Fuel expense (Note 15) | 248 | 261 |
| Gross margin (Note 15) | <u>1,196</u> | <u>1,220</u> |
| Expenses | | |
| Operations, maintenance and administration | 726 | 742 |
| Depreciation and amortization (Note 5) | 167 | 178 |
| Accretion on fixed asset removal and nuclear waste management liabilities (Note 9) | 165 | 159 |
| (Earnings) losses on nuclear fixed asset removal and nuclear waste management funds (Note 9) | (141) | 6 |
| Property and capital taxes | 19 | 26 |
| Restructuring (Note 18) | 25 | - |
| | <u>961</u> | <u>1,111</u> |
| Income before the following: | 235 | 109 |
| Other (gains) and losses (Notes 3 and 15) | (1) | - |
| Income before interest and income taxes | 236 | 109 |
| Net interest expense | 45 | 39 |
| Income before income taxes | 191 | 70 |
| Income tax expense (Note 10) | | |
| Current | 33 | 31 |
| Future | 15 | 48 |
| | <u>48</u> | <u>79</u> |
| Net income (loss) | 143 | (9) |
| Basic and diluted income (loss) per common share (dollars) | 0.56 | (0.04) |
| Common shares outstanding (millions) | 256.3 | 256.3 |

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Three Months Ended March 31

(millions of dollars)

| | 2010 | 2009 |
|---|--------------|--------------|
| Operating activities | | |
| Net income (loss) | 143 | (9) |
| Adjust for non-cash items: | | |
| Depreciation and amortization (Note 5) | 167 | 178 |
| Accretion on fixed asset removal and nuclear waste management liabilities (Note 9) | 165 | 159 |
| (Earnings) losses on nuclear fixed asset removal and nuclear waste management funds | (141) | 6 |
| Pension costs (Note 11) | 31 | 18 |
| Other post employment benefits and supplementary pension plans (Note 11) | 52 | 45 |
| Future income taxes (Note 10) | 15 | 48 |
| Provision for restructuring (Note 18) | 25 | - |
| Mark-to-market on derivative instruments | (2) | (2) |
| Provision for used nuclear fuel | 10 | 9 |
| Regulatory assets and liabilities (Note 6) | (134) | 4 |
| Other | 1 | (9) |
| | 332 | 447 |
| Contributions to nuclear fixed asset removal and nuclear waste management funds | (72) | (87) |
| Expenditures on nuclear fixed asset removal and nuclear waste management | (51) | (38) |
| Reimbursement of expenditures on nuclear fixed asset removal and nuclear waste management | 26 | 23 |
| Contributions to pension funds | (68) | (66) |
| Expenditures on other post employment benefits and supplementary pension plans | (17) | (19) |
| Revenue limit rebate (Note 14) | - | (54) |
| Net changes to other long-term assets and liabilities | 137 | (17) |
| Net changes in non-cash working capital balances (Note 16) | (69) | (148) |
| Cash flow provided by operating activities | 218 | 41 |
| Investing activities | | |
| Increase in regulatory assets (Note 6) | - | (1) |
| Investment in fixed and intangible assets | (177) | (121) |
| Cash flow used in investing activities | (177) | (122) |
| Financing activities | | |
| Issuance of long-term debt (Note 7) | 580 | 140 |
| Repayment of long-term debt (Note 7) | (534) | (177) |
| Cash flow provided by (used in) financing activities | 46 | (37) |
| Net increase (decrease) in cash and cash equivalents | 87 | (118) |
| Cash and cash equivalents, beginning of period | 71 | 315 |
| Cash and cash equivalents, end of period | 158 | 197 |

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| As at (millions of dollars) | March 31 2010 | December 31 2009 |
|---|------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (Note 9) | 158 | 71 |
| Accounts receivable (Note 4) | 280 | 391 |
| Fuel inventory | 765 | 837 |
| Prepaid expenses | 72 | 47 |
| Income tax recoverable | 21 | 45 |
| Future income taxes (Note 10) | 55 | 51 |
| Materials and supplies | 131 | 132 |
| | <u>1,482</u> | <u>1,574</u> |
| Fixed assets (Note 15) | | |
| Property, plant and equipment | 19,121 | 18,656 |
| Less: accumulated depreciation | 5,944 | 5,820 |
| | <u>13,177</u> | <u>12,836</u> |
| Intangible assets (Notes 2 and 15) | | |
| Intangible assets | 368 | 370 |
| Less: accumulated amortization | 323 | 318 |
| | <u>45</u> | <u>52</u> |
| Other long-term assets | | |
| Deferred pension asset | 1,036 | 999 |
| Nuclear fixed asset removal and nuclear waste management funds (Note 9) | 10,449 | 10,246 |
| Long-term investments (Note 3) | 67 | 66 |
| Long-term materials and supplies | 368 | 388 |
| Regulatory assets (Note 6) | 1,512 | 1,396 |
| Long-term accounts receivable and other assets | 26 | 27 |
| | <u>13,458</u> | <u>13,122</u> |
| | <u>28,162</u> | <u>27,584</u> |

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| As at <i>(millions of dollars)</i> | March 31 2010 | December 31 2009 |
|--|--------------------------------|-----------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued charges | 705 | 933 |
| Long-term debt due within one year <i>(Note 7)</i> | 633 | 978 |
| Deferred revenue due within one year | 12 | 12 |
| | <u>1,350</u> | <u>1,923</u> |
| Long-term debt <i>(Note 7)</i> | <u>3,459</u> | <u>3,068</u> |
| Other long-term liabilities | | |
| Fixed asset removal and nuclear waste management <i>(Note 9)</i> | 12,279 | 11,859 |
| Other post employment benefits and supplementary pension plans | 1,831 | 1,796 |
| Long-term accounts payable and accrued charges | 646 | 522 |
| Deferred revenue | 135 | 130 |
| Future income taxes <i>(Note 10)</i> | 655 | 633 |
| Regulatory liabilities <i>(Note 6)</i> | 195 | 172 |
| | <u>15,741</u> | <u>15,112</u> |
| Non-controlling interest <i>(Note 17)</i> | <u>4</u> | <u>4</u> |
| Shareholder's equity | | |
| Common shares | 5,126 | 5,126 |
| Retained earnings | 2,518 | 2,375 |
| Accumulated other comprehensive loss | (36) | (24) |
| | <u>7,608</u> | <u>7,477</u> |
| | <u>28,162</u> | <u>27,584</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)**

Three Months Ended March 31

(millions of dollars)

| | 2010 | 2009 |
|--|--------------|-------------|
| Common shares | 5,126 | 5,126 |
| Retained earnings | | |
| Balance at beginning of period | 2,375 | 1,752 |
| Net income (loss) | 143 | (9) |
| Balance at end of period | 2,518 | 1,743 |
| Accumulated other comprehensive loss, net of income taxes | | |
| Balance at beginning of period | (24) | (49) |
| Other comprehensive (loss) income for the period | (12) | 3 |
| Balance at end of period | (36) | (46) |
| Total shareholder's equity at end of period | 7,608 | 6,823 |

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

Three Months Ended March 31

(millions of dollars)

| | 2010 | 2009 |
|--|-------------|-------------|
| Net income (loss) | 143 | (9) |
| Other comprehensive (loss) income, net of income taxes | | |
| Net (loss) gain on derivatives designated as cash flow hedges ¹ | (10) | 8 |
| Reclassification to income of gains on derivatives designated as cash flow hedges ² | (2) | (5) |
| Other comprehensive (loss) income for the period | (12) | 3 |
| Comprehensive income (loss) | 131 | (6) |

¹ Net of income tax expense of \$1 million and \$2 million for the three months ended March 31, 2010 and 2009, respectively.

² Net of income tax recovery of \$1 million and \$2 million for the three months ended March 31, 2010 and 2009, respectively.

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (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, and are presented in Canadian dollars. 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, 2009.

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 2009 comparative amounts have been reclassified from financial statements previously presented to conform to the 2010 financial statement presentation.

2. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes Applicable to the Current Period

Liabilities for Fixed Asset Removal and Nuclear Waste Management, and Depreciation Expense

In February 2010, Ontario Power Generation Inc. (“OPG” or the “Company”) announced its decision to commence the definition phase of the refurbishment of the Darlington nuclear generating station. Accordingly, the service life of the Darlington nuclear generating station, for the purposes of calculating depreciation, was extended to 2051. The approval and the extension of service life also impacted the assumptions for OPG’s liabilities for fixed asset removal and nuclear waste management primarily due to cost increases related to additional used fuel bundles, partially offset by a decrease in the liability for decommissioning, resulting from the change in the service life assumptions. The net increase in the liabilities was \$293 million, using a discount rate of 4.8 percent. The increase in liabilities was reflected with a corresponding increase in the fixed asset balance in the first quarter of 2010. As a result of these changes, OPG’s depreciation expense will decrease by \$135 million on an annual basis beginning in 2010.

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*, and 3465, *Income Taxes*, and Accounting Guideline 19 (“AcG-19”), *Disclosures by Entities Subject to Rate Regulation*, 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 Canadian GAAP that applies only to the particular circumstances described therein, including those arising under Section 1600, *Consolidated Financial Statements*, Section 3061, *Property, Plant and Equipment*, Section 3465, and 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 Canadian 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 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 Canadian GAAP and this recognition is consistent with the Financial Accounting Standards Board Accounting Standards Codification Topic 980, *Accounting for the Effects of Certain Types of Regulation* (formerly Financial Accounting Standards No. 71). As a result, the removal of the temporary exemption has no effect on the Company's interim consolidated financial statements.

Changes Applicable to Future Reporting Periods

In February 2008, the Canadian Accounting Standards Board confirmed that Publicly Accountable Enterprises will be required to transition from Canadian GAAP to International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for interim and annual financial reporting purposes of fiscal years beginning on or after January 1, 2011. IFRS are premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. In line with OPG's IFRS conversion project, an assessment has been completed to identify the key accounting differences from Canadian GAAP. OPG's assessment of the impact of IFRS will depend on the IFRS standards in effect at the time of transition and accounting elections made. Proposed changes to the IFRS accounting standards have the potential to introduce additional significant accounting differences. OPG's interim consolidated financial statements, as currently disclosed in accordance with Canadian GAAP, will be significantly different when presented in accordance with IFRS. OPG will publish its first consolidated financial statements prepared in accordance with IFRS for the three months ending and as at March 31, 2011, and for the corresponding comparative periods. The opening balance sheet as at January 1, 2010 will be disclosed in the March 31, 2011 interim consolidated 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 in January 2009. 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 timing of 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 as held-for-trading. Fair value was determined based on a discounted cash flow model.

In the first quarter of 2010, the fair value of the ABCP notes increased by \$1 million as a result of improved market conditions. The increase is reflected in Other (Gains) and Losses in the interim consolidated statements of income (loss). As at March 31, 2010, the ABCP holdings were valued at \$37 million (December 31, 2009 – \$36 million). OPG continues to monitor the development of a secondary market.

4. SALE OF ACCOUNTS RECEIVABLE

In October 2003 the Company signed 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. The transfer provides the trust with ownership of a share of the payments generated by the receivables, computed on a monthly basis. The trust’s recourse to the Company is generally limited to its income earned on the receivables.

In accordance with the receivable purchase agreement, OPG reduced the securitized receivable balance by \$50 million, from \$300 million to \$250 million in May and June of 2009 primarily due to lower cash flows from the Independent Electricity System Operator. During the third quarter of 2009, OPG renewed the agreement with a maturity date of August 31, 2010, and an amended commitment of \$250 million.

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

| <i>(millions of dollars)</i> | Principal Amount of Receivables as at | |
|--|---|---------------------|
| | March 31 2010 | December 31 2009 |
| Total receivables portfolio ¹ | 333 | 436 |
| Receivables sold | 250 | 250 |
| Receivables retained | 83 | 186 |

¹ 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)</i> | Three Months Ended March 31 | |
|--|--------------------------------|------|
| | 2010 | 2009 |
| Pre-tax charges | 1 | 2 |
| Average cost of funds <i>(percent)</i> | 1.0 | 2.5 |

5. DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three months ended March 31, 2010 and 2009 consists of the following:

| <i>(millions of dollars)</i> | Three Months Ended March 31 | |
|---|--------------------------------|------------|
| | 2010 | 2009 |
| Depreciation | 136 | 149 |
| Amortization of intangible assets | 5 | 6 |
| Amortization of regulatory assets and liabilities <i>(Note 6)</i> | 25 | 21 |
| Nuclear waste management costs | 1 | 2 |
| | 167 | 178 |

Interest capitalized to construction in progress at an average rate of six percent during the three months ended March 31, 2010 (three months ended March 31, 2009 – six percent) was \$18 million (three months ended March 31, 2009 – \$17 million).

6. REGULATORY ASSETS AND LIABILITIES

The Ontario Energy Board's ("OEB") decision issued in the fourth quarter of 2008 authorized certain variance and deferral accounts effective April 1, 2008. In that decision the OEB also ruled on the disposition of the balances previously recorded by OPG in variance and deferral accounts as at December 31, 2007 pursuant to the regulation under the *Ontario Energy Board Act, 1998*. During the fourth quarter of 2009, the OEB issued a decision on the treatment of variance and deferral accounts for the period after December 31, 2009.

During the three months ended March 31, 2010, the Company recorded additions to the variance and deferral accounts authorized by the OEB, and amortized approved regulatory balances based on recovery periods established by the OEB. OPG also recorded interest on outstanding regulatory balances at the interest rate prescribed by the OEB, which was 0.55 percent during the three months ended March 31, 2010. The interest rate fluctuated in the range of 0.55 percent to 2.45 percent during the year ended December 31, 2009. In its next application to the OEB, OPG will apply for recovery of regulatory balances recorded subsequent to December 31, 2007, including balances recorded for the three months ended March 31, 2008 pursuant to the regulation under the *Ontario Energy Board Act, 1998*.

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

The regulatory assets and liabilities recorded as at March 31, 2010 and December 31, 2009 were as follows:

| <i>(millions of dollars)</i> | March 31 2010 | December 31 2009 |
|--|--------------------------|-----------------------------|
| Regulatory assets | | |
| Future income taxes <i>(Note 10)</i> | 618 | 592 |
| Bruce Lease Net Revenues Variance Account | 392 | 328 |
| Pickering A Return to Service Deferral Account | 70 | 82 |
| Tax Loss Variance Account | 343 | 295 |
| Nuclear Liabilities Deferral Account | 74 | 86 |
| Other | 15 | 13 |
| Total regulatory assets | 1,512 | 1,396 |
| Regulatory liabilities | | |
| Capacity Refurbishment Variance Account | 6 | 3 |
| Nuclear Development Account | 67 | 55 |
| Hydroelectric Water Conditions Variance | 57 | 55 |
| Other | 65 | 59 |
| Total regulatory liabilities | 195 | 172 |

As at March 31, 2010, other regulatory assets included \$10 million related to the under-recovery of nuclear variance and deferral account balances, and \$5 million related to the Interim Period Shortfall Variance Account for the period April 1, 2008 to November 30, 2008. As at December 31, 2009, other regulatory assets included \$8 million related to the under-recovery of nuclear variance and deferral account balances, and \$5 million related to the Nuclear Interim Period Shortfall Variance Account.

As at March 31, 2010, other regulatory liabilities included \$25 million in the Income and Other Taxes Variance Account, \$19 million in the Nuclear Fuel Cost Variance Account, \$16 million in the Ancillary Services Net Revenue Variance Account, \$2 million related to the over-recovery of hydroelectric variance and deferral account balances since January 1, 2010, and \$3 million related to the Hydroelectric Interim Period Shortfall Variance Account. As at December 31, 2009, other regulatory liabilities included \$21 million in the Income and Other Taxes Variance Account, \$21 million in the Nuclear Fuel Cost Variance Account, and \$17 million in the Ancillary Services Net Revenue Variance Account.

The changes in the regulatory assets and liabilities for the three months ended March 31, 2010 and the year ended December 31, 2009 are as follows:

| <i>(millions of dollars)</i> | Future Income Taxes | Bruce Lease Net Revenues Variance | Tax Loss Variance | Pickering A Return to Service Deferral | Nuclear Liabilities Deferral | Capacity Refurbish- ment Variance Account | Nuclear Develop- ment Account | Hydro- electric Water Conditions Variance | Other (net) |
|--|------------------------------------|--|----------------------------------|---|---|--|--|--|------------------------|
| Regulatory assets (liabilities), January 1, 2009 | - | 260 | - | 123 | 132 | (6) | (21) | (22) | 2 |
| Increase (decrease) during the year | 592 | 64 | 292 | - | - | 3 | (29) | (29) | (42) |
| Interest | - | 4 | 3 | 2 | 1 | - | - | - | (2) |
| Amortization during the year | - | - | - | (43) | (47) | - | (5) | (4) | (4) |
| Regulatory assets (liabilities), December 31, 2009 | 592 | 328 | 295 | 82 | 86 | (3) | (55) | (55) | (46) |
| Increase (decrease) during the year | 26 | 63 | 48 | - | - | (3) | (11) | (2) | (4) |
| Interest | - | 1 | - | - | - | - | - | - | - |
| Amortization during the year | - | - | - | (12) | (12) | - | (1) | - | - |
| Regulatory assets (liabilities), March 31, 2010 | 618 | 392 | 343 | 70 | 74 | (6) | (67) | (57) | (50) |

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

| | Three Months Ended March 31, 2010 | | | Three Months Ended March 31, 2009 | | |
|---|--------------------------------------|--|--|--------------------------------------|--|--|
| | 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 |
| <i>(millions of dollars)</i> | | | | | | |
| Revenue | 1,444 | (151) | 1,293 | 1,481 | (5) | 1,476 |
| Fuel expense | 248 | 3 | 251 | 261 | (4) | 257 |
| Operations, maintenance and administration | 726 | (16) | 710 | 742 | (8) | 734 |
| Depreciation and amortization | 167 | (33) | 134 | 178 | (22) | 156 |
| (Earnings) losses on nuclear fixed asset removal and nuclear waste management funds | (141) | (16) | (157) | 6 | 130 | 136 |
| Accretion on fixed asset removal and nuclear waste management liabilities | 165 | 3 | 168 | 159 | - | 159 |
| Property and capital taxes | 19 | (3) | 16 | 26 | - | 26 |
| Net interest expense | 45 | - | 45 | 39 | 3 | 42 |
| Income tax expense | 48 | 8 | 56 | 79 | (1) | 78 |
| Other comprehensive (loss) income | (12) | 4 | (8) | 3 | - | 3 |

7. LONG-TERM DEBT

Long-term debt consists of the following:

| | March 31 2010 | December 31 2009 |
|--|------------------|---------------------|
| <i>(millions of dollars)</i> | | |
| Notes payable to the Ontario Electricity Financial Corporation | 3,723 | 3,675 |
| UMH Energy Partnership debt | 197 | 197 |
| Share of non-recourse limited partnership debt | 172 | 174 |
| | 4,092 | 4,046 |
| Less: due within one year | | |
| Notes payable to the Ontario Electricity Financial Corporation | 625 | 970 |
| Share of limited partnership debt | 8 | 8 |
| | 633 | 978 |
| Long-term debt | 3,459 | 3,068 |

Interest paid during the three months ended March 31, 2010 was \$93 million (three months ended March 31, 2009 – \$99 million), of which \$90 million relates to interest paid on long-term debt (three

months ended March 31, 2009 – \$93 million). Interest on the notes payable to the Ontario Electricity Financial Corporation (“OEFC”) is paid semi-annually.

OPG reached an agreement with the OEFC in the first quarter of 2010 for a \$970 million credit facility to refinance notes as they mature over the period from January 2010 to December 2010. Refinancing under this agreement totalled \$530 million as at March 31, 2010, which included \$300 million of five-year notes at an interest rate of 3.56 percent and \$230 million of 10-year notes at an interest rate of 4.68 percent in the first quarter of 2010.

Debt financing for the Niagara Tunnel, the Portlands Energy Centre and the Lac Seul hydroelectric generating station projects is provided by the OEFC. Advances under these credit facilities commenced in December 2006 and were completed for the Portlands and Lac Seul credit facilities in 2009. As at the end of 2009, notes issued under the Portlands credit facility totalled \$390 million and notes issued under the Lac Seul credit facility totalled \$50 million. As at March 31, 2010, 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> | Niagara Tunnel | Portlands Energy Centre | Lac Seul Hydroelectric Generating Station |
|---|---------------------------|------------------------------------|--|
| Debt financing, as at December 31, 2009 | 490 | 390 | 50 |
| New borrowing | 50 | - | - |
| Debt financing, as at March 31, 2010 | 540 | 390 | 50 |

OPG is in the process of pursuing an amendment to the Niagara Tunnel project credit facility, consistent with the revised cost estimate of \$1.6 billion, and the revised schedule.

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. These notes are recourse to OPG during the construction period, and non-recourse thereafter.

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 multi-year term tranche. In April 2010, OPG renewed and extended the maturity date of the 364-day term tranche to May 18, 2011. The multi-year term tranche has three 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 March 31, 2010, no commercial paper was outstanding (December 31, 2009 – 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 March 31, 2010, there were no borrowings 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> | March 31 2010 | December 31 2009 |
|---|--------------------------|-----------------------------|
| Liability for nuclear used fuel management | 7,265 | 6,525 |
| Liability for nuclear decommissioning and low and intermediate level waste management | 4,864 | 5,186 |
| Liability for non-nuclear fixed asset removal | 150 | 148 |
| Fixed asset removal and nuclear waste management liabilities | 12,279 | 11,859 |

The changes in the fixed asset removal and nuclear waste management liabilities for the three months ended March 31, 2010 and the year ended December 31, 2009 are as follows:

| <i>(millions of dollars)</i> | March 31 2010 | December 31 2009 |
|--|--------------------------|-----------------------------|
| Liabilities, beginning of period | 11,859 | 11,384 |
| Increase in liabilities due to accretion | 168 | 631 |
| Increase in liabilities due to changes in assumptions related to the decision to commence the definition phase of the refurbishment of the Darlington nuclear generating station | 293 | - |
| Increase in liabilities due to nuclear used fuel and nuclear waste management variable expenses | 10 | 42 |
| Liabilities settled by expenditures on waste management | (51) | (189) |
| Change in the liabilities for non-nuclear fixed asset removal | - | (9) |
| Liabilities, end of period | 12,279 | 11,859 |

The cash and cash equivalents balance as of March 31, 2010 included \$7 million of cash and cash equivalents that are for the use of nuclear waste management activities (December 31, 2009 – \$11 million).

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 March 31, 2010 and December 31, 2009 consist of the following:

| <i>(millions of dollars)</i> | Fair Value | |
|--|------------------|---------------------|
| | March 31 2010 | December 31 2009 |
| Decommissioning Segregated Fund | 4,942 | 4,876 |
| Used Fuel Segregated Fund ¹ | 5,598 | 5,403 |
| Due to Province – Used Fuel Fund | (91) | (33) |
| | 5,507 | 5,370 |
| | 10,449 | 10,246 |

¹ The Ontario NFWA Trust represented \$1,792 million as at March 31, 2010 (December 31, 2009 – \$1,693 million) of the Used Fuel Fund on a fair value basis.

As required by the terms of the Ontario Nuclear Funds Agreement, the Province of Ontario (the “Province”) has provided 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 Segregated Fund and the Decommissioning Segregated Fund. OPG pays the Province an annual guarantee fee of 0.5 percent of the amount of the Provincial Guarantee provided by the Province. In December 2009, the CNSC approved an increase in the amount of the Provincial Guarantee to \$1,545 million, to be effective on March 1, 2010. The value of this Provincial Guarantee will be in effect through to the end of 2012, when the next reference plan for the CNSC is required to be submitted. The increase was primarily a result of the market value losses experienced by the Nuclear Funds in 2008. In 2009, OPG paid the annual guarantee fee of \$3.8 million based on a Provincial Guarantee amount of \$760 million.

In accordance with Section 3855, the investments in the Nuclear Funds and the corresponding payables to the Province are classified as held-for-trading and are measured at fair value with realized and unrealized gains and losses recognized in OPG’s interim consolidated financial statements.

The earnings (losses) on the Nuclear Funds for the three months ended March 31, 2010 and 2009 are as follows:

| <i>(millions of dollars)</i> | Three Months Ended | |
|--|--------------------|------------------|
| | March 31 2010 | March 31 2009 |
| Decommissioning Fund | 87 | (119) |
| Used Fuel Fund | 70 | (17) |
| Bruce Revenues and Cost Variance (<i>Note 6</i>) | (16) | 130 |
| Total earnings (losses) | 141 | (6) |

During the first quarter of 2010, OPG recorded a reduction to the Bruce Lease Net Revenues Variance Account regulatory asset of \$16 million, which reduced the reported earnings from the Nuclear Funds.

For the same period in 2009, OPG recorded an increase to the Bruce Lease Net Revenues Variance Account regulatory asset of \$130 million, which reduced the reported losses from the Nuclear Funds.

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 income 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 did not recognize future income taxes relating to the rate regulated segments of its business, to the extent those future income taxes were expected to be recovered or refunded through future regulated prices charged to customers.

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 that are expected to be recovered or refunded through future regulated prices charged to customers.

During the three months ended March 31, 2010, OPG recorded an increase to the future income tax liability of \$26 million, 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 months ended March 31, 2010 was not impacted. The increase in the future income tax liability for the three months ended March 31, 2010 included \$8 million related to the increase to the regulatory asset for future income taxes.

The OEB's decision in 2008 on OPG's new payment amounts established an Income and Other Taxes Variance Account retrospective to April 1, 2008. The account captures variances in the income tax expense for the regulated business caused by changes in tax rates or rules under the *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario), as modified by the *Electricity Act, 1998*, as well as variances caused by reassessments. Variances in income tax expense from reassessments of prior taxation years that have an impact on taxes payable for the years after April 1, 2008 are also recorded in the account. During the three months ended March 31, 2010, OPG recorded \$4 million in the account (March 31, 2009 – nil).

The amount of cash income taxes paid during the three months ended March 31, 2010 was \$8 million (three months ended March 31, 2009 – \$147 million).

11. PENSION AND OTHER POST EMPLOYMENT BENEFIT COSTS

Total benefit costs for the three months ended March 31, 2010 and 2009 are as follows:

| <i>(millions of dollars)</i> | Three Months Ended March 31 | |
|---|--------------------------------|------|
| | 2010 | 2009 |
| Registered pension plans | 31 | 18 |
| Supplementary pension plans | 5 | 4 |
| Other post employment benefits | 47 | 41 |
| Pension and other post employment benefit costs | 83 | 63 |

12. FINANCIAL INSTRUMENTS

OPG's risk management governance structure is designed to effectively identify, measure, monitor, and report on key risk management activities across the Company. Risk management activities are coordinated by a centralized Corporate Risk Management group led by the Chief Risk Officer. Risks that would prevent business units from achieving business plan objectives are identified at the business unit level. Senior management sets risk limits for the financing, procurement, and trading activities of the Company and ensures that effective risk management policies and processes are in place to ensure compliance with such limits in order to maintain an appropriate balance between risk and return. OPG's risk management process aims to continually evaluate the effectiveness of risk mitigation activities for identified key risks. The findings from this evaluation process are reported quarterly to the Audit/Risk Committee of the Board of Directors.

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 statements of income (loss).

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 (loss) 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> | Notional Quantity | Terms | Fair Value | Notional Quantity | Terms | Fair Value |
|---|------------------------------|------------------|-----------------------|------------------------------|--------------|-----------------------|
| | March 31, 2010 | | | December 31, 2009 | | |
| Electricity derivative instruments | 0.3TWh | 1yr | 15 | 0.4TWh | 1 yr | 16 |
| Floating-to-fixed interest rate hedges | 37 | 1 – 9 yrs | (4) | 38 | 1–10 yrs | (4) |
| Forward start interest rate hedges | 505 | 1-13 yrs | (6) | 490 | 1–13 yrs | 3 |

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 \$2 million related to derivative instruments qualifying for hedge accounting were recognized in net income during the three months ended March 31, 2010. This amount was previously recorded in other comprehensive loss. Existing net gains of \$15 million deferred in accumulated other comprehensive loss at March 31, 2010 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 commodity derivative instruments not designated for hedging purposes is as follows:

| <i>(millions of dollars except where noted)</i> | Notional Quantity | Fair Value | Notional Quantity | Fair Value |
|---|------------------------------|-----------------------|------------------------------|-----------------------|
| | March 31, 2010 | | December 31, 2009 | |
| Commodity derivative instruments | | | | |
| Assets | 3.4 TWh | 8 | 3.6 TWh | 7 |
| Liabilities | 0.8 TWh | (7) | 1.3 TWh | (6) |
| | | 1 | | 1 |
| Market liquidity reserve | | - | | (1) |
| Total | | 1 | | - |

Under the Bruce Lease, lease revenue is reduced in each calendar year where the annual arithmetic average of the Hourly Ontario Electricity Price ("Average HOEP") falls below \$30/MWh, and if certain other conditions are met. The conditional reduction to revenue included in the lease agreement is treated as a derivative according to CICA Section 3855, *Financial Instruments – Recognition and Measurement*. OPG reported a liability of \$213 million as at March 31, 2010 (December 31, 2009 - \$118 million), which reflected the fair value of a derivative embedded in the Bruce Power lease agreement. This increase in the fair value was primarily due to reductions in the expected future Average HOEP. Under reasonably possible alternative assumptions, the effect of changing expected future electricity prices ranged from a decrease to long-term accounts payable of \$107 million to an increase of \$93 million. This sensitivity analysis is determined based on the existing assessment of market conditions with consideration of historical changes in electricity prices. The income statement impact as a result of changes to the liability is offset by the impact of the Bruce Lease Net Revenues Variance Account.

Fair Value

Fair value is the value that a financial instrument can be closed out or sold, in a transaction with a willing and knowledgeable counterparty. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by OPG is the current bid price.

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 fund investments. 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.

On August 9, 2006, a Notice of Action and Statement of Claim in the amount of \$500 million was served on OPG and Bruce Power L.P. by British Energy Limited and British Energy International Holdings Limited ("British Energy").

The British Energy claim against OPG pertains to corrosion in the Bruce Unit 8 Steam Generators, in particular erosion of the support plates through which the boiler tubes pass. The claim amount includes \$65 million due to an extended outage to repair some of the alleged damage. The balance of the amount claimed is based on an increased probability the steam generators will have to be replaced or the unit taken out of service prematurely. OPG leased the Bruce nuclear generating stations to Bruce Power L.P. in 2001.

British Energy is involved in arbitration with the current owners of Bruce Power L.P. regarding an alleged breach of British Energy's representations and warranties to the current owners when they purchased British Energy's interest in Bruce Power L.P. (the "Arbitration"). If British Energy is successful in defending against the Arbitration claim, they will not have suffered any damages to attempt to recoup from OPG. This Arbitration commenced on April 5, 2010 and is scheduled to conclude in May 2010. The arbitrator may take some time to come to a decision following the conclusion of the Arbitration.

British Energy previously indicated that they did not require OPG or Bruce Power L.P. to actively defend the court action until the conclusion of the Arbitration. Although the Arbitration has not been heard, British Energy has now requested that OPG file a Statement of Defence. OPG and Bruce Power L.P. advised British Energy that if British Energy wishes the court action to proceed prior to the conclusion of the Arbitration, the defendants would bring a motion for a Stay of proceedings, a Dismissal of the current action or, in the alternative, a motion to extend the time for service of the Statement of Defence until the

conclusion of the arbitration. That motion was scheduled to be heard March 5, 2010 but was adjourned at the request of British Energy. The return date of that motion is yet to be set.

In September 2008, a certain First Nation has served a Notice of Action against the Government of Canada, the Province of 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. OPG continues to assess the merits of the litigation.

A Notice of Arbitration was served upon OPG and OEFC by a First Nation. The arbitration concerns whether OPG breached an Agreement to use its "best efforts" to engage the Province in discussion with the First Nation concerning the sharing of benefits related to hydroelectric development. The arbitration hearing has concluded and the parties are waiting for the decision of the Arbitrator. The arbitration is not expected to have any material impact on the Company's financial position.

Certain First Nations have commenced actions for interference with reserve and traditional land rights. OPG has been brought into certain actions by a First Nation against other parties as a third party defendant. The claims by some of these First Nations against OPG total \$70 million and the other claims 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 March 31, 2010 and December 31, 2009, the remaining provision was \$40 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 revenue limit rebate liability for the year ended December 31, 2009 was as follows:

| <i>(millions of dollars)</i> | December 31 2009 |
|---------------------------------------|-----------------------------|
| Liability, beginning of year | 85 |
| Increase to provision during the year | 27 |
| Payments made during the year | (112) |
| Liability, end of year | - |

15. BUSINESS SEGMENTS

| Segment Income (Loss) for the Three Months Ended March 31, 2010 | Nuclear | Regulated Nuclear Waste Manage- ment | Hydro- electric | Unregulated Hydro- electric | Thermal | Other | Elimination | Total |
|--|----------------|---|----------------------------|--|----------------|--------------|--------------------|--------------|
| <i>(millions of dollars)</i> | | | | | | | | |
| Revenue | 793 | 11 | 185 | 149 | 268 | 48 | (10) | 1,444 |
| Revenue limit rebate | - | - | - | - | - | - | - | - |
| | 793 | 11 | 185 | 149 | 268 | 48 | (10) | 1,444 |
| Fuel expense | 50 | - | 50 | 19 | 129 | - | - | 248 |
| Gross margin | 743 | 11 | 135 | 130 | 139 | 48 | (10) | 1,196 |
| Operations, maintenance and administration | 550 | 12 | 23 | 46 | 102 | 3 | (10) | 726 |
| Depreciation and amortization | 93 | - | 16 | 16 | 27 | 15 | - | 167 |
| Accretion on fixed asset removal and nuclear waste management liabilities | - | 164 | - | - | 1 | - | - | 165 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | - | (141) | - | - | - | - | - | (141) |
| Property and capital taxes | 11 | - | 3 | 1 | 1 | 3 | - | 19 |
| Restructuring | - | - | - | - | 25 | - | - | 25 |
| Other (gains) and losses | - | - | - | - | - | (1) | - | (1) |
| Income (loss) before interest and income taxes | 89 | (24) | 93 | 67 | (17) | 28 | - | 236 |

| Segment Income (Loss) for the Three Months Ended March 31, 2009 | Nuclear | Regulated Nuclear Waste Manage- ment | Hydro- electric | Unregulated Hydro- electric | Thermal | Other | Elimination | Total |
|---|----------------|---|----------------------------|--|----------------|--------------|--------------------|--------------|
| <i>(millions of dollars)</i> | | | | | | | | |
| Revenue | 773 | 10 | 179 | 217 | 293 | 47 | (10) | 1,509 |
| Revenue limit rebate | - | - | - | (11) | (17) | - | - | (28) |
| | 773 | 10 | 179 | 206 | 276 | 47 | (10) | 1,481 |
| Fuel expense | 49 | - | 52 | 22 | 138 | - | - | 261 |
| Gross margin | 724 | 10 | 127 | 184 | 138 | 47 | (10) | 1,220 |
| Operations, maintenance and administration | 552 | 11 | 23 | 42 | 121 | 3 | (10) | 742 |
| Depreciation and amortization | 114 | - | 18 | 18 | 18 | 10 | - | 178 |
| Accretion on fixed asset removal and nuclear waste management liabilities | - | 157 | - | - | 2 | - | - | 159 |
| Losses on nuclear fixed asset removal and nuclear waste management funds | - | 6 | - | - | - | - | - | 6 |
| Property and capital taxes | 11 | - | 3 | 2 | 6 | 4 | - | 26 |
| Income (loss) before interest and income taxes | 47 | (164) | 83 | 122 | (9) | 30 | - | 109 |

| <i>(millions of dollars)</i> | Regulated | | Unregulated | | Other | Total |
|--|-----------|----------------|----------------|---------|-------|--------|
| | Nuclear | Hydro-electric | Hydro-electric | Thermal | | |
| Selected Balance Sheet Information | | | | | | |
| As at March 31, 2010 | | | | | | |
| Segment fixed assets in service, net | 3,956 | 3,777 | 2,962 | 361 | 800 | 11,856 |
| Segment construction in progress | 203 | 716 | 366 | 33 | 3 | 1,321 |
| Segment property, plant and equipment, net | 4,159 | 4,493 | 3,328 | 394 | 803 | 13,177 |
| As at March 31, 2010 | | | | | | |
| Segment intangible assets in service, net | 20 | - | 2 | - | 13 | 35 |
| Segment development in progress | 4 | - | 1 | - | 5 | 10 |
| Segment intangible assets, net | 24 | - | 3 | - | 18 | 45 |
| As at December 31, 2009 | | | | | | |
| Segment fixed assets in service, net | 3,661 | 3,791 | 2,968 | 384 | 808 | 11,612 |
| Segment construction in progress | 217 | 663 | 308 | 32 | 4 | 1,224 |
| Segment property, plant and equipment, net | 3,878 | 4,454 | 3,276 | 416 | 812 | 12,836 |
| As at December 31, 2009 | | | | | | |
| Segment intangible assets in service, net | 22 | - | 2 | - | 15 | 39 |
| Segment development in progress | 8 | - | 1 | 1 | 3 | 13 |
| Segment intangible assets, net | 30 | - | 3 | 1 | 18 | 52 |

16. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

| <i>(millions of dollars)</i> | Three Months Ended March 31 | |
|--|--------------------------------|--------------|
| | 2010 | 2009 |
| Accounts receivable | 112 | 131 |
| Prepaid expenses | (25) | (6) |
| Fuel inventory | 72 | 49 |
| Materials and supplies | 1 | 4 |
| Revenue limit rebate payable | - | 28 |
| Accounts payable and accrued charges | (253) | (238) |
| Income and capital taxes payable / recoverable | 24 | (116) |
| | (69) | (148) |

17. NON-CONTROLLING INTEREST

OPG has entered into a partnership agreement with the Lac Seul First Nation (“LSFN”) regarding the 12.5 MW Lac Seul generating station. In July 2009, OPG transferred ownership of the station to the partnership. OPG has a 75 percent ownership interest in the partnership, while the LSFN has a 25 percent interest.

OPG consolidates the results of the Lac Seul LP and the non-controlling interest represents the LSFN’s 25 percent ownership interest in the partnership.

18. RESTRUCTURING

In September 2009, together with the Ministry of Energy and Infrastructure, OPG announced its decision to close two coal-fired units at each of the Lambton and Nanticoke coal-fired generating stations. The closures are expected to occur in October 2010. OPG is conducting discussions with key stakeholders, including the Society of Energy Professionals and the Power Workers’ Union, in accordance with their respective collective bargaining agreements. As determined by the collective bargaining agreements, restructuring costs of \$25 million have been recorded during the first quarter of 2010 for those employees who have elected to leave. The change in the restructuring liability for severance costs for the three months ended March 31, 2010 is as follows:

| <i>(millions of dollars)</i> | March 31 2010 |
|--------------------------------|--------------------------------|
| Liability, beginning of period | - |
| Restructuring charges | 25 |
| Liability, end of period | text-align: right;"> 25 |

19. SEASONAL OPERATIONS

OPG’s quarterly results are impacted by changes in demand resulting from variations in seasonal weather conditions. During the first and third quarters of a fiscal year, OPG’s revenues are impacted 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 contingency support agreement with the OEFC, and OPG’s hedging strategies significantly reduced the impact of seasonal price fluctuations on the results of operations.