

INTERIM CONSOLIDATED STATEMENTS OF (LOSS) INCOME (UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
<i>(millions of dollars except where noted)</i>				
Revenue (Note 15)				
Revenue before revenue limit rebate	1,211	1,396	2,655	2,905
Revenue limit rebate (Note 14)	-	1	-	(27)
	1,211	1,397	2,655	2,878
Fuel expense (Note 15)	211	220	459	481
Gross margin	1,000	1,177	2,196	2,397
Expenses (Note 15)				
Operations, maintenance and administration	778	762	1,504	1,504
Depreciation and amortization (Note 5)	177	185	344	363
Accretion on fixed asset removal and nuclear waste management liabilities (Note 9)	165	159	330	318
Earnings on nuclear fixed asset removal and nuclear waste management funds (Note 9)	(40)	(301)	(181)	(295)
Property and capital taxes	24	24	43	50
Restructuring	-	-	25	-
	1,104	829	2,065	1,940
(Loss) income before the following:	(104)	348	131	457
Other (gains) and losses (Notes 3 and 15)	(1)	(6)	(2)	(6)
(Loss) income before interest and income taxes	(103)	354	133	463
Net interest expense	44	43	89	82
(Loss) income before income taxes	(147)	311	44	381
Income tax (recovery) expense (Note 10)				
Current	(134)	(52)	(101)	(21)
Future	16	57	31	105
	(118)	5	(70)	84
Net (loss) income	(29)	306	114	297
Basic and diluted (loss) income per common share (dollars)	(0.11)	1.20	0.45	1.16
Common shares outstanding (millions)	256.3	256.3	256.3	256.3

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	
	2010	2009	2010	2009
Operating activities				
Net (loss) income	(29)	306	114	297
Adjust for non-cash items:				
Depreciation and amortization (Note 5)	177	185	344	363
Accretion on fixed asset removal and nuclear waste management liabilities (Note 9)	165	159	330	318
Earnings on nuclear fixed asset removal and nuclear waste management funds	(40)	(301)	(181)	(295)
Pension costs (Note 11)	32	17	63	35
Other post employment benefits and supplemental pension plans (Note 11)	53	45	105	90
Future income taxes and other accrued charges (Note 10)	(80)	45	(65)	93
Provision for restructuring (Note 18)	-	-	25	-
Mark-to-market on derivative instruments	(59)	10	34	8
Provision for used nuclear fuel	10	9	20	18
Regulatory assets and liabilities (Note 6)	21	(194)	(113)	(190)
Other	7	(1)	9	(10)
	257	280	685	727
Contributions to nuclear fixed asset removal and nuclear waste management funds	(65)	(88)	(137)	(175)
Expenditures on nuclear fixed asset removal and nuclear waste management	(49)	(44)	(100)	(82)
Reimbursement of expenditures on nuclear fixed asset removal and nuclear waste management	41	14	67	37
Contributions to pension fund	(69)	(66)	(137)	(132)
Expenditures on other post employment benefits and supplementary pension plans	(20)	(21)	(37)	(40)
Revenue limit rebate (Note 14)	-	(58)	-	(112)
Net changes to other long-term assets and liabilities	(61)	17	(20)	0
Net changes in non-cash working capital balances (Note 16)	76	(217)	7	(365)
Cash flow provided by (used in) operating activities	110	(183)	328	(142)
Investing activities				
Increase in regulatory assets (Note 6)	-	-	-	(1)
Investment in fixed and intangible assets	(227)	(202)	(404)	(323)
Net proceeds from sale of long-term investments	-	1	-	1
Cash flow used in investing activities	(227)	(201)	(404)	(323)
Financing activities				
Issuance of long-term debt (Note 7)	65	275	645	415
Repayment of long-term debt (Note 7)	(3)	(4)	(537)	(181)
Cash flow provided by financing activities	62	271	108	234
Net (decrease) increase in cash and cash equivalents	(55)	(113)	32	(231)
Cash and cash equivalents, beginning of period	158	197	71	315
Cash and cash equivalents, end of period	103	84	103	84

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at <i>(millions of dollars)</i>	June 30 2010	December 31 2009
Assets		
Current assets		
Cash and cash equivalents <i>(Note 9)</i>	103	71
Accounts receivable <i>(Note 4)</i>	210	391
Fuel inventory	748	837
Prepaid expenses	64	47
Income tax recoverable	95	45
Future income taxes <i>(Note 10)</i>	70	51
Materials and supplies	94	132
	<u>1,384</u>	<u>1,574</u>
Fixed assets <i>(Note 15)</i>		
Property, plant and equipment	19,373	18,695
Less: accumulated depreciation	6,115	5,859
	<u>13,258</u>	<u>12,836</u>
Intangible assets <i>(Notes 2 and 15)</i>		
Intangible assets	333	331
Less: accumulated amortization	288	279
	<u>45</u>	<u>52</u>
Other long-term assets		
Deferred pension asset	1,073	999
Nuclear fixed asset removal and nuclear waste management funds <i>(Note 9)</i>	10,444	10,246
Long-term investments <i>(Note 3)</i>	64	66
Long-term materials and supplies	408	388
Regulatory assets <i>(Note 6)</i>	1,524	1,396
Long-term accounts receivable and other assets	46	27
	<u>13,559</u>	<u>13,122</u>
	<u>28,246</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>	June 30 2010	December 31 2009
Liabilities		
Current liabilities		
Accounts payable and accrued charges	729	933
Long-term debt due within one year <i>(Note 7)</i>	633	978
Deferred revenue due within one year	12	12
	<u>1,374</u>	<u>1,923</u>
Long-term debt <i>(Note 7)</i>	<u>3,521</u>	<u>3,068</u>
Other long-term liabilities		
Fixed asset removal and nuclear waste management <i>(Note 9)</i>	12,408	11,859
Other post employment benefits and supplementary pension plans	1,864	1,796
Long-term accounts payable and accrued charges	500	522
Deferred revenue	141	130
Future income taxes <i>(Note 10)</i>	658	633
Regulatory liabilities <i>(Note 6)</i>	216	172
	<u>15,787</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	2,489	2,375
Accumulated other comprehensive loss	(55)	(24)
	<u>7,560</u>	<u>7,477</u>
	<u>28,246</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)**

Six Months Ended June 30

(millions of dollars)

	2010	2009
Common shares	5,126	5,126
Retained earnings		
Balance at beginning of period	2,375	1,752
Net income	114	297
Balance at end of period	2,489	2,049
Accumulated other comprehensive loss, net of income taxes		
Balance at beginning of period	(24)	(49)
Other comprehensive (loss) income for the period	(31)	21
Balance at end of period	(55)	(28)
Total shareholder's equity at end of period	7,560	7,147

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

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Net (loss) income	(29)	306	114	297
Other comprehensive (loss) income, net of income taxes				
Net (loss) gain on derivatives designated as cash flow hedges ¹	(17)	20	(27)	28
Reclassification to income of gains on derivatives designated as cash flow hedges ²	(2)	(2)	(4)	(7)
Other comprehensive (loss) income for the period	(19)	18	(31)	21
Comprehensive (loss) income	(48)	324	83	318

¹ Net of income tax recoveries of \$1 million and nil for the three months ended June 30, 2010 and 2009, respectively. For the six months ended June 30, 2010 and 2009, net of income tax expenses of nil and \$3 million, respectively.

² Net of income tax recoveries of \$1 million for the three months ended June 30, 2010 and 2009. For the six months ended June 30, 2010 and 2009, net of income tax recoveries of \$2 million and \$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, 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.

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.

The IASB continues to work on its rate-regulated activities accounting project. The earliest the IASB is expected to complete this project is mid-2011. The IASB did not provide interim guidance for the recognition and measurement of regulatory assets and liabilities. The Canadian Accounting Standards Board ("AcSB") subsequently discussed the IASB's deliberations on rate-regulated activities and decided to propose that qualifying entities with rate-regulated activities be permitted, but not required, to continue applying the accounting standards in *Part V of the Canadian Institute of Chartered Accountants ("CICA") Handbook – Accounting* for an additional two years. Entities choosing to defer their IFRS changeover date would be required to disclose that fact, and when they will first present financial statements in accordance with IFRSs. In July 2010, the AcSB issued an exposure draft on its proposals. OPG is in the process of reviewing the exposure draft and is evaluating its options.

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's existing ABCP notes that had a net book value of \$35 million (\$58 million book value less a provision of \$23 million) were replaced 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.

During the three and six month periods ended June 30, 2010, the fair value of the ABCP notes increased by \$1 million and \$2 million, respectively, as a result of improved market conditions (three and six month periods ended June 30, 2009 – \$6 million). The increase is reflected in Other (Gains) and Losses in the interim consolidated statements of (loss) income. As at June 30, 2010, the ABCP holdings were valued at \$38 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 2009 and June 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. OPG is in the process of finalizing a renewal of the agreement.

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

<i>(millions of dollars)</i>	Principal Amount of Receivables as at	
	June 30 2010	December 31 2009
Total receivables portfolio ¹	362	436
Receivables sold	250	250
Receivables retained	112	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, except where noted)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Pre-tax charges	1	1	2	2
Average cost of funds <i>(percent)</i>	1.3	0.8	1.2	1.5

5. DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three and six month periods ended June 30, 2010 and 2009 consists of the following:

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Depreciation	149	150	285	299
Amortization of intangible assets	3	5	8	11
Amortization of regulatory assets and liabilities <i>(Note 6)</i>	25	28	50	49
Nuclear waste management costs	-	2	1	4
	177	185	344	363

Interest capitalized to construction in progress at an average rate of six percent during the three and six month periods ended June 30, 2010 (three and six month periods ended June 30, 2009 – six percent) was \$18 million and \$36 million, respectively (three and six month periods ended June 30, 2009 – \$19 million and \$36 million, respectively).

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 six months ended June 30, 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 six months ended June 30, 2010. The interest rate fluctuated in the range of 0.55 percent to 2.45 percent during the year ended December 31, 2009.

On May 26, 2010, OPG filed an application with the OEB, for new regulated prices to be effective March 1, 2011. As part of the application, OPG is seeking recovery of variance and deferral account 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*. The decision on OPG's application will be made by the OEB following a public hearing process expected to take place during the second half of 2010.

The regulatory assets and liabilities recorded as at June 30, 2010 and December 31, 2009 were as follows:

<i>(millions of dollars)</i>	June 30 2010	December 31 2009
Regulatory assets		
Future income taxes <i>(Note 10)</i>	596	592
Bruce Lease Net Revenues Variance Account	398	328
Pickering A Return to Service Deferral Account	58	82
Tax Loss Variance Account	393	295
Nuclear Liabilities Deferral Account	62	86
Other	17	13
Total regulatory assets	1,524	1,396
Regulatory liabilities		
Capacity Refurbishment Variance Account	9	3
Nuclear Development Variance Account	82	55
Hydroelectric Water Conditions Variance Account	61	55
Other	64	59
Total regulatory liabilities	216	172

As at June 30, 2010, other regulatory assets included \$12 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 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 June 30, 2010, other regulatory liabilities included \$30 million in the Income and Other Taxes Variance Account, \$14 million in the Nuclear Fuel Cost Variance Account, \$13 million in the Ancillary Services Net Revenue Variance Account, \$4 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 six months ended June 30, 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 Variance 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 period	4	69	97	-	-	(6)	(25)	(5)	(1)
Interest	-	1	1	-	-	-	-	(1)	-
Amortization during the period	-	-	-	(24)	(24)	-	(2)	-	-
Regulatory assets (liabilities), June 30, 2010	596	398	393	58	62	(9)	(82)	(61)	(47)

The following tables summarize the income statement and other comprehensive income impacts of recognizing regulatory assets and liabilities:

	Three Months Ended June 30, 2010			Three Months Ended June 30, 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	1,211	2	1,213	1,397	(194)	1,203
Fuel expense	211	5	216	220	(1)	219
Operations, maintenance and administration	778	(20)	758	762	(5)	757
Depreciation and amortization	177	(33)	144	185	(29)	156
(Earnings) losses on nuclear fixed asset removal and nuclear waste management funds	(40)	69	29	(301)	(150)	(451)
Accretion on fixed asset removal and nuclear waste management liabilities	165	3	168	159	(1)	158
Property and capital taxes	24	(3)	21	24	(1)	23
Net interest expense	44	(2)	42	43	-	43
Income tax (recovery) expense	(118)	(22)	(140)	5	104	109
Other comprehensive (loss) income	(19)	5	(14)	18	(8)	10

	Six Months Ended June 30, 2010			Six Months Ended June 30, 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	2,655	(149)	2,506	2,878	(199)	2,679
Fuel expense	459	8	467	481	(5)	476
Operations, maintenance and administration	1,504	(36)	1,468	1,504	(13)	1,491
Depreciation and amortization	344	(66)	278	363	(51)	312
(Earnings) losses on nuclear fixed asset removal and nuclear waste management funds	(181)	53	(128)	(295)	(20)	(315)
Accretion on fixed asset removal and nuclear waste management liabilities	330	6	336	318	(1)	317
Property and capital taxes	43	(6)	37	50	(1)	49
Net interest expense	89	(2)	87	82	6	88
Income tax (recovery) expense	(70)	(14)	(84)	84	31	115
Other comprehensive (loss) income	(31)	9	(22)	21	(8)	13

7. LONG-TERM DEBT

Long-term debt consists of the following:

<i>(millions of dollars)</i>	June 30 2010	December 31 2009
Notes payable to the Ontario Electricity Financial Corporation	3,788	3,675
UMH Energy Partnership debt	197	197
Share of non-recourse limited partnership debt	169	174
	4,154	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	3,521	3,068

Interest paid during the three months ended June 30, 2010 was \$35 million (three months ended June 30, 2009 – \$22 million), of which \$33 million relates to interest paid on long-term debt (three months ended June 30, 2009 – \$20 million). Interest paid during the six months ended June 30, 2010 was

\$128 million (six months ended June 30, 2009 – \$121 million), of which \$123 million relates to interest paid on long-term debt (six months ended June 30, 2009 – \$113 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 June 30, 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.

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 June 30, 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	115	-	-
Debt financing, as at June 30, 2010	605	390	50

During the third quarter of 2010, OPG executed an amendment to the Niagara Tunnel project credit facility to increase the credit facility from \$1.0 billion to an amount up to \$1.6 billion.

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 June 30, 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 June 30, 2010, there were no borrowings under this credit facility.

In August 2010, a \$700 million bank credit facility was established to support the initial construction phase for the Lower Mattagami project. Additional financing arrangements are being established to support the total requirements of the project.

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>	June 30 2010	December 31 2009
Liability for nuclear used fuel management	7,350	6,525
Liability for nuclear decommissioning and low and intermediate level waste management	4,905	5,186
Liability for non-nuclear fixed asset removal	153	148
Fixed asset removal and nuclear waste management liabilities	12,408	11,859

The changes in the fixed asset removal and nuclear waste management liabilities for the six months ended June 30, 2010 and the year ended December 31, 2009 are as follows:

<i>(millions of dollars)</i>	June 30 2010	December 31 2009
Liabilities, beginning of period	11,859	11,384
Increase in liabilities due to accretion	336	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	20	42
Liabilities settled by expenditures on waste management	(100)	(189)
Change in the liabilities for non-nuclear fixed asset removal	-	(9)
Liabilities, end of period	12,408	11,859

The cash and cash equivalents balance as of June 30, 2010 included \$1 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 June 30, 2010 and December 31, 2009 consist of the following:

<i>(millions of dollars)</i>	Fair Value	
	June 30 2010	December 31 2009
Decommissioning Segregated Fund	4,784	4,876
Used Fuel Segregated Fund ¹	5,514	5,403
Due from (to) Province – Used Fuel Segregated Fund	146	(33)
	5,660	5,370
	10,444	10,246

¹ The Ontario NFWA Trust represented \$1,904 million as at June 30, 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 \$4 million based on a Provincial Guarantee amount of \$760 million.

In accordance with CICA Section 3855, *Financial Instruments – Recognition and Measurement* (“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 and six month periods ended June 30, 2010 and 2009 are as follows:

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Decommissioning Segregated Fund	(126)	377	(39)	258
Used Fuel Segregated Fund	97	74	167	57
Bruce Lease Net Revenues Variance Account (Note 6)	69	(150)	53	(20)
Total earnings	40	301	181	295

During the second quarter of 2010, OPG recorded an increase to the Bruce Lease Net Revenues Variance Account regulatory asset of \$69 million, which increased the reported earnings from the Nuclear

Funds. For the same period in 2009, OPG recorded a reduction to the Bruce Lease Net Revenues Variance Account regulatory asset of \$150 million, which reduced the reported losses from the Nuclear Funds.

10. INCOME TAXES

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 and six months ended June 30, 2010, OPG recorded a decrease to the future income tax liability for the regulated business segment of \$22 million and an increase of \$4 million, respectively. These future income taxes are expected to be recovered through future regulated prices, and thus OPG recorded a corresponding decrease (increase) to the regulatory asset for future income taxes. As a result, the future income taxes for the three and six month periods ended June 30, 2010 were not impacted. The decrease in the future income tax liability of the regulated business segment, for the three months ended June 30, 2010 included \$22 million, related to the decrease to the regulatory asset for future income taxes. The increase in the future income tax liability of the regulated business segment, for the six months ended June 30, 2010 included \$4 million, related to the increase to the regulatory asset for future income taxes.

During the three months ended June 30, 2010, all outstanding tax matters related to the 2000 and 2001 tax audit were resolved. As a result, OPG reduced its income tax liability by \$102 million.

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 and capital tax expenses 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 and six month periods ended June 30, 2010, OPG recorded \$5 million and \$9 million, respectively, in the account (three and six month periods ended June 30, 2009 – nil).

The amount of income taxes paid during the three months ended June 30, 2010 was \$25 million (three months ended June 30, 2009 – \$45 million). For the six months ended June 30, 2010, income taxes paid were \$33 million (six months ended June 30, 2009 – \$192 million).

11. PENSION AND OTHER POST EMPLOYMENT BENEFIT COSTS

Total benefit costs for the three and six month periods ended June 30, 2010 and 2009 are as follows:

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Registered pension plans	32	17	63	35
Supplementary pension plans	5	4	10	8
Other post employment benefits	48	41	95	82
Pension and other post employment benefit costs	85	62	168	125

12. FINANCIAL INSTRUMENTS

OPG's Board of Directors has recently changed its committee structure. The changes include the establishment of a Risk Oversight Committee ("ROC") with the specific accountability for providing oversight with respect to the identification and management of the Company's key business risks. OPG's 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 will be reported quarterly to the Risk Oversight 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 (loss) 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 (loss) 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>	Notional Quantity	Terms	Fair Value	Notional Quantity	Terms	Fair Value
	June 30, 2010			December 31, 2009		
Electricity derivative instruments	0.2TWh	1 yr	8	0.4TWh	1 yr	16
Floating-to-fixed interest rate hedges	36	1-9 yrs	(4)	38	1-10 yrs	(4)
Forward start interest rate hedges	440	1-13 yrs	(17)	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 losses of \$2 million, which includes the impact of income taxes, related to derivative instruments qualifying for hedge accounting were recognized in net income during the six months ended June 30, 2010. This amount was previously recorded in other comprehensive loss. Existing net gains of \$13 million deferred in accumulated other comprehensive loss at June 30, 2010 are expected to be reclassified to net (loss) income 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
	June 30, 2010		December 31, 2009	
Commodity derivative instruments				
Assets	2.7TWh	6	3.6TWh	7
Liabilities	0.8TWh	(4)	1.3TWh	(6)
Market liquidity reserve		2		1
		(1)		(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 Section 3855. OPG reported a liability of \$156 million as at June 30, 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 of the derivative liability was primarily due to reductions in the expected future Average HOEP since the beginning of 2010. Under reasonably

possible alternative assumptions, the effect of changing expected future electricity prices ranged from a decrease to long-term accounts payable of \$78 million to an increase of \$116 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 income statement 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. The arbitration closing arguments are scheduled to be heard in November 2010. It may take some time for the arbitrator 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. This Notice of Action was followed by service of the formal Statement of Claim in June 2010 upon the same parties seeking the same relief. 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 decision pertaining to whether "best efforts" was achieved was rendered in June 2010. The arbitrator found that "best efforts" were not achieved, and the date for the second phase of the hearing to determine whether there is any liability for damages has yet to be established. 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 \$40 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 June 30, 2010 and December 31, 2009, the remaining provision was \$39 million and \$40 million, respectively.

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 June 30, 2010	Nuclear	Regulated Nuclear Waste Manage- ment	Hydro- electric	Unregulated Hydro- electric	Thermal	Other	Elimination	Total
<i>(millions of dollars)</i>								
Revenue	657	10	185	103	233	33	(10)	1,211
Fuel expense	42	-	65	13	91	-	-	211
Gross margin	615	10	120	90	142	33	(10)	1,000
Operations, maintenance and administration	568	12	24	53	127	4	(10)	778
Depreciation and amortization	102	-	16	17	27	15	-	177
Accretion on fixed asset removal and nuclear waste management liabilities	-	163	-	-	2	-	-	165
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(40)	-	-	-	-	-	(40)
Property and capital taxes	11	-	2	2	4	5	-	24
Restructuring	-	-	-	-	-	-	-	-
Other (gains) and losses	-	-	-	-	-	(1)	-	(1)
(Loss) income before interest and income taxes	(66)	(125)	78	18	(18)	10	-	(103)

Segment Income (Loss) for the Three Months Ended June 30, 2009	Nuclear	Regulated Nuclear Waste Manage- ment	Hydro- electric	Unregulated			Other	Elimination	Total
				Hydro- electric	Thermal				
<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) and losses	-	-	-	-	-	(6)	-	(6)	
Income (loss) before interest and income taxes	40	143	107	58	(14)	20	-	354	

Segment Income (Loss) for the Six Months Ended June 30, 2010	Nuclear	Regulated Nuclear Waste Management	Hydro-electric	Unregulated Hydro-electric	Unregulated Thermal	Other	Elimination	Total
<i>(millions of dollars)</i>								
Revenue	1,450	21	370	252	501	81	(20)	2,655
Fuel expense	92	-	115	32	220	-	-	459
Gross margin	1,358	21	255	220	281	81	(20)	2,196
Operations, maintenance and administration	1,118	24	47	99	229	7	(20)	1,504
Depreciation and amortization	195	-	32	33	54	30	-	344
Accretion on fixed asset removal and nuclear waste management liabilities	-	327	-	-	3	-	-	330
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(181)	-	-	-	-	-	(181)
Property and capital taxes	22	-	5	3	5	8	-	43
Restructuring	-	-	-	-	25	-	-	25
Other (gains) and losses	-	-	-	-	-	(2)	-	(2)
Income (loss) before interest and income taxes	23	(149)	171	85	(35)	38	-	133

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

<i>(millions of dollars)</i>	Regulated		Unregulated		Other	Total
	Nuclear	Hydro-electric	Hydro-electric	Thermal		
Selected Balance Sheet Information						
As at June 30, 2010						
Segment fixed assets in service, net	3,985	3,762	2,983	307	824	11,861
Segment construction in progress	175	787	399	33	3	1,397
Segment property, plant and equipment, net	4,160	4,549	3,382	340	827	13,258
As at June 30, 2010						
Segment intangible assets in service, net	18	-	4	-	13	35
Segment development in progress	4	-	1	-	5	10
Segment intangible assets, net	22	-	5	-	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		Six Months Ended	
	2010	2009	2010	2009
Accounts receivable	61	(80)	173	51
Prepaid expenses	8	(13)	(17)	(19)
Fuel inventory	17	(95)	89	(46)
Materials and supplies	37	(10)	38	(6)
Revenue limit rebate payable	-	(1)	-	27
Accounts payable and accrued charges	27	81	(226)	(157)
Income and capital taxes payable/recoverable	(74)	(99)	(50)	(215)
	76	(217)	7	(365)

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 conducted 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 were 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 six months ended June 30, 2010 is as follows:

<i>(millions of dollars)</i>	June 30 2010
Liability – January 1, 2010	-
Restructuring charges during the period	25
Liability – June 30, 2010	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 OEF, and OPG’s hedging strategies significantly reduced the impact of seasonal price fluctuations on the results of operations.