

November 19, 2010

ONTARIO POWER GENERATION REPORTS 2010 THIRD QUARTER FINANCIAL RESULTS

[Toronto]: Ontario Power Generation Inc. (“OPG” or the “Company”) today reported its financial and operating results for the three and nine months ended September 30, 2010. Net income for the third quarter of 2010 was \$333 million compared to \$259 million for the same period in 2009. Net income for the nine months ended September 30, 2010 was \$447 million compared to \$556 million for the same period in 2009.

Tom Mitchell, President and CEO said, “During the third quarter, OPG met a number of key milestones as the company continues to move towards a cleaner energy mix. I am also proud that the company and our employees met the challenges of a hot summer, and helped keep the lights on.”

“In September, we completed the safe storage work on Pickering A Units 2 and 3 ahead of schedule and under budget. This was an extremely complex project and we achieved this by applying the same project management skills and processes we will use on other major projects including the Darlington refurbishment project.”

“On October 1, we closed two coal-fired units at our Nanticoke generating station, and two units at our Lambton generating station. This will save ratepayers approximately \$200 million over the next four years. In August the Ministry of Energy directed the Ontario Power Authority to negotiate a long-term energy supply agreement for biomass fuel at our Atikokan generating station. As we move forward, we’re also exploring the business case for repowering some units at the remaining coal stations.”

“OPG’s rate application for our regulated facilities has been going through rigorous hearings in front of the Ontario Energy Board. OPG is the only generator in the province whose rates are examined through a regulatory process. The close scrutiny is good for the company and for the ratepayers,” Mitchell said. He noted that if OPG’s rate application is successful, the Company would continue to receive the lowest rates in the province.

Highlights

Net income for the third quarter of 2010 increased by \$74 million compared to the same period in 2009 primarily as a result of higher electricity prices for OPG’s unregulated segments and increased earnings from the Used Fuel and Decommissioning Segregated Funds (together “Nuclear Funds”). These factors were partially offset by lower nuclear and hydroelectric generation and higher operations, maintenance and administration (“OM&A”) expenses during the period compared to the third quarter of 2009. For the nine months ended September 30, 2010, net income

decreased by \$109 million compared to the same period in 2009, primarily as a result of lower earnings from the Nuclear Funds, and lower generation from OPG's hydroelectric and nuclear generating stations, partially offset by a reduction in income tax liabilities as a result of the resolution of a number of tax uncertainties related to the completion of a tax audit for prior years.

Total electricity generated during the three months ended September 30, 2010 was 22.7 terawatt hours ("TWh") compared to 22.6 TWh for the same period in 2009 as higher thermal generation was largely offset by lower unregulated hydroelectric and nuclear generation. The increase in thermal generation was primarily due to the impact of lower water flows at the unregulated hydroelectric generating stations caused by below normal precipitation across Ontario, lower nuclear generation, and higher primary demand in Ontario. The decrease in nuclear generation was due to planned outages scheduled at all sites and an increase in unplanned outage days at several nuclear units.

For the nine months ended September 30, 2010, total electricity generation of 66.9 TWh was 2.2 TWh lower than production for the same period in 2009. The decrease in electricity generation was as a result of lower unregulated hydroelectric generation primarily due to the impact of lower water flows and lower nuclear generation, partially offset by an increase in generation from OPG's thermal generating stations.

During the third quarter of 2010, capability factors at OPG's nuclear generating stations declined due to an increase in planned and unplanned outage days. The availability of OPG's regulated hydroelectric stations for the three months ended September 30, 2010 was essentially unchanged, while the availability of the unregulated hydroelectric stations was slightly higher. The availability of the thermal generating stations decreased in the third quarter primarily due to unplanned outages at the Lambton generating station during July 2010.

On October 1, 2010, OPG closed two units at each of the Lambton and Nanticoke coal-fired generating stations. The closure was based on a number of considerations, including the impact of a shareholder resolution on carbon dioxide ("CO₂") emission reductions, and Ontario's forecast capacity and demand profiles. The early closure of these coal-fired units will result in savings to electricity consumers and reflects OPG's commitment to OM&A expense reductions.

The Pickering A Units 2 and 3 safe storage project was completed in the third quarter of 2010. The Unit 2 and 3 systems are now completely disconnected and isolated from Pickering A's common systems. The respective nuclear reactor buildings have also been isolated from the containment system. The project was completed ahead of schedule and under budget.

Segmented Financial Results

OPG's income before interest and income taxes was \$381 million for the three months ended September 30, 2010 compared to \$324 million for the three months ended September 30, 2009.

Income before interest and income taxes from the electricity generation business segments was \$240 million for the three months ended September 30, 2010 compared

to \$219 million for the same period in 2009. The increase in income from the electricity generation business segments was primarily a result of higher electricity prices for generation from the unregulated hydroelectric and thermal generating stations. The increase in income was partially offset by lower generation at the nuclear and hydroelectric generating stations.

Income before interest and income taxes for the Regulated – Nuclear Waste Management business segment was \$122 million for the three months ended September 30, 2010 compared to \$96 million in 2009. The increase in income before interest and income taxes was primarily due to higher earnings from the Nuclear Funds as a result of an increase in the Ontario Consumer Price Index, which had a favourable impact on the guaranteed return on the Used Fuel Segregated Fund, and higher returns from the global financial markets, which favourably impacted earnings from the Decommissioning Segregated Fund. The impact of these factors was partially offset by the impact of a variance account approved by the Ontario Energy Board (“OEB”) related to the earnings associated with the stations leased to Bruce Power, since a portion of the earnings from the Nuclear Funds are related to these stations.

OPG’s income before interest and income taxes was \$514 million for the nine months ended September 30, 2010 compared to \$787 million for the nine months ended September 30, 2009.

Income before interest and income taxes from OPG’s electricity generation business segments was \$484 million for the nine months ended September 30, 2010 compared to \$653 million for the same period in 2009. Earnings from the electricity generation business segments were primarily impacted by a decrease in gross margin of \$175 million due to lower generation from OPG’s unregulated hydroelectric and regulated nuclear generating stations, and a reduction in 2010 revenue associated with a regulatory asset related to tax losses established as a result of a 2009 OEB decision. The decrease in income was offset by the favourable impact of higher electricity prices for generation from the unregulated hydroelectric generating stations.

The Regulated – Nuclear Waste Management business segment incurred a loss before interest and income taxes of \$27 million for the nine months ended September 30, 2010 compared to income before interest and income taxes of \$75 million for the same period in 2009. This decrease was primarily due to lower returns from the global financial markets, which impacted earnings from the Decommissioning Segregated Fund.

Generation Development

OPG is undertaking a number of generation development projects aimed at significantly contributing to Ontario’s long-term electricity supply requirements. The status of these capacity expansion or life extension projects is as follows:

Nuclear

- The Government of Ontario continues to be supportive of two new nuclear units at Darlington. OPG continues with two initiatives that were underway prior to the Government of Ontario’s suspension of the competitive Request for Proposal process to procure the two new nuclear units – the environmental assessment

process and obtaining a site preparation licence. In November 2009, the Joint Review Panel (“JRP”) announced the start of the six-month public review period for the Environmental Impact Statement and the “Licence to Prepare Site”. On September 7, 2010, the JRP announced the final deadline of October 8, 2010 for the receipt of public comments on OPG’s Environmental Impact Statement and application for the “Licence to Prepare Site”.

- In February 2010, OPG announced its decision to commence the definition phase for the refurbishment of the Darlington nuclear generating station. The refurbishment is expected to extend the operating life of the Darlington station by approximately 30 years. In the definition phase, all regulatory work will be completed including the Environmental Assessment (“EA”), the Integrated Safety Review, and the Integrated Improvement Plan. A contractor has been selected to prepare the EA and the EA project description and technical support documents are being prepared. The EA stakeholder engagement program has commenced and OPG expects to submit the EA report to the Canadian Nuclear Safety Commission (“CNSC”) for approval by mid-2012.
- The Pickering B nuclear generating units are estimated to reach their nominal end of life between 2014 and 2016. In February 2010, OPG announced its decision to continue the safe and reliable operation of these units for an additional four to six years. In the third quarter of 2010, the Continued Operations Plan – a more detailed and comprehensive operational plan – was submitted to the CNSC.

Hydroelectric

- OPG is replacing three existing hydroelectric generating stations on the Upper Mattagami River and the Hound Chute generating station on the Montreal River. Upon project completion, the total installed capacity of the four stations will increase from 23 MW to 44 MW. During the third quarter of 2010, commissioning activities continued. On October 27, 2010, Sandy Falls generating station was declared in-service following its commissioning phase. The remaining stations are expected to be in-service ahead of the approved date of April 2011. The project costs are expected to be within the approved budget of \$300 million.
- As of September 30, 2010, the Niagara Tunnel project’s tunnel boring machine had progressed 8,331 metres, 82 percent of the tunnel length. Installation of the permanent concrete lining is progressing. The Niagara Tunnel is expected to be completed within the revised approved budget of \$1.6 billion and in-service by the approved date of December 2013.
- Construction activities to add one additional generating unit to each of the three existing hydroelectric generating stations, and redevelop a fourth generating station on the Lower Mattagami River commenced in June 2010. Upon project completion in June 2015, the capacity of the four stations will be increased by 438 MW. Installation of the temporary construction infrastructure began during the third quarter. Work on the cofferdams at the Little Long and Smoky Falls stations also commenced. The project has a total budget of \$2.6 billion.

Thermal

- On August 26, 2010, the Minister of Energy issued a directive to the Ontario Power Authority to negotiate the Atikokan Biomass Energy Supply Agreement (“ABESA”) with OPG for the supply of biomass-fuelled electricity. OPG is proceeding with the definition phase of the project which includes detailed engineering and negotiation of the ABESA, fuel supply contracts, and the engineering, procurement, and construction contracts for the conversion of the Atikokan generating station to biomass fuel.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|-------|-----------------------------------|-------|
| <i>(millions of dollars – except where noted)</i> | 2010 | 2009 | 2010 | 2009 |
| <i>Earnings</i> | | | | |
| Revenue after revenue limit rebate | 1,396 | 1,345 | 4,051 | 4,223 |
| Fuel expense | 264 | 249 | 723 | 730 |
| Gross margin | 1,132 | 1,096 | 3,328 | 3,493 |
| Operations, maintenance and administration expense | 676 | 653 | 2,180 | 2,157 |
| Depreciation and amortization | 176 | 187 | 520 | 550 |
| Accretion on fixed asset removal and nuclear waste management liabilities | 165 | 158 | 495 | 476 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | (287) | (254) | (468) | (549) |
| Restructuring | - | - | 25 | - |
| Other net expenses | 20 | 24 | 63 | 74 |
| Other losses (gains) | 1 | 4 | (1) | (2) |
| Income before interest and income taxes | 381 | 324 | 514 | 787 |
| Net interest expense | 41 | 48 | 130 | 130 |
| Income tax expense (recovery) | 7 | 17 | (63) | 101 |
| Net income | 333 | 259 | 447 | 556 |
| <i>Income before interest and income taxes</i> | | | | |
| Generating segments | 240 | 219 | 484 | 653 |
| Nuclear Waste Management segment | 122 | 96 | (27) | 75 |
| Other segment | 19 | 9 | 57 | 59 |
| Total income before interest and income taxes | 381 | 324 | 514 | 787 |
| <i>Cash flow</i> | | | | |
| Cash flow provided by operating activities | 359 | 203 | 687 | 61 |
| <i>Electricity generation (TWh)</i> | | | | |
| Regulated – Nuclear | 11.8 | 12.9 | 33.4 | 34.4 |
| Regulated – Hydroelectric | 4.8 | 5.0 | 14.2 | 14.6 |
| Unregulated – Hydroelectric | 1.9 | 3.5 | 8.1 | 12.8 |
| Unregulated – Thermal | 4.2 | 1.2 | 11.2 | 7.3 |
| Total electricity generation | 22.7 | 22.6 | 66.9 | 69.1 |
| <i>Average electricity sales price (¢/kWh)</i> | | | | |
| Regulated – Nuclear | 5.5 | 5.5 | 5.5 | 5.5 |
| Regulated – Hydroelectric | 3.8 | 3.7 | 3.7 | 3.7 |
| Unregulated – Hydroelectric | 4.5 | 2.4 | 3.9 | 3.2 |
| Unregulated – Thermal | 5.4 | 3.1 | 4.5 | 4.1 |
| OPG average sales price paid through regulated and spot market prices | 5.0 | 4.5 | 4.7 | 4.5 |
| <i>Nuclear unit capability factor (percent)</i> | | | | |
| Darlington | 86.3 | 91.8 | 87.4 | 81.4 |
| Pickering A | 65.9 | 85.1 | 54.5 | 66.7 |
| Pickering B | 86.9 | 94.2 | 75.3 | 86.9 |
| <i>Availability (percent)</i> | | | | |
| Regulated – Hydroelectric | 93.0 | 93.2 | 92.8 | 93.7 |
| Unregulated – Hydroelectric | 87.5 | 87.2 | 91.6 | 93.3 |
| <i>Equivalent forced outage rate (percent)</i> | | | | |
| Unregulated Thermal | 10.7 | 5.4 | 7.0 | 8.6 |

Ontario Power Generation Inc. is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario. Our focus is on the efficient production and sale of electricity from our generation assets, while operating in a safe, open and environmentally responsible manner.

Ontario Power Generation Inc.'s unaudited consolidated financial statements and Management's Discussion and Analysis as at and for the three and nine months ended September 30, 2010, can be accessed on OPG's Web site (www.opg.com), the Canadian Securities Administrators' Web site (www.sedar.com), or can be requested from the Company.

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2010 THIRD QUARTER REPORT

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ONTARIO POWER GENERATION INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes of Ontario Power Generation Inc. ("OPG" or the "Company") as at and for the three and nine month periods ended September 30, 2010. For a complete description of OPG's corporate strategies, risk management, corporate governance, related parties transactions and the effect of critical accounting policies and estimates on OPG's results of operations and financial condition, this MD&A should also be read in conjunction with OPG's audited consolidated financial statements, accompanying notes, and MD&A as at and for the year ended December 31, 2009. Certain of the 2009 comparative amounts have been reclassified to conform to the 2010 presentation. OPG's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars. This MD&A is dated November 17, 2010.

FORWARD-LOOKING STATEMENTS

The MD&A contains forward-looking statements that reflect OPG's current views regarding certain future events and circumstances. Any statement contained in this document that is not current or historical is a forward-looking statement. OPG generally uses words such as "anticipate", "believe", "foresee", "forecast", "estimate", "expect", "schedule", "intend", "plan", "project", "seek", "target", "goal", "strategy", "may", "will", "should", "could" and other similar words and expressions to indicate forward-looking statements. The absence of any such word or expression does not indicate that a statement is not forward-looking.

All forward-looking statements involve inherent assumptions, risks and uncertainties, including those set out under the heading *Risk Management*, and therefore, could be inaccurate to a material degree. In particular, forward-looking statements may contain assumptions such as those relating to OPG's fuel costs and availability, asset performance, nuclear decommissioning and waste management, closure or conversion of coal-fired generating stations, refurbishment of existing facilities, development and construction of new facilities, pension and other post employment benefit ("OPEB") obligations, income taxes, spot electricity market prices, the ongoing evolution of the Ontario electricity industry, proposed new legislation, conversion to International Financial Reporting Standards ("IFRS"), environmental and other regulatory requirements, health, safety and environmental developments, business continuity events, the weather, the developments with respect to third-party Asset-Backed Commercial Paper ("ABCP"), and the impact of regulatory decisions by the Ontario Energy Board ("OEB"). Accordingly, undue reliance should not be placed on any forward-looking statement. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Except as required by applicable securities laws, OPG does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise.

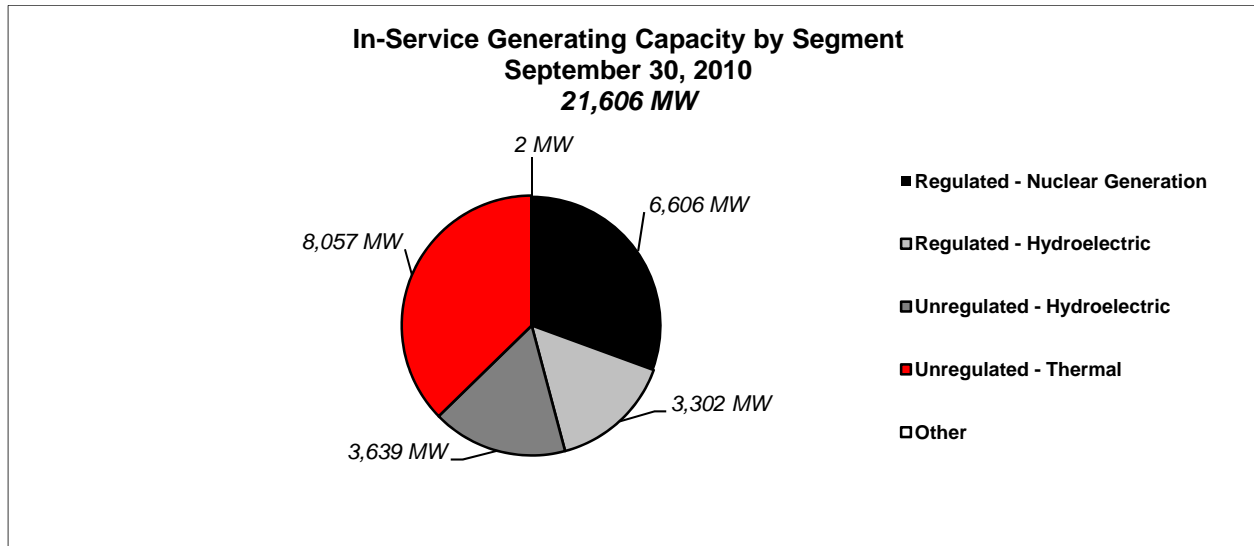
THE COMPANY

OPG is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario. OPG's focus is on the efficient production and sale of electricity from its generating assets, while operating in a safe, open and environmentally responsible manner. OPG was established under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (the "Province").

As at September 30, 2010, OPG's electricity generating portfolio had an in-service capacity of 21,606 megawatts ("MW"). OPG's electricity generating portfolio consists of three nuclear generating stations, five thermal generating stations, 65 hydroelectric generating stations, of which four are being redeveloped, and two wind power turbines. In addition, OPG and TransCanada Energy Ltd. co-own the Portlands Energy Centre ("PEC") gas-fired combined cycle generating station. OPG, ATCO Power Canada Ltd., and ATCO Resources Ltd. co-own the Brighton Beach gas-fired combined cycle generating station. OPG also owns two other nuclear generating stations, which are leased on a long-term basis to

Bruce Power L.P. ("Bruce Power"). These co-owned or leased facilities are incorporated into OPG's financial results, but are not included in the generation portfolio statistics set out in this report.

During the third quarter of 2010, the in-service capacity of the Unregulated – Thermal segment decreased by 120 MW compared to the in-service capacity as at June 30, 2010 as a result of a reduction in net Maximum Continuous Rating ("MCR") at Units 1 and 2 of the Lambton coal-fired generating station. The reduction in MCR enabled the units to operate within environmental regulations until their scheduled closure without refurbishing the Flue Gas Conditioning system, consistent with good utility practices. This reduction did not impact system security or reliability.



On October 1, 2010, the in-service capacity of the Unregulated – Thermal segment decreased by 1,730 MW as a result of the closure of Units 1 and 2 at the Lambton coal-fired generating station and Units 3 and 4 at the Nanticoke coal-fired generating station. 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. This decision was based on the impact of a shareholder resolution on carbon dioxide ("CO₂") emission reductions, forecast capacity and demand profiles. The early closure of these coal-fired units will result in savings to electricity consumers of approximately \$200 million over the next four years through reduced payments to OPG from the Ontario Electricity Financial Corporation ("OEFEC") under the contingency support agreement. These savings reflect OPG's commitment to operations, maintenance and administration ("OM&A") expense reductions.

OPG's Reporting Structure

OPG receives a regulated price for electricity generated from most of its baseload hydroelectric facilities and all of the nuclear facilities that it operates. This comprises electricity generated from the Sir Adam Beck 1, 2 and Pump generating station, DeCew Falls 1 and 2, and R.H. Saunders hydroelectric facilities, and Pickering A and B and Darlington nuclear facilities. The operating results from these regulated facilities are described under the Regulated – Nuclear Generation, Regulated – Nuclear Waste Management, and Regulated – Hydroelectric segments. For the remainder of OPG's hydroelectric facilities, the operating results are described under the Unregulated – Hydroelectric segment. The results from the thermal facilities are discussed in the Unregulated – Thermal segment.

A description of all of OPG's segments is provided in OPG's MD&A as at and for the year ended December 31, 2009 under the heading *Business Segments*.

HIGHLIGHTS

Overview of Results

This section provides an overview of OPG's unaudited interim consolidated operating results. A detailed discussion of OPG's performance by reportable segment is included under the heading, *Discussion of Operating Results by Business Segment*.

| <i>(millions of dollars – except where noted)</i> | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|-------|-----------------------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| <i>Revenue</i> | | | | |
| Revenue before revenue limit rebate | 1,396 | 1,345 | 4,051 | 4,250 |
| Revenue limit rebate | - | - | - | (27) |
| | 1,396 | 1,345 | 4,051 | 4,223 |
| Fuel expense | 264 | 249 | 723 | 730 |
| Gross margin | 1,132 | 1,096 | 3,328 | 3,493 |
| <i>Expenses</i> | | | | |
| Operations, maintenance and administration | 676 | 653 | 2,180 | 2,157 |
| Depreciation and amortization | 176 | 187 | 520 | 550 |
| Accretion on fixed asset removal and nuclear waste management liabilities | 165 | 158 | 495 | 476 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | (287) | (254) | (468) | (549) |
| Restructuring | - | - | 25 | - |
| Other net expenses | 20 | 24 | 63 | 74 |
| Other losses (gains) | 1 | 4 | (1) | (2) |
| | 751 | 772 | 2,814 | 2,706 |
| Income before interest and income taxes | 381 | 324 | 514 | 787 |
| Net interest expense | 41 | 48 | 130 | 130 |
| Income tax expense (recovery) | 7 | 17 | (63) | 101 |
| Net income | 333 | 259 | 447 | 556 |
| <i>Electricity production (TWh)</i> | 22.7 | 22.6 | 66.9 | 69.1 |
| <i>Cash flow</i> | | | | |
| Cash flow provided by operating activities | 359 | 203 | 687 | 61 |

Net income for the three months ended September 30, 2010 was \$333 million compared to \$259 million for the same period in 2009, an increase of \$74 million. Income before income taxes for the three months ended September 30, 2010 was \$340 million compared to \$276 million for the same period in 2009, an increase of \$64 million.

Net income for the nine months ended September 30, 2010 was \$447 million compared to \$556 million for the same period in 2009, a decrease of \$109 million. Income before income taxes for the nine months ended September 30, 2010 was \$384 million compared to \$657 million for the same period in 2009, a decrease of \$273 million.

Earnings for the Three Months Ended September 30, 2010

The following is a summary of the factors impacting OPG's results for the three months ended September 30, 2010 compared to results for the same period ended in 2009, on a before-tax basis:

| <i>(millions of dollars – before tax)</i> | Electricity Generation Segments¹ | Regulated Nuclear Waste Management Segment | Other² | Total |
|--|--|---|--------------------------|--------------|
| Income (loss) before income taxes for the three months ended September 30, 2009 | 219 | 96 | (39) | 276 |
| Changes in gross margin: | | | | |
| Change in electricity sales price | | | | |
| Regulated generation segments | 7 | - | - | 7 |
| Unregulated generation segments | 128 | - | - | 128 |
| Change in electricity generation by segment: | | | | |
| Regulated – Nuclear Generation | (60) | - | - | (60) |
| Regulated – Hydroelectric | (5) | - | - | (5) |
| Unregulated – Hydroelectric | (25) | - | - | (25) |
| Unregulated – Thermal ³ | 3 | - | - | 3 |
| Decrease in revenue related to contingency support agreement for the Nanticoke and Lambton generating stations | (96) | - | - | (96) |
| Decrease in thermal fuel-related costs due to contract adjustments to coal supply contracts primarily during the third quarter of 2009 | 37 | - | - | 37 |
| Impact of regulatory variance accounts | 45 | - | - | 45 |
| (Decrease) increase in non-electricity generation revenue | (15) | 1 | 1 | (13) |
| Other changes in gross margin | 11 | - | 4 | 15 |
| | <u>30</u> | <u>1</u> | <u>5</u> | <u>36</u> |
| Changes in OM&A expenses: | | | | |
| Higher expenditures related to increase in outage costs, partially offset by a decrease in project and maintenance activities at OPG's nuclear generating stations | (29) | - | - | (29) |
| (Increase) decrease in pension and OPEB costs | (18) | 1 | (1) | (18) |
| Other changes in OM&A | 23 | (3) | 4 | 24 |
| | <u>(24)</u> | <u>(2)</u> | <u>3</u> | <u>(23)</u> |
| Increase in earnings from the Nuclear Funds | - | 77 | - | 77 |
| Impact of the regulatory asset related to earnings from the Nuclear Funds associated with stations on lease to Bruce Power | - | (44) | - | (44) |
| Decrease (increase) in depreciation and amortization expenses | 13 | - | (2) | 11 |
| Other changes | 2 | (6) | 11 | 7 |
| Income (loss) before income taxes for the three months ended September 30, 2010 | 240 | 122 | (22) | 340 |

¹ Electricity generation segments include results of the Regulated – Nuclear Generation, Regulated – Hydroelectric, Unregulated – Hydroelectric, and Unregulated – Thermal segments.

² Other includes results of the Other category in OPG's segmented statement of income, inter-segment eliminations, and net interest expense.

³ Change in electricity generation in the Unregulated – Thermal is shown net of changes in fuel prices.

Income before interest and income taxes from OPG's electricity generation business segments was \$240 million for the three months ended September 30, 2010 compared to \$219 million for the same quarter in 2009. Income before interest and income taxes from the Regulated – Nuclear Waste Management business segment was \$122 million in the third quarter of 2010 compared to \$96 million during the same quarter in 2009.

Earnings from the electricity generation business segments for the third quarter of 2010 were favourably impacted by an increase in gross margin of \$30 million compared to the same period in 2009. The increase in gross margin in the electricity generation business segments was primarily due to an increase in average sales prices for generation from the unregulated generating segments. The change in the gross margin during the third quarter of 2010 compared to the same quarter in 2009 was also impacted by costs of \$37 million recognized during the third quarter of 2009 related to adjustments to coal supply contracts, which included cancellation and deferral of shipments. These costs were primarily related to OPG's Lambton and Nanticoke coal-fired generating stations. The gross margin for the three months

ended September 30, 2010 was also favourably impacted by the difference between forecast and actual nuclear fuel costs per unit of production (“Nuclear Fuel Cost Variance Account”).

The favourable impact of the higher average sales prices in the Unregulated – Thermal segment and the impact of coal contract adjustments recognized during the third quarter of 2009 was largely offset by lower revenue related to the contingency support agreement established with the OEFC to provide for the continued reliability and availability of OPG’s Lambton and Nanticoke generating stations. The agreement was put in place to enable OPG to recover the costs of its coal-fired generating stations following implementation of OPG’s CO₂ emissions reduction strategy.

The increase in gross margin during the third quarter of 2010 compared to the same quarter in 2009 was partially offset by lower generation at OPG’s nuclear generating stations due to an increase in planned and unplanned outage days in 2010, and lower generation at OPG’s hydroelectric generating stations due to lower water levels.

Under the Bruce Power lease agreement (“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 certain other conditions are met. The conditional reduction to revenue in the future, embedded in the terms of the Bruce Lease, is treated as a derivative according to Canadian Institute of Chartered Accountants (“CICA”) Section 3855, *Financial Instruments – Recognition and Measurement*. Derivatives are measured at fair value and changes in fair value are recognized in the statement of income. As a result of a decrease in expected future Average HOEP prices during the third quarter of 2010, the fair value of the derivative liability increased by \$9 million for the three months ended September 30, 2010. The increase in the fair value of this derivative liability is recognized as a decrease to non-electricity generation revenue, offset by an increase in the variance account authorized by the OEB to capture the differences between actual and forecast revenues and costs related to the nuclear generating stations under the Bruce Lease (“Bruce Lease Net Revenues Variance Account”).

For the three months ended September 30, 2010, OM&A expenses were \$676 million compared to \$653 million for the same period in 2009. The increase of \$23 million during the third quarter of 2010 compared to the same quarter in 2009 was primarily due to higher expenditures related to outage costs at OPG’s nuclear generating stations, and an increase in pension and OPEB costs largely as a result of lower discount rates. The increase in OM&A expense was partially offset by a decrease in project and maintenance activities at the nuclear generating stations.

Earnings from the Used Fuel Segregated Fund (“Used Fuel Fund”) and the Decommissioning Segregated Fund (“Decommissioning Fund”) (together “Nuclear Funds”) for the three months ended September 30, 2010 were \$287 million compared to \$254 million during the same period in 2009. Earnings from the Nuclear Funds, before the impact of the Bruce Lease Net Revenues Variance Account, were \$437 million for the three months ended September 30, 2010 compared to earnings of \$360 million for the same period in 2009, an increase of \$77 million. The increase in the earnings from the Nuclear Funds was primarily due to higher earnings from the Used Fuel Fund due to a higher Ontario Consumer Price Index (“CPI”), which impacted the guaranteed return on the Used Fuel Fund, and an increase in earnings from the Decommissioning Fund due to higher returns from the global financial markets. During the third quarter of 2010 and 2009, OPG recorded a reduction to the Bruce Lease Net Revenues Variance Account regulatory asset of \$150 million and \$106 million, respectively, which decreased the reported earnings from the Nuclear Funds.

Depreciation and amortization expenses for the three months ended September 30, 2010 were \$176 million compared to \$187 million during the same period in 2009, a decrease of \$11 million. The decrease in depreciation was primarily due to the impact of the Darlington nuclear generating station life extension to 2051 related to OPG’s announcement in early 2010 to commence the definition phase for refurbishment of the station. The decrease in depreciation expense was partially offset by the change in the third quarter of 2009 to the end of life, for accounting purposes, of two coal-fired units at each of the Lambton and Nanticoke coal-fired generating stations, which were closed in October 2010.

For the three months ended September 30, 2010, income tax expense was \$7 million compared to \$17 million for the same period in 2009. The decrease in income tax expense was primarily due to lower taxable income in the regulated segments in 2010.

Earnings for the Nine Months Ended September 30, 2010

The following is a summary of the factors impacting OPG's results for the nine months ended September 30, 2010 compared to results for the same period ended in 2009, on a before-tax basis:

| <i>(millions of dollars – before tax)</i> | Electricity Generation Segments¹ | Regulated Nuclear Waste Management Segment | Other² | Total |
|--|--|---|--------------------------|--------------|
| Income (loss) before income taxes for the nine months ended September 30, 2009 | 653 | 75 | (71) | 657 |
| Changes in gross margin: | | | | |
| Change in electricity sales price after revenue limit rebate | | | | |
| Regulated generation segments | (6) | - | - | (6) |
| Unregulated generation segments | 115 | - | - | 115 |
| Change in electricity generation by segment: | | | | |
| Regulated – Nuclear Generation | (52) | - | - | (52) |
| Regulated – Hydroelectric | (9) | - | - | (9) |
| Unregulated – Hydroelectric | (99) | - | - | (99) |
| Unregulated – Thermal ³ | 7 | - | - | 7 |
| Decrease in revenue related to contingency support agreement for the Nanticoke and Lambton generating stations | (127) | - | - | (127) |
| Decrease in thermal fuel-related costs due to contract adjustments to coal supply contracts primarily during the third quarter of 2009 | 48 | - | - | 48 |
| Impact of regulatory variance accounts | 8 | - | - | 8 |
| (Decrease) increase in non-electricity generation revenue | (47) | 1 | 3 | (43) |
| Other changes in gross margin | (13) | - | 6 | (7) |
| | (175) | 1 | 9 | (165) |
| Changes in operations, maintenance and administration (“OM&A”) expenses: | | | | |
| Higher expenditures related to increase in outage and project costs, partially offset by a decrease in maintenance activities at OPG's nuclear generating stations | (26) | - | - | (26) |
| Lower expenditures related to decrease in outage and maintenance activities at OPG's thermal generating stations | 40 | - | - | 40 |
| Increase in pension and OPEB costs | (59) | (1) | (1) | (61) |
| Other changes in OM&A | 26 | (2) | - | 24 |
| | (19) | (3) | (1) | (23) |
| Decrease in earnings from the Nuclear Funds | - | (110) | - | (110) |
| Impact of the regulatory asset related to earnings from the Nuclear Funds associated with stations on lease to Bruce Power | - | 29 | - | 29 |
| Decrease (increase) in depreciation and amortization expenses | 39 | - | (9) | 30 |
| Increase in expense due to restructuring charges | (25) | - | - | (25) |
| Other changes | 11 | (19) | (1) | (9) |
| Income (loss) before income taxes for the nine months ended September 30, 2010 | 484 | (27) | (73) | 384 |

¹ Electricity generation segments include results of the Regulated – Nuclear Generation, Regulated – Hydroelectric, Unregulated – Hydroelectric, and Unregulated – Thermal segments.

² Other includes results of the Other category in OPG's segmented statement of income, inter-segment eliminations, and net interest expense.

³ Change in electricity generation in the Unregulated – Thermal is shown net of changes in fuel prices.

Income before interest and income taxes from OPG's electricity generation business segments was \$484 million for the nine months ended September 30, 2010 compared to \$653 million for the same period in 2009. The Regulated – Nuclear Waste Management business segment incurred a loss before interest and income taxes of \$27 million for the nine months ended September 30, 2010 compared to income of \$75 million during the same period in 2009.

Earnings from the electricity generation business segment for the nine months ended September 30, 2010 were unfavourably impacted by a decrease in gross margin of \$175 million compared to the same

period in 2009. The decrease was primarily due to lower generation at OPG's hydroelectric and nuclear generating stations and a reduction in revenue associated with the Tax Loss Variance Account. The lower generation at OPG's hydroelectric generating stations was primarily a result of lower water flows caused by below normal precipitation across Ontario.

During the nine months ended September 30, 2010, OPG recognized revenue of \$145 million associated with the difference between regulatory tax losses for the period from April 1, 2005 to March 31, 2008 calculated in accordance with the methodology in the OEB's 2008 decision and the revenue requirement reduction reflected in current regulated prices ("Tax Loss Variance Account") compared to \$239 million for the same period in 2009. The revenue related to the Tax Loss Variance Account recognized for the nine months ended September 30, 2009 included \$119 million of retrospective revenue related to the period April 1, 2008 to December 31, 2008. The Tax Loss Variance account was authorized by the OEB in May 2009, and effective retrospectively to April 1, 2008. The OEB's decision and order was issued in May 2009 on OPG's motion to review, and vary, a portion of the OEB's 2008 decision establishing regulated prices as it pertains to the treatment of tax losses and their use for mitigation. The balance in the variance account is being reviewed by the OEB as part of OPG's current hearing for new regulated prices.

The decrease in gross margin was partially offset by an increase in average sales price for generation from the Unregulated – Thermal and Unregulated – Hydroelectric segments and lower fuel related costs in the Unregulated – Thermal segment due to the adjustments to coal supply contracts during 2009. The costs incurred for coal contract adjustments of \$48 million during the third quarter of 2009 were primarily for OPG's Lambton and Nanticoke coal-fired generating stations.

The favourable impact of the higher average sales prices in the Unregulated – Thermal segment and the impact of coal contract adjustments recognized during the third quarter of 2009 was largely offset by lower revenue related to the contingency support agreement established with the OEFC.

As a result of a reduction in expected future Average HOEP prices since the beginning of 2010, the fair value of the derivative liability embedded in the Bruce Lease increased by \$47 million during the nine months ended September 30, 2010. The increase in the fair value of this derivative is recognized as a reduction to non-electricity generation revenue, offset by an increase in the regulatory asset for the Bruce Lease Net Revenues Variance Account.

For the nine months ended September 30, 2010 and 2009, OM&A expenses were \$2,180 million and \$2,157 million, respectively. The increase in OM&A expenses during the nine months ended September 30, 2010 compared to the same period in 2009 was primarily due to higher pension and OPEB costs, largely as a result of lower discount rates. The increase in OM&A expense was also due to higher expenditures related to outage and project costs at OPG's nuclear generating stations, partially offset by a decrease in maintenance activities at the nuclear generating stations. The increase in OM&A expense was also partially offset by a reduction in expenditures related to outage and maintenance activities at OPG's thermal generating stations.

Earnings from the Nuclear Funds for the nine months ended September 30, 2010 were \$468 million compared to \$549 million during the same period in 2009. The earnings from the Nuclear Funds, before the impact of the Bruce Lease Net Revenues Variance Account, were \$565 million for the nine months ended September 30, 2010 compared to \$675 million for the same period in 2009, a decrease of \$110 million. The decrease in the earnings from the Nuclear Funds was primarily due to lower returns from the global financial markets. The decrease in the earnings from the Decommissioning Fund was partially offset by higher earnings from the Used Fuel Fund primarily due to a higher Ontario CPI, which impacted the guaranteed return on the Used Fuel Fund. During the nine months ended September 30, 2010 and 2009, OPG recorded a reduction to the Bruce Lease Net Revenues Variance Account regulatory asset of \$97 million and \$126 million, respectively, which decreased the reported earnings from the Nuclear Funds.

Depreciation and amortization expenses for the nine months ended September 30, 2010 were \$520 million compared to \$550 million during the same period in 2009, a decrease of \$30 million. The decrease in depreciation was primarily due to the impact of the Darlington nuclear generating station life

extension to 2051, related to OPG's announcement in early 2010 to commence the definition phase for refurbishment of the station, partially offset by the change in the third quarter of 2009 to the unit end of life, for accounting purposes, of four coal-fired units, which were closed in October 2010.

Restructuring charges of \$25 million were recorded during the nine months ended September 30, 2010 due to the recognition of severance costs related to the closure of the coal-fired units at Lambton and Nanticoke in 2010.

For the nine months ended September 30, 2010, income tax recovery was \$63 million compared to income tax expense of \$101 million for the same period in 2009. The decrease in income tax expense was primarily due to a reduction in income tax liabilities as a result of the resolution of a number of tax uncertainties related to the completion of a tax audit for prior years, and due to lower income before earnings from the Nuclear Funds in 2010. Earnings in the Nuclear Funds are not taxable, until withdrawn.

Average Sales Prices

The weighted average Ontario spot electricity market price and OPG's average sales prices from generation paid through the regulated prices and the hourly Ontario spot market prices, by reportable electricity segment for the three and nine month periods ended September 30, 2010 and 2009, were as follows:

| <i>(¢/kWh)</i> | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|--|-------------|---|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Weighted average hourly Ontario spot electricity market price | 4.5 | 2.4 | 4.0 | 3.1 |
| Regulated – Nuclear Generation | 5.5 | 5.5 | 5.5 | 5.5 |
| Regulated – Hydroelectric | 3.8 | 3.7 | 3.7 | 3.7 |
| Unregulated – Hydroelectric | 4.5 | 2.4 | 3.9 | 3.2 |
| Unregulated – Thermal | 5.4 | 3.1 | 4.5 | 4.1 |
| OPG's average sales price paid through regulated and spot market prices | 5.0 | 4.5 | 4.7 | 4.5 |

The weighted average hourly Ontario spot electricity market price was 4.5¢/kWh for the three months ended September 30, 2010 compared to 2.4¢/kWh for the same period in 2009. The increase in the average Ontario spot electricity market price for the three months ended September 30, 2010 compared to the same period in 2009 was primarily due to higher primary demand in Ontario, lower hydroelectric generation and higher natural gas prices, partially offset by a stronger Canadian dollar. The increase in average sales prices for OPG's unregulated segments for the three months ended September 30, 2010 compared to the same period in 2009 was primarily due to the impact of higher Ontario spot market prices.

The weighted average hourly Ontario spot electricity market price was 4.0¢/kWh and 3.1¢/kWh for the nine months ended September 30, 2010 and 2009, respectively. The increase in the average Ontario spot market price for the nine months ended September 30, 2010 compared to the same period in 2009 was primarily due to lower hydroelectric generation, higher primary demand, and higher natural gas prices in Ontario, partially offset by a stronger Canadian dollar. The increase in average sales prices for OPG's unregulated segments for the nine months ended September 30, 2010 compared to the same period in 2009 was primarily due to the impact of higher Ontario spot market prices.

Electricity Generation

OPG's electricity generation for the three and nine month periods ended September 30, 2010 and 2009, was as follows:

| (TWh) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|-------------------------------------|------------------------------------|-------------|-----------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Regulated – Nuclear Generation | 11.8 | 12.9 | 33.4 | 34.4 |
| Regulated – Hydroelectric | 4.8 | 5.0 | 14.2 | 14.6 |
| Unregulated – Hydroelectric | 1.9 | 3.5 | 8.1 | 12.8 |
| Unregulated – Thermal | 4.2 | 1.2 | 11.2 | 7.3 |
| Total electricity generation | 22.7 | 22.6 | 66.9 | 69.1 |

Total electricity generated during the three months ended September 30, 2010 was 22.7 TWh compared to 22.6 TWh during the same period in 2009. The increase was primarily due to higher generation at OPG's thermal generating stations, largely offset by lower generation at OPG's hydroelectric and nuclear generating stations.

The decrease in electricity generation from the nuclear generating stations during the three months ended September 30, 2010 compared to the same period in 2009 was primarily due to an increase in planned and unplanned outage days at the Pickering A , Pickering B, and Darlington generating stations.

The decrease in generation from the hydroelectric generating stations during the third quarter of 2010 compared to the same quarter in 2009 was primarily due to the impact of lower water flows caused by below normal precipitation across Ontario.

Electricity generation from the thermal generating stations was higher during the third quarter of 2010 compared to the same quarter in 2009 primarily due to lower hydroelectric generation as a result of unfavourable water flows, lower nuclear generation and higher primary demand in Ontario during the third quarter of 2010 compared to the same period in 2009.

For the nine months ended September 30, 2010, total electricity generated was 66.9 TWh compared to 69.1 TWh during the same period in 2009. The decrease in generation was primarily due to lower generation from the hydroelectric generating stations and the nuclear generating stations. The decrease was partially offset by an increase in generation from the thermal generating stations.

For the nine months ended September 30, 2010, the decrease in electricity generation from the nuclear generating stations compared to the same period in 2009 was primarily due to an increase in planned outages at the Pickering nuclear generating stations as a result of the planned Vacuum Building Outage ("VBO"), which required the shut-down of all six units during the second quarter of 2010. This decrease in electricity generation compared to the same period in 2009 was partially offset by a decrease in planned outage days at the Darlington nuclear generating station primarily as a result of the planned Darlington VBO, which required the shut-down of all four units during the second quarter of 2009.

The decrease in generation from the hydroelectric generating stations during the nine months ended September 30, 2010 compared to the same period in 2009 was primarily due to the impact of lower water flows caused by below normal precipitation across Ontario.

Electricity generation from the thermal generating stations was higher during the nine months ended September 30, 2010 compared to the same quarter in 2009 primarily due to lower hydroelectric generation as a result of unfavourable water flows, lower nuclear generation and higher primary demand in Ontario.

OPG's operating results are impacted by changes in demand resulting from variations in seasonal weather conditions. The following table provides a comparison of Heating and Cooling Degree Days for the three and nine month periods ended September 30:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|----------------------------------|------------------------------------|------|-----------------------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| Heating Degree Days ¹ | | | | |
| Period | 79 | 70 | 2,156 | 2,535 |
| Ten-year average | 57 | 61 | 2,413 | 2,436 |
| Cooling Degree Days ² | | | | |
| Period | 339 | 161 | 445 | 203 |
| Ten-year average | 286 | 272 | 374 | 356 |

¹ Heating Degree Days are recorded on days with an average temperature below 18°C, and represent the aggregate of the differences between the average temperature and 18°C for each day during the period, as measured at Pearson International Airport in Toronto, Ontario.

² Cooling Degree Days are recorded on days with an average temperature above 18°C, and represent the aggregate of the differences between the average temperature and 18°C for each day during the period, as measured at Pearson International Airport in Toronto, Ontario.

During the three months ended September 30, 2010, warmer than average temperatures resulted in significantly higher Cooling Degree Days compared to the same period in 2009.

For the nine months ended September 30, 2010, warmer than average temperatures resulted in higher Cooling Degree Days compared to the same period in 2009. Heating Degree Days for the nine months ended September 30, 2010 were lower compared to the same period in 2009 as a result of milder than average temperatures during the first half of 2010.

Ontario primary demand was 37.3 TWh and 34.5 TWh for the three months ended September 30, 2010 and 2009, respectively. Ontario primary demand was 107.2 TWh and 104.3 TWh for the nine month periods ended September 30, 2010 and 2009, respectively. The increase in demand was primarily due to warmer weather conditions during the third quarter of 2010 compared to the same quarter in 2009.

Cash Flow from Operations

Cash flow provided by operating activities for the three months ended September 30, 2010 was \$359 million compared to \$203 million for the three months ended September 30, 2009. The increase in cash flow of \$156 million was primarily due to lower fuel purchases, and lower contributions to the Nuclear Funds.

Cash flow provided by operating activities for the nine months ended September 30, 2010 was \$687 million compared to \$61 million for the same period in 2009. The increase in cash flow of \$626 million was primarily due to lower fuel purchases, lower tax installments, a decrease in revenue limit rebate payments with the discontinuance of the revenue limit in the second quarter of 2009, and lower contributions to the Nuclear Funds.

Recent Developments

OEB Application

In May 2010, OPG filed an application with the OEB for new regulated prices with an effective date of March 1, 2011. The regulated prices are applicable to production from OPG's regulated hydroelectric and nuclear facilities. As part of the application, OPG requested approval to recover the balances in the deferral and variance accounts. New regulated prices resulting from the application are expected to remain in effect until the end of 2012. The decision on OPG's application will be made by the OEB following a public hearing process, which is currently taking place during the second half of 2010.

Pickering A Units 2 and 3 Safe Storage

The Pickering A safe storage project permanently removed Units 2 and 3 from service while Units 1 and 4 continue to generate electricity. The safe storage project included de-fuelling, de-watering, and isolating Units 2 and 3 from the rest of the generating station, along with redesigning the control room for the remaining two operating units and placing the various systems in a safe state. De-fuelling of the units was completed in 2008 and de-watering was completed in January 2010.

In the second quarter of 2010, all Unit 2 and 3 systems were disconnected and isolated from the plant common systems and placed in a safe state. In addition, the Unit 2 and 3 reactor buildings were isolated from the containment system. In September 2010, all safe storage end states, and engineering and project closeout phases were completed. The project was completed ahead of schedule at a life-to-date cost of \$332 million, which is below the projected completion cost of \$349 million.

Deep Geologic Repository for Low and Intermediate Level Waste

In the third quarter of 2010, OPG approved the commencement of the detailed design phase of the Deep Geologic Repository ("DGR") project for the long-term management of low and intermediate level waste from OPG-owned nuclear generating stations. The Environmental Impact Statement ("EIS") is scheduled to be submitted to the Canadian Nuclear Safety Commission ("CNSC") in early 2011 and the next step is for the Joint Review Panel ("JRP") to be announced and selected. In parallel with the EIS, OPG, through contractors and subcontractors, will commence work in 2011 on the detailed design and engineering in support of the construction of the DGR in 2013. OPG is currently engaged in drafting a planned Engineering Procurement, and Construction Management Agreement for the design and construction phase of the work. The DGR is proposed to be located at the Bruce nuclear site in the Municipality of Kincardine, Ontario.

VISION, CORE BUSINESS AND STRATEGY

OPG's mandate is to cost-effectively produce electricity from its diversified generating assets, while operating in a safe, open, and environmentally responsible manner. OPG's goal is to be a leader in clean energy generation and to have a major role in leading Ontario's transition to a more sustainable energy future. OPG is focused on three corporate strategies: performance excellence; generation development; and developing and acquiring talent.

Performance Excellence

Each of OPG's business segments and corporate groups exhibit the Company's commitment to performance excellence in the areas of generation, safety, the environment, and fiscal performance. It is through this focus on performance excellence that OPG is able to efficiently and reliably provide electricity to the Province and deliver value to its Shareholder.

Nuclear Generating Assets

Performance excellence at OPG's nuclear generating facilities is defined as generating safe, efficient, reliable and cost effective electricity through dependable performance. This is achieved through the

effective execution of work programs and initiatives in the four cornerstones of safety, reliability, human performance and value for money.

In late May 2010, OPG completed the planned VBO at the Pickering nuclear generating stations. The VBO, which requires the shutdown of all six units at the Pickering A and B nuclear generating stations, is a large planned outage program that occurs once every 10 years. It was a significant undertaking involving about 2,000 workers augmenting station resources during an approximate six week window to complete over 40,000 tasks. During the outage, OPG inspected and tested key components of the negative pressure containment system. The outage also included inspections of pressure tube and steam generators, as well as turbine, generator and valve maintenance. The outage exceeded all safety milestones.

In June 2010, the Pickering A generating station received a new 3-year Operating Licence from the CNSC which took effect on July 1, 2010.

In September 2010, OPG completed the Pickering A Units 2 and 3 safe storage project safely, ahead of schedule and under budget. This achievement involved the commitment and teamwork of employees and industry partners. Although other types of nuclear reactors have been put in a safe state before, OPG's safe storage project was the first to permanently remove two commercial CANDU reactors from service while a multi-unit station continues to produce electricity.

Hydroelectric Generating Assets

The hydroelectric business segments are focused on producing electricity in a safe, reliable and cost-effective and efficient manner. OPG plans to continue to increase the capacity of many of the existing stations over the upcoming years by replacing aging equipment such as turbines, generators, transformers, and other control components with more efficient equipment.

OPG completed major equipment overhauls and rehabilitation work at several stations during the third quarter of 2010, including the refurbishment of the tailrace piers at the Abitibi Canyon generating station, transformer replacements at the Otto Holden generating station, and major maintenance and runner welding at Unit 16 of the Saunders generating station. Planned maintenance work continued at Unit 3 of the Chats Falls generating station to repair the generator, and Unit 5 of the Alexander Falls generating station to perform a major overhaul. A major outage to rebuild and upgrade Unit 9 of the Sir Adam Beck generating station is continuing, and the unit is scheduled to return to service at the end of 2010.

In 2010, OPG continued to progress on a number of strategies related to its Aboriginal Relations Policy. The strategies include negotiating past grievance settlements, working with Aboriginal Communities to explore hydroelectric business development opportunities, and developing employment and contracting opportunities, capacity building, and community relations programs.

Thermal Generating Assets

OPG continues its strategy for its thermal generating stations to ensure that units are available when they are required and to optimize how coal-fired units are offered into the electricity system to reduce equipment damage from frequent starts and stops. In addition, OPG is closely managing outage scope and schedule in an effort to reduce maintenance related expenditures while meeting Ontario's demand for electricity.

OPG's coal-unit conversion strategy is continuing to advance, including detailed engineering and planning work related to the conversion of the Atikokan generation station to become biomass-fuelled. OPG also continues to explore options and the feasibility to convert some of its other coal-fired units to fuels such as natural gas, biomass, and gas-biomass dual fuel.

Consistent with OPG's decision in 2009, the thermal business segment has ceased operations of two coal-fired generating units at each of the Lambton and Nanticoke coal-fired generating stations on October 1, 2010. During 2010, OPG managed the workforce challenges associated with the planned

closure of the four units through the mechanism of the collective agreements, augmented with ongoing discussions and cooperation with union representatives.

Environmental Performance

In June 2010, the Federal government announced its intention to regulate greenhouse gas emissions from coal-fired electricity generating units by restricting the operating life of these units. Environment Canada has since advised OPG that the regulation will not, however, apply to coal units converted to burn fuels other than coal. The regulation is therefore not expected to impact OPG's consideration of converting some coal units to burn natural gas or biomass. For the nine months ended September 30, 2010, CO₂ emissions were 11.2 million tonnes compared to 7.7 million tonnes for the same period in 2009. Acid gas (SO₂ and NO_x) emissions were 49 gigagrams and 34 gigagrams for the nine months ended September 30, 2010 and 2009, respectively. Emissions were higher as a result of higher generation during the second and third quarter from OPG's coal-fired stations. OPG's disclosures relating to its environmental policies and procedures are provided in the annual MD&A as at and for the year ended December 31, 2009.

Safety

OPG is committed to achieve its goal of zero injuries through further development of a strong safety culture and continuous improvement in safety management systems and risk control programs. In June 2010, OPG received the ZeroQuest Platinum (Sustainability) Award from the Infrastructure Health and Safety Association. OPG is the first employer in Ontario to receive this safety award, which recognizes OPG's efforts to sustain and continuously improve safety performance, health and safety management systems and safety culture over a five-year period.

Maintenance of formal safety management systems based on the British Standard Institution's Occupational Health and Safety Assessment Series 18001 at both the corporate and site levels continues in 2010. Injury reduction priorities in 2010 include enhanced musculoskeletal disorder prevention programming. In September 2010, OPG issued a corporate wide communication campaign on falling object prevention to address this significant safety risk. Improvements in OPG's rigorous incident management system are also underway to specifically improve the investigation process and methodologies to enhance lessons learned from safety incidents and prevent reoccurrences.

In June 2010, OPG implemented new requirements set out in the Occupational Health and Safety Act to protect workers from workplace violence and harassment. This included enhancements to existing policies and procedures, the completion of workplace violence risk assessments, and communications for workers, supervisors and Joint Health and Safety Committees. Work is underway to address any recommendations made as a result of the site workplace violence risk assessments. While all employees have received instruction on OPG's requirements to prevent workplace violence and harassment, training programs are also being updated to include these requirements for new supervisors and for new employees.

Financial Sustainability

OPG's financial priority is to sustain an appropriate level of financial performance. This includes earning an appropriate return on OPG's assets; identifying and exploring efficiency improvement opportunities; and ensuring that sufficient funds are available to achieve performance excellence and support generation development. The financial performance strategies employed are detailed in the 2009 annual report.

With respect to regulated assets, OPG filed an application with the OEB in May 2010 for new regulated rates effective March 1, 2011. The application balances the impact of price increases on ratepayers with the costs associated with operating the prescribed assets in a safe, reliable and environmentally responsible manner, and includes the financial resources required for the nuclear life extension and refurbishment projects. With respect to unregulated generation assets, OPG finalized an Energy Supply Agreement ("ESA") with the Ontario Power Authority ("OPA") for the Lennox generating station in the first quarter of 2010 to ensure recovery of operating costs. OPG has also negotiated a long-term

Hydroelectric Energy Supply Agreement contract with the OPA for the Lower Mattagami hydroelectric generation development project. OPG and the OPA are currently negotiating the Atikokan Biomass Energy Supply Agreement (“ABESA”) for the supply of biomass-fuelled electricity generation from the Atikokan generating station.

OPG continued with a number of initiatives in the third quarter of 2010 to ensure that sufficient funds are available to achieve its strategic objectives of performance excellence and generation development. OPG executed an amendment to the Niagara Tunnel project credit facility with the OEFC, consistent with the revised cost estimate of \$1.6 billion. To support the initial construction phase for the Lower Mattagami project, a \$700 million bank credit facility was established in August 2010, and a commercial paper program with an initial offering of \$115 million was launched in September 2010.

OPG continues to pursue efficiency improvements through a review of corporate and business unit support function work programs. This review has identified areas of improvement in work programs, including, opportunities to streamline or eliminate activities to achieve business plan and cost containment targets.

Generation Development

OPG is pursuing a number of generation development opportunities including capacity expansion and life extension opportunities where possible. Increasing the production potential of existing infrastructure reduces the environmental impact of meeting Ontario’s electricity demands. Pursuing opportunities to leverage existing sites and assets will enable OPG to realize additional benefits from these assets. OPG’s major projects include nuclear station refurbishment, new hydroelectric generation and plant upgrades, and the conversion of some of the coal-fired generating units to alternate fuels.

New Nuclear Units

In June 2009, the Government of Ontario suspended the competitive Request for Proposal (“RFP”) process to procure two new nuclear reactors planned for the Darlington site. In the announcement, the Government of Ontario indicated that the competitive RFP process did not provide Ontario with a suitable option at that time. The bids that were received during this process have subsequently expired. The Government of Ontario continues to be supportive of two new nuclear units at Darlington.

OPG continues with two initiatives that were underway – the environmental assessment process and obtaining a site preparation licence. In November 2009, a JRP announced the start of a six-month public review period for an EIS and the “Licence to Prepare Site”. During the first half of 2010, the JRP requested additional information in support of the EIS and application for the “Licence to Prepare Site”. On September 7, 2010, the JRP announced the final deadline of October 8, 2010 for the receipt of public comments on OPG’s EIS and application for the “Licence to Prepare Site”.

Darlington Refurbishment Project

In February 2010, OPG announced its decision to commence the definition phase for the refurbishment of the Darlington nuclear generating station. The Darlington generating units, based on original design assumptions, are currently forecast to reach their nominal end of life between 2018 and 2020. The objective of the refurbishment is to extend the operating life of the station by approximately 30 years. Activities in the definition phase include the establishment of the project organization, scope finalization, engineering, planning and estimating, procurement of long lead items, establishment of key contracts and facilities and infrastructure upgrades. In addition, all regulatory work will be completed including the Environmental Assessment (“EA”), the Integrated Safety Review (“ISR”), and the Integrated Improvement Plan.

Work is underway to prepare an EA report for submission to the CNSC for approval by mid-2012. The ISR is on track for submission to the CNSC in late 2011. A Scope Review Board has been established to review and finalize the technical scope of the project. The scope review and documentation of approved scope is ongoing. Additional information relating to the retube and feeder replacement “Request for

Expression of Interest” was received in August 2010 and is being evaluated to determine the participants in the next phase of the pre-qualification process.

In April 2010, OPG announced that it was proceeding, in conjunction with the Municipality of Clarington and Durham Region, with site preparation and servicing for a proposed 250,000 square foot Darlington Refurbishment Complex (“Complex”) on OPG-owned land in the Clarington Energy Business Park adjacent to the Darlington nuclear generating station. The Complex will house a training and calandria mock-up facility, warehouse, and office space. OPG is currently negotiating a Subdivision and Servicing Agreement with the Municipality of Clarington and the Region of Durham with the expectation that tendering for services will occur in the fourth quarter of 2010. The RFP for the Complex was issued in August 2010 and has a closing date of November 17, 2010. The Complex remains on track for occupancy in the fall of 2013.

Pickering B Continued Operations

In September 2009, OPG submitted its final ISR report for the Pickering B nuclear generating station to the CNSC. The report concluded that the station demonstrates a high level of compliance with modern codes and standards, and can be operated safely today and in the future.

Pickering B nuclear generating units are currently estimated to reach their nominal end of life between 2014 and 2016. In February 2010, OPG announced its decision to continue the safe and reliable operation of OPG’s Pickering B nuclear generating station for an additional four to six years. OPG is undertaking a coordinated set of initiatives to evaluate the opportunity to continue safe and reliable operations of Pickering B for this extended period of time and work is progressing to resource the organization, finalize the detailed scope of the program, and to implement plant improvements.

As part of a regulatory commitment to the CNSC, OPG submitted the Pickering B Operations Plan in March 2010, summarizing strategies for the continued safe and reliable operation of Pickering B until its end of life. In the third quarter of 2010, the Continued Operations Plan was submitted to the CNSC which provided a more detailed comprehensive operational plan to the station’s end of life. OPG continues to undertake technical and regulatory work related to continued operations.

Upper Mattagami and Hound Chute

Construction activities to replace three existing hydroelectric generating stations on the Upper Mattagami River and the Hound Chute generating station on the Montreal River continued during the third quarter of 2010. Upon completion of the project, the total installed capacity of the four stations will increase from 23 MW to 44 MW, and the expected annual energy will increase from 134 gigawatt hours (“GWh”) to 223 GWh. During the third quarter of 2010, OPG continued with the commissioning of the generating stations. On October 27, 2010, Sandy Falls generating station was declared in-service following its commissioning phase. The remaining stations are expected to be in-service ahead of the approved date of April 2011.

Project financing was completed in May 2009, and 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. The capital project expenditures for the three and nine months ended September 30, 2010 were \$23 million and \$64 million, respectively. As at September 30, 2010, the life-to-date capital expenditures were \$260 million. Project costs are expected to be within the approved budget of \$300 million.

Niagara Tunnel

As of September 30, 2010, the tunnel boring machine has advanced to 8,331 metres, which is 82 percent of the tunnel length. Installation of the lower one-third of the permanent concrete lining has reached 5,788 metres. Restoration of the circular cross-section of the tunnel, before installation of the upper two-thirds of the concrete lining, has progressed 2,660 metres. Installation of the upper two-thirds of the concrete lining was completed to 525 metres.

The capital project expenditures for the three and nine month periods ended September 30, 2010 were \$56 million and \$164 million, respectively. As at September 30, 2010, the life-to-date capital expenditures were \$813 million. The project is debt financed through the OEFC. OPG has executed an amendment to the Niagara Tunnel project credit facility with the OEFC to finance the project for up to \$1.6 billion. The Niagara Tunnel is expected to be completed within the revised approved budget of \$1.6 billion and in-service by the approved date of December 2013.

Lower Mattagami

Construction activities on the Lower Mattagami River commenced in June 2010 to add one additional generating unit at each of the existing Little Long, Harmon and Kipling stations. In addition, OPG will replace the existing Smoky Falls generating station with a new three-unit station. Upon completion in June 2015, the project will increase the capacity of the four stations on the Lower Mattagami River by 438 MW.

During the third quarter of 2010, installation of the temporary construction infrastructure, including site offices and a construction camp, was in progress. In addition, work commenced on the construction of cofferdams at the Little Long and Smoky Falls generating stations. The capital project expenditures for the three and nine month periods ended September 30, 2010 were \$91 million and \$162 million, respectively. As at September 30, 2010, the life-to-date capital expenditures were \$181 million.

The project budget of \$2.6 billion includes the design build contract as well as contingencies, interest and other OPG costs, including project management, contract management, impact agreements with First Nations, and transmission connection costs. 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. As at September 30, 2010, \$115 million of commercial paper was outstanding under this credit facility. Additional commercial paper of \$40 million was issued in October 2010.

Unit Conversion Opportunities

On August 26, 2010 the Minister of Energy issued a directive to the OPA to negotiate the ABESA with OPG for the supply of biomass-fuelled electricity generation from the Atikokan generating station. OPG is proceeding with the definition phase of the project which includes detailed engineering and the negotiation of the ABESA, fuel supply contracts, and the engineering, procurement, and construction contract for the conversion of the Atikokan generating station to biomass fuel.

In addition, OPG continues with the development of engineering concepts for the conversion of some units at the Thunder Bay, Lambton and Nanticoke generating stations to fuels such as natural gas, biomass, and gas-biomass dual-fuel. Before significant financial commitments are made for these conversions, OPG will require cost recovery agreements with the OPA.

Developing and Acquiring Talent

Skilled Workforce

As of September 30, 2010, OPG had approximately 90 percent of its regular labour force represented by a union. The Company's collective agreement with the Power Workers' Union runs through March 31, 2012 and the labour agreement with The Society of Energy Professionals runs through December 31, 2010. OPG and the Society of Energy Professionals have commenced negotiations on a collective agreement renewal. Collective Agreements between the Company and its construction unions, negotiated either directly or through the Electrical Power Systems Construction Association ("EPSCA"), expired April 30, 2010. Currently, 17 agreements have been reached with 14 ratified and three pending ratification. Negotiations are being planned with three other construction unions.

Electricity generation involves complex technologies, which demand highly skilled and trained workers. Many positions at OPG have significant educational prerequisites as well as rigorous requirements for continuing training and periodic requalification. In addition to maintaining its extensive internal training

infrastructure, OPG relies on partnerships with government agencies, other electrical industry partners, and educational institutions to meet the required level of qualification.

ONTARIO ELECTRICITY MARKET TRENDS

In its 18-Month Outlook published on August 23, 2010, the Independent Electricity System Operator (“IESO”) indicated that as of July 20, 2010, Ontario’s installed electricity generating capacity was 35,781 MW. As of September 30, 2010, OPG’s in-service electricity generating capacity was 21,606 MW. On October 1, 2010, the in-service capacity of the Unregulated – Thermal segment decreased by 1,730 MW as a result of the unit closures at the Lambton and Nanticoke generating stations. The IESO reported that the outlook for the reliability of Ontario’s electricity system remains positive over the next 18 months. This outlook is largely consistent with the previous outlooks in the reports published in May and February 2010. Additional details on the outlook are provided in OPG’s MD&A as at and for the year ended December 31, 2009 under the heading, *Ontario Electricity Market Trends*.

The industry average uranium spot market price was U.S. \$44.50 per pound at the beginning of 2010. The spot price showed a slow decline to U.S. \$40.50 per pound by the end of the first quarter and was within the range of U.S. \$41.00 to U.S. \$42.00 until mid summer, before increasing to US \$46.63 by the end of the third quarter of 2010. The industry average long-term uranium price began the year at U.S. \$61.00 per pound and declined to U.S. \$59.00 per pound at the end of the first quarter of 2010, where it remained until July before increasing to U.S. \$61.00 at the end of the third quarter of 2010.

Natural gas prices at Henry Hub averaged U.S. \$4.28/MMBtu in the third quarter of 2010, a decrease of one percent from the second quarter of 2010, but an increase of 35 percent from the third quarter of 2009. Contributing to the increase during the last twelve months was warmer weather and an improved industrial sector. According to the National Oceanic and Atmospheric Association, summer cooling degree days for the third quarter of 2010 increased from the third quarter 2009. On a monthly comparison, gas prices have been decreasing throughout the quarter with an average of \$4.63/MMBtu in July 2010 and \$3.89/MMBtu in September 2010. This is primarily due to supply and inventories exceeding demand.

Improved power sector fundamentals and a recovery in international coal markets have led to a rise in coal prices. Warmer weather, low hydroelectric generation and an improved industrial sector south of the border have enabled producers to drawdown their coal inventories. Eastern coal prices have averaged \$69.00/tonne in the third quarter of 2010, an increase of 13 percent from the second quarter of 2010, and 41 percent from the third quarter of 2009. Powder River Basin coal prices have averaged over \$14.00/tonne during the third quarter of 2010, which represents a 17 percent increase compared to the second quarter of 2010 and a 70 percent increase compared to the same quarter of 2009.

BUSINESS SEGMENTS

OPG has five reportable business segments. The business segments are Regulated – Nuclear Generation, Regulated – Nuclear Waste Management, Regulated – Hydroelectric, Unregulated – Hydroelectric, and Unregulated – Thermal.

Descriptions of OPG’s reportable business segments are included in the 2009 annual MD&A under the heading, *Business Segments*.

KEY GENERATION AND FINANCIAL PERFORMANCE INDICATORS

Key performance indicators that directly pertain to OPG’s mandate and corporate strategies are measures of production efficiency, cost effectiveness, and environmental performance. OPG evaluates the performance of its generating stations using a number of key performance indicators, which vary depending on the generating technology. These indicators are defined in the 2009 annual MD&A and are discussed in the *Discussion of Operating Results by Business Segment* section.

DISCUSSION OF OPERATING RESULTS BY BUSINESS SEGMENT

This section summarizes OPG's key results by segment for the three and nine month periods ended September 30, 2010 and 2009. The following table provides a summary of revenue, earnings and key generation and financial performance indicators by business segment:

| <i>(millions of dollars – except where noted)</i> | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|-------|-----------------------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| <i>Revenue, net of revenue limit rebate</i> | | | | |
| Regulated – Nuclear Generation | 784 | 840 | 2,234 | 2,367 |
| Regulated – Nuclear Waste Management | 12 | 11 | 33 | 32 |
| Regulated – Hydroelectric | 185 | 187 | 555 | 585 |
| Unregulated – Hydroelectric | 107 | 103 | 359 | 461 |
| Unregulated – Thermal | 279 | 180 | 780 | 697 |
| Other | 41 | 35 | 122 | 113 |
| Elimination | (12) | (11) | (32) | (32) |
| | 1,396 | 1,345 | 4,051 | 4,223 |
| <i>Income before interest and income taxes</i> | | | | |
| Regulated – Nuclear Generation | 155 | 203 | 178 | 290 |
| Regulated – Nuclear Waste Management | 122 | 96 | (27) | 75 |
| Regulated – Hydroelectric | 75 | 64 | 246 | 254 |
| Unregulated – Hydroelectric | 15 | (6) | 100 | 174 |
| Unregulated – Thermal | (5) | (42) | (40) | (65) |
| Other | 19 | 9 | 57 | 59 |
| | 381 | 324 | 514 | 787 |
| <i>Electricity generation (TWh)</i> | | | | |
| Regulated – Nuclear Generation | 11.8 | 12.9 | 33.4 | 34.4 |
| Regulated – Hydroelectric | 4.8 | 5.0 | 14.2 | 14.6 |
| Unregulated – Hydroelectric | 1.9 | 3.5 | 8.1 | 12.8 |
| Unregulated – Thermal | 4.2 | 1.2 | 11.2 | 7.3 |
| Total electricity generation | 22.7 | 22.6 | 66.9 | 69.1 |
| <i>Nuclear unit capability factor (percent)</i> | | | | |
| Darlington | 86.3 | 91.8 | 87.4 | 81.4 |
| Pickering A | 65.9 | 85.1 | 54.5 | 66.7 |
| Pickering B | 86.9 | 94.2 | 75.3 | 86.9 |
| <i>Equivalent forced outage rate (“EFOR”) (percent)</i> | | | | |
| Regulated – Hydroelectric | 0.4 | 0.8 | 0.3 | 0.9 |
| Unregulated – Hydroelectric | 4.3 | 2.5 | 2.4 | 1.3 |
| Unregulated – Thermal | 10.7 | 5.4 | 7.0 | 8.6 |
| <i>Availability (percent)</i> | | | | |
| Regulated – Hydroelectric | 93.0 | 93.2 | 92.8 | 93.7 |
| Unregulated – Hydroelectric | 87.5 | 87.2 | 91.6 | 93.3 |
| <i>Nuclear Production Unit Energy Cost (“PUEC”) (\$/MWh)</i> | | | | |
| Regulated – Hydroelectric OM&A expense per MWh (\$/MWh) | 4.79 | 5.60 | 4.93 | 5.27 |
| Unregulated – Hydroelectric OM&A expense per MWh (\$/MWh) | 28.42 | 14.57 | 18.89 | 11.02 |
| Unregulated – Thermal OM&A expense per MW (\$000/MW) | 52.60 | 52.80 | 54.90 | 60.80 |

Regulated – Nuclear Generation Segment

| <i>(millions of dollars)</i> | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|------|-----------------------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| Regulated generation sales | 647 | 709 | 1,824 | 1,883 |
| Variance accounts | 69 | 48 | 211 | 239 |
| Other | 68 | 83 | 199 | 245 |
| Total revenue | 784 | 840 | 2,234 | 2,367 |
| Fuel expense | 57 | 55 | 157 | 140 |
| Variance accounts | (14) | 4 | (22) | 9 |
| Total fuel expense | 43 | 59 | 135 | 149 |
| Gross margin | 741 | 781 | 2,099 | 2,218 |
| Operations, maintenance and administration | 478 | 445 | 1,596 | 1,539 |
| Depreciation and amortization | 98 | 123 | 293 | 357 |
| Property and capital taxes | 10 | 10 | 32 | 32 |
| Income before interest and income taxes | 155 | 203 | 178 | 290 |

Revenue

Regulated – Nuclear Generation revenue for the three months ended September 30, 2010 was \$784 million compared to \$840 million for the same quarter in 2009. The decrease in revenue of \$56 million was primarily due to the impact of lower generation volume, partially offset by an increase in revenue related to the Tax Loss Variance Account.

During the three months ended September 30, 2010, OPG recognized a decrease in Bruce Lease revenue of \$9 million related to the increase in the fair value of the derivative liability embedded in the Bruce Lease. This was a result of a reduction in expected future Average HOEP prices during the third quarter of 2010. The decrease in lease revenue was offset by an increase in the regulatory asset related to the Bruce Lease Net Revenues Variance Account.

Regulated – Nuclear Generation revenue for the nine months ended September 30, 2010 and 2009 was \$2,234 million and \$2,367 million, respectively. The decrease in revenue of \$133 million for the nine months ended September 30, 2010 compared to the same period in 2009 was primarily due to the decrease in revenue related to the Tax Loss Variance Account and the impact of lower generation volume.

During the nine months ended September 30, 2010, OPG recognized revenue of \$123 million related to the Tax Loss Variance Account compared to revenue of \$201 million for the same period in 2009. The revenue related to the Tax Loss Variance Account recognized for the nine months ended September 30, 2009 included \$101 million of retrospective revenue related to the period April 1, 2008 to December 31, 2008. The Tax Loss Variance account was authorized by the OEB in May 2009, and effective retrospectively to April 1, 2008.

During the nine months ended September 30, 2010, OPG recognized a reduction in Bruce Lease revenue of \$47 million related to the increase in the fair value of the derivative liability embedded in the Bruce Lease as a result of a reduction in expected future Average HOEP prices since the beginning of 2010. The decrease in lease revenue was offset by an increase in the regulatory asset related to the Bruce Lease Net Revenues Variance Account.

Electricity Prices

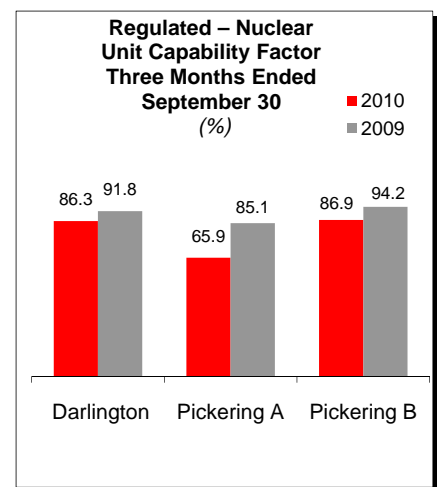
The OEB established a fixed price of 5.50¢/kWh for electricity generation from stations in the Regulated – Nuclear Generation segment.

Volume

Electricity generation from OPG's nuclear generating stations was 11.8 TWh for the three months ended September 30, 2010 compared to 12.9 TWh for the same period in 2009. The decrease in electricity generation from the nuclear generating stations during the three months ended September 30, 2010 compared to the same period in 2009 was primarily due to an increase in planned and unplanned outage days at the Pickering A, Pickering B, and Darlington generating stations.

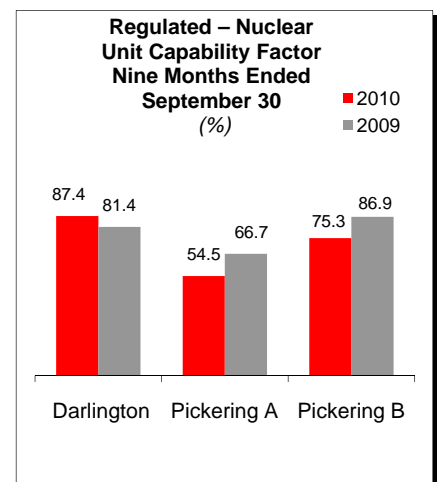
Nuclear generation during the nine months ended September 30, 2010 was 33.4 TWh compared to 34.4 TWh for the same period in 2009. For the nine months ended September 30, 2010, the decrease in electricity generation from the nuclear generating stations compared to the same period in 2009 was primarily due to an increase in planned outage days at the Pickering nuclear generating stations as a result of the VBO. The decrease in electricity generation from the Pickering nuclear generating stations was partially offset by a decrease in planned outage days at the Darlington nuclear generating station compared to the same period in 2009 primarily as a result of the Darlington VBO during the second quarter of 2009.

The Darlington nuclear generating station's unit capability factor for the three months ended September 30, 2010 was 86.3 percent compared to 91.8 percent for the same period in 2009. The lower capability factor reflects higher planned and unplanned outage days during the third quarter of 2010 compared to the same quarter of 2009.



The unit capability factor for the Pickering A nuclear generating station during the three months ended September 30, 2010 was 65.9 percent compared to 85.1 percent for the same quarter of 2009. The unit capability factor for the Pickering B nuclear generating station was 86.9 percent for the three months ended September 30, 2010 compared to 94.2 percent for the same quarter in 2009. The lower capability factor for the Pickering A nuclear generating station reflects higher planned outage days during the third quarter of 2010 compared to the same quarter of 2009. The lower capability factor for the Pickering B nuclear generating station reflects higher unplanned and planned outage days during the third quarter of 2010 compared to the same quarter of 2009.

The Darlington nuclear generating station's unit capability factor for the nine months ended September 30, 2010 was 87.4 percent compared to 81.4 percent for the same period in 2009. The higher capability factor reflects the lower planned outage days for the nine months ended September 30, 2010 compared to the same period in 2009 primarily as a result of the Darlington VBO during the second quarter of 2009.



For the nine months ended September 30, 2010, the unit capability factor for the Pickering A nuclear generating station was 54.5 percent compared to 66.7 percent for the same period in 2009. For the nine months ended September 30, 2010, the unit capability factor for the Pickering B nuclear generating station was 75.3 percent compared to 86.9 percent for the same period in 2009. The lower capability factors for the Pickering nuclear generating stations reflect the higher planned outage days primarily as a result of unit outages in the second quarter of 2010 due to the Pickering VBO.

Fuel Expense

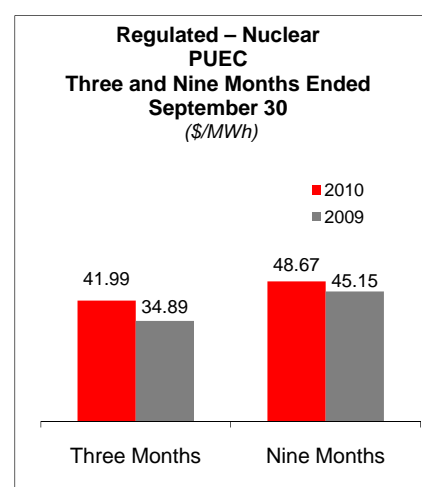
Fuel expense for the three months ended September 30, 2010 was \$43 million compared to \$59 million during the same period in 2009. For the nine months ended September 30, 2010, fuel expense was \$135 million compared to \$149 million during the same period in 2009. The decrease in fuel expense for the three and nine month periods ended September 30, 2010 compared to the same periods in 2009 was primarily due to the impact of the Nuclear Fuel Cost Variance Account and the impact of lower nuclear generation.

Operations, Maintenance and Administration

OM&A expenses for the three months ended September 30, 2010 were \$478 million compared to \$445 million during the same period in 2009. The increase in OM&A expenses during the third quarter of 2010 compared to the same quarter in 2009 was primarily due to an increase in planned outage activities and higher pension and OPEB costs. The increase was partially offset by lower project and maintenance activities during the third quarter of 2010.

OM&A expenses were \$1,596 million for the nine months ended September 30, 2010 compared to \$1,539 million during the same period in 2009. The increase in OM&A expenses during the nine months ended September 30, 2010 compared to the same period in 2009 was primarily due to higher pension and OPEB costs, and an increase in planned outage and project activities, partially offset by lower planned maintenance activities.

Nuclear PUEC for the three months ended September 30, 2010 was \$41.99/MWh compared to \$34.89/MWh during the same period in 2009. Nuclear PUEC for the nine months ended September 30, 2010 was \$48.67/MWh compared to \$45.15/MWh during the same period 2009. The increase during the three and nine month periods ended September 30, 2010 compared to the same periods in 2009 was primarily due to higher OM&A expenses and lower generation.



Depreciation and Amortization

Depreciation and amortization expenses for the three months ended September 30, 2010 were \$98 million compared to \$123 million for the same period in 2009. Depreciation and amortization expenses for the nine months ended September 30, 2010 were \$293 million compared to \$357 million for the same period last year. The decrease in depreciation and amortization expenses was primarily due to the impact of the Darlington nuclear generating station life extension to 2051, related to OPG's commencement in early 2010 of the definition phase for refurbishment of the station.

Regulated - Nuclear Waste Management Segment

| <i>(millions of dollars)</i> | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|-----------|-----------------------------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenue | 12 | 11 | 33 | 32 |
| Operations, maintenance and administration | 14 | 12 | 38 | 35 |
| Accretion on fixed asset removal and nuclear waste management liabilities | 163 | 157 | 490 | 471 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | (287) | (254) | (468) | (549) |
| Income (loss) before interest and income taxes | 122 | 96 | (27) | 75 |

Accretion

Accretion expense for the three and nine month periods ended September 30, 2010 was \$163 million and \$490 million, respectively, compared to \$157 million and \$471 million, respectively, for the same periods in 2009. The increase in accretion expense was primarily due to the increase in the present value of the liabilities for Nuclear Fixed Asset Removal and Nuclear Waste Management (“Nuclear Liabilities”) due to the passage of time, and the increase in the Nuclear Liabilities as a result of OPG’s commencement of the definition phase for refurbishment of the Darlington nuclear generating station. This increase was partially offset by the impact of the Bruce Lease Net Revenues Variance Account.

Earnings on the Nuclear Fixed Asset Removal and Nuclear Waste Management Funds

Earnings from the Nuclear Funds for the three months ended September 30, 2010 were \$287 million compared to \$254 million during the third quarter of 2009. During the third quarter of 2010, before the impact of the Bruce Lease Net Revenues Variance Account, earnings from the Nuclear Funds were \$437 million compared to \$360 million during the same period in 2009. The increase in earnings from the Nuclear Funds for the three months ended September 30, 2010 was primarily due to higher earnings from the Used Fuel Fund resulting from a higher Ontario CPI, which impacted the guaranteed return on the Used Fuel Fund, and an increase in earnings from the Decommissioning Fund resulting from higher returns from the global financial markets. During the three months ended September 30, 2010, OPG recorded a reduction to the Bruce Lease Net Revenues Variance Account regulatory asset of \$150 million, which decreased the reported earnings from the Nuclear Funds.

Earnings from the Nuclear Funds for the nine months ended September 30, 2010 were \$468 million compared to earnings of \$549 million during the same period in 2009. During the nine months ended September 30, 2010, before the impact of the Bruce Lease Net Revenues Variance Account, earnings from the Nuclear Funds were \$565 million compared to earnings of \$675 million during the same period in 2009. The decrease in earnings from the Nuclear Funds for the nine months ended September 30, 2010 compared to the same period in 2009 was primarily due to lower returns from the global financial markets. The decrease in the earnings from the Decommissioning Fund was partially offset by higher earnings from the Used Fuel Fund resulting from a higher Ontario CPI, which impacted the guaranteed return on the Used Fuel Fund. During the nine months ended September 30, 2010, OPG recorded a reduction to the Bruce Lease Net Revenues Variance Account regulatory asset of \$97 million, which decreased the reported earnings from the Nuclear Funds.

Regulated – Hydroelectric Segment

| <i>(millions of dollars)</i> | Three Months Ended | | Nine Months Ended | |
|--|----------------------|------|----------------------|------|
| | September 30 2010 | 2009 | September 30 2010 | 2009 |
| Regulated generation sales | 178 | 181 | 524 | 541 |
| Variance accounts | - | (6) | 7 | 2 |
| Other | 7 | 12 | 24 | 42 |
| Revenue | 185 | 187 | 555 | 585 |
| Fuel expense | 68 | 76 | 183 | 191 |
| Gross margin | 117 | 111 | 372 | 394 |
| Operations, maintenance and administration | 23 | 28 | 70 | 77 |
| Depreciation and amortization | 16 | 17 | 48 | 55 |
| Property and capital taxes | 3 | 2 | 8 | 8 |
| Income before interest and income taxes | 75 | 64 | 246 | 254 |

Revenue

Regulated – Hydroelectric revenue was \$185 million for the three months ended September 30, 2010 compared to \$187 million during the same period in 2009. During the nine months ended September 30, 2010, Regulated – Hydroelectric revenue was \$555 million compared to \$585 million during the same period in 2009. The decrease in revenue for the three and nine month periods ended September 30, 2010 of \$2 million and \$30 million, respectively, was primarily due to a decrease in hydroelectric generation due to the impact of lower water flows.

Electricity Prices

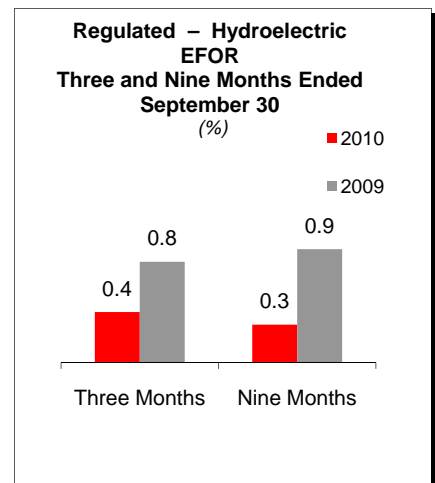
The average sales price for the regulated hydroelectric stations was 3.8¢/kWh during the third quarter of 2010 compared to 3.7¢/kWh during the same quarter in 2009. The increase in electricity sales prices for the regulated hydroelectric stations was primarily due to higher revenues from the regulated hydroelectric incentive mechanism.

For the nine months ended September 30, 2010 and 2009, the average sales price for the regulated hydroelectric stations was 3.7¢/kWh.

Volume

Electricity generation volume for the three months ended September 30, 2010 and 2009 was 4.8 TWh and 5.0 TWh, respectively. For the nine months ended September 30, 2010, electricity generation volume was 14.2 TWh compared to 14.6 TWh for the same period in 2009. The decrease in volume during the three and nine month periods in 2010 compared to the same periods in 2009 was primarily due to the impact of unfavourable water flows in the Province of Ontario.

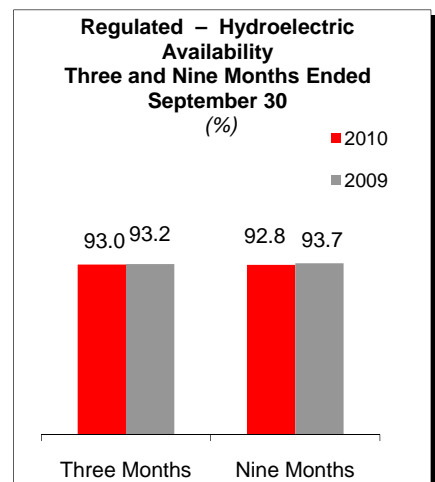
For the three months ended September 30, 2010 and 2009, the EFOR for the Regulated – Hydroelectric stations was 0.4 percent and 0.8 percent, respectively. During the nine months ended September 30, 2010 and 2009, the EFOR for the Regulated – Hydroelectric stations was 0.3 percent and 0.9 percent, respectively. EFOR for the three and nine months ended September 30, 2010 decreased primarily as a result of higher unplanned outages at the Sir Adam Beck generating station in 2009.



The availability for the Regulated – Hydroelectric stations was 93.0 percent for the three months ended September 30, 2010 compared to 93.2 percent for the same period in 2009. Availability for the nine months ended September 30, 2010 was 92.8 percent compared to 93.7 percent for the same period in 2009. The high availability and low EFOR reflect the continued strong performance of the regulated hydroelectric stations.

Fuel Expense

Fuel expense was \$68 million for the three months ended September 30, 2010 compared to \$76 million in the same period during 2009. For the nine months ended September 30, 2010 and 2009, fuel expense was \$183 million and \$191 million, respectively. The decrease in fuel expense for the three and nine month periods ended September 30, 2010 was as a result of a decrease in generation.



Variance Accounts

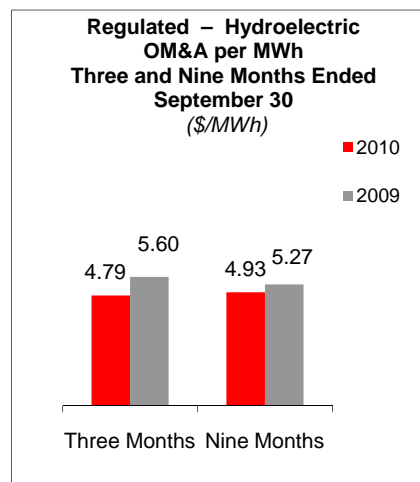
During the three months ended September 30, 2010, the net impact to revenue resulting from the recognition of regulatory assets and liabilities was nil. The net impact consisted of a revenue increase resulting from the recognition of the regulatory assets related to the Tax Loss Variance Account and the regulatory variance account reflecting the difference between forecast and actual ancillary service revenue ("Ancillary Services Net Revenue Variance Account"), offset by the recognition of the regulatory liability related to the regulatory variance account that reflects the impact of differences between forecast and actual water conditions on hydroelectric production ("Hydroelectric Water Conditions Variance Account"). During the three months ended September 30, 2009, OPG recorded a decrease to revenue of \$6 million related to the variance accounts.

During the nine months ended September 30, 2010, the net impact to revenue resulting from the recognition of regulatory assets and liabilities was \$7 million. The net impact consisted of a revenue increase resulting from the recognition of the regulatory assets related to the Tax Loss Variance Account and the Ancillary Services Net Revenue Variance Account, largely offset by the recognition of the regulatory liability related to the Hydroelectric Water Conditions Variance Account. During the nine months ended September 30, 2009, OPG recorded an increase to revenue of \$2 million related to the variance accounts.

Operations, Maintenance and Administration

OM&A expenses for the three months ended September 30, 2010 were \$23 million compared to \$28 million for the same period in 2009. For the nine months ended September 30, 2010, OM&A expenses were \$70 million compared to \$77 million during the same period in 2009. The decrease in OM&A expenses during the nine months ended September 30, 2010 compared to the same periods in 2009 was partly due to lower project activities at the Sir Adam Beck generating station.

OM&A expense per MWh for the regulated hydroelectric generating stations was \$4.79/MWh during the three months ended September 30, 2010 compared to \$5.60/MWh for the same period in 2009. For the nine month periods ended September 30, 2010 and 2009, OM&A expense per MWh for the regulated hydroelectric stations was \$4.93/MWh and \$5.27/MWh, respectively. The decrease in OM&A expense per MWh was primarily due to a decrease in OM&A expense.



Unregulated - Hydroelectric Segment

| <i>(millions of dollars)</i> | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|------|-----------------------------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| Spot market sales, net of hedging instruments | 91 | 90 | 325 | 429 |
| Revenue limit rebate | - | - | - | (10) |
| Other | 16 | 13 | 34 | 42 |
| Revenue, net of revenue limit rebate | 107 | 103 | 359 | 461 |
| Fuel expense | 10 | 25 | 42 | 75 |
| Gross margin | 97 | 78 | 317 | 386 |
| Operations, maintenance and administration | 63 | 65 | 162 | 155 |
| Depreciation and amortization | 19 | 16 | 52 | 50 |
| Property and capital taxes | - | 3 | 3 | 7 |
| Income (loss) before interest and income taxes | 15 | (6) | 100 | 174 |

Revenue

Unregulated – Hydroelectric revenue was \$107 million for the three months ended September 30, 2010 compared to \$103 million during the same period in 2009. The increase in revenue for the three month period ended September 30, 2010 compared to the same period in 2009 was as a result of higher average sales prices, largely offset by lower generation volume.

For the nine months ended September 30, 2010, Unregulated – Hydroelectric revenue was \$359 million compared to \$461 million during the same period in 2009. The decrease in revenue for the nine months ended September 30, 2010 compared to the same periods in 2009 was primarily due to lower generation volume, partially offset by the impact of higher average sales prices.

Electricity Prices

For the three months ended September 30, 2010 and 2009, OPG's average sales price from generation paid through the Ontario market prices for its unregulated hydroelectric generation was 4.5¢/kWh and 2.4¢/kWh, respectively. The average sales price for the unregulated hydroelectric stations was 3.9¢/kWh for the nine months ended September 30, 2010 compared to 3.2¢/kWh for the same period of 2009. The increase in electricity prices for the three and nine month periods ended September 30, 2010 compared to the same periods in 2009 was primarily due to higher hourly Ontario spot electricity prices.

Volume

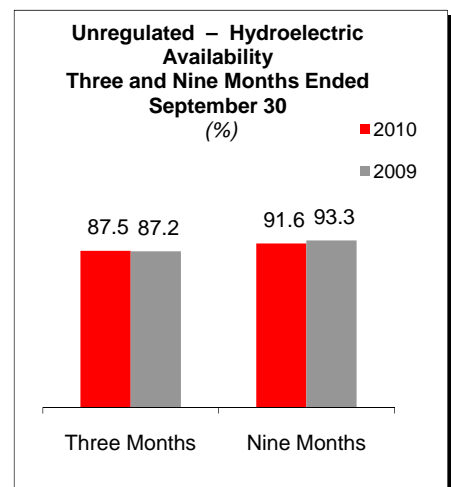
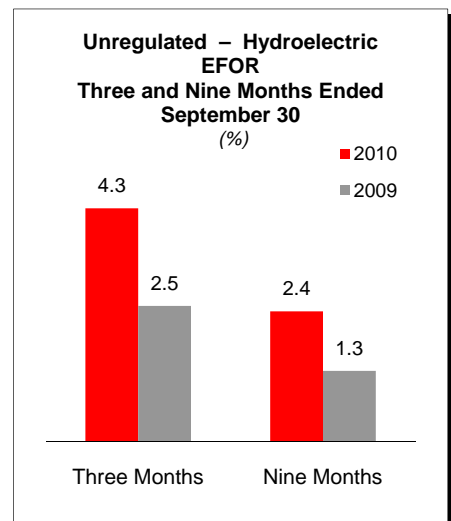
For the three months ended September 30, 2010 and 2009, electricity generation was 1.9 TWh and 3.5 TWh, respectively. Electricity generation volume for the nine months ended September 30, 2010 was 8.1 TWh compared to 12.8 TWh during the same period in 2009. The decrease in volume during the three and nine month periods ended September 30, 2010 compared to the same periods in 2009 was primarily due to the impact of lower water flows caused by below normal precipitation across Ontario.

The EFOR for the Unregulated – Hydroelectric generating stations was 4.3 percent for the third quarter of 2010 compared to 2.5 percent in the third quarter of 2009. The increase in EFOR for the three month period ended September 30, 2010 was primarily due to an increase in unplanned outages at the Lower Notch generating station. For the nine months ended September 30, 2010, EFOR was 2.4 percent compared to 1.3 percent for the nine months ended September 30, 2009. The increase in EFOR for the nine month period ended September 30, 2010 was as a result of an increase in unplanned outages at the Lower Notch, Whitedog and Mountain Chute generating stations.

The availability for the Unregulated – Hydroelectric stations was 87.5 percent for the three months ended September 30, 2010 compared to 87.2 percent for the same period in 2009. The availability for the Unregulated – Hydroelectric stations was 91.6 percent for the nine months ended September 30, 2010 compared to 93.3 percent during the same period in 2009.

Fuel Expense

Fuel expense was \$10 million for the three months ended September 30, 2010 compared to \$25 million for the same period in 2009. For the nine months ended September 30, 2010, fuel expense was \$42 million compared to \$75 million during the same period in 2009. The decrease in fuel expense for

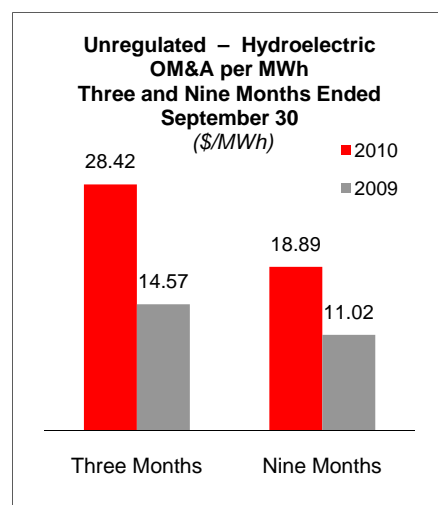


the three and nine month periods ended September 30, 2010 compared to the same periods in 2009, was primarily as a result of lower generation during 2010.

Operations, Maintenance and Administration

For the three months ended September 30, 2010, OM&A expenses were \$63 million compared to \$65 million for the same period in 2009. During the nine months ended September 30, 2010, OM&A expenses were \$162 million compared to \$155 million for the same period in 2009. The increase in OM&A expense during the nine months ended September 30, 2010 compared to the same period in 2009 was primarily due to higher project costs.

OM&A expense per MWh for the unregulated hydroelectric stations for the quarters ended September 30, 2010 and 2009 was \$28.42/MWh and \$14.57/MWh, respectively. During the nine months ended September 30, 2010, OM&A expense per MWh for the unregulated hydroelectric stations was \$18.89/MWh compared to \$11.02/MWh for the same period in 2009. The increase in OM&A expense per MWh for the three and nine month periods ended September 30, 2010 compared to the same periods in 2009 was due to the impact of lower generation. OM&A expense per MWh for the three and nine month periods ended September 30, 2010 and 2009 excludes expenses related to past grievances by First Nations.



Unregulated – Thermal Segment

| <i>(millions of dollars)</i> | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|-------------|-----------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Spot market sales, net of hedging instruments | 224 | 38 | 498 | 317 |
| Revenue limit rebate | - | - | - | (17) |
| Other | 55 | 142 | 282 | 397 |
| Revenue, net of revenue limit rebate | 279 | 180 | 780 | 697 |
| Fuel expense | 143 | 89 | 363 | 315 |
| Gross margin | 136 | 91 | 417 | 382 |
| Operations, maintenance and administration | 106 | 108 | 335 | 373 |
| Depreciation and amortization | 29 | 19 | 83 | 53 |
| Accretion on fixed asset removal liabilities | 2 | 1 | 5 | 5 |
| Property and capital taxes | 4 | 5 | 9 | 16 |
| Restructuring | - | - | 25 | - |
| Loss before interest and income taxes | (5) | (42) | (40) | (65) |

Revenue

Unregulated – Thermal revenue was \$279 million for the three months ended September 30, 2010 compared to \$180 million in 2009, an increase of \$99 million. The increase in revenue was due to higher generation and a higher average sales price. The higher gross margin and lower OM&A expenses at the Lambton and Nanticoke coal-fired stations during the three months ended September 30, 2010 compared to the same period in 2009 resulted in a corresponding decrease in revenue from the contingency support agreement with the OEFC. The revenue related to the contingency support agreement was \$18 million for the three months ended September 30, 2010 compared to \$114 million for the same period in 2009.

For the nine months ended September 30, 2010, Unregulated – Thermal revenue was \$780 million compared to \$697 million in 2009, an increase of \$83 million. The increase in revenue was primarily due to higher generation and a higher average sales price, partially offset by lower revenue from the contingency support agreement with the OEFC. The revenue related to the contingency support agreement was \$167 million for the nine months ended September 30, 2010 compared to \$294 million for the same period in 2009.

In March 2010, the OPA approved an ESA for the Lennox generating station covering the period from October 1, 2009 to December 31, 2010. The new contract has terms similar to the previous reliability must run (“RMR”) contract with the IESO, which expired on September 30, 2009. OPG recognized revenue of \$60 million during the nine months ended September 30, 2010 from the new contract with the OPA for the period October 1, 2009 to September 30, 2010, compared to revenue of \$52 million for the nine months ended September 30, 2009 from the RMR contract with the IESO.

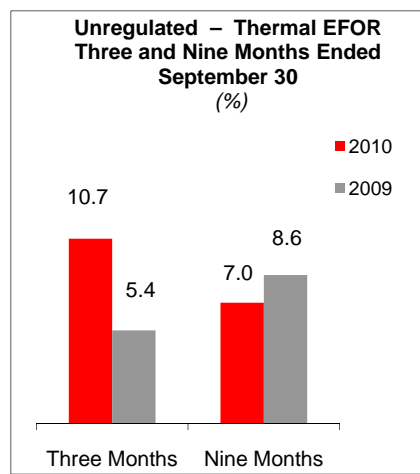
Electricity Prices

OPG’s average sales price from generation paid through the Ontario market prices for its unregulated thermal generation was 5.4¢/kWh for the three months ended September 30, 2010 and 3.1¢/kWh for the three months ended September 30, 2009. The average sales price for OPG’s thermal generation was 4.5¢/kWh for the nine months ended September 30, 2010 compared to 4.1¢/kWh for the same period in 2009. The increase in average electricity sales price for the unregulated thermal generation was as a result of higher Ontario spot electricity market prices.

Volume

Electricity generation volume for the three months ended September 30, 2010 was 4.2 TWh compared to 1.2 TWh during the same period in 2009. For the nine months ended September 30, 2010, electricity generation volume was 11.2 TWh compared to 7.3 TWh during the same period in 2009. The increase in generation from the thermal generating stations during the three and nine month periods ended September 30, 2010 compared to the same periods in 2009 was primarily due to lower hydroelectric generation resulting from unfavourable water flows, lower nuclear generation and higher primary demand in Ontario.

The EFOR for the Unregulated – Thermal generating stations during the three months ended September 30, 2010 was 10.7 percent compared to 5.4 percent during the same period in 2009. The increase in EFOR for the three months ended September 30, 2010 compared to the same period in 2009 was primarily due to unplanned outages at the Lambton and Nanticoke generating stations.



During the nine months ended September 30, 2010 and 2009, the EFOR for the Unregulated – Thermal stations was 7.0 percent and 8.6 percent, respectively. The improvement in EFOR for the nine months ended September 30, 2010 compared to the same period in 2009 was primarily due to fewer unplanned outage days at the Nanticoke and Lambton coal-fired generating stations compared to the same period in 2009.

Fuel Expense

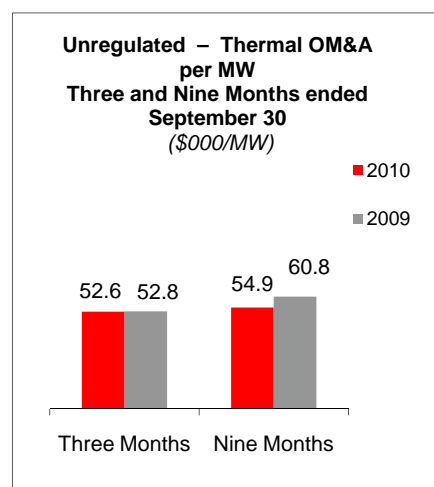
During the three months ended September 30, 2010, fuel expense was \$143 million compared to \$89 million for the same period in 2009. Fuel expense for the nine months ended September 30, 2010 was \$363 million compared to \$315 million during the same period in 2009. The increase in fuel expense was primarily due to an increase in generation volume, partially offset by lower fuel and fuel related costs primarily due to adjustments in coal supply contracts during the third quarter of 2009. The costs incurred for coal contract adjustments related primarily to the Lambton and Nanticoke coal-fired generating

stations and were offset by the recovery from the contingent support agreement with the OEFC during 2009.

Operations, Maintenance and Administration

For the three months ended September 30, 2010, OM&A expenses were \$106 million compared to \$108 million for the same period in 2009. OM&A expenses for the nine months ended September 30, 2010 were \$335 million compared to \$373 million for the same period in 2009. The decrease in OM&A expenses for the nine month period ended September 30, 2010 was primarily due to a reduction in expenditures related to outage and maintenance activities as a result of the pending closure of four coal-fired units.

Annualized OM&A expense per MW for the unregulated thermal stations was \$52,600/MW for the three months ended September 30, 2010 compared to \$52,800/MW for the same period in 2009.



For the nine months ended September 30, 2010, annualized OM&A expense per MW was \$54,900/MW compared to \$60,800/MW. The decrease in OM&A expense per MW during the nine month period ended September 30, 2010 compared to the same period in 2009 was primarily due to a decrease in OM&A expenses.

Depreciation and Amortization

Depreciation and amortization expenses for the three month period ended September 30, 2010 were \$29 million, compared to \$19 million for the same period in 2009. Depreciation and amortization expenses for the nine months ended September 30, 2010 were \$83 million compared to \$53 million for the same period in 2009. The increase in depreciation and amortization expenses was primarily due to the change in the unit end of life in the third quarter of 2009, for accounting purposes, for the four units at the Lambton and Nanticoke coal-fired generating stations, which were closed in October 2010.

Other

| <i>(millions of dollars)</i> | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|--|-------------|---|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenue | 41 | 35 | 122 | 113 |
| Operations, maintenance and administration | 4 | 6 | 11 | 10 |
| Depreciation and amortization | 14 | 12 | 44 | 35 |
| Property and capital taxes | 3 | 4 | 11 | 11 |
| Income before other gains and losses, interest and income taxes | 20 | 13 | 56 | 57 |
| Other losses (gains) | 1 | 4 | (1) | (2) |
| Income before interest and income taxes | 19 | 9 | 57 | 59 |

Other revenue was \$41 million for the three months ended September 30, 2010 compared to \$35 million for the same quarter in 2009. For the nine months ended September 30, 2010, other revenue was \$122 million compared to \$113 million in 2009. The increase in other revenue for the three months ended September 30, 2010 compared to the same periods in 2009 was primarily due to an increase in investment income from OPG's equity investments. The increase in other revenue for the nine months ended September 30, 2010 compared to the same period in 2009 was primarily due to an increase in revenue from the PEC.

OM&A expenses of the generation business segments include an inter-segment service fee for the use of certain property, plant and equipment, and intangibles held within the Other category. The total service fee is recorded as a reduction to the Other category's OM&A expense. The service fee included in OM&A expenses by segment for the three and nine month periods ended September 30, 2010 and 2009 is as follows:

| <i>(millions of dollars)</i> | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--------------------------------|--|-------------|---|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Regulated – Nuclear Generation | 7 | 6 | 19 | 20 |
| Regulated – Hydroelectric | - | 1 | 1 | 2 |
| Unregulated – Hydroelectric | 1 | 1 | 3 | 3 |
| Unregulated – Thermal | 2 | 2 | 6 | 6 |
| Other | (10) | (10) | (29) | (31) |

Interconnected purchases and sales, including those to be physically settled, and unrealized mark-to-market gains and losses on energy trading contracts, are disclosed on a net basis in the consolidated statements of income. If disclosed on a gross basis, revenue and power purchases for the three months ended September 30, 2010 would have increased by \$19 million (three months ended September 30, 2009 – \$25 million). For the nine months ended September 30, 2010, if disclosed on a gross basis, revenue and power purchases would have increased by \$52 million (nine months ended September 30, 2009 – \$65 million).

With the exception of the derivative embedded in the Bruce Lease, the changes in the fair value of derivative instruments not qualifying for hedge accounting are recorded in Other revenue, and the fair value of derivative instruments are carried on the consolidated balance sheets as assets or liabilities at fair value. The carrying amounts and notional quantities of the derivative instruments are disclosed in Note 12 of the unaudited interim consolidated financial statements as at September 30, 2010 and for the three and nine month periods ended September 30, 2010.

Net Interest Expense

Net interest expense for the three months ended September 30, 2010 was \$41 million compared to \$48 million for the same quarter in 2009. The decrease in net interest expense for the three months ended September 30, 2010 compared to the same period in 2009 was primarily due to the higher capitalization of interest expense for the Niagara Tunnel and the Upper Mattagami and Hound Chute projects, partially offset by interest related to the long-term debt of the PEC, which was capitalized during construction in 2009. PEC was declared in-service in April 2009. For the nine months ended September 30, 2010 and 2009, net interest expense was \$130 million.

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 taxes that are expected to be recovered or refunded through future regulated prices charged to its customers for generation by OPG's regulated facilities.

For the three months ended September 30, 2010, income tax expense was \$7 million compared to \$17 million for the same period in 2009. The decrease in income tax expense was primarily due to lower taxable income in the regulated segments in 2010.

For the nine months ended September 30, 2010, income tax recovery was \$63 million compared to an income tax expense of \$101 million for the same period in 2009. The decrease in income tax expense was primarily due to a reduction in income tax liabilities as a result of the resolution of a number of tax uncertainties related to the completion of a tax audit for prior years, and due to lower income before earnings from the Nuclear Funds in 2010. Earnings in the Nuclear Funds are not taxable, until withdrawn.

The OEB's decision in 2008 on OPG's payment amounts established an Income and Other Taxes Variance Account retrospective to April 1, 2008. The account captures variances in the income and certain other tax-related 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 nine month periods ended September 30, 2010, OPG recorded a decrease of \$3 million and an increase of \$6 million, respectively, in the account (three and nine months ended September 30, 2009 – nil).

LIQUIDITY AND CAPITAL RESOURCES

OPG's primary sources of liquidity and capital are funds generated from operations, bank financing, credit facilities provided by the OEFC and capital market financing. These sources are utilized for multiple purposes including: investments in plants and technologies; funding obligations such as contributions to the pension funds and the Used Fuel and Decommissioning Funds; and to service and repay long-term debt.

Changes in cash and cash equivalents for the three and nine month periods ended September 30, 2010, and 2009 are as follows:

| <i>(millions of dollars)</i> | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|-------|-----------------------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| Cash and cash equivalents, beginning of period | 103 | 84 | 71 | 315 |
| Cash flow provided by operating activities | 359 | 203 | 687 | 61 |
| Cash flow used in investing activities | (261) | (196) | (665) | (519) |
| Cash flow provided by (used in) financing activities | 141 | (46) | 249 | 188 |
| Net increase (decrease) | 239 | (39) | 271 | (270) |
| Cash and cash equivalents, end of period | 342 | 45 | 342 | 45 |

Operating Activities

Cash flow provided by operating activities for the three months ended September 30, 2010 was \$359 million compared to \$203 million for the three months ended September 30, 2009. The increase in cash flow of \$156 million was primarily due to lower fuel purchases and lower contributions to the Nuclear Funds.

Cash flow provided by operating activities for the nine months ended September 30, 2010 was \$687 million compared to \$61 million for the same period in 2009. The increase in cash flow of \$626 million was primarily due to lower fuel purchases, lower tax installments, a decrease in revenue limit rebate payments with the discontinuance of the revenue limit in the second quarter of 2009, and lower contributions to the Nuclear Funds.

Investing Activities

Investing activities primarily consist of investments in fixed and intangible assets. During the third quarter of 2010, investments in fixed and intangible assets were \$261 million compared to \$196 million for same quarter in 2009. The increase in capital expenditures during the three months ended September 30, 2010 compared to the same period in 2009 was primarily due to higher expenditures for the Lower

Mattagami project, the Niagara Tunnel project and the Darlington Refurbishment project, partially offset by lower capital expenditures for the Upper Mattagami project and other nuclear capital initiatives.

For the nine months ended September 30, 2010, investments in fixed and intangible assets were \$665 million compared to \$519 million for the same period in 2009. The increase in capital expenditures during the nine months ended September 30, 2010 compared to the same period in 2009 was primarily due to higher expenditures for the Lower Mattagami project, the Darlington Refurbishment project, and other hydroelectric capital initiatives, partially offset by lower capital expenditures for the Upper Mattagami and Hound Chute project and lower expenditures due to the in-service of the PEC in 2009.

OPG's forecasted capital expenditures for 2010 are approximately \$1 billion, which includes amounts for hydroelectric development, nuclear refurbishment and other nuclear projects.

Investment 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 commercial paper was exchanged for longer term notes of approximately \$58 million in January 2009. As at September 30, 2010, the ABCP had a net book value of \$37 million. During the fourth quarter of 2010, OPG sold its holdings of these notes for \$33 million and recognized a loss of \$4 million.

Financing Activities

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 September 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 September 30, 2010, there was no borrowing under this credit facility.

During the third quarter of 2010, the Lower Mattagami Energy Limited Partnership established a \$700 million bank credit facility to support the initial construction phase for the Lower Mattagami project and launched a commercial paper program. As at September 30, 2010, \$115 million of commercial paper was issued under this program. Additional commercial paper of \$40 million was issued in October 2010. Long-term financing arrangements are also being established to support the total requirements of the project.

As at September 30, 2010, OPG maintained \$25 million (December 31, 2009 – \$25 million) of short-term, uncommitted overdraft facilities, and \$319 million (December 31, 2009 – \$275 million) of short-term, uncommitted credit facilities, which support the issuance of the Letters of Credit. OPG uses Letters of Credit to support its supplementary pension plans, and for other purposes. At September 30, 2010, there was a total of \$274 million of Letters of Credit issued (December 31, 2009 – \$231 million), which included \$253 million for the supplementary pension plans (December 31, 2009 – \$210 million), \$14 million for general corporate purposes (December 31, 2009 – \$14 million) and \$7 million related to the construction and operation of the PEC (December 31, 2009 – \$7 million).

Effective January 1, 2009, in accordance with Accounting Guideline 15, *Consolidation of Variable Interest Entities*, the applicable amounts in the accounts of the Nuclear Waste Management Organization ("NWMO") are included in OPG's consolidated financial statements as OPG became the primary beneficiary of the NWMO. As at September 30, 2010, the NWMO has issued a \$1 million Letter of Credit for its supplementary pension plan (December 31, 2009 – \$1 million).

In October 2003, the Company signed an agreement to sell an undivided co-ownership interest in its current and future accounts receivable to an independent trust. 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 IESO. During the third quarter of 2010, OPG renewed the agreement with a maturity date of August 31, 2013 and a commitment of \$250 million.

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. The funding under the credit facility is advanced in the form of 10-year notes, on commercial terms and conditions. Advances under this facility commenced in October 2006 and amounted to \$640 million as at September 30, 2010, which included \$35 million of new borrowing during the third quarter of 2010.

As at September 30, 2010, OPG's long-term debt outstanding with the OEFC was \$3.8 billion. Although the new borrowings added in 2008, 2009 and 2010 have extended the maturity profile, approximately \$800 million of long-term debt must be repaid or refinanced within the next three years. To ensure that adequate financing resources are available beyond the \$1 billion revolving committed bank credit facility, 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 \$960 million as at September 30, 2010. OPG does not intend to borrow additional funds under this facility.

BALANCE SHEET HIGHLIGHTS

The following section provides highlights of OPG's unaudited interim consolidated financial position using selected balance sheet data:

| Selected balance sheet data <i>(millions of dollars)</i> | As At | |
|--|------------------------------|-----------------------------|
| | September 30 2010 | December 31 2009 |
| Assets | | |
| Nuclear fixed asset removal and nuclear waste management funds | 10,923 | 10,246 |
| Regulatory assets | 1,519 | 1,396 |
| Liabilities | | |
| Fixed asset removal and nuclear waste management | 12,558 | 11,859 |
| Long-term accounts payable and accrued charges | 543 | 522 |

Nuclear Fixed Asset Removal and Nuclear Waste Management Funds

Decommissioning Fund

The Decommissioning Fund was established to fund the future costs of nuclear fixed asset removal and long-term low and intermediate level nuclear waste management, and a portion of used fuel storage costs after station life. For additional information regarding the Decommissioning Fund, refer to the 2009 annual MD&A under the heading, *Balance Sheet Highlights*.

The Decommissioning Fund's asset value on a fair value basis was \$5,092 million as at September 30, 2010 compared to \$4,876 million as at December 31, 2009. The increase in asset value of \$216 million was primarily due to an increase in valuation levels of global financial markets, partially offset by the reimbursement of expenditures from the Decommissioning Fund during the nine months ended September 30, 2010.

Used Fuel Fund

Under the Ontario Nuclear Funds Agreement, the Province guarantees OPG's annual return from the Used Fuel Fund at 3.25 percent plus the change in the Ontario Consumer Price Index for funding related to the first 2.23 million used fuel bundles ("committed return"). For additional information regarding the Used Fuel Fund, refer to the 2009 annual MD&A under the heading, *Balance Sheet Highlights*.

The Used Fuel Fund's asset value on a fair value basis was \$5,831 million as at September 30, 2010 compared to \$5,370 million as at December 31, 2009. The increase in asset value in the Used Fuel Fund of \$461 million was primarily related to the committed return and new contributions to the fund. The asset values at September 30, 2010 and December 31, 2009, included a payable to the Province of \$94 million and \$33 million, respectively, related to the committed return adjustment.

Regulatory Assets

As at September 30, 2010, regulatory assets were \$1,519 million compared to \$1,396 million as at December 31, 2009. The increase in regulatory assets was primarily due to additions to the Tax Loss Variance Account. The increase was partially offset by amortization expense of \$72 million, resulting from the recovery of regulatory assets through current regulated prices.

Fixed Asset Removal and Nuclear Waste Management

The liability for fixed asset removal of nuclear and thermal generating stations and nuclear waste management as at September 30, 2010 was \$12,558 million compared to \$11,859 million as at December 31, 2009. The increase was due in part to OPG's decision to commence the definition phase for the refurbishment of the Darlington nuclear generating station, which impacted the assumptions regarding OPG's liabilities for fixed asset removal and nuclear waste management. This resulted in a \$293 million increase in the Nuclear Liabilities on January 1, 2010. In addition, the liability increased during the nine months ended September 30, 2010 as a result of accretion expense of \$504 million due to the passage of time, partially offset by expenditures of \$136 million on nuclear waste management activities.

Long-Term Accounts Payable and Accrued Charges

Long-term accounts payable and accrued charges as at September 30, 2010 were \$543 million compared to \$522 million as at December 31, 2009. The increase was primarily due to an increase in the fair value of the derivative liability embedded in the Bruce Lease, an increase in unrealized mark-to-market losses and other long-term liabilities, partially offset by a reduction in income tax liabilities as a result of the resolution of a number of tax uncertainties related to the completion of a tax audit for prior years.

Off-Balance Sheet Arrangements

In the normal course of operations, OPG engages in a variety of transactions that, under Canadian GAAP, are either not recorded in the Company's consolidated financial statements or are recorded in the Company's consolidated financial statements using amounts that differ from the full contract amounts. Principal off-balance sheet activities that OPG undertakes include securitization of certain accounts receivable agreements, guarantees, which provide financial or performance assurance to third parties on behalf of certain subsidiaries, and long-term fixed price contracts.

CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

OPG's significant accounting policies, including the impact of future accounting pronouncements, are outlined in Note 3 to the audited annual consolidated financial statements as at and for the year ended December 31, 2009. Certain of these policies are recognized as critical accounting policies by virtue of the subjective and complex judgments and estimates required around matters that are inherently

uncertain, and could result in materially different amounts being reported under different conditions or assumptions.

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

In February 2010, OPG 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.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Introduction to Conversion Project

OPG's IFRS conversion project progressed during the third quarter of 2010, including regular communications to executive management, finance employees and other stakeholders, and the Audit and Finance Committee of the Board of Directors. This section provides an update with respect to the disclosure included in the 2009 MD&A, and the first and second quarters of 2010, under the heading, *Conversion to International Financial Reporting Standards*.

Accounting Policy Decisions and Anticipated Impacts

As a result of recent changes to Part I of the CICA Handbook – Accounting, by the Canadian Accounting Standards Board (“AcSB”), certain rate-regulated entities can delay the adoption of IFRS by one year to January 1, 2012. OPG meets the AcSB criteria for the delay, and has chosen to adopt IFRS effective January 1, 2012 given the current uncertainty with respect to the recognition of regulatory assets and liabilities under IFRS. OPG is revising the schedule of its IFRS conversion project.

As a result, OPG's transition year will now be 2011 and an opening transition balance sheet for January 1, 2011 will have to be prepared. Accordingly, at this time, OPG is unable to disclose any quantitative effects of its conversion to IFRS.

OPG continues to expect the following areas to be most impacted by its conversion to IFRS: Property, Plant and Equipment; Fixed Asset Removal and Nuclear Waste Management Liabilities; Accounts Receivable; Short-term Notes Payable; Employee Benefits; Impairment of Assets; Joint Ventures; and Regulatory Assets and Liabilities. During the third quarter of 2010, OPG continued to evaluate its accounting policy options under IFRS. OPG will collect data during 2011, which will be used to report 2011 comparative information in its 2012 IFRS interim financial statements.

Ongoing Monitoring of IASB Projects

In September 2010, the IASB decided to defer its work on its Rate-regulated Activities accounting project and seek public input as to its future agenda regarding its work on this project. Accordingly, OPG is analyzing the current IFRS guidance in order to determine the impact on its accounting for regulatory assets and liabilities, as described in Note 6 of its September 30, 2010 interim financial statements.

In addition, the IASB has a number of on-going projects on its agenda which may result in changes to existing IFRS prior to OPG's conversion on January 1, 2012. OPG continues to monitor these projects and the impact that any resulting IFRS changes may have on its anticipated accounting policies, financial position or results of operations. OPG will be required to prepare its financial statements in compliance with each IFRS effective at the end of its first reporting period, which is March 31, 2012. Should there be

IFRS changes between March 31, 2012 and December 31, 2012 OPG will be required to reflect such changes in its December 31, 2012 financial statements and all comparative information.

The following table provides certain elements of the changeover plan and an assessment of the progress OPG has achieved as at September 30, 2010. OPG is currently assessing the impact a one-year delay in adopting IFRS will have on OPG's project.

| Selected Key Activities | Milestones/Deadlines | Progress to Date |
|--|---|--|
| Financial statement preparations | | |
| <p>Identify relevant differences between IFRS and current accounting policies and practices and design and implement solutions</p> <p>Evaluate and select one-time and ongoing accounting policy alternatives</p> <p>Benchmark findings with peer companies</p> <p>Prepare illustrative financial statements and related note disclosures to comply with IFRS</p> <p>Quantify the effects of changeover to IFRS</p> | <p>Assessment and quantification of the significant effects of the changeover completed by approximately the third quarter of 2011</p> <p>OPG has elected to defer its adoption of IFRS by one year and expects to assess and quantify the significant effects of the changeover by approximately the third quarter of 2011</p> <p>Final selection of accounting policy alternatives by the changeover date</p> | <p>While OPG was prepared for a January 1, 2011 changeover to IFRS, it is now determining the impact that a one year delay will have on the project, including the impact on the following:</p> <ul style="list-style-type: none"> • The 2011 transitional opening balance sheet, • Accounting policy decisions, given ongoing work by the IASB, • IFRS 1, <i>First-time adoption of IFRS</i> elections |
| Training and communications | | |
| <p>Provide training to affected employees of operating units, management and the Board of Directors and relevant committees thereof, including the Audit and Finance Committee</p> <p>Engage subject matter experts to assist in the transition</p> <p>Communicate progress of change over plan to internal and external stakeholders</p> | <p>Provide timely training in line with changeover milestones. Target to complete training by mid-2011</p> <p>Communicate effects of changeover by the fourth quarter of 2011</p> | <p>Completed detailed training for resources directly engaged in the changeover and general awareness training to broader group of finance employees</p> <p>Completed specific and relevant training to 150 finance employees</p> <p>Continued ongoing, periodic internal and external communications about OPG's progress</p> <p>Continued use of third-party subject matter experts to assist in the transition</p> |
| IT systems | | |
| <p>Identify and address IFRS differences that require changes to financial systems</p> <p>Evaluate and select methods in 2011 to address need for dual record-keeping (i.e., IFRS and Canadian GAAP) for comparatives in 2011 and budget and planning purposes in 2012</p> | <p>Changes to significant systems and dual record-keeping process completed for the first quarter of 2010</p> <p>Remaining changes to systems post-dual recordkeeping year by the fourth quarter of 2011</p> | <p>Systems changes complete to the extent possible. Further changes to information systems are largely dependent upon future changes to the IFRS standards such as the accounting for rate-regulated activities.</p> <p>Processes and systems are in place to accumulate IFRS data to enable reporting of 2011 comparative information in 2012</p> |
| Contractual arrangements and compensation | | |
| <p>Identify impact of changeover on contractual arrangements, including financial covenants and employee compensation plans</p> <p>Make any required changes to arrangements and plans</p> | <p>Changes completed by the third quarter of 2010</p> | <p>IFRS differences with potential impacts on financial covenants and compensation plans were identified and discussed with both internal and external parties as required</p> <p>The impact of a one year delay will be reviewed and addressed accordingly</p> |
| Internal controls: Internal controls over financial reporting ("ICOFR"), disclosure controls and procedures ("DC&P") and related communications | | |
| <p>Revise existing internal control processes and procedures to address significant changes to existing accounting policies and practices, including the need for dual record-keeping during 2011, and changes to financial systems</p> <p>Design and implement internal controls with respect to one-time changeover adjustments and related communications. For changes to accounting policies and practices identified, assess the DC&P and ICOFR design and effectiveness implications</p> | <p>Conduct management evaluation of new or revised controls throughout 2010 and 2011</p> <p>Changes will be mapped and tested to ensure that no material deficiencies exist as a result of OPG's conversion to the IFRS accounting standards</p> | <p>IFRS compliant accounting policies and procedures, are being developed</p> <p>The impact on controls continues to be evaluated</p> <p>IFRS opening balance sheet adjustment controls will be evaluated and will be applied to the January 1, 2011 opening transition balance sheet.</p> |

RISK MANAGEMENT

A detailed discussion of OPG's governance structure and inherent risks is included in the 2009 annual MD&A under the heading, *Risk Management*. In addition, disclosure is provided relating to the activities that OPG undertakes to identify and manage these risks. This risk management update should be read in conjunction with the *Risk Management* section included in OPG's 2009 annual MD&A. The following discussion provides an update of OPG's risk management activities since the 2009 annual disclosure.

Risk Management Governance

The Risk Oversight Committee of the Board of Directors assists the Board of Directors to fulfill its oversight responsibilities for matters relating to identification and management of the Company's key business risks.

Operational Risks

Thermal Generating Stations

The ESA between OPG and the OPA pertaining to the recovery of costs for the capacity of the Lennox generating station expires on December 31, 2010. While discussions in support of extending the term of the agreement are underway, there is no certainty that the current arrangement will be renewed.

Major Development Projects

Darlington Refurbishment

The refurbishment of the Darlington nuclear generating station is expected to extend the operating life of the station by approximately 30 years. Failure to achieve the objectives of the refurbishment project may create the need for additional outages and restrict the useful post-refurbishment life of the station. To mitigate this risk, and as part of the project front-end planning process, a component condition assessment has been performed on all significant systems within the station. This work has evaluated the current condition of the systems and identified required work to be performed in the refurbishment outage. Key life limiting components such as pressure tubes, are also included in the base refurbishment scope. A detailed ISR and EA will also be conducted to identify additional scope required to meet regulatory and environmental requirements.

The Darlington generating units, based on original design assumptions, are currently forecast to reach their nominal end of life between 2018 and 2020. The first Darlington Refurbishment outage may be advanced by up to one year due to an earlier than planned end of life. Additionally, this may result in unit idle time pending the start of refurbishment on subsequent units. OPG will seek to optimize the refurbishment schedule to minimize idle time where possible.

Lower Mattagami Project

Construction of the Lower Mattagami project commenced in June 2010 and all four stations included in the project are scheduled to be in-service by June 2015. Key risks to the project schedule and budget include legal challenges or blockades by various groups opposed to the project, unknown geotechnical conditions, and discovery work during construction. Various risks have been mitigated through use of appropriate measures, including, but not limited to, ensuring allowances have been included in the cost estimate and schedule; inviting the Moose Cree First Nation to participate as a partner in the project; ensuring regular communication with aboriginal groups to address project concerns; and conducting an extensive geotechnical program.

Financial Risks

Commodity Markets

Changes in the market price of electricity, or in the price of the fuels used to produce electricity, can adversely impact OPG's earnings and cash flows from operations. To manage these risks, OPG seeks to maintain a balance between the commodity price risk inherent in its electricity production and fuel portfolios. OPG, at times, hedges its exposure to the wholesale Ontario electricity price through forward sales in the wholesale market (to the extent that opportunities exist). To manage fuel price risk, OPG has a fuel hedging program which incorporates fixed price and indexed contracts.

The percentages of OPG's expected generation, emission requirements, and fuel requirements hedged are shown below:

| | 2010 | 2011 | 2012 |
|--|------|------|------|
| Estimated generation output hedged ¹ | 82% | 80% | 81% |
| Estimated fuel requirements hedged ² | 100% | 100% | 82% |
| Estimated nitric oxide ("NO") emission requirement hedged ³ | 100% | 100% | 100% |
| Estimated SO ₂ emission requirement hedged ³ | 100% | 100% | 100% |

¹ Represents the portion of megawatt-hours of expected future generation production, including power purchases, for which the Company has sales commitments and contracts including the obligations under regulated pricing commitments, and agreements with the IESO, OEFC, and OPA auction sales.

² Represents the approximate portion of megawatt hours of expected generation production (and thermal year end inventory targets) from each type of facility (thermal and nuclear) for which OPG has entered into contractual arrangements or obligations in order to secure either the availability and/or price of fuel. Excess fuel in inventories in a given year is attributed to the next year for the purpose of measuring hedge ratios.

³ Represents the approximate portion of megawatt hours of expected thermal production for which OPG has purchased, been allocated or granted emission allowances and Emission Reduction Credits to meet OPG's obligations under Ontario Environmental Regulations 397/01.

Equity markets

Pension and Other Post Employment Benefit Costs

OPG's pension and OPEB accrued benefit obligations and expenses, and OPG's pension contributions, could be materially affected in the future by significant changes in assumptions driven by changes in financial markets, experience gains and losses, changes in the pension plan or regulatory environment including potential changes to the *Pension Benefits Act*, Ontario, divestitures, and the measurement uncertainty incorporated into the actuarial valuation process.

OPG keeps abreast of potential changes in the pension legislation and is assessing measures to manage potential increases in future pension contributions.

Foreign Exchange and Interest Rate Markets

OPG has interest rate exposure on its short-term borrowings and investment programs. The majority of OPG's existing debt is at fixed interest rates. Interest rate risk arises with the need to undertake new financing and with the potential addition of variable rate debt. The management of these risks is undertaken by using derivatives to hedge the exposure in accordance with corporate risk management policies. OPG periodically uses interest rate swap agreements to mitigate elements of interest rate risk exposure associated with anticipated new financing. As at September 30, 2010, OPG had total interest rate swap contracts outstanding with a notional principal of \$415 million.

Trading

OPG's trading operations are closely monitored, and total exposures are measured and reported to senior management on a daily basis. The metric used to measure the risk of this trading activity is known as "Value at Risk" or "VaR", which is defined as the potential future loss, expressed in monetary terms, for a portfolio based on normal market conditions for a set period of time. The VaR limit for trading is \$5 million, and VaR utilization ranged between \$0.2 million to \$0.3 million during the three months ended September 30, 2010, which was unchanged from the range during the three months ended June 30, 2010.

Credit

OPG manages its exposure to various suppliers or "counterparties" by evaluating the financial condition of all counterparties and ensuring that appropriate collateral or other forms of security are held by OPG. OPG's credit exposure as at September 30, 2010, 2010 was \$418 million, including \$371 million to the IESO. Over 70 percent of the remaining \$47 million exposure related to investment grade counterparties.

Nuclear Waste Obligations

OPG is responsible for the management of used nuclear fuel, low and intermediate level waste, and eventual decommissioning of all of its nuclear facilities, as required by the CNSC, including the stations on lease to Bruce Power. OPG is required by various rules and regulations to provide cost estimates associated with its nuclear waste management and decommissioning obligations. These cost estimates are based on numerous underlying assumptions including station end of life and waste volume that are inherently uncertain. To address this uncertainty, OPG normally undertakes to review the underlying assumptions and baseline cost estimates every five years. Certain underlying assumptions, such as station end of life and forecast nuclear waste volumes, are reviewed and updated annually, with resulting changes assessed for their impact to the liability. Changing business decisions, such as refurbishment decisions and premature unit closures, are reviewed as they occur and OPG uses the existing baseline cost information to estimate the impacts to the nuclear liability balance. Should changing circumstances be assessed as material or significant, an early re-assessment of baseline costs could be performed before the five-year period is completed.

Regulatory Risks

The prices for electricity generated from most of OPG's baseload hydroelectric facilities and all of its nuclear facilities are determined by the OEB based on a forecast cost of service methodology. The regulated prices remain in effect until the effective date of the OEB's next payment amounts order. As with any regulated price established using a forecast cost of service methodology, there is an inherent risk that the prices established by the regulator may not provide for recovery of all actual costs incurred by the regulated operations, or allow the regulated operations to earn the allowed rate of return.

The measurement of regulatory assets and liabilities is subject to certain estimates and assumptions, including assumptions made in the interpretation of the OEB's decisions and *Ontario Regulation 53/05*, pursuant to the *Ontario Energy Board Act, 1998*. These estimates and assumptions are reviewed as part of the OEB's regulatory process. In the second quarter of 2010, OPG filed an application with the OEB for new regulated prices effective March 1, 2011 and has also requested approval to recover the balances in the deferral and variance accounts.

Other Enterprise-Wide Risks

Leases and Partnerships

OPG has leased its Bruce nuclear generating stations to Bruce Power and is a party to a number of partnership arrangements related to the ownership and operation of generating stations. Each of these generating stations is subject to numerous operational, financial, regulatory, and environmental risk factors.

In addition, under the Bruce Lease, lease revenue is reduced in each calendar year where the annual arithmetic Average HOEP falls below \$30/MWh, and certain other conditions are met. The conditional reduction to revenue in the future, embedded in the terms of the Bruce Lease, is treated as a derivative according to CICA Section 3855, *Financial Instruments – Recognition and Measurement*. Derivatives are measured at fair value and changes in fair value are recognized in the statement of income. As a result of a decrease in expected future Average HOEP prices during the third quarter of 2010, the fair value of the derivative liability has increased by \$9 million for the three months ended September 30, 2010. As a result of a reduction in expected future Average HOEP prices since the beginning of 2010, the fair value of the derivative liability increased by \$47 million during the nine months ended September 30, 2010. The exposure will continue until the Bruce units that are subject to this mechanism are no longer in operation, are refurbished, or when the lease agreement is terminated. This exposure is expected to be mitigated through the OEB regulatory process, since the revenue from the lease of the Bruce generating stations is included in the determination of regulated prices.

Human Resources

The risk associated with the alignment/availability of skilled and experienced resources continues to exist for OPG. In order to mitigate the impact of this risk, OPG has embarked upon an organization wide work force planning effort, and has established on-going monitoring processes to re-assess risks, issues and opportunities related to staffing on a regular basis. OPG also continues to focus on succession planning, leadership development and knowledge retention programs to improve the capability of its workforce.

The Company's collective agreement with the Power Worker's Union runs through March 31, 2012 and the labour agreement with The Society of Energy Professionals runs through December 31, 2010. OPG and the Society of Energy Professionals have commenced negotiations on a new labour agreement. Collective Agreements between the Company and its construction unions, negotiated either directly or through EPSCA, expired April 30, 2010. Currently, 17 agreements have been reached with 14 ratified and three pending ratifications. Negotiations are being planned with three other construction unions.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

During the most recent interim period, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

QUARTERLY FINANCIAL HIGHLIGHTS

The following tables set out selected financial information from OPG's unaudited interim consolidated financial statements for each of the eight most recently completed quarters. This financial information has been prepared in accordance with Canadian GAAP.

| <i>(millions of dollars)</i> | September 30 2010 | June 30 2010 | March 31 2010 | December 31 2009 |
|------------------------------------|------------------------------|-------------------------|--------------------------|-----------------------------|
| Revenue after revenue limit rebate | 1,396 | 1,211 | 1,444 | 1,390 |
| Net income (loss) | 333 | (29) | 143 | 67 |
| Net income (loss) per share | \$1.29 | \$(0.11) | \$0.56 | \$0.26 |

| <i>(millions of dollars)</i> | September 30 2009 | June 30 2009 | March 31 2009 | December 31 2008 |
|------------------------------------|------------------------------|-------------------------|--------------------------|-----------------------------|
| Revenue after revenue limit rebate | 1,345 | 1,397 | 1,481 | 1,621 |
| Net income (loss) | 259 | 306 | (9) | (31) |
| Net income (loss) per share | \$1.01 | \$1.20 | \$(0.04) | \$(0.12) |

OPG's quarterly results are impacted by changes in demand primarily resulting from variations in seasonal weather conditions. Historically, OPG's revenues are higher in the first and third quarters of a fiscal year as a result of winter heating demands in the first quarter and air conditioning and cooling demands in the third quarter.

Additional items which impacted net income (loss) in certain quarters above are described below and in OPG's 2009 annual MD&A under the heading, *Quarterly Financial Highlights*.

- A decrease in income of \$25 million during the first quarter of 2010 resulted from the recognition of severance costs related to the decision to close two coal-fired units at each of the Lambton and Nanticoke coal-fired generating stations.
- An increase in income of \$102 million during the second quarter of 2010 resulted from the decrease in income tax expense primarily due to a reduction in income tax liabilities as a result of the resolution of a number of tax uncertainties related to the completion of a tax audit for prior years.

Additional information about OPG, including its Annual Information Form, annual MD&A, and audited annual consolidated financial statements and notes thereto for the year ended December 31, 2009 can be found on SEDAR at www.sedar.com.

SUPPLEMENTAL EARNINGS MEASURES

In addition to providing net income in accordance with Canadian GAAP, OPG's MD&A, unaudited interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2010 and 2009 and the notes thereto, present certain non-GAAP financial measures. These financial measures do not have standard definitions prescribed by Canadian GAAP, and therefore, may not be comparable to similar measures disclosed by other companies. OPG utilizes these measures in making operating decisions and assessing its performance. Readers of the MD&A, consolidated financial statements, and notes thereto, utilize these measures in assessing the Company's financial performance from ongoing operations. These non-GAAP financial measures have not been presented as an alternative to net income in accordance with Canadian GAAP as an indicator of operating performance. The definitions of the non-GAAP financial measures are as follows:

(1) **Gross margin** is defined as revenue less revenue limit rebate and fuel expense.

(2) **Earnings** are defined as net income.

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