

INTERIM CONSOLIDATED STATEMENTS OF (LOSS) INCOME (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2011	2010	2011	2010
<i>(millions of dollars – except where noted)</i>				
Revenue (Notes 2 and 13)	1,275	1,391	3,809	4,044
Fuel expense (Note 13)	217	259	566	716
Gross margin (Note 13)	1,058	1,132	3,243	3,328
Expenses (Note 13)				
Operations, maintenance and administration	628	677	2,026	2,185
Depreciation and amortization (Note 4)	197	175	550	515
Accretion on fixed asset removal and nuclear waste management liabilities (Note 8)	177	165	526	495
Losses (earnings) on nuclear fixed asset removal and nuclear waste management funds (Note 8)	16	(287)	(286)	(468)
Property and capital taxes	15	20	38	63
Restructuring (Note 16)	19	-	19	25
	1,052	750	2,873	2,815
Income before the following:	6	382	370	513
Other (gains) losses (Note 13)	(2)	1	(5)	(1)
Income before interest and income taxes	8	381	375	514
Net interest expense	39	41	121	130
(Loss) income before income taxes	(31)	340	254	384
Income tax expense (recovery) (Note 9)				
Current	17	24	113	(77)
Future	48	(17)	(28)	14
	65	7	85	(63)
Net (loss) income	(96)	333	169	447
Basic and diluted (loss) income per common share (dollars)	(0.38)	1.29	0.66	1.74
Common shares outstanding (millions)	256.3	256.3	256.3	256.3

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>(millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	2011	2010	2011	2010
Operating activities				
Net (loss) income	(96)	333	169	447
Adjust for non-cash items:				
Depreciation and amortization <i>(Note 4)</i>	197	175	550	515
Accretion on fixed asset removal and nuclear waste management liabilities <i>(Note 8)</i>	177	165	526	495
Losses (earnings) on nuclear fixed asset removal and nuclear waste management funds <i>(Note 8)</i>	16	(287)	(286)	(468)
Pension and other post employment benefit costs <i>(Note 10)</i>	108	83	338	251
Future income taxes (recovery) and other accrued charges <i>(Note 9)</i>	48	(17)	(51)	(82)
Provision for restructuring <i>(Note 16)</i>	19	-	19	25
Mark-to-market on derivative instruments	(15)	7	(1)	41
Provision for used nuclear fuel and low and intermediate level waste	16	12	39	33
Regulatory assets and liabilities <i>(Note 5)</i>	(4)	(74)	(96)	(186)
Other	4	11	5	22
	470	408	1,212	1,093
Contributions to nuclear fixed asset removal and nuclear waste management funds	(62)	(63)	(188)	(200)
Expenditures on fixed asset removal and nuclear waste management <i>(Note 8)</i>	(45)	(36)	(132)	(136)
Reimbursement of expenditures on nuclear fixed asset removal and nuclear waste management	15	21	42	88
Contributions to pension funds	(83)	(68)	(219)	(205)
Expenditures on other post employment benefits and supplementary pension plans	(21)	(21)	(64)	(58)
Expenditures on restructuring <i>(Note 16)</i>	-	(3)	(12)	(3)
Net changes to other long-term assets and liabilities	10	12	25	(8)
Net changes in non-cash working capital balances <i>(Note 14)</i>	147	109	329	116
Cash flow provided by operating activities	431	359	993	687
Investing activities				
Investment in fixed and intangible assets	(266)	(261)	(811)	(665)
Net proceeds from sale of fixed assets	-	-	7	-
Cash flow used in investing activities	(266)	(261)	(804)	(665)
Financing activities				
Net increase (decrease) in short-term notes <i>(Note 7)</i>	-	115	(155)	115
Distribution to a third party on behalf of the shareholder <i>(Note 12)</i>	(14)	-	(14)	-
Issuance of long-term debt <i>(Note 6)</i>	200	465	897	1,110
Repayment of long-term debt <i>(Note 6)</i>	(190)	(439)	(382)	(976)
Cash flow (used in) provided by financing activities	(4)	141	346	249
Net increase in cash and cash equivalents	161	239	535	271
Cash and cash equivalents, beginning of period	654	103	280	71
Cash and cash equivalents, end of period	815	342	815	342

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at <i>(millions of dollars)</i>	September 30 2011	December 31 2010
Assets		
Current assets		
Cash and cash equivalents	815	280
Accounts receivable <i>(Note 3)</i>	168	270
Fuel inventory	679	734
Prepaid expenses	28	42
Income and capital taxes recoverable	-	65
Future income taxes <i>(Note 9)</i>	88	73
Materials and supplies	80	85
	1,858	1,549
Fixed assets <i>(Note 13)</i>		
Property, plant and equipment	20,436	19,654
Less: accumulated depreciation	6,482	6,099
	13,954	13,555
Intangible assets <i>(Note 13)</i>		
Intangible assets	357	345
Less: accumulated amortization	309	297
	48	48
Other long-term assets		
Deferred pension asset	1,170	1,146
Nuclear fixed asset removal and nuclear waste management funds <i>(Note 8)</i>	11,562	11,246
Long-term investments	26	30
Long-term materials and supplies	387	400
Regulatory assets <i>(Note 5)</i>	1,468	1,559
Long-term accounts receivable and other assets	44	44
	14,657	14,425
	30,517	29,577

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at <i>(millions of dollars)</i>	September 30 2011	December 31 2010
Liabilities		
Current liabilities		
Accounts payable and accrued charges	736	762
Income and capital taxes payable	125	-
Long-term debt due within one year <i>(Note 6)</i>	412	385
Short-term notes payable <i>(Note 7)</i>	-	155
Deferred revenue due within one year	12	12
	<u>1,285</u>	<u>1,314</u>
Long-term debt <i>(Note 6)</i>	<u>4,331</u>	<u>3,843</u>
Other long-term liabilities		
Fixed asset removal and nuclear waste management <i>(Note 8)</i>	13,135	12,704
Other post employment benefits and supplementary pension plans	2,040	1,908
Long-term accounts payable and accrued charges	582	525
Deferred revenue	171	152
Future income taxes <i>(Note 9)</i>	634	798
Regulatory liabilities <i>(Note 5)</i>	172	248
	<u>16,734</u>	<u>16,335</u>
Shareholder's equity		
Common shares	5,126	5,126
Retained earnings	3,179	3,024
Accumulated other comprehensive loss	(142)	(69)
Attributable to shareholder of Ontario Power Generation Inc.	<u>8,163</u>	<u>8,081</u>
Non-controlling interest <i>(Notes 2 and 15)</i>	4	4
	<u>8,167</u>	<u>8,085</u>
	<u>30,517</u>	<u>29,577</u>

Commitments and Contingencies *(Notes 6, 10, 11, and 12)*

See accompanying notes to the interim consolidated financial statements

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

Nine Months Ended September 30
(millions of dollars)

	2011	2010
Common shares	5,126	5,126
Retained earnings		
Balance at beginning of period	3,024	2,375
Net income	169	447
Distribution to a third party on behalf of the shareholder (Note 12)	(14)	-
Balance at end of period	3,179	2,822
Accumulated other comprehensive loss, net of income taxes		
Balance at beginning of period	(69)	(24)
Other comprehensive loss for the period	(73)	(62)
Balance at end of period	(142)	(86)
Attributable to shareholder of Ontario Power Generation Inc.	8,163	7,862
Non-controlling interest (Notes 2 and 15)	4	4
	8,167	7,866

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
<i>(millions of dollars)</i>	2011	2010	2011	2010
Net (loss) income	(96)	333	169	447
Other comprehensive loss, net of income taxes				
Net loss on derivatives designated as cash flow hedges ¹	(64)	(30)	(78)	(57)
Reclassification to income of losses (gains) on derivatives designated as cash flow hedges ²	2	(1)	5	(5)
Other comprehensive loss for the period	(62)	(31)	(73)	(62)
Comprehensive (loss) income	(158)	(302)	96	385

¹ Net of income tax recoveries of \$13 million and nil for the three months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, net of income tax recoveries of \$14 million and nil, respectively.

² Net of income tax recoveries of nil and \$1 million for the three months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, net of income tax recoveries of nil and \$3 million, respectively.

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (UNAUDITED)

1. BASIS OF PRESENTATION

These interim consolidated financial statements were prepared following the same accounting policies and methods as in the most recent annual consolidated financial statements, except as discussed in Note 2 to these interim consolidated financial statements, and are presented in Canadian dollars. These interim consolidated financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles (“GAAP”) for annual financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2010.

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

Certain of the 2010 comparative amounts have been reclassified from financial statements previously presented to conform to the 2011 consolidated financial statement presentation.

2. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes Applicable to the Current Period

Business Combinations, Consolidated Financial Statements, and Non-controlling Interests

Effective January 1, 2011, Ontario Power Generation Inc. (“OPG” or the “Company”) adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1582 *Business Combinations* (“Section 1582”), Section 1601 *Consolidated Financial Statements* (“Section 1601”), and Section 1602 *Non-controlling Interests* (“Section 1602”). Section 1582 specifies a number of changes, including an expanded definition of a business, a requirement to measure all business acquisitions at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These new standards are harmonized with International Financial Reporting Standards (“IFRS”). These standards shall be applied prospectively to business combinations whose acquisition date is on or after the date of adoption. As a result of adopting Section 1602, the Company has reclassified its non-controlling interests as a separate component of equity. The adoption of Section 1582 and Section 1601 did not have a material impact on the Company’s consolidated financial statements for the three and nine month periods ended September 30, 2011.

Revenue Recognition – Generating Assets

Effective March 1, 2011, energy revenue generated from the nuclear facilities owned and operated by OPG is based on a regulated price of 5.59¢/kWh pursuant to the decision and order issued by the Ontario Energy Board (“OEB”) in March and April 2011, respectively. The nuclear regulated price includes a rate rider of 0.43¢/kWh for the recovery of approved nuclear variance and deferral account balances based on recovery periods authorized by the OEB. Effective March 1, 2011, generation from OPG’s regulated hydroelectric facilities receives a regulated price of 3.41¢/kWh, pursuant to the OEB’s decision and order. The hydroelectric regulated price is net of a negative rate rider of -0.17¢/kWh reflecting the repayment of the approved regulated hydroelectric variance account balances. These rate riders will remain in effect until December 31, 2012.

In its decision, the OEB also approved the continuation of the existing hydroelectric incentive mechanism (“HIM”), but determined that a portion of the resulting net revenues should be shared with ratepayers effective March 1, 2011. Prior to March 1, 2011, energy revenue generated from the nuclear facilities owned and operated by OPG was based on a regulated price of 5.50¢/kWh, including a rate rider of 0.20¢/kWh for the recovery of the approved nuclear variance and deferral account balances, pursuant to the OEB’s 2008 decision. Pursuant to that decision, prior to March 1, 2011, the revenue from the regulated hydroelectric generation was based on a regulated price of 3.67¢/kWh, which included the recovery of the approved regulated hydroelectric variance account balances and was subject to the HIM.

Electricity generated from OPG’s other generating assets remains unregulated and continues to receive the Ontario electricity spot market price, except where an energy supply or costs recovery agreement is in place.

Thermal Asset Retirement Obligation

Effective September 30, 2011, OPG reduced the asset retirement obligation (“ARO”) estimate for most of its thermal generating stations by \$4 million. The reduction reflected an increase in the expected cost recovery of station equipment and materials, partially offset by an increase in the demolition estimate. As a result of the ARO adjustment, OPG recorded a corresponding reduction to Property, Plant and Equipment in the Unregulated – Thermal business segment of \$2 million and a net gain of \$2 million. The gain has been recorded in the Thermal and Other segments consistent with the segment classification of the stations as other (gains) losses.

Future Changes in Accounting Policy

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that Publicly Accountable Enterprises will be required to transition from Canadian GAAP to IFRS, as issued by the International Accounting Standards Board, for interim and annual financial reporting purposes for fiscal years beginning on or after January 1, 2011. As a result of subsequent changes to Part I of the CICA Handbook – Accounting by the AcSB, certain rate-regulated entities can defer the adoption of IFRS by one year to January 1, 2012. OPG meets the AcSB’s criteria for the deferral and has chosen to adopt IFRS effective January 1, 2012.

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. In line with OPG’s IFRS conversion project, an assessment has been completed to identify the key accounting differences from Canadian GAAP. OPG’s assessment of the impact of IFRS is based on the IFRS standards in effect at the time of conversion on January 1, 2012, and accounting elections made. Proposed changes to the IFRS accounting standards have the potential to introduce additional significant accounting differences. OPG’s interim consolidated financial statements, as currently disclosed in accordance with Canadian GAAP, will be significantly different when presented in accordance with IFRS. OPG will publish its first consolidated financial statements prepared in accordance with IFRS for the three months ending and as at March 31, 2012, and for the corresponding comparative period. The opening balance sheet as at January 1, 2011, will be disclosed in the March 31, 2012 interim consolidated financial statements.

3. SALE OF ACCOUNTS RECEIVABLE

In October 2003, the Company signed an agreement to sell an undivided co-ownership interest in its current and future accounts receivable (the “receivables”) to an independent trust. The Company also retains an undivided co-ownership interest in the receivables sold to the trust. Under the agreement, OPG continues to service the receivables. The transfer provides the trust with ownership of a share of

the payments generated by the receivables, computed on a monthly basis. The trust's recourse to the Company is generally limited to its income earned on the receivables.

During 2010, in accordance with the receivable purchase agreement, OPG renewed the agreement with a maturity date of August 31, 2013 and a commitment of \$250 million.

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

<i>(millions of dollars)</i>	Principal Amount of Receivables as at	
	September 30 2011	December 31 2010
Total receivables portfolio ¹	309	377
Receivables sold	250	250
Receivables retained	59	127

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

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

<i>(millions of dollars – except where noted)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Pre-tax charges	1	1	3	3
Average cost of funds <i>(percent)</i>	1.8	1.8	1.8	1.4

4. DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three and nine month periods ended September 30, 2011 and 2010 consists of the following:

<i>(millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Depreciation	134	145	399	427
Amortization of intangible assets	3	5	11	13
Amortization of regulatory assets and liabilities <i>(Note 5)</i>	60	25	140	75
	197	175	550	515

Interest capitalized to construction and development in progress at an average rate of five percent during the three and nine month periods ended September 30, 2011 (three and nine month periods ended September 30, 2010 – six percent) was \$23 million and \$61 million, respectively (three and nine month periods ended September 30, 2010 – \$20 million and \$56 million, respectively).

5. REGULATORY ASSETS AND LIABILITIES

The OEB's decisions issued in 2008 and 2009 authorized certain variance and deferral accounts, including those authorized pursuant to *Ontario Regulation 53/05*, a regulation under the *Ontario Energy Board Act, 1998*. During January and February 2011, the Company recorded additions to these variance and deferral accounts pursuant to the OEB's decisions.

In March 2011, the OEB issued its decision on OPG's application for new prices for OPG's regulated generation effective March 1, 2011. In that decision, the OEB approved OPG's request for the disposition of variance and deferral account balances as at December 31, 2010. The OEB also authorized the continuation of previously existing variance and deferral accounts, with the exception of the Nuclear Fuel Cost Variance Account, which was discontinued as of March 1, 2011. The OEB also established the Hydroelectric Surplus Baseload Generation Variance Account and the HIM Variance Account.

Effective March 1, 2011, the Company recorded additions to the variance and deferral accounts authorized by the OEB's March 2011 decision, and amortized approved regulatory balances based on recovery periods established by that decision.

In March 2011, OPG filed with the OEB a motion to review and vary the OEB's March 2011 decision with respect to pension and other post employment benefit ("OPEB") costs. In June 2011, the OEB established the Pension and OPEB Cost Variance Account in its decision and order granting OPG's motion. The variance account records the difference between actual pension and OPEB costs and related tax impacts and those reflected in the current regulated prices. The variance account is in effect for the period from March 1, 2011 to December 31, 2012. The balance in the account will be reviewed by the OEB as part of OPG's next application for regulated prices. During the three and nine month periods ended September 30, 2011, OPG recorded increases of \$30 million and \$71 million, respectively, to a regulatory asset related to the Pension and OPEB Cost Variance Account, resulting in a reduction to operations, maintenance and administration expenses of \$23 million and \$53 million, respectively, and a reduction to income tax expense of \$7 million and \$18 million, respectively.

OPG also recorded interest on outstanding balances in the variance and deferral accounts at the interest rate prescribed by the OEB, which was 1.47 percent per annum during the nine months ended September 30, 2011. The interest rate fluctuated in the range of 0.55 percent to 1.20 percent per annum during the year ended December 31, 2010.

In March 2011, OPG recorded a regulatory asset related to the amount of income taxes payable by the Company as a result of the OEB's approval for recovery of certain variance and deferral account balances in its March 2011 decision. The regulatory asset was based on the amount of income taxes expected to be recovered through current regulated prices and is amortized as these income taxes are recovered. During the three and nine month periods ended September 30, 2011, OPG recorded a reduction to income tax expense of nil and \$57 million, respectively, and a charge of \$8 million and \$18 million, respectively, to depreciation and amortization expense related to this regulatory asset.

The regulatory assets and liabilities recorded as at September 30, 2011 and December 31, 2010 are as follows:

<i>(millions of dollars)</i>	September 30 2011	December 31 2010
Regulatory assets		
Future Income Taxes <i>(Note 9)</i>	583	711
Bruce Lease Net Revenues Variance Account	261	250
Tax Loss Variance Account	455	492
Current Income Taxes	39	-
Pension and OPEB Cost Variance Account	71	-
Other	59	106
Total regulatory assets	1,468	1,559
Regulatory liabilities		
Nuclear Development Variance Account	74	111
Hydroelectric Water Conditions Variance Account	49	70
Income and Other Taxes Variance Account	37	40
Other	12	27
Total regulatory liabilities	172	248

As at September 30, 2011 and December 31, 2010, other regulatory assets include the Nuclear Liability Deferral Account, the Pickering A Return to Service Deferral Account, the Nuclear Deferral and Variance Over/Under Variance Account, the Nuclear Fuel Cost Variance Account, and other regulatory asset balances. As at September 30, 2011 and December 31, 2010, other regulatory liabilities include the Hydroelectric Deferral and Variance Over/Under Variance Account, the Capacity Refurbishment Variance Account, and other regulatory liability balances.

The changes in the regulatory assets and liabilities during the nine months ended September 30, 2011 and the year ended December 31, 2010 are as follows:

<i>(millions of dollars)</i>	Future Income Taxes	Bruce Lease Net Revenues Variance	Tax Loss Variance	Current Income Taxes	Pension and OPEB Cost Variance	Nuclear Develop- ment Variance	Hydro- electric Water Conditions Variance	Income and Other Taxes Variance	Other (net)
Regulatory assets (liabilities), January 1, 2010	592	328	295	-	-	(55)	(55)	(21)	140
Change during the year	119	(81)	194	-	-	(50)	(14)	(19)	34
Interest	-	3	3	-	-	(1)	(1)	-	1
Amortization during the year	-	-	-	-	-	(5)	-	-	(96)
Regulatory assets (liabilities), December 31, 2010	711	250	492	-	-	(111)	(70)	(40)	79
Change during the period	(128)	88	33	57	71	3	(1)	(9)	5
Interest	-	2	5	-	-	(1)	-	-	-
Amortization during the period	-	(79)	(75)	(18)	-	35	22	12	(37)
Regulatory assets (liabilities), September 30, 2011	583	261	455	39	71	(74)	(49)	(37)	47

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

<i>(millions of dollars)</i>	Three Months Ended September 30, 2011			Three Months Ended September 30, 2010		
	As Stated	Impact of Regulatory Assets and Liabilities	Financial Statements without the Impact of Regulatory Assets and Liabilities	As Stated	Impact of Regulatory Assets and Liabilities	Financial Statements without the Impact of Regulatory Assets and Liabilities
Revenue	1,275	10	1,285	1,391	(64)	1,327
Fuel expense	217	7	224	259	19	278
Operations, maintenance and administration	628	32	660	677	(12)	665
Depreciation and amortization	197	(60)	137	175	(33)	142
Accretion on fixed asset removal and nuclear waste management liabilities	177	(1)	176	165	3	168
Losses (earnings) on nuclear fixed asset removal and nuclear waste management funds	16	143	159	(287)	(150)	(437)
Property and capital taxes	15	-	15	20	(6)	14
Net interest expense	39	2	41	41	-	41
Income tax expense (recovery)	65	(95)	(30)	7	112	119
Other comprehensive loss	(62)	7	(55)	(31)	9	(22)

<i>(millions of dollars)</i>	Nine Months Ended September 30, 2011			Nine Months Ended September 30, 2010		
	As Stated	Impact of Regulatory Assets and Liabilities	Financial Statements without the Impact of Regulatory Assets and Liabilities	As Stated	Impact of Regulatory Assets and Liabilities	Financial Statements without the Impact of Regulatory Assets and Liabilities
Revenue	3,809	(33)	3,776	4,044	(211)	3,833
Fuel expense	566	11	577	716	29	745
Operations, maintenance and administration	2,026	57	2,083	2,185	(49)	2,136
Depreciation and amortization	550	(146)	404	515	(98)	417
Accretion on fixed asset removal and nuclear waste management liabilities	526	2	528	495	9	504
Earnings on nuclear fixed asset removal and nuclear waste management funds	(286)	116	(170)	(468)	(97)	(565)
Property and capital taxes	38	(4)	34	63	(12)	51
Net interest expense	121	5	126	130	(2)	128
Income tax expense (recovery)	85	(79)	6	(63)	99	36
Other comprehensive loss	(73)	10	(63)	(62)	18	(44)

6. LONG-TERM DEBT

Long-term debt consists of the following:

<i>(millions of dollars)</i>	September 30 2011	December 31 2010
Notes payable to the Ontario Electricity Financial Corporation	3,915	3,865
UMH Energy Partnership debt	198	198
Lower Mattagami Energy Limited Partnership debt	471	-
Share of non-recourse limited partnership debt	159	165
	4,743	4,228
Less: due within one year		
Notes payable to the Ontario Electricity Financial Corporation	400	375
UMH Energy Partnership debt	3	2
Share of non-recourse limited partnership debt	9	8
	412	385
Long-term debt	4,331	3,843

Interest paid during the three months ended September 30, 2011 was \$87 million (three months ended September 30, 2010 – \$88 million), of which \$86 million related to interest paid on long-term debt (three months ended September 30, 2010 – \$86 million). Interest paid during the nine months ended

September 30, 2011 was \$210 million (nine months ended September 30, 2010 – \$216 million), of which \$204 million related to interest paid on long-term debt (nine months ended September 30, 2010 – \$209 million). Interest on the notes payable to the Ontario Electricity Financial Corporation (“OEFC”) is paid semi-annually.

During 2010, OPG executed an amended Niagara Tunnel project credit facility for an amount up to \$1.6 billion. As at September 30, 2011, advances under this facility were \$815 million (December 31, 2010 – \$690 million), which included \$50 million of new borrowing during the third quarter of 2011.

OPG reached an agreement with the OEFC in the first quarter of 2011 for a \$375 million credit facility to refinance notes as they mature over the period from January 2011 to December 2011. Refinancing under this agreement totalled \$300 million as at September 30, 2011, which included \$150 million of new borrowing during the third quarter of 2011.

On May 17, 2011, senior notes totalling \$475 million were issued by the Lower Mattagami Energy Limited Partnership (“LME”). The senior notes have interest rates of 4.3 percent for notes of \$225 million maturing in 2021 and 5.1 percent for notes of \$250 million maturing in 2041. On October 25, 2011, senior notes totalling \$96 million were issued by the LME. These senior notes have an interest rate of 2.6 percent and mature in 2015. These notes are secured by the assets of the Lower Mattagami project including existing operating facilities and facilities being constructed.

7. SHORT-TERM CREDIT FACILITIES

OPG maintains a \$1 billion revolving committed bank credit facility, which is divided into two \$500 million multi-year tranches. In May 2011, OPG renewed and extended one \$500 million tranche to May 18, 2015. The other \$500 million tranche has 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, 2011, no commercial paper was outstanding (December 31, 2010 – nil). OPG had no other outstanding borrowings under the bank credit facility as at September 30, 2011 and December 31, 2010.

During 2010, the LME established a \$700 million bank credit facility to support the initial construction phase for the Lower Mattagami project and launched a commercial paper program. In July 2011, OPG extended the maturity date of this credit facility to August 7, 2015. As at September 30, 2011, no commercial paper was outstanding under this program (December 31, 2010 – \$155 million). In March 2011, OPG executed a \$700 million credit facility with the OEFC in support of the Lower Mattagami project. As at September 30, 2011, there was no outstanding borrowing under this credit facility.

8. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT

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

<i>(millions of dollars)</i>	September 30 2011	December 31 2010
Liability for nuclear used fuel management	7,819	7,534
Liability for nuclear decommissioning and low and intermediate level waste management	5,158	5,013
Liability for non-nuclear fixed asset removal	158	157
Fixed asset removal and nuclear waste management liabilities	13,135	12,704

The changes in the fixed asset removal and nuclear waste management liabilities for the nine months ended September 30, 2011 and the year ended December 31, 2010 are as follows:

<i>(millions of dollars)</i>	September 30 2011	December 31 2010
Liabilities, beginning of period	12,704	11,859
Increase in liabilities due to accretion	528	673
Increase in liabilities due to changes in assumptions related to the decision to commence the definition phase of the refurbishment of the Darlington nuclear generating station	-	293
Increase in liabilities due to nuclear used fuel, nuclear waste management variable expenses and other expenses	39	56
Liabilities settled by expenditures on fixed asset removal and waste management	(132)	(181)
Change in the liabilities for non-nuclear fixed asset removal <i>(Note 2)</i>	(4)	4
Liabilities, end of period	13,135	12,704

The cash and cash equivalents balance as at September 30, 2011 includes \$3 million of cash and cash equivalents that are for the use of nuclear waste management activities (December 31, 2010 – \$3 million).

Ontario Nuclear Funds Agreement

OPG sets aside and invests funds held in segregated custodian and trustee accounts specifically for discharging its nuclear fixed asset removal and nuclear waste management liabilities in accordance with the Ontario Nuclear Funds Agreement (“ONFA”) and the federal Nuclear Fuel Waste Act (“NFWA”).

The nuclear fixed asset removal and nuclear waste management funds (“Nuclear Funds”) as at September 30, 2011 and December 31, 2010 consist of the following:

<i>(millions of dollars)</i>	Fair Value	
	September 30 2011	December 31 2010
Decommissioning Segregated Fund	5,147	5,267
Used Fuel Segregated Fund ¹	6,230	6,198
Due from (to) Province – Used Fuel Segregated Fund	185	(219)
	6,415	5,979
	11,562	11,246

¹ The Ontario NFWA Trust represented \$2,244 million as at September 30, 2011 (December 31, 2010 – \$1,949 million) of the Used Fuel Segregated Fund on a fair value basis.

As required by the terms of the ONFA, the Province of Ontario (“Province”) has provided a Provincial Guarantee to the Canadian Nuclear Safety Commission (“CNSC”) since 2003, on behalf of OPG. The *Nuclear Safety and Control Act* (Canada) requires OPG to have sufficient funds available to discharge the current nuclear decommissioning and waste management liabilities. The Provincial Guarantee provides for any shortfall between the long-term liabilities and the current market value of the Used Fuel Segregated Fund and the Decommissioning Segregated Fund, up to the value of the Provincial Guarantee. OPG pays the Province an annual guarantee fee of 0.5 percent of the amount of the Provincial Guarantee provided by the Province. In December 2009, the CNSC approved an increase in the amount of the Provincial Guarantee to \$1,545 million effective on March 1, 2010. The value of this Provincial Guarantee will be in effect through to the end of 2012, when the next reference plan for the CNSC is planned to be approved. In January 2011, OPG paid a guarantee fee of \$8 million based on a Provincial Guarantee amount of \$1,545 million. OPG is planning preliminary discussions with the CNSC on the process for submitting the required documentation for the 2013–2017 Reference Plan.

In accordance with CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement* (“Section 3855”), the investments in the Nuclear Funds and the corresponding receivables from and payables to the Province are classified as held-for-trading and are measured at fair value with realized and unrealized gains and losses recognized in OPG’s interim consolidated financial statements.

The (losses) earnings on the Nuclear Funds for the three and nine month periods ended September 30, 2011 and 2010 are as follows:

<i>(millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30 2011	2010	September 30 2011	2010
Decommissioning Segregated Fund	(227)	323	(98)	284
Used Fuel Segregated Fund	68	114	268	281
Bruce Lease Net Revenues Variance Account <i>(Note 5)</i>	143	(150)	116	(97)
Total (losses) earnings	(16)	287	286	468

9. INCOME TAXES

OPG follows the liability method of tax accounting for all its business segments and records a corresponding regulatory asset or liability for the future income taxes that are expected to be recovered or refunded through future regulated prices charged to customers.

During the three months ended September 30, 2011, OPG recorded a decrease of \$75 million to the future income tax liability for the future taxes relating to the regulated operations. Since these future income taxes are expected to be refunded through future regulated prices, OPG has recorded a corresponding decrease to the regulatory asset for future income taxes. As a result, the future income taxes for the three months ended September 30, 2011 were not impacted.

During the nine months ended September 30, 2011, OPG recorded a decrease of \$128 million to the future income tax liability for the future taxes relating to the regulated operations. Since these future income taxes are expected to be refunded through future regulated prices, OPG has recorded a corresponding decrease to the regulatory asset for future income taxes. As a result, the future income taxes for the nine months ended September 30, 2011 were not impacted.

The amount of cash income taxes paid during the three months ended September 30, 2011 was nil (three months ended September 30, 2010 – nil). For the nine months ended September 30, 2011, income taxes paid were nil (nine months ended September 30, 2010 – \$33 million).

10. PENSION AND OTHER POST EMPLOYMENT BENEFIT COSTS

Total benefit costs for the three and nine month periods ended September 30, 2011 and 2010 are as follows:

<i>(millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30 2011	2010	September 30 2011	2010
Registered pension plans	66	31	195	94
Supplementary pension plans	6	5	18	15
Other post employment benefits	59	47	178	142
Pension and OPEB Cost Variance Account <i>(Note 5)</i>	(23)	-	(53)	-
Pension and other post employment benefit costs	108	83	338	251

An actuarial valuation of the OPG registered pension plan was completed as of January 1, 2011. Based on the actuarial valuation, OPG will increase its annual contribution to the plan from \$270 million in 2010 to \$300 million in 2011. The annual contributions for 2012 and 2013 will be adjusted for changes in current service costs in each year. OPG will continue to assess the requirements for contributions to the pension plan. The next actuarial valuation for funding purposes must have an effective date no later than January 1, 2014.

11. FINANCIAL INSTRUMENTS

The Risk Oversight Committee ("ROC") assists the Board of Directors to fulfill its oversight responsibilities for matters relating to identification and management of the Company's key business risks. Risk management activities are coordinated by a centralized Corporate Risk Management group led by the Chief Risk Officer. Risks that would prevent business units from achieving business plan objectives are identified at the business unit level. Senior management sets risk limits for the financing, procurement, and trading activities of the Company and ensures that effective risk management policies and processes are in place to ensure compliance with such limits in order to maintain an appropriate balance between risk and return. OPG's risk management process aims to continually evaluate the effectiveness of risk mitigation activities for identified key risks. The findings from this evaluation process are reported quarterly to the ROC.

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

Derivatives and Hedging

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

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

Derivative Instruments Qualifying for Hedge Accounting

The following table provides the estimated fair value of derivative instruments designated as hedges.

<i>(millions of dollars – except where noted)</i>	Notional Quantity	Terms	Fair Value	Notional Quantity	Terms	Fair Value
	September 30, 2011			December 31, 2010		
Floating-to-fixed interest rate hedges	32	1–8 yrs	(4)	35	1–9 yrs	(4)
Forward start interest rate hedges	820	1–13 yrs	(98)	375	1–12 yrs	(21)

OPG has entered into a number of forward start interest rate swap agreements to hedge against the effect of changes in interest rates for long-term debt for the Niagara Tunnel. In the second and third quarter of 2011, the LME entered into forward start interest rate swaps to hedge against the effect of future changes in interest rates for long-term debt for the Lower Mattagami project.

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

Net losses of \$2 million and \$5 million, which include the impact of income taxes, related to derivative instruments qualifying for hedge accounting, were recognized in net income during the three and nine months ended September 30, 2011, respectively. Existing net losses of \$6 million deferred in accumulated other comprehensive loss at September 30, 2011 are expected to be reclassified to net income within the next 12 months.

Derivative Instruments Not Qualifying for Hedge Accounting

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

<i>(millions of dollars – except where noted)</i>	Notional Quantity September 30, 2011	Fair Value	Notional Quantity December 31, 2010	Fair Value
Commodity derivative instruments				
Assets	2.4 TWh	5	1.7 TWh	3
Liabilities	0.8 TWh	(1)	0.1 TWh	-
Total		4		3

Under the Bruce Power lease agreement, lease revenue is reduced in each calendar year where the annual arithmetic average of the Hourly Ontario Electricity Price ("Average HOEP") falls below \$30/MWh, and if certain other conditions are met. The conditional reduction to revenue included in the lease agreement is treated as a derivative according to Section 3855. OPG reported a liability of \$164 million as at September 30, 2011 (December 31, 2010 – \$163 million), which reflected the fair value of a derivative embedded in the Bruce Power lease agreement. This marginal increase in the fair value of the derivative liability was primarily due to reductions in the expected future Average HOEP since the beginning of 2011. The income statement impact resulting from the changes to the liability is offset by the income statement impact of the Bruce Lease Net Revenues Variance Account.

Fair Value

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

For financial instruments which do not have quoted market prices directly available, fair values are estimated using forward price curves developed from observable market prices or rates which may include the use of valuation techniques or models based, wherever possible, on assumptions supported

by observable market prices or rates prevailing at the dates of the interim consolidated balance sheets. This is the case for over-the-counter derivatives and securities, which include energy commodity derivatives, foreign exchange derivatives, interest rate swap derivatives, and fund investments. Valuation models use general assumptions and market data and therefore do not reflect the specific risks and other factors that would affect a particular instrument's fair value. The methodologies used for calculating the fair value adjustments are reviewed on an ongoing basis to ensure that they remain appropriate.

12. COMMITMENTS AND CONTINGENCIES

Litigation

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

On August 9, 2006, a Notice of Action and Statement of Claim filed with the Ontario Superior Court of Justice in the amount of \$500 million was served on OPG and Bruce Power L.P. by British Energy Limited and British Energy International Holdings Limited (together "British Energy"). The British Energy claim against OPG pertains to corrosion in the Bruce Unit 8 Steam Generators, in particular, erosion of the support plates through which the boiler tubes pass. The claim amount includes \$65 million due to an extended outage to repair some of the alleged damage. The balance of the amount claimed is based on an increased probability the steam generators will have to be replaced or the unit taken out of service prematurely. OPG leased the Bruce nuclear generating stations to Bruce Power L.P. in 2001.

British Energy is involved in arbitration with the current owners of Bruce Power L.P. regarding an alleged breach of British Energy's representations and warranties to the current owners when they purchased British Energy's interest in Bruce Power L.P. (the "Arbitration"). If British Energy is successful in defending against the Arbitration claim, they will not have suffered any damages to attempt to recoup from OPG. This Arbitration commenced on April 5, 2010. The Arbitration closing arguments were completed in the third quarter of 2011. It may take some time for the arbitrator to come to a decision after the completion of the closing arguments.

British Energy previously indicated that they did not require OPG or Bruce Power L.P. to actively defend the court action until the conclusion of the Arbitration. Although the Arbitration had not concluded, British Energy requested that OPG file a Statement of Defence. OPG and Bruce Power L.P. advised British Energy that if British Energy wishes the court action to proceed prior to the conclusion of the Arbitration, the defendants would bring a motion for a Stay of proceedings, a Dismissal of the current action or, in the alternative, a motion to extend the time for service of the Statement of Defence until the conclusion of the Arbitration. That motion was scheduled to be heard on March 5, 2010 but was adjourned at the request of British Energy. The return date of that motion is yet to be set.

During the third quarter of 2011, OPG settled a claim and arbitration with a certain First Nation in one settlement agreement. OPG was directed by its shareholder to pay a part of the shareholder's portion of the settlement liability on its behalf. As a result, OPG recorded a distribution of \$14 million to the First Nation, which was recorded as a reduction to retained earnings in the third quarter of 2011. This settlement did not have a material impact on the Company's financial position.

Certain other First Nations have commenced actions against OPG for interference with their respective reserve and traditional land rights. As well, OPG has been brought into certain actions by the First Nations against other parties as a third party defendant. Each of these matters is subject to various uncertainties. Some of these matters may be resolved unfavourably. While it is not possible to determine the ultimate outcome of the various pending actions, it is the Company's belief that their resolution is not likely to have a material adverse impact on its financial position.

Environmental

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

13. BUSINESS SEGMENTS

Segment Income (Loss) for the Three Months Ended September 30, 2011 <i>(millions of dollars)</i>	Regulated			Unregulated			Elimination	Total
	Nuclear Generation	Nuclear Waste Manage- ment	Hydro- electric	Hydro- electric	Thermal	Other		
Revenue	794	18	176	94	171	39	(17)	1,275
Fuel expense	66	-	71	13	67	-	-	217
Gross margin	728	18	105	81	104	39	(17)	1,058
Operations, maintenance and administration	441	19	25	60	96	4	(17)	628
Depreciation and amortization	135	-	8	20	21	13	-	197
Accretion on fixed asset removal and nuclear waste management liabilities	-	175	-	-	2	-	-	177
Losses on nuclear fixed asset removal and nuclear waste management funds	-	16	-	-	-	-	-	16
Property and capital taxes (recovery)	6	-	(1)	3	4	3	-	15
Restructuring	-	-	-	-	19	-	-	19
Other losses (gains)	-	-	-	-	18	(20)	-	(2)
Income (loss) before interest and income taxes	146	(192)	73	(2)	(56)	39	-	8

Segment Income (Loss) for the Three Months Ended September 30, 2010 <i>(millions of dollars)</i>	Regulated			Unregulated			Elimination	Total
	Nuclear Generation	Nuclear Waste Manage- ment	Hydro- electric	Hydro- electric	Thermal	Other		
Revenue	784	12	180	107	279	41	(12)	1,391
Fuel expense	43	-	63	10	143	-	-	259
Gross margin	741	12	117	97	136	41	(12)	1,132
Operations, maintenance and administration	478	14	23	64	106	4	(12)	677
Depreciation and amortization	98	-	16	18	29	14	-	175
Accretion on fixed asset removal and nuclear waste management liabilities	-	163	-	-	2	-	-	165
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(287)	-	-	-	-	-	(287)
Property and capital taxes	10	-	3	-	4	3	-	20
Other losses	-	-	-	-	-	1	-	1
Income (loss) before interest and income taxes	155	122	75	15	(5)	19	-	381

Segment Income (Loss) for the Nine Months Ended September 30, 2011 <i>(millions of dollars)</i>	Regulated			Unregulated			Elimination	Total
	Nuclear Generation	Nuclear Waste Manage- ment	Hydro- electric	Hydro- electric	Thermal	Other		
Revenue	2,295	42	550	392	451	119	(40)	3,809
Fuel expense	179	-	190	55	142	-	-	566
Gross margin	2,116	42	360	337	309	119	(40)	3,243
Operations, maintenance and administration	1,461	47	76	168	298	16	(40)	2,026
Depreciation and amortization	363	-	30	56	64	37	-	550
Accretion on fixed asset removal and nuclear waste management liabilities	-	521	-	-	5	-	-	526
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(286)	-	-	-	-	-	(286)
Property and capital taxes (recovery)	20	-	(2)	-	12	8	-	38
Restructuring	-	-	-	-	19	-	-	19
Other (gains) losses	(3)	-	-	-	19	(21)	-	(5)
Income (loss) before interest and income taxes	275	(240)	256	113	(108)	79	-	375

Segment Income (Loss) for the Nine Months Ended September 30, 2010 <i>(millions of dollars)</i>	Regulated			Unregulated			Elimination	Total
	Nuclear Generation	Nuclear Waste Manage- ment	Hydro- electric	Hydro- electric	Thermal	Other		
Revenue	2,234	33	548	359	780	122	(32)	4,044
Fuel expense	135	-	176	42	363	-	-	716
Gross margin	2,099	33	372	317	417	122	(32)	3,328
Operations, maintenance and administration	1,598	38	70	165	335	11	(32)	2,185
Depreciation and amortization	291	-	48	49	83	44	-	515
Accretion on fixed asset removal and nuclear waste management liabilities	-	490	-	-	5	-	-	495
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(468)	-	-	-	-	-	(468)
Property and capital taxes	32	-	8	3	9	11	-	63
Restructuring	-	-	-	-	25	-	-	25
Other gains	-	-	-	-	-	(1)	-	(1)
Income (loss) before interest and income taxes	178	(27)	246	100	(40)	57	-	514

<i>(millions of dollars)</i>	Regulated		Unregulated			Total
	Nuclear	Hydro-electric	Hydro-electric	Thermal	Other	
Selected Balance Sheet Information						
As at September 30, 2011						
Segment fixed assets in service, net	3,850	3,752	3,297	220	737	11,856
Segment construction in progress	248	1,100	720	18	12	2,098
Segment property, plant and equipment, net	4,098	4,852	4,017	238	749	13,954
As at September 30, 2011						
Segment intangible assets in service, net	13	-	1	5	15	34
Segment development in progress	7	-	-	-	7	14
Segment intangible assets, net	20	-	1	5	22	48
As at December 31, 2010						
Segment fixed assets in service, net	3,963	3,750	3,324	282	759	12,078
Segment construction in progress	174	913	367	20	3	1,477
Segment property, plant and equipment, net	4,137	4,663	3,691	302	762	13,555
As at December 31, 2010						
Segment intangible assets in service, net	18	-	5	1	16	40
Segment development in progress	3	-	-	-	5	8
Segment intangible assets, net	21	-	5	1	21	48

14. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

<i>(millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30	September 30	September 30	September 30
	2011	2010	2011	2010
Accounts receivable	64	22	104	195
Prepaid expenses	8	(6)	14	(23)
Fuel inventory	40	38	55	127
Materials and supplies	(1)	-	5	38
Accounts payable and accrued charges	(1)	25	(39)	(201)
Income and capital taxes payable/recoverable	37	30	190	(20)
	147	109	329	116

15. NON-CONTROLLING INTEREST

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

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

16. RESTRUCTURING

In September 2009, together with the Ministry of Energy and Infrastructure, OPG announced its decision to close two coal-fired units at each of the Lambton and Nanticoke coal-fired generating stations. The closures occurred on October 1, 2010. OPG conducted discussions with key stakeholders, including the Society of Energy Professionals and the Power Workers’ Union, in accordance with their respective collective bargaining agreements. As determined by the collective bargaining agreements, restructuring costs of \$27 million were recorded during 2010 for those employees who have elected to leave.

In addition, Ontario’s Long-Term Energy Plan released in November 2010 and the Supply Mix Directive issued in February 2011 require the safe shutdown of two additional coal-fired units at the Nanticoke coal-fired generating station in 2011. On March 25, 2011, OPG notified key stakeholders of the decision in accordance with their respective collective bargaining agreements. In the third quarter of 2011, OPG recognized \$19 million of restructuring costs associated with the unit closures. Additional restructuring costs are estimated to be \$3 million and are expected to be recorded in 2012.

The change in the restructuring liability for severance costs for the nine months ended September 30, 2011 and for the year ended December 31, 2010 is as follows:

(millions of dollars)

Liability, January 1, 2010	-
Restructuring charges during the year	27
Payments during the year	(12)
Liability, December 31, 2010	15
Restructuring charges during the period	19
Payments during the period	(12)
Liability, September 30, 2011	22

17. SEASONAL OPERATIONS

OPG’s quarterly results are impacted by changes in demand resulting from variations in seasonal weather conditions. Primarily during the first and third quarters of a fiscal year, OPG’s revenues are impacted as a result of winter heating demands in the first quarter and air conditioning/cooling demands in the third quarter. Regulated prices for most of OPG’s baseload hydroelectric facilities and all of the nuclear facilities that OPG operates, the contingency support agreement with the OEFC, and OPG’s hedging strategies significantly reduced the impact of seasonal price fluctuations on the results of operations.