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ONTARIO POWER GENERATION POSTS STRONG RESULTS FOR 2000

February 7, 2001

[Toronto]: Ontario Power Generation Inc. (OPG) today announced its financial and operating results for the year ended December 31, 2000. Earnings for the 12 months ended December 31, 2000 increased 36 per cent to $605 million or $2.36 earnings per share, as compared with 1999 pro forma earnings of $446 million or $1.74 earnings per share. The increase in earnings was primarily driven by cost reductions and a two per cent increase in sales volume.

"Our results indicate that we are on the right track and will permit us to pursue our strategy to improve generation and environmental performance and ensure market readiness," said President and CEO, Ron Osborne.

OPG is a major North American electricity generating company with a total available generating capacity of approximately 25,800 megawatts (MW), consisting of 7,300 MW of hydroelectric capacity, 9,700 MW of fossil-fueled capacity and 8,800 MW of nuclear capacity, plus a further 5,100 MW of nuclear capacity that is currently laid-up.

OPG's nuclear stations made significant performance gains over the past three years towards achieving the Company's long-term goal of top quartile nuclear performance. Nuclear energy accounts for almost half of OPG's electricity production. OPG's competitive position will be further strengthened by the planned return to service of the four unit, 2,060 MW, Pickering A nuclear station. Subject to regulatory approvals, these units will be returned to service at approximately six-month intervals beginning in early 2002. The performance of its fossil and hydroelectric fleet, along with its nuclear stations, enabled OPG to reliably meet Ontario's electricity demand and contributed to the Company's improved financial results.

OPG has been mandated to reduce its control of the generating capacity available to the Province of Ontario to no more than 35 per cent within 10 years of open market access. "While this requirement effectively limits OPG's Ontario market share in terms of generating capacity, it does allow for OPG to grow its business through energy trading arrangements and selective growth opportunities. OPG expects to meet these decontrol requirements through asset sales, long-term leases, asset or energy swaps, or other arrangements, well in advance of the established deadlines," said Osborne.

In July 2000, OPG entered into an agreement to lease its Bruce A and Bruce B generating stations to Bruce Power L.P., an entity controlled by British Energy plc. The operating lease will have an initial term of approximately 18 years and will include

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options for Bruce Power to extend the lease for up to another 25 years. The completion of the transaction, which is expected to take place in mid-2001, is subject to usual closing conditions, including the necessary licences from the Canadian Nuclear Safety Commission.

In early 2000, OPG announced its intent to decontrol its 2,140 MW oil/natural gas-fueled Lennox generating station and its 1,140 MW coal-fired Lakeview generating station. At the provincial government's request, decontrol of these plants is on hold pending a review of environmental regulations on fossil-fueled electricity generation.

OPG is committed to environmental leadership. At present, almost 75 per cent of the Company's generation portfolio has virtually no smog-producing emissions. In 2000, OPG's performance improved over 1999 in its six key corporate environmental areas. OPG has completed and is maintaining ISO 14001 certification for the environmental management systems at all generating stations. To improve air quality, OPG made significant investments in clean-air technologies, participated in emissions-reduction credit trading and announced an expansion of its green energy portfolio to approximately 500 MW from the current 115 MW.

During 2000, OPG made significant progress in building a high-performance, customer-focused and commercially oriented culture through the expansion of a groundbreaking Partnership Agreement with its unions and the introduction of a GoalSharing incentive program that has contributed to improvements in employee safety performance.

The company attained investment grade (A) debt ratings from Canadian rating agencies and successfully launched a $600 million commercial paper program during 2000. OPG also partnered with major third-party providers to more effectively leverage its research and development and information technology resources. These partnerships will enable OPG to better concentrate on its core operations and market readiness activities and will provide employees with growth opportunities in a new competitive market.

Financial Highlights

As part of the restructuring of Ontario Hydro and the related restructuring of Ontario's electricity industry, OPG purchased the generation business of Ontario Hydro on April 1, 1999 and commenced operations on that date. Accordingly, given the significant differences in the business and regulatory environment, as well as the significant change in OPG's capital structure that occurred effective April 1, 1999, pro forma operating results for 1999 have been provided to enhance the comparability of

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results for 1999 and 2000. The 1999 pro forma statement of income reflects the operations of the generation business of Ontario Hydro for the three months ended March 31, 1999 and OPG's actual operating results for the nine months ended December 31, 1999.

Net income for 2000 was $605 million compared to pro forma net income of $446 million in 1999. The increase in net income of $159 million in 2000 was primarily due to lower pension expenses after tax of $90 million, resulting from higher returns on pension fund assets in 1999; lower income taxes of $44 million as a result of lower effective tax rates; and an increase in electricity sales volume in Ontario.

OPG’s revenues reflect electricity sales in Ontario, the interconnected markets and other ancillary revenues. OPG’s total volume of electricity sales in 2000 was 139.8 TWh compared to 136.9 TWh in 1999. OPG’s Ontario energy revenues represent the generation and sale of electricity to the wholesale market that consists of large industrial customers and distribution companies that serve more than three million retail customers. Ontario revenues in 2000 were $5,576 million, from sales of 135.8 TWh, compared with revenues of $5,446 million, from sales of 132.4 TWh, in 1999. The higher revenues were primarily due to higher demand from municipal and industrial customers as a result of increased economic activity, partially offset by weather-related impacts in 2000. Revenues from interconnected markets were $279 million, from sales of 4.0 TWh, in 2000 compared with $233 million, from sales of 4.5 TWh, in 1999. The increase in interconnected revenue was primarily due to higher spot market prices in 2000. OPG’s power purchases were 3.3 TWh in 2000 compared with 5.1 TWh in 1999.

Operation, maintenance and administrative (OM&A) expenses consist of labour, materials and administrative support. OM&A expenses in 2000 were $2,186 million compared with $2,337 million in 1999, a decrease of $151 million or six per cent. The decrease was due primarily to lower pension expenses, a decrease in costs resulting from the completion of the Year 2000 computer systems remediation efforts, and lower project costs at the Nanticoke and Lambton generating stations. The impact of these reductions was partially offset by higher spending on nuclear-related projects, including an increase in expenditures related to the return to service of the Pickering A generating station.

OPG expects that net income in 2001 will be affected by such factors as increased expenditures associated with the return to service of the Pickering A generating station; the loss of contribution of the Bruce facility after its decontrol; a higher pension cost due to economic and actuarial factors; and the capping of a significant portion of OPG's electricity revenues (net of rebate) at 3.8¢ per kWh upon Open Access.

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Cash flow from operating activities during the year ended December 31, 2000 amounted to $1,281 million (nine months ended December 31, 1999 - $549 million). Cash and cash equivalents increased by $322 million to $565 million at December 31, 2000 from $243 million at December 31, 1999. In addition, OPG had short-term investments of $335 million at December 31, 2000.

OPG continues to invest in its generation fleet to improve operating efficiencies, increase generating capacity of its existing plant, and maintain and improve service, reliability, safety and environmental performance. Investment in fixed assets was $585 million for the year ended December 31, 2000, compared with $485 million for the 12 months ended December 31, 1999.

During 2000, OPG contributed $414 million to the nuclear waste management and asset removal fund, bringing the value of the fund to $781 million as at December 31, 2000.

Under the commercial paper program commenced in 2000, OPG has the authority to issue short-term promissory notes up to a maximum outstanding principal amount of $600 million in Canadian currency, or the equivalent thereof in United States currency. As at December 31, 2000, OPG had $150 million of promissory notes outstanding under this program. This represents OPG’s first financing done without a provincial guarantee.

OPG’s long-term debt consists of notes payable to the Ontario Electricity Financial Corporation (OEFC) of $3,400 million and capital lease obligations of $23 million, as at December 31, 2000. Notes payable to OEFC consist of $200 million of senior notes due within one year, $2,450 million of senior notes due in the years 2002 to 2009 and $750 million of subordinated notes due in the years 2010 and 2011.

Ontario Power Generation is a major North American electricity generating company. OPG’s principal business is the generation and sale of electricity to consumers in Ontario and into the interconnected markets. OPG’s goal is to be a premier North American energy company, focused on low-cost power generation and wholesale energy sales, while operating in a safe, open and environmentally responsible manner.

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ONTARIO POWER GENERATION INC.
Consolidated Statements of Income

(millions of dollars except earnings per share)	**Year ended December 31 2000**	Pro Forma Year ended December 31 1999
Revenues	**5,978**	5,795
Operating expenses		
Operation, maintenance and administration	**2,186**	2,337
Fuel and Power purchased	**1,451**	1,314
Fixed and Other costs	**1,143**	1,134
	4,780	4,785
Operating income	**1,198**	1,010
Interest expense	**140**	179
Income before income taxes	**1,058**	831
Income taxes	**453**	385
Net income	**605**	446
Earnings per common share	**2.36**	1.74
Common shares outstanding *(millions)*	**256.3**	256.3

Summary of Cash Flows

(millions of dollars)	**Year ended December 31 2000**	April 1 to December 31 1999
Cash flow from operations	**1,281**	549
Investing activities	**(904)**	(417)
Financing activities	**150**	146
Dividends	**(205)**	(35)
Increase in cash and cash equivalents during period	**322**	243
Cash and cash equivalents, beginning of period	**243**	-
Cash and cash equivalents, end of period	**565**	243

ONTARIO POWER GENERATION

News
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Consolidated Balance Sheets

(millions of dollars)	**December 31 2000**	December 31 1999
Assets		
Current Assets	**2,385**	1,798
Fixed assets	**12,932**	12,902
Deferred pension asset	**641**	516
Segregated funds - asset removal and nuclear waste management	**781**	367
Other	**52**	27
Total Assets	**16,791**	15,610
Liabilities		
Current Liabilities	**1,760**	1,149
Long-term debt	**3,219**	3,422
Fixed asset removal and nuclear waste management	**4,482**	4,235
Other post employment benefits	**997**	959
Other	**516**	428
Total Liabilities	**10,974**	10,193
Shareholder's equity	**5,817**	5,417
Total Liabilities & Shareholder's equity	**16,791**	15,610

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Certain statements contained in this press release are forward-looking and reflect the Corporation's views with respect to future events. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Forward-looking statements are not guarantees of OPG's future performance or results and are subject to various factors, including, but not limited to, assumptions regarding nuclear recovery plan, nuclear waste management and decommissioning, fuel procurement, fuel costs, Ontario electricity industry restructuring, market power mitigation, environmental regulations, spot market electricity prices, and effects of weather. Although OPG believes that assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which apply only as of their dates. The Corporation is not obligated to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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Management's Discussion and Analysis of
Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of Ontario Power Generation Inc. ("OPG") should be read in conjunction with the Consolidated Financial Statements and accompanying notes. OPG's financial statements are prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars.

The Corporation

OPG is one of the largest electricity generators in North America with 69 hydroelectric, 6 fossil and 5 nuclear generating stations forming a complementary mix of generating assets. At December 31, 2000, total generating capacity of these stations was approximately 30,900 megawatts ("MW"), consisting of 7,300 MW of hydroelectric generation capacity, 9,700 MW of fossil-fuelled generation capacity and 13,900 MW of nuclear generation capacity, of which 5,100 MW is currently laid up.

OPG's principal business is the generation and sale of electricity in the Ontario wholesale market and in the interconnected markets of Quebec, Manitoba and the United States ("U.S.") northeast and midwest. In 2000, OPG supplied approximately 89% of the electricity consumed in Ontario through its own generation and purchases from the interconnected market.

Incorporation, Commencement of Operations and Acquisition of Business

OPG was incorporated on December 1, 1998 pursuant to the *Business Corporations Act 1998* (Ontario). As part of the reorganization of Ontario Hydro and the related restructuring of the electricity industry in Ontario, OPG and its subsidiaries purchased and assumed certain assets, liabilities, employees, rights and obligations of the electricity generation business of Ontario Hydro (the "Acquired Business") on April 1, 1999 and commenced operations on that date.

In consideration of the transfer of assets, liabilities, employees, rights and obligations of the electricity generation business of Ontario Hydro, OPG issued to Ontario Electricity Financial Corporation ("OEFC") notes payable in the aggregate principal amount of $8,526 million, including a note in the principal amount of $5,126 million (the "Equity Note") and assumed a capital lease obligation of Ontario Hydro in the amount of $30 million on April 1, 1999. The Province of Ontario (the "Province") has assumed all of OPG's obligations under the Equity Note and OEFC has released OPG from its obligations thereunder. In connection therewith, OPG issued to the Province 256,300,000 common shares as fully paid and non-assessable shares. OEFC has agreed that without the consent of OPG, it will not sell its remaining $3,400 million of notes, of which $2,650 million are senior notes and $750 million are subordinated notes of OPG.

OPG has recorded the purchase of the Acquired Business at its fair value as of April 1, 1999 as follows:

(millions of dollars)	**Fair value as at April 1, 1999**
Assets	
Current assets	1,465
Fixed assets	12,872
Other assets	598
	14,935
Liabilities	
Current liabilities	1,073
Liabilities and capital leases	5,336
	6,409
Net assets acquired	8,526

The purchase price of $8,526 million was determined based on the present value of estimated future operating results and cash flows of the Acquired Business in a deregulated market. The purchase of the Acquired Business from the related party, OEFC, was recorded at the exchange amount of $8,526 million in view of the substantive change in ownership interests arising from the transaction. The aggregate value of the net assets acquired was allocated to assets and liabilities based on their estimated fair values. Included within the net assets acquired by OPG was a deferred pension asset of $555 million that is reflective of the surplus in OPG's pension plan administered through OEFC.

The results of operations and cash flow presented in OPG's Consolidated Financial Statements for the three months ended March 31, 1999 represent the operations of Ontario Hydro pertaining to the Acquired Business now conducted by OPG. These financial statements have been prepared through specific identification of assets, liabilities (other than debt), revenues and expenses relating to the Acquired Business, and through an allocation of certain common financial statement accounts and items of Ontario Hydro. In particular, a portion of Ontario Hydro's revenues and debt, and a corresponding portion of related interest and other financial expenses, have been allocated to the Acquired Business.

As part of the restructuring of the Ontario electricity industry, four other successor entities to Ontario Hydro were created in addition to OPG. The other successor entities include the following:

- Hydro One Inc. (formerly Ontario Hydro Services Company Inc.) ("Hydro One") purchased and assumed the transmission, distribution and retail energy services businesses formerly operated by Ontario Hydro;
- The Independent Electricity Market Operator ("IMO") is the centralized independent electricity system co-ordinator responsible for the balance of supply and demand, control of the provincial grid, the operation of energy and ancillary markets, including a spot market, and settlement of financial transactions;
- The Electrical Safety Authority ("ESA") carries out electrical equipment and electrical wiring installation inspection functions in Ontario; and
- OEFC, the continued Ontario Hydro, is responsible for managing and retiring Ontario Hydro's outstanding debt and other obligations and administration of the OPG pension plan.

Financial Highlights

(millions of dollars, except as noted)	Year ended December 31 2000	Pro forma 1999
Revenues	**5,978**	5,795
Operating income	**1,198**	1,010
Net income	**605**	446
Electricity sales volume (TWh)	**139.8**	136.9

For the year ended December 31, 2000, OPG earned a net income of $605 million based on revenues of $5,978 million. On a pro forma basis, which reflects the results of operations as if the purchase of net assets had occurred on January 1, 1999, the net income for 1999 was $446 million based on revenues of $5,795 million. Total volume of electricity sales in the Ontario and interconnected markets during the years ended December 31, 2000 and 1999 were 139.8 TWh and 136.9 TWh, respectively.

Significant factors contributing to higher earnings in 2000 compared to 1999 included an increase in electricity revenues in both the Ontario and interconnected markets, lower operating costs which reflected a reduction in pension expense and a decrease in the effective income tax rates.

Ontario's New Electricity Market

The restructuring of the electricity market in Ontario is being accomplished in two stages. The first stage, the Transition Period, began on April 1, 1999, with the reorganization of Ontario Hydro and will end with the introduction of a competitive market for electricity through the opening of access to the electricity transmission and distribution systems in Ontario. The second stage, Open Access, is expected to begin in the fall of 2001 or spring of 2002.

The Ontario electricity industry continues to operate during the Transition Period generally as it has in the past from the perspective of consumers, although the successor entities of Ontario Hydro now operate their businesses separately. During the Transition Period, Ontario consumers will have priority access to the electricity OPG generates and, if necessary, OPG will purchase additional electricity to meet the demand of the Ontario market.

Until Open Access, wholesale electricity prices will remain frozen as they have been since 1993 and customers will continue to be billed on a bundled basis. OPG receives the bundled payments and distributes the funds to the successor entities of Ontario Hydro under the terms of revenue allocation arrangements. The revenue allocation arrangements provide relatively fixed amounts to the other successor businesses. The revenue allocation arrangements were designed so the undistributed balance of funds would provide OPG with planned revenue of 4¢/kilowatt-hour (kWh) based on forecast energy demand and customer mix, together with a fixed amount for ancillary services provided during the year. Variations in revenue, resulting from changes in forecast demand and customer mix, will change OPG's revenue per kWh.

After Open Access, there will be significant changes in the way the industry operates. Generators, suppliers and marketers, both from within and outside Ontario, will compete to sell electricity to the spot market and to wholesale market participants including municipal electric utilities (also referred to as local distribution companies, or "LDCs"), large commercial and industrial customers, and aggregators, brokers and marketers. All consumers will have access to the electricity supplier of their choice. Consumers will pay for the electricity purchased, as well as transmission and distribution services and "uplift" charges assessed by the IMO in respect of transmission losses and other costs to operate the system. In addition, a debt retirement charge will be levied to service the portion of OEFC's debt that cannot be serviced by payments in lieu of taxes made by OPG, Hydro One and the LDCs and other sources of revenue.

In order to ensure an orderly and gradual transition to a competitive electricity industry after Open Access, the Province has adopted a framework for market power mitigation designed to address issues regarding OPG's market position in Ontario. The first market power mitigation measure is a price cap mechanism. For the first four years after Open Access, the significant majority of OPG's expected energy sales in Ontario will be subject to an average annual price cap of 3.8¢/kWh. The amount of energy production subject to the price cap has been predetermined for the entire four-year period on an annual basis and will be reduced with the approval of the Ontario Energy Board ("OEB") as OPG reduces its control of generation capacity in Ontario. At the end of each one-year period following Open Access, OPG will be required to pay a rebate to the IMO equal to the difference between the average spot market price and 3.8¢/kWh for the amount of energy sales subject to the price cap. The IMO will pass this rebate on to all Ontario consumers who draw energy from the IMO market.

The second market power mitigation measure is a requirement for OPG to relinquish control to an independent third party of some of its generating capacity. This can be accomplished through the outright sale or lease of power stations or by entering into other arrangements transferring control of the timing, quantity and bidding of energy produced by OPG's stations. OPG is required to relinquish effective control of at least 4,000 MW of fossil generating capacity within 42 months after Open Access, with the option of substituting up to 1,000 MW of hydroelectric generating capacity for an equal amount of fossil operating capacity. Further, within 10 years of Open Access, OPG must reduce its effective control over total generation capacity to a level that is no more than 35% of the overall Ontario market's supply.

In addition, in order to ease the transition to Open Access, the Province has passed a regulation which requires OPG to continue to offer the terms of certain of its tariffs to approximately 80 large power consumers for a maximum of 4 years after Open Access begins.

Elements of the restructuring of Ontario's electricity market, including certain regulations and market rules established by the OEB and IMO, are still in a state of transition.

Analysis of Operating Results

The following discussion and analysis provides a comparison of the operating results for the year ended December 31, 2000 to pro forma operating results for the year ended December 31, 1999. Pro forma operating results for 1999 have been provided to enhance the comparability of results for 1999 and 2000, given the significant differences in the business and regulatory environment, as well as the significant change in OPG's capital structure that occurred effective April 1, 1999. The 1999 pro forma statement of income reflects the operations of the Acquired Business for the three months ended March 31, 1999 and OPG's actual operating results for the nine months ended December 31, 1999.

The pro forma statement of income reflects the purchase of the Acquired Business as if the purchase of net assets had occurred on January 1, 1999. The historical results prior to April 1, 1999 have been restated to reflect the acquisition related adjustments including the allocation of the acquisition price to the assets and the liabilities of the generation business of Ontario Hydro. The assumptions and adjustments underlying the pro forma income statement are disclosed in Note 17 to the Consolidated Financial Statements. Some of the more significant financial statement effects of the purchase that occurred on April 1, 1999 include the following:

- Revenues for electricity sales in Ontario were adjusted to reflect the revenue allocation arrangements for the Transition Period.
- The method of accounting for the acquisition of the Acquired Business, which resulted in recording assets and liabilities at fair value, required a significant change in values of the assets and liabilities.

- There is a large reduction in operating expenses due to lower depreciation and amortization arising from a significantly reduced fixed asset valuation.
- Interest expense is considerably lower due to the significant reduction in debt financing.
- OPG bears an income and capital tax burden that the Acquired Business did not incur.

(millions of dollars)	Year Ended December 31	
		Pro forma [(1)]
	2000	1999
Revenues	**5,978**	5,795
Operating expenses:		
Operation, maintenance and administration	**2,186**	2,337
Fuel	**1,271**	1,116
Power purchased	**180**	198
Depreciation and amortization	**764**	765
Property and capital taxes	**379**	369
	4,780	4,785
Operating income	**1,198**	1,010
Interest expense	**140**	179
Income before income taxes	**1,058**	831
Income taxes	**453**	385
Net income	**605**	446

(1) The pro forma results are not necessarily indicative of the results that would have occurred had the transactions occurred on the relevant dates, because of the significant changes in the business and regulatory environments, financing and other factors.

Net Income

The net income for 2000 was $605 million compared to pro forma net income of $446 million in 1999. The increase in earnings from 1999 was primarily due to an increase in electricity revenues in both the Ontario and interconnected markets, lower operating costs that reflected a reduction in pension expense and a decrease in the effective income tax rates.

Revenues

Total revenues for 2000 were $5,978 million compared with $5,795 million in 1999, an increase of $183 million or 3%. Of the total, Ontario energy revenues were $5,576 million (1999 - $5,446 million), interconnected market revenues were $279 million (1999 - $233 million) and non-energy revenues amounted to $123 million (1999 - $116 million).

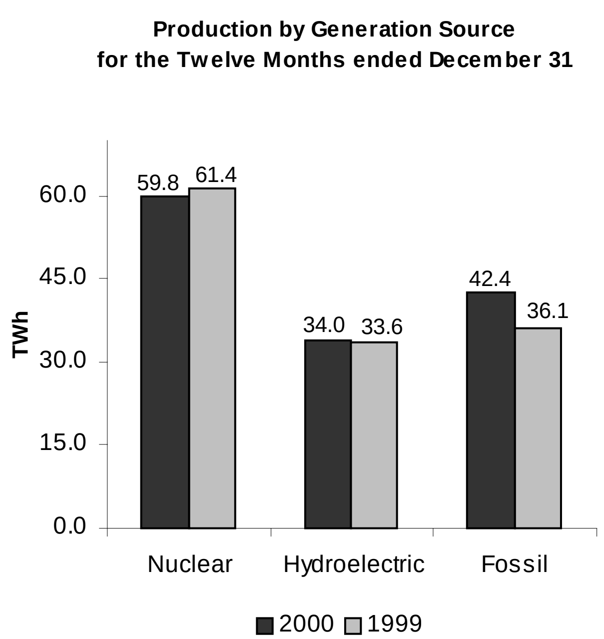
Ontario energy revenues are earned from the generation and sale of electricity to the wholesale market. Customers in Ontario include approximately 214 LDCs and municipal electrical utilities, that in turn serve more than three million customers, over 100 large direct industrial customers, and Hydro One which serves a further 930,000 customers. Ontario revenues in 2000 were $5,576 million compared with $5,446 million in 1999, an increase of $130 million. The higher revenues were primarily due to a 3.4 TWh increase in the volume of electricity sales from 132.4 TWh in 1999 to 135.8 TWh in 2000. The increase in volume was due to increased economic activity which contributed to higher demand from municipal and industrial customers, partially offset by the impact of warmer winter weather and cooler summer weather in 2000 which reduced the demand for heating and air conditioning compared to 1999. On a weather-normalized basis, electricity sales would have been 137.0 TWh in 2000 compared to 132.2 TWh in 1999. The average revenue rate was 4.03¢/kWh in 2000 compared to 4.04¢/kWh in 1999.

Revenues from interconnected markets were $279 million in 2000 compared with $233 million in 1999, an increase of $46 million. The increase in interconnected revenue was due to higher spot market prices in 2000 ($50 million) and an increase in other revenues from U.S. customers ($20 million), partially offset by a decrease in sales volumes primarily due to a cooler summer season. The interconnected sales volumes in 2000 were 4.0 TWh, a decrease of 0.5 TWh from the 1999 sales volume of 4.5 TWh. The average sales prices, excluding the other revenues, were 6.05 ¢/kWh in 2000 compared to 4.80 ¢/kWh in 1999.

Non-energy revenues include sales of engineering and technical expertise, by-product sales such as flyash, cobalt and other nuclear isotopes, heavy water sales, foreign exchange gains and losses, and the sale of services to the other successor companies to Ontario Hydro in respect of facility and space management, information technology and other support services. Non-energy revenues for 2000 were $123 million compared with $116 million in 1999. The increase was due primarily to higher sales of engineering and technical expertise, the sale of surplus assets, higher isotope and by-product sales and an increase in foreign exchange gains, partially offset by a reduction in the sale of services to other successor companies of Ontario Hydro.

Operating Expenses

Operation, maintenance and administrative (OM&A) expenses consist of labour, materials and administrative support. OM&A expenses in 2000 were $2,186 million compared with $2,337 in 1999, a decrease of $151 million or 6%. The decrease was due primarily to lower pension expense ($170 million), a decrease in costs resulting from the completion of the Year 2000 computer systems remediation efforts ($39 million) and lower rehabilitation costs at the Nanticoke and Lambton generating stations ($32 million). While the current service pension cost remained relatively constant between the years, the lower pension expense in 2000 was primarily due to higher returns on pension fund assets in 1999, a change in discount rates and other economic factors. The impact of these reductions was partially offset by higher spending on nuclear-related projects ($57 million), including an increase in activity related to the Pickering A generating station return to service, costs related to voluntary severance programs ($18 million), and other increases in operating costs ($15 million).



Fuel is comprised of costs for coal, uranium, oil, natural gas, water rental payments and a provision for used nuclear fuel disposal based on actual fuel consumed. Fuel expenses during 2000 were $1,271 million compared with $1,116 million in 1999, an increase of $155 million or 14%. Higher fuel expenses were a result of an increase in production in 2000 to 136.2 TWh from 131.1 TWh in 1999 and an increase in higher cost fossil production relative to other sources of generation, partially offset by the impact of lower coal prices in 2000.

Power purchase costs represent electricity purchases from interconnected markets. Power purchased during 2000 was $180 million compared with $198 million in 1999, a decrease of $18 million or 9%. The decrease was primarily due to a reduction in volume of power purchased from U.S. sources resulting from OPG's increased production of electricity, partially offset by higher spot market prices in the U.S. market. The power purchased in 2000 was 3.3 TWh, a reduction of 1.8 TWh from 1999.

Depreciation and amortization charged to operations in 2000 was relatively unchanged at $764 million compared with $765 million in 1999. The depreciation and amortization expense includes depreciation of fixed assets in service based on their estimated service lives, and a charge related to the increase in the accrued costs for low and intermediate level nuclear waste from waste produced during the period. The depreciation and amortization related to nuclear waste items was $21 million in 2000 compared to $26 million in 1999.

The depreciation and amortization expense also includes revalorization. Revalorization arises because liabilities for used nuclear waste disposal and future fixed asset removal costs are stated in the balance sheet on a net present value basis. The revalorization charge is the adjustment that results from restating the liabilities to reflect the effect of inflation on the cost estimates and the time value of money effect on the future liabilities. The revalorization charge is sensitive to movements in both interest and inflation rates. The revalorization charge was $202 million in 2000 compared with $223 million during 1999. The revalorization charge includes a credit that reflects the growth of segregated funds directly set aside to discharge these obligations, including the provincial receivable. This credit amount was $181 million in 2000 compared with $108 million in 1999.

OPG is required to make payments to OEFC in lieu of property and school taxes on its generating assets representing the amount it would be required to pay if the assets were privately owned. Property and capital taxes in 2000 were $379 million compared with $369 million in 1999.

Interest Expense

Interest expense represents interest and other financing costs associated with OPG's debt. Interest charged to operations represents the gross interest costs reduced by capitalized interest and interest earned on surplus cash and short-term investments. Interest expense in 2000 was $140 million compared with $179 million in 1999, a decrease of $39 million. The decrease in interest expense was primarily due to higher investment income resulting from an increase in cash balances and short-term investments.

Income Taxes

OPG is currently exempt from taxation under the *Income Tax Act* (Canada) and *Corporations Tax Act* (Ontario) as a result of being a 100 per cent provincially-owned corporation. However, OPG is required to make payments to OEFC in lieu of federal and provincial income taxes. These payments are calculated in accordance with the rules and other related provisions contained in the federal and provincial tax legislation and the regulations made under the *Electricity Act, 1998*.

Effective January 1, 2000, OPG changed its method of accounting for income taxes from the deferral method to the liability method of tax allocation as required by The Canadian Institute of Chartered Accountants' Handbook Section 3465, *Accounting for Income Taxes.* The cumulative effect as at January 1, 2000 of adopting these recommendations was not material. Therefore, prior year financial statements have not been restated. For the nine months ended December 31, 1999, the deferred income tax component of income tax expense is disclosed in the financial statements as future income taxes.

Income taxes in 2000 were $453 million compared with $385 million in 1999. The increase in income taxes of $68 million was due primarily to a higher income before tax in 2000, partially offset by a decrease in the effective income tax rate from 47.0% in 1999 to 42.8% in 2000.

Asset Removal and Nuclear Waste Management

Liability for Asset Removal and Nuclear Waste Management

Effective April 1, 1999, as a result of the purchase of the generating assets of Ontario Hydro, OPG recognized a liability equal to the committed value of nuclear and fossil liabilities, representing the total present value of the costs of dismantling the nuclear and fossil production facilities at the end of their useful lives, the total fixed cost of nuclear waste management programs, and the variable cost portion of nuclear waste management programs associated with actual waste volumes incurred up to April 1, 1999. At December 31, 2000, the liability for nuclear waste management and asset removal was $7,104 million (1999- $6,715), of which $6,978 million (1999 - $6,591 million) related to nuclear decommissioning and waste liabilities and $126 million (1999 - $124 million) related to non-nuclear decommissioning liabilities.

On April 1, 1999, the Province agreed that the Province or its agent would fund certain nuclear waste management and asset removal liabilities that were incurred prior to April 1, 1999. Details of which liabilities will be funded are being finalized with the Province. The provincial receivable of $2,622 million represents the Province's liability of $2,480 million as at January 1, 2000, as well as interest in the amount of $142 million accrued during the year ended December 31, 2000 based on a rate of 5.75% (nine months ended December 31, 1999 - 5.75%). The interest rate is under negotiation with the Province and is subject to change. The impact of the finalization of the interest rate for 2000 is not expected to result in a material difference to the liability balance.

Segregated Funds

OPG is contributing to segregated funds to provide for or discharge the remaining unfunded nuclear liabilities. It is OPG's intent that these funds be held outside of OPG and be used solely for nuclear waste management and nuclear fixed asset removal. Until such time as the legal nature of the segregated funds are finalized, OPG is setting aside funds internally and is managing their investment and growth distinct from its other cash holdings. The funds are invested in high grade, interest-bearing instruments. The nuclear waste management and asset removal fund increased by $414 million during 2000 through the funding and interest earned on the segregated fund, net of current year expenditures. OPG plans to contribute to the segregated funds over the estimated remaining lives of its nuclear generating stations.

Nuclear Risk-Sharing

OPG and senior staff at the Ontario Ministry of Finance reached an understanding on key principles for the development of a nuclear liability agreement under which the Province or its agent would risk-share certain nuclear waste management costs in the event that the estimated present value of these costs were to exceed certain thresholds. In order to implement the nuclear liability agreement, OPG must negotiate a definitive agreement and obtain the necessary authorizations from the Province, including any necessary Orders in Council. Execution of this agreement would effectively limit OPG's exposure to significant increases in the estimated present value costs of nuclear waste management.

In addition to a nuclear liability agreement, the Province has also agreed to provide to the Canadian Nuclear Safety Commission ("CNSC", formerly the Atomic Energy Control Board), as required by federal regulation, a guarantee that there will be funds available to discharge 100% of the nuclear decommissioning and waste liabilities that exist at any point in time within OPG. This guarantee relates to the portion of the liabilities that are not funded. In return, OPG will pay to the Province a fee of 0.5% of the value of that guarantee. This guarantee is expected to commence in 2001, once the nuclear liability agreement is finalized.

Proposed Waste Management Organization

In response to a December 1998 policy statement by the Federal Government, OPG continues its discussions with both the Province and the Federal Government regarding the establishment of a Waste Management Organization ("WMO") to manage all future operating expenditures for the life cycle management of nuclear waste. The exact structure and mandate of the WMO is under review.

Operation of the WMO outside of OPG would have the benefits of centralization of technical and management skills, would aid in the development of Canadian wide solutions to nuclear waste issues and would be in line with corporate structures adopted across the world for management of radioactive wastes. The Federal Government is considering introducing draft legislation within the next year that would establish the role of a WMO and define government oversight responsibilities.

Nuclear Recovery Program

An important element underlying OPG's commercial and financial success is improved nuclear performance. OPG's expectation of improving financial performance is dependent on increasing production of low cost nuclear energy to compete in Ontario and the interconnected markets. This includes the return to service of the four units at the Pickering A generating station.

A comprehensive nuclear recovery plan was developed in the fall of 1997 by Ontario Hydro. The nuclear recovery plan was designed to improve the operating performance of the nuclear generating stations. The projects within the nuclear recovery program include standardizing operations and implementing initiatives to improve accountability, management and operational control systems, maintenance and inspection programs, regulatory compliance, performance standards and employee training.

Expenditures related to the nuclear recovery plan during the period from 1997 to 2004 are expected to total $1,400 million. This estimate excludes future costs related to the Bruce nuclear facilities subsequent to completing the transaction to lease the Bruce A and Bruce B generating stations to Bruce Power L.P. The new operators of the Bruce site will be responsible for any improvement expenditure on the site after the transaction closes. Spending on the nuclear recovery program was $267 million during the 2000 year and $308 million during 1999. Total expenditures since the start of the program in 1997 were $853 million. The planned expenditures on these projects are expected to total approximately $250 million in 2001.

Under the nuclear recovery plan, the Pickering A generating station was placed in short term lay-up on December 31, 1997 and the Bruce A station was placed in longer-term lay-up on March 31, 1998. This allowed OPG to focus its initial recovery efforts on the remaining 12 nuclear generating units of Darlington, Pickering B and Bruce B.

With the staffing, planning and execution of the program well underway, attention is now focused on returning the Pickering A station to service. The current plans call for the return to service of the four Pickering A units at approximately six-month intervals commencing at the start of 2002. The total project cost of returning the Pickering A units to service is expected to be approximately $1,100 million. Total expenditures since the decision in 1999 to return Pickering A to service were $197 million. An environmental assessment ("EA") was required to determine the effect that Pickering A's return to service will have on the environment. The CNSC has held two public hearings on the EA. The CNSC's decision is pending. Subject to the CNSC accepting the findings of the EA, hearings on the Pickering A return to service licensing requirements will be scheduled. Licensing hearings are tentatively scheduled for May and August 2001.

Liquidity and Capital Resources

Cash flow from operating activities during the year ended December 31, 2000 amounted to $1,281 million (nine months ended December 31, 1999 - $549 million). Sufficient cash was generated from operations in 2000 to finance working capital requirements and invest in fixed assets and pay dividends. Cash and cash equivalents increased by $322 million to $565 million at December 31, 2000 from $243 million at December 31, 1999. In addition OPG had short-term investments of $335 million at December 31, 2000.

OPG continues to invest in fixed assets to improve operating efficiencies, increase generating capacity of its existing plant and maintain and improve service, reliability, safety and environmental performance. The investment in fixed assets of $585 million for the year ended December 31, 2000 compared with $450 million for the nine months ended December 31, 1999 and $35 million during the three months ended March 31, 1999. OPG's contribution to the nuclear waste management and asset removal fund of $414 million in 2000 was in addition to the Company's investment in fixed assets.

OPG's planned capital expenditures for 2001 are approximately $725 million. This amount includes sustaining capital expenditures to support the continued operations of current generating capacity such as expenditures to meet expected emission reduction regulations, and capital expenditures to expand generating capacity such as the Pickering A return to service project and the nuclear recovery program. Of the total capital plan for 2001, OPG estimates that $460 million represents expenditures for sustaining operations. For 2002, OPG's planned capital expenditures are approximately $800 million, of which $430 million represent sustaining expenditures.

In the future, OPG expects to seek external sources of capital such as debt in the Canadian capital market to obtain funds required to carry out its capital program, refinance existing debt and provide other flexibility in the funding of future operations. In June 2000, OPG obtained investment-grade credit ratings of A for its long-term debt from both Canadian Bond Rating Services ("CBRS", subsequently purchased by Standard & Poors, "S & P") and Dominion Bond Rating Services (DBRS) and A-1 and R-1 (low) for its short-term debt from CBRS and DBRS, respectively. As a result of the purchase of CBRS, S & P will be reviewing OPG's rating as part of its strategy to harmonize its rating to conform to an S & P standard.

OPG has access to funds through a $600 million credit facility with certain Canadian chartered banks to fund working capital requirements and for general corporate purposes. This facility may be drawn upon in either Canadian or U.S. dollars at varying rates based on certain benchmark rates, including a prime rate, a bankers' acceptance rate, and a LIBOR rate.

OPG initiated a commercial paper (CP) program in 2000. Under the CP program, OPG has the authority to issue short-term promissory notes up to a maximum outstanding principal amount of $600 million in Canadian currency, or the equivalent thereof in United States currency. Notes issued under the CP program are backed by the above-noted credit facility. As at December 31, 2000, OPG had $150 million promissory notes issued and outstanding under this CP program. This program, coupled with obtaining investment grade ratings, were part of the financing liquidity strategy to expand OPG's capital sources in the public market. OPG will be using these funds for working capital and general corporate purposes.

OPG's long-term debt of $3,423 million, as at December 31, 2000 consists of $200 million of senior notes due within one year, $2,450 million of senior notes due in the years 2002 to 2009, $750 million of subordinated notes due in the years 2010 and 2011 and $23 million in capital lease obligations. Certain covenants applicable to any public debt issued by OPG in the future will automatically become applicable to the notes.

Risk Management

Overview

OPG's risk management activities involve identifying, assessing and controlling the risk associated with its portfolio of generation assets in an effort to optimize asset returns. The Board of Directors approves all risk management policies prior to implementation. OPG undertakes an assessment of its risk exposures in order to characterize such exposures and the effects of risk management activities, including avoidance, reduction, transfer and substitution. Executive management and the Board of Directors review OPG's residual exposure to ensure it is consistent with overall strategy and corporate risk tolerance levels.

Upon Open Access, OPG will be subject to increased risk, including market and credit risk inherent in a deregulated market. A Risk Oversight Committee which consists of senior officers from OPG has been established to approve transactions under the direction of the Board of Directors, monitor policies and compliance issues, and ensure overall corporate governance specifically related to market activity for OPG.

In anticipation of increased levels and complexity of market activities, OPG is implementing a comprehensive trade capture and risk management system with related processes and controls. These processes will include a segmentation of portfolio activities to facilitate effective identification and measurement of risks, and the application of appropriate position and risk limits. The methodology used to measure these risks will involve the use of consistent and recognized risk measures for the monitoring of trading activities and the generation portfolio.

Industry Restructuring

Certain regulations and market rules established by the IMO and the OEB that will govern the competitive wholesale and retail electricity markets, including technical provisions dealing with participants in the markets and the procurement of certain ancillary services are still in a state of transition. The Minister of Energy, Science and Technology, the Minister of Finance, the IMO and the OEB are each continuing to assess and develop policy positions on various matters that could affect OPG.

Nuclear Recovery Program

The successful implementation of the nuclear recovery program will depend on many factors, including the discovery of any unanticipated deficiencies or greater than anticipated deterioration to its nuclear generating assets, the ability to operate effectively within the new regulatory framework governing nuclear generation, the ability to hire and retain qualified personnel, the ability to increase productivity and the ability to implement management and operational changes. The nuclear recovery program includes a rigorous framework for managing risks associated with nuclear operations and processes. This framework addresses the major risk areas, related exposures and impacts, and mitigation strategies in the nuclear business.

Environmental Compliance

OPG is committed to meeting all applicable environmental legislative requirements and voluntary environmental commitments. OPG's environmental policy involves pollution prevention, continuous environmental improvement, reduction of resource use and efficiency improvements. OPG routinely undertakes environmental compliance audits.

OPG has set and achieved an international standard for environmental management systems. All of OPG's nuclear and fossil stations and hydroelectric station groups have been ISO 14001-registered. Registration means that the stations have put in place a comprehensive program to ensure that they are operated in an environmentally responsible way and that environmental performance is continually improved. Regulatory requirements and terms and conditions issued through environmental legislation, regulations, orders, certificates of approval and permits are managed through OPG's environmental management systems.

OPG utilizes emission reduction credits (ERCs) to manage emission levels of oxides of nitrogen (NO_x) and carbon dioxide (CO_2) within the prescribed regulatory limits and voluntary caps. ERCs are purchased and sold with trading partners in Canada and the United States. ERCs are created when a source reduces emissions below the lower of previous actual emissions or the level required by government regulation.

Electricity Price Risk

Electricity price risk is the risk that changes in the market price of electricity will adversely impact OPG's earnings and cash flow. Once the market opens, OPG will face price risk directly related both to the demand and supply of generation in the open market and transmission constraints. OPG's production will be exposed to spot market prices, however derivative instruments and related risk management products may be used to mitigate its exposure to electricity prices upon Open Access.

Generation Risk

OPG is exposed to the market impacts of uncertain output from its generating units or generation risk. The amount of electricity generated by OPG is affected by such risks as fuel supply, equipment malfunction, maintenance requirements, and regulatory and environmental constraints. OPG enters into multiple short-term and long-term fuel supply agreements and long-term water use agreements, manages fuel supply inventories, follows industry practices for maintenance and outage scheduling, ensures regulatory requirements are met, particularly with respect to licencing of its nuclear facilities, and manages environmental constraints utilizing programs such as emission reduction credits.

Credit Risk

Credit risk is the risk of non-performance by contractual counterparties. Following Open Access, substantially all of OPG's revenues will be derived from sales through the IMO-administered spot market. Participants in the IMO spot market must meet IMO-mandated standards for creditworthiness with the result that OPG's risk for these sales is effectively managed. OPG's other revenues will be derived from several sources, including the sale of financial risk management products to third parties.

OPG has a counterparty credit policy, and has implemented credit evaluation and collection procedures to monitor its credit exposures. OPG manages counterparty credit risk by monitoring and limiting its exposure to counterparties with lower credit ratings, evaluating its counterparty credit exposure on an integrated basis, and by performing periodic reviews of the credit-worthiness of all counterparties, including obtaining credit security for all transactions beyond approved limits.

Foreign Exchange and Interest Rate Risk

Upon Open Access, the spot market price for electricity in Ontario is anticipated to be sensitive to and reflect U.S. spot market prices for electricity within interconnected markets. In addition, OPG has specific U.S. dollar denominated transactions such as the purchase of fossil fuel and the purchase and sale of electricity in U.S. markets. OPG currently manages this exposure by periodically hedging its net U.S. dollar cash flows according to approved risk management policies.

Interest rate exposure for OPG is limited by the fixed rates on its long-term debt. Interest rate risk will arise with the need to undertake new financing and with the addition of variable rate debt. The interest rates for future financing requirements may be hedged using derivative instruments. The management of these risks will be undertaken by selectively hedging in accordance with corporate risk management policies.

Market Outlook

The Marketplace

OPG's vision is to be a premier North American energy company focused on low-cost power generation and wholesale energy sales. OPG's initial focus will be primarily in Ontario's electricity marketplace. In the short-term, OPG will concentrate on increasing the productivity, capacity and cost competitiveness of its existing generating fleet. The restoration of OPG's nuclear generating facilities to top tier operational performance is an integral part of this objective. As well, the initiative to return the Pickering A generating station to service will restore 2060 MW of nuclear capacity and significantly lower OPG's overall system average production in costs. OPG is also focusing in the short-term on identifying and developing the market capabilities necessary to maximize customer relationships and enhance the products and services it provides, as well as expanding the markets for its energy and related products and services once the market opens.

Over the medium to longer term, OPG intends to selectively expand its activities into regional markets, particularly in the U.S. northeast and midwest, and to secure generating capacity in U.S. interconnected market areas close to Ontario. OPG will proceed on these new fronts in a balanced and staged manner, and ensure readiness for the opening of the Ontario market. OPG will rely on its operating experience and performance improvements in its home market, and its expertise in the sale and wheeling of power into interconnected markets to increase revenues and to utilize acquired assets to optimize production and performance.

OPG's ability to compete successfully in the U.S. interconnected markets will depend upon numerous factors, including the pace of regulatory restructuring, the level of access to these markets through regulatory licensing requirements, limitations imposed by transmission capacity to the U.S. and a variety of other factors including the price of electricity in these markets, transmission costs to reach these markets and environmental matters.

OPG expects that net income in 2001 will be affected by such factors as increased expenditures to return to service the Pickering A generating station, the loss of contribution of the Bruce facility after its decontrol, a higher pension cost due to economic and actuarial factors, the capping of a significant portion of OPG's electricity sales at 3.8¢ /kWh upon Open Access and the potential impact related to the availability and price of fuel sources. OPG believes that its ability to improve net income over time depends largely on the success of the nuclear recovery strategy, in particular the return to service of the Pickering A generating station, the realization of savings in operating expenses consistent with the completion of the nuclear recovery strategy and the completion of decontrol transactions, and the successful implementation of OPG's growth strategies.

Open Access

Open Access, which is expected to begin in late 2001 or early 2002, will result in significant changes in the way the industry operates. All Ontario electricity consumers will have access to their electricity supplier of choice. Generators and other market participants will compete with each other on the basis of price, service quality and other differentiating factors. Opportunities for new products and services will be created, including those for managing the risk associated with market price fluctuations.

After Open Access, OPG expects competitive pressures in the Ontario market to come from companies which control generation capacity decontrolled by OPG, intermediaries that offer new products and services, including financial risk management products, imports of electricity from the interconnected markets, generation by independent power producers in Ontario and self generation by wholesale customers. An important aspect of the marketplace is the extent to which new generation is built in Ontario. At expected price levels and existing technological capabilities, it is unlikely that significant additional generating capacity will be in-service before 2003. The extent to which generating capacity is constructed thereafter will depend on a number of factors including actual and anticipated price levels for electricity and natural gas, the ability of parties to structure economic transactions, technological advances and regulatory developments.

Demand for electricity in the marketplace is expected to increase through continued economic and population growth, and through increasing demand for heating, air conditioning and electronic infrastructure.

Market Power Mitigation

OPG expects to meet its decontrol commitments through asset sales, asset or energy swaps, or other arrangements. While market power mitigation effectively limits the market share OPG can exercise in the Ontario market in terms of generating capacity, it does allow for OPG to grow its business through export sales and energy trading arrangements.

OPG is committed to decontrolling selected generating assets in advance of the deadlines required under market power mitigation. In July 2000, OPG entered into an agreement to lease its Bruce A and Bruce B generating stations to Bruce Power L.P., an entity controlled by British Energy plc. The objective of the agreement is consistent with OPG’s plans for meeting the requirement to reduce generating supply within 10 years of open market access to no more than 35% of the overall Ontario market's supply. The operating lease will have an initial lease term of approximately 18 years and will include options to extend the lease for up to another 25 years. The completion of the transaction, which is expected to take place in 2001, is subject to usual closing conditions, including the necessary licenses from the CNSC and the OEB.

The lease agreement requires an initial payment of $625 million, payable in three installments. This includes $400 million, subject to closing adjustments, payable to OPG on closing, and $225 million payable in two equal installments of $112.5 million no later than 4 and 6 years from the date the transaction is completed. Bruce Power will also make annual lease payments during the initial lease term that will consist of both fixed and variable payments. In aggregate, the initial payment and annual lease payments to OPG are estimated at $3.1 billion. OPG will continue to be responsible for nuclear waste and decommissioning liabilities at the Bruce site.

In early 2000, OPG announced its plans for accelerated decontrol of a total of approximately 4,000 MW of hydroelectric and fossil generating capacity, including the 2,100 MW oil/natural gas-fuelled Lennox generating station and the 1,100 MW coal-fired Lakeview fossil generating station. The Province subsequently placed a moratorium on the sale of coal-fired generating plants while it continues to assess the potential environmental impacts of their future operation. As a result, OPG's plans for decontrol of both the Lennox and Lakeview stations are on hold until such time as the Province completes its review of environmental policies on fossil-fuelled generation.

Other Initiatives

Information Technology Initiative

In November, OPG entered into an agreement to form a joint venture with Business Transformation Services Inc. ("BTS"), a wholly-owned subsidiary of Cap Gemini Ernst & Young, to transfer OPG's Information Services Group ("ISG") to New Horizon System Services Inc. ("New Horizon"), a joint venture that will be owned 51 per cent by BTS and 49 per cent by OPG. Approximately 600 employees within ISG will transfer to New Horizon. The ten-year agreement is expected to close in early 2001 and includes provisions that allow BTS to re-assess the joint venture agreement up to 2002.

Kinectrics Inc.

In August 2000, OPG and C-SAT Technologies Inc. ("C-SAT") announced the establishment of a new independent science and engineering services company operating under the name of Kinectrics Inc. This initiative marks an important stage in the development of the former Ontario Power Technologies division. OPG owns 90 per cent of Kinectrics Inc. and C-SAT owns and holds the remaining 10 per cent non-controlling interest with an option to increase its investment to 50 per cent by 2002.

Pantellos Corporation

In May, OPG joined twenty-one other North American energy companies to form Pantellos Corporation, a provider of e-commerce-based supply chain solutions. Pantellos will require an initial capitalization of $100 million for the purpose of developing and delivering a broad suite of technologies to create and operate an Internet-based electronic marketplace for the energy industry and its suppliers. OPG’s share of this initial capitalization is $5 million.

Labour Negotiations

During the first quarter of 2000, OPG successfully negotiated renewal collective agreements with both major unions. The Power Worker Union agreement was effective April 1, 2000, and runs to March 31, 2002. OPG and The Society of Energy Professionals re-opened negotiations 6 months prior to expiration of the contract and successfully negotiated renewal collective agreements effective January 1, 2001 and running to December 31, 2003.

Provisions related to the mobility of labour are included within these agreements to allow OPG to facilitate decontrol of its generating capacity. Negotiations also resulted in wage escalations and pension enhancements, a blanket Purchased Services Agreement to facilitate Pickering A re-start and an opportunity to tie staff from compensation to performance.