CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Three months Ended March 31
(millions of dollars except where noted)

	2002	**Restated *(note 5)* 2001**
Revenues	**1,557**	1,539
Operating expenses		
Operating, maintenance and administration	**592**	632
Fuel	**317**	286
Power purchased	**219**	102
Depreciation and amortization	**185**	196
Property and capital tax (note 2)	**113**	98
Restructuring costs (note 6)	**210**	-
Loss on transition rate option contracts (note 3)	**210**	-
	1,846	1,314
Operating (loss) income	**(289)**	225
Net interest expense	**39**	34
(Loss) income before income taxes	**(328)**	191
Income taxes (recoveries) (note 2)		
Current	**(68)**	34
Future	**(43)**	55
	(111)	89
Net (loss) income	**(217)**	102
Basic and fully diluted (loss) earnings per common share	**(0.85)**	0.40
Common shares outstanding (millions)	**256.3**	256.3

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

Three months Ended March 31
(millions of dollars)

	2002	**Restated *(note 5)* 2001**
Retained earnings, beginning of period as previously reported	**344**	691
Adjustment (note 5)	**-**	(124)
Retained earnings, beginning of period as restated	**344**	567
Net (loss) income	**(217)**	102
Dividends	**(134)**	(86)
(Deficit) retained earnings, end of period	**(7)**	583

see accompanying notes to financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Three months Ended March 31
(millions of dollars)

	2002	**Restated *(note 5)* 2001**
Operating activities		
Net (loss) income	**(217)**	102
Adjust for non-cash items:		
Depreciation and amortization	**185**	196
Deferred pension asset	**22**	28
Other post employment benefits	**16**	34
Future income taxes	**(43)**	55
Provision for restructuring	**210**	-
Loss on transition rate option contracts	**210**	-
Gain on sale of investments	**(7)**	-
Other	**30**	12
	406	427
Fixed asset removal and nuclear waste management fund	**(51)**	(122)
Expenditures on nuclear waste management provisions	**(31)**	(10)
Changes to other long-term assets and liabilities	**8**	(37)
Deferred revenue	**(6)**	-
Non-cash working capital changes:		
Accounts receivable	**18**	119
Income tax recoverable	**(87)**	-
Fuel	**16**	41
Materials and supplies	**(3)**	(3)
Accounts payable and accrued charges	**(143)**	(332)
Cash flow provided by operating activities	**127**	83
Investing activities		
Net proceeds from short-term investments	**39**	225
Proceeds on sale of fixed assets	**1**	10
Proceeds from sale of investments and subsidiaries	**13**	-
Expenditures for fixed assets	**(156)**	(115)
Cash flow (used in) provided by investing activities	**(103)**	120
Financing activities		
Repayment of long-term debt to OEFC	**-**	(100)
Dividends on common shares	**(134)**	(86)
Short-term notes issued (repaid)	**200**	(50)
Cash flow provided by (used in) financing activities	**66**	(236)
Increase (decrease) in cash and cash equivalents during Period	**90**	(33)
Cash and cash equivalents, beginning of period	**-**	565
Cash and cash equivalents, end of period	**90**	532

see accompanying notes to financial statements

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(millions of dollars)	**March 31 2002**	**December 31 2001**
ASSETS		
Current assets		
Cash and cash equivalents	**90**	-
Short-term investments	**-**	39
Accounts receivable	**992**	1,010
Income tax recoverable	**164**	77
Fuel	**521**	537
Materials and supplies	**45**	35
	1,812	1,698
Fixed assets		
Property, plant and equipment	**14,569**	14,460
Less: accumulated depreciation	**1,613**	1,479
	12,956	12,981
Other assets		
Deferred pension asset	**284**	330
Fixed asset removal and nuclear waste management fund (note 8)	**1,259**	1,208
Long-term note receivable (note 9)	**225**	225
Materials and supplies	**179**	179
Long-term accounts receivable and other assets	**78**	65
	2,025	2,007
	16,793	16,686
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (note 3)	**1,684**	1,505
Short-term notes payable	**200**	-
Deferred revenue due within one year	**13**	13
Long-term debt due within one year (note 7)	**105**	205
	2,002	1,723
Long-term debt (note 7)	**3,115**	3,015
Other liabilities		
Fixed asset removal and nuclear waste management (note 8)	**4,773**	4,724
Other post employment benefits	**911**	924
Long-term accounts payable and accrued charges (notes 3, 9)	**428**	336
Deferred revenue	**209**	215
Future income taxes liability	**236**	279
	6,557	6,478
Shareholder's equity		
Common shares	**5,126**	5,126
(Deficit) retained earnings	**(7)**	344
	5,119	5,470
	16,793	16,686

see accompanying notes to financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2002 (UNAUDITED)

1. Basis of Preparation

These interim consolidated financial statements do not contain all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, the consolidated financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2001.

2. Payment in Lieu of Taxes

Under the *Electricity Act, 1998,* OPG is responsible for making payments in lieu of taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario), and are modified by regulations made under the *Electricity Act*, *1998.*

The Company is also required to make payments in lieu of property taxes on its generating assets to the OEFC. These payments, together with property taxes and a Gross Revenue Charge ("GRC"), are intended to approximate the total property tax paid by privately owned companies.

3. Transition Rate Options

Under a regulation known as Transition – Generation Corporation Rate Options ("TRO"), OPG is required to provide transitional price relief upon market opening to certain large power customers based on the consumption and average price paid by each customer during a reference period from July 1, 1999 to June 30, 2000. The maximum anticipated volume subject to the transitional price relief is approximately 5.4 TWh in the first year after market opening, 3.6 TWh in the second year and 1.8 TWh in each of the third and fourth years. The maximum length of the program is four years, with the possibility that it will expire after only two years if certain decontrol targets are met.

A provision of $210 million on the TRO contracts was recorded in the first quarter of 2002 related to the future loss on these contracts. The current portion of the provision for loss on these contracts is $110 million and is included in Accounts Payable and Accrued Charges. The long-term portion of the provision is $100 million and is included in Long-Term Accounts Payable and Accrued Charges. The provision was determined using management's best estimates of the forward price curve for electricity, wholesale electricity market fees, impact of decontrol on the contracts, interruptions of volume, and the recovery of market power mitigation rebates. These estimates are subject to measurement uncertainty. As a result, it is reasonably possible that actual results experienced may differ materially from the estimated amounts. The provision will be reduced over the term of the contracts based on volume.

4. Other Accounting Policies Related to Open Market

Market Power Mitigation Rebate

OPG is required under its generating licence to comply with prescribed market power mitigation measures to address the potential for OPG to exercise market power in Ontario. The most significant market power mitigation measures include a rebate mechanism and the requirement to decontrol generating capacity. Under the rebate mechanism, for the first four years after market opening, a significant majority of OPG's expected energy sales in Ontario will be subject to an average annual revenue cap of 3.8¢/kWh. OPG will be required to pay a rebate to the IMO equal to the excess, if any, of the average spot price over 3.8¢/kWh for the amount of energy sales subject to the rebate mechanism. A liability and the related adjustment to revenue will be recorded to the extent that actual average spot market prices exceed 3.8¢/kWh for each reporting period.

Energy Contracts for Open Market

OPG will be exposed to changes in electricity prices associated with an open spot market for electricity in Ontario. To hedge this commodity price exposure associated with changes in the price of electricity, OPG has entered into various energy sales contracts with counterparties that take effect May 1, 2002.

At March 31, 2002, OPG had energy sales contracts with an aggregate notional contract volume of 19 TWh and with terms ranging from 1 to 5 years. These contracts are expected to be effective as hedges of the commodity price exposure on OPG's generation portfolio. The gain or loss on hedging instruments is recognized over the term of the contract, based on the timing of the underlying transactions. All contracts that are not designated as a hedge will be valued at market value with changes in fair value being recorded as trading gains or losses.

Emission Reduction Credits

OPG utilizes emission reduction credits ("ERCs") to manage emission levels of nitric oxide (NO) and CO_2 within the prescribed regulatory limits and voluntary caps. ERCs are purchased and sold with trading partners in Canada and the United States. The cost of the ERCs are charged to OPG's operations in the year emissions are produced.

Transmission Rights

Transmission rights (“TRs”) are option contracts that provide protection for market participants against price volatility from the Ontario market clearing price and the intertie clearing price as a result of capacity demand/supply imbalances. Capacity constraints can occur due to limits on transmission capacity between Ontario and the interconnected markets at a specific intertie when the IMO receives more bids to buy than offers to sell electricity. OPG intends to purchase TRs in the Ontario market. TRs will generally be accounted for as derivatives used for trading purposes and will be valued at market value with changes in fair value recorded as trading gains or losses.

5. Restatement of 2001 Quarterly Results for Pension and Other Post Employment Benefits

In 2001, OPG changed its policy of accounting for changes in the net actuarial gain or loss for pension and OPEB. This change in accounting policy results in the amortization of the net cumulative unamortized gain or loss in excess of 10 per cent of the greater of the benefit obligation and the market-related value of the plan assets. Previously, the entire change in the net actuarial gain or loss was amortized over employee average remaining service life and plan assets were valued at market for purposes of determining actuarial gains and losses. The change in accounting policy for pensions and OPEB was applied retroactively to April 1, 1999. As a result of this change, the operating results for the first quarter 2001 have been restated to reflect an increase in employee benefit expenses of $32 million and a decrease in net income of $21 million.

Opening retained earnings at January 1, 2001 were reduced by $124 million due to the change in accounting policy for pension and OPEB ($104 million), as well as a revision to OPEB resulting from an assessment of OPG's claims history for 2000 ($20 million).

6. Restructuring Costs

Restructuring charges are related to a reduction in the workforce of approximately 2,000 employees and include severance costs and related pension and OPEB expenses. During the first quarter of 2002, OPG approved voluntary severance packages for approximately 1,200 employees. Involuntary terminations will be required to meet the remaining workforce reductions over the next two to three years. The provision for restructuring costs recorded in the first quarter of 2002 was $210 million. This amount is in addition to a restructuring charge of $67 million recorded in the fourth quarter of 2001. The total payments that were made in relation to this restructuring provision during the first quarter of 2002 were not material.

7. Long-term Debt

The Company chose to refinance $200 million of long-term debt notes maturing in 2002, by reaching an agreement with the OEFC, to defer the maturity date associated with these notes. Both the $100 million principal note that was due in March 2002 and the principal note due in September 2002 were deferred for payment in December 2004.

8. Fixed Asset Removal and Nuclear Waste Management Liabilities

Nuclear Funds Agreement

In March 2002, the Province of Ontario ("the Province") and OPG signed the Ontario Nuclear Funds Agreement. This agreement establishes criteria for the management of segregated funds and limits OPG's financial exposure to the risk of cost increases for used fuel liabilities, subject to graduated liability thresholds. Under the terms of the Agreement, OPG will establish two custodial funds that will be held separate from OPG's operations. A Used Fuel Fund will be used to fund future costs of nuclear used fuel waste management. A Decommissioning Fund will be established to fund the future cost of nuclear fixed asset removal and low and intermediate level waste management.

Since April 1, 1999, OPG has contributed $1,259 million to the nuclear fixed asset removal and nuclear waste management fund. The Decommissioning Fund will be funded through the receivable due from the OEFC, with the balance funded through OPG's existing segregated funds. The remaining segregated funds will be applied to the Used Fuel Fund. OPG will make annual contributions to the Used Fuel Fund of approximately $450 million to 2008, and a reduced amount over the remaining life of the nuclear generating stations. The Agreement will be effective April 1, 1999, upon the establishment of the two custodial funds, expected some time in the current year.

OPG will continue to be responsible for the risk of liability and cost increases with respect to fixed asset removal and low and intermediate level waste. OPG will also continue to be responsible for the risk of liability and cost increases for used fuel waste management, subject, however, to limits in OPG’s financial exposure through the Agreement.

In addition, the Province will provide to the Canadian Nuclear Safety Commission ("CNSC"), as required by the *Nuclear Safety and Control Act* (Canada), a guarantee that there will be funds available to discharge the nuclear decommissioning and waste liabilities. This guarantee is expected to relate to the portion of the nuclear liabilities not funded by the Decommissioning and Used Fuel Fund, or by the OEFC receivable, and will be determined based on CNSC requirements. In return, OPG will pay to the Province a fee of 0.5 per cent of the value of that financial guarantee. It is expected that this fee will become effective during the third quarter of 2002.

Cost Estimate Changes Made in 2002

OPG reviewed the significant assumptions that underlie the calculation of the accrued liabilities for fixed asset removal and nuclear waste management liabilities. As a result of this review, a number of assumptions were changed to reflect changes in the timing of certain programs and in the evolving technology used to handle the nuclear waste. These changes included a delay in the in-service date for used nuclear fuel disposal facilities from 2025 to 2035, the recognition of certain costs associated with dry storage of used nuclear fuel during station operating life, and recognition of additional costs related to nuclear waste management programs. In aggregate, these cost estimate changes would result in a net reduction to the nuclear waste management and decommissioning liability of $215 million. In accordance with Canadian generally accepted accounting principles, the change in liability is being amortized over the average remaining service life of the nuclear generating stations. As a result, the accrued liabilities as at March 31, 2002 were reduced by $4 million.

9. Decontrol of Bruce Nuclear Generating Stations

In May 2001, the Company completed the close of the operating lease agreement to lease its Bruce A and Bruce B nuclear generating stations to Bruce Power L.P. ("Bruce Power"). As part of the initial payment, OPG received $370 million in cash proceeds and a $225 million note receivable.

Under the terms of the lease, OPG transferred certain fuel and material inventory to Bruce Power, in addition to certain fixed assets. OPG will transfer pension assets and liabilities related to the approximately 3000 employees who transferred from OPG to Bruce Power. Bruce Power has also assumed the liability for OPEB for these employees. OPG will pay Bruce Power in respect of OPEB benefits over a 72-month period. The impact to the deferred pension asset and the value of the OPEB obligation will be finalized through actuarial processes, which are expected to be completed during the second quarter of 2002.

10. Other Initiatives

In February 2002, OPG sold its remaining ownership interest in Kinectrics Inc. to AEA Technology plc for approximately $12 million in cash proceeds.

In March 2002, OPG divested its 49 per cent joint venture interest in New Horizon System Solutions ("New Horizon") to Business Transformation Services Inc., a wholly owned subsidiary of Cap Gemini Ernst & Young. OPG entered into a nine-year information technology outsourcing agreement with New Horizon in order to continue to gain access to a broad spectrum of IT services in infrastructure and operations management.

In March 2002, OPG announced the sale of four hydroelectric generating stations located on the Mississagi River, to Brascan Corporation. OPG will receive cash proceeds of approximately $340 million from the sale. The transaction is expected to close in May 2002, subject to regulatory approvals.

11. Seasonal Operations

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

For further information, please contact:	Investor Relations	(416) 592-6700 1-866-592-6700 investor.relations@opg.com
	Media Relations	(416) 592-4008 1-877-592-4008

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