

**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

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

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.

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.

## 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
<b>Revenues</b>	<u>5,978</u>	<u>5,795</u>
<b>Operating expenses</b>		
Operation, maintenance and administration	2,186	2,337
Fuel and Power purchased	1,451	1,314
Fixed and Other costs	<u>1,143</u>	<u>1,134</u>
	<u>4,780</u>	<u>4,785</u>
<b>Operating income</b>	1,198	1,010
<b>Interest expense</b>	<u>140</u>	<u>179</u>
<b>Income before income taxes</b>	1,058	831
<b>Income taxes</b>	<u>453</u>	<u>385</u>
<b>Net income</b>	<u>605</u>	<u>446</u>
<b>Earnings per common share</b>	<u>2.36</u>	<u>1.74</u>
<b>Common shares outstanding (millions)</b>	<u>256.3</u>	<u>256.3</u>

## Summary of Cash Flows

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

## Consolidated Balance Sheets

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

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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