

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Three months ended March 31

(millions of dollars except where noted)

| | 2008 | 2007 |
|--|--------------|-------------|
| Revenue (Note 16) | | |
| Revenue before revenue limit rebate | 1,630 | 1,620 |
| Revenue limit rebate (Note 15) | (67) | (96) |
| | 1,563 | 1,524 |
| Fuel expense (Note 16) | 304 | 328 |
| Gross margin (Note 16) | 1,259 | 1,196 |
| Expenses (Note 16) | | |
| Operations, maintenance and administration | 691 | 694 |
| Depreciation and amortization (Note 5) | 175 | 182 |
| Accretion on fixed asset removal and nuclear waste management liabilities (Note 9) | 135 | 128 |
| Losses (earnings) on nuclear fixed asset removal and nuclear waste management funds (Note 9) | 51 | (91) |
| Property and capital taxes | 6 | 29 |
| | 1,058 | 942 |
| Income before the following: | 201 | 254 |
| Other (gains) and losses (Notes 3 and 16) | 7 | - |
| Income before interest and income taxes | 194 | 254 |
| Net interest expense (Note 8) | 40 | 26 |
| Income before income taxes | 154 | 228 |
| Income tax (recovery) expense (Note 10) | | |
| Current | 158 | 48 |
| Future | (166) | 9 |
| | (8) | 57 |
| Net income | 162 | 171 |
| Basic and diluted income per common share (dollars) | 0.63 | 0.67 |
| Common shares outstanding (millions) | 256.3 | 256.3 |

See accompanying notes to the consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Three Months Ended March 31

(millions of dollars)

| | 2008 | 2007 |
|---|-------|-------|
| Operating activities | | |
| Net income | 162 | 171 |
| Adjust for non-cash items: | | |
| Depreciation and amortization (Note 5) | 175 | 182 |
| Accretion on fixed asset removal and nuclear waste management liabilities (Note 9) | 135 | 128 |
| Losses (earnings) on nuclear fixed asset removal and nuclear waste management funds | 51 | (91) |
| Pension and other post employment benefit costs (Note 11) | 106 | 122 |
| Future income taxes (Note 10) | (166) | 9 |
| Other | 19 | 10 |
| | 482 | 531 |
| Contributions to nuclear fixed asset removal and nuclear waste management funds | (114) | (114) |
| Expenditures on fixed asset removal and nuclear waste management | (54) | (53) |
| Reimbursement of expenditures on nuclear fixed asset removal and nuclear waste management | 8 | 12 |
| Contributions to pension fund | (66) | (66) |
| Expenditures on other post employment benefits and supplementary pension plans | (16) | (17) |
| Revenue limit rebate (Note 15) | (66) | (22) |
| Net changes to other long-term assets and liabilities | 127 | (6) |
| Changes in non-cash working capital balances (Note 17) | (52) | (102) |
| Cash flow provided by operating activities | 249 | 163 |
| Investing activities | | |
| Increase in regulatory assets (Note 6) | (6) | (30) |
| Investment in fixed assets | (128) | (134) |
| Net proceeds from sale of long term investments | 6 | - |
| Cash flow used in investing activities | (128) | (164) |
| Financing activities | | |
| Issuance of long-term debt (Note 7) | 275 | 50 |
| Repayment of long-term debt (Note 7) | (203) | (202) |
| Net increase in short-term notes | - | 162 |
| Cash flow provided by financing activities | 72 | 10 |
| Net increase in cash and cash equivalents | 193 | 9 |
| Cash and cash equivalents, beginning of period | 110 | 6 |
| Cash and cash equivalents, end of period | 303 | 15 |

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| As at <i>(millions of dollars)</i> | March 31 | December 31 |
|--|-----------------|--------------------|
| | 2008 | 2007 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 303 | 110 |
| Accounts receivable <i>(Note 4)</i> | 346 | 315 |
| Fuel inventory | 540 | 604 |
| Prepaid expenses | 38 | 35 |
| Future income taxes <i>(Note 10)</i> | 11 | 12 |
| Materials and supplies <i>(Note 2)</i> | 124 | 125 |
| | 1,362 | 1,201 |
| Fixed assets <i>(Notes 2 and 16)</i> | | |
| Property, plant and equipment | 17,912 | 17,772 |
| Less: accumulated depreciation | 5,152 | 4,995 |
| | 12,760 | 12,777 |
| Other long-term assets | | |
| Deferred pension asset | 750 | 731 |
| Nuclear fixed asset removal and nuclear waste management funds <i>(Note 9)</i> | 9,318 | 9,263 |
| Long-term investments <i>(Note 3)</i> | 84 | 93 |
| Long-term materials and supplies | 339 | 353 |
| Future income tax asset <i>(Note 10)</i> | 56 | - |
| Regulatory assets <i>(Note 6)</i> | 367 | 356 |
| Long-term accounts receivable and other assets | 44 | 65 |
| | 10,958 | 10,861 |
| | 25,080 | 24,839 |

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| As at <i>(millions of dollars)</i> | March 31 2008 | December 31 2007 |
|--|------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued charges | 791 | 953 |
| Revenue limit rebate payable <i>(Note 15)</i> | 101 | 100 |
| Long-term debt due within one year <i>(Note 7)</i> | 382 | 407 |
| Deferred revenue due within one year | 12 | 12 |
| Income and capital taxes payable | 76 | 66 |
| | 1,362 | 1,538 |
| Long-term debt <i>(Note 7)</i> | 3,543 | 3,446 |
| Other long-term liabilities | | |
| Fixed asset removal and nuclear waste management <i>(Note 9)</i> | 11,066 | 10,957 |
| Other post employment benefits and supplementary pension plans | 1,599 | 1,556 |
| Long-term accounts payable and accrued charges | 442 | 184 |
| Deferred revenue | 117 | 120 |
| Future income taxes <i>(Note 10)</i> | - | 217 |
| Regulatory liabilities <i>(Note 6)</i> | 13 | 14 |
| | 13,237 | 13,048 |
| Shareholder's equity | | |
| Common shares | 5,126 | 5,126 |
| Retained earnings | 1,826 | 1,664 |
| Accumulated other comprehensive (loss) income | (14) | 17 |
| | 6,938 | 6,807 |
| | 25,080 | 24,839 |

Commitments and Contingencies *(Notes 3, 6, 7, 12, and 14)*

See accompanying notes to the interim consolidated financial statements

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

Three Months Ended March 31

(millions of dollars)

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| Common shares | 5,126 | 5,126 |
| Retained earnings | | |
| Balance at beginning of period | 1,664 | 623 |
| Transition adjustment on adoption of financial instruments accounting standards | - | 513 |
| Net income | 162 | 171 |
| Balance at end of period | <u>1,826</u> | <u>1,307</u> |
| Accumulated other comprehensive (loss) income, net of income taxes | | |
| Balance at beginning of period | 17 | - |
| Transition adjustment on adoption of financial instruments accounting standards | - | 21 |
| Other comprehensive loss for the period | <u>(31)</u> | <u>(11)</u> |
| Balance at end of period | <u>(14)</u> | <u>10</u> |
| Total shareholder's equity at end of period | <u>6,938</u> | <u>6,443</u> |

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Three Months Ended March 31

(millions of dollars)

| | <u>2008</u> | <u>2007</u> |
|--|-------------------|-------------------|
| Net income | 162 | 171 |
| Other comprehensive loss, net of income tax | | |
| Net loss on derivatives designated as cash flow hedges ¹ | (27) | (8) |
| Reclassification to income of gains on derivatives designated as cash flow hedges ² | (4) | (3) |
| Other comprehensive loss for the period | <u>(31)</u> | <u>(11)</u> |
| Comprehensive income | <u>131</u> | <u>160</u> |

¹ Net of income tax benefit of \$4 million (three months ended March 31, 2007 - \$5 million)

² Net of income tax benefit of \$2 million (three months ended March 31, 2007 - \$2 million)

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (UNAUDITED)

1. BASIS OF PRESENTATION

These interim consolidated financial statements were prepared following the same accounting policies and methods as in the most recent annual consolidated financial statements, except as discussed in Note 2 to these interim consolidated financial statements. These interim consolidated financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2007.

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

Certain of the 2007 comparative amounts have been reclassified from financial statements previously presented to conform to the 2008 financial statement presentation.

The interim consolidated financial statements include the accounts of Ontario Power Generation Inc. ("OPG" or the "Company") and its subsidiaries. OPG accounts for its interests in jointly controlled entities using the proportionate consolidation method. All significant intercompany transactions have been eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rate Regulated Accounting

A regulation was introduced pursuant to the *Electricity Restructuring Act, 2004* (Ontario), which provides that, effective April 1, 2005, OPG received regulated prices for electricity generated from most of its baseload hydroelectric facilities and all of the nuclear facilities that it operates. This includes electricity generated from Sir Adam Beck 1, 2 and Pump generating stations, DeCew Falls 1 and 2, and R.H. Saunders hydroelectric facilities, and Pickering A and B, and Darlington nuclear facilities.

In November 2007, OPG filed an application with the Ontario Energy Board ("OEB") for new payment amounts for its regulated facilities effective April 1, 2008, for a 21-month period. In February 2008, the OEB held a hearing to consider OPG's request that payment amounts for its regulated facilities be declared interim, effective April 1, 2008, and OPG's request for an interim increase in payment amounts. In its decision, the OEB granted OPG's request that payment amounts be made interim, effective April 1, 2008. This decision preserves the opportunity for OPG to recover the difference between final payment amounts as approved by the OEB and the current payment amounts for the period between April 1, 2008 and the date of the OEB's final order.

Accounting standards recognize that rate regulation can create economic benefits and obligations, which are reported in the unaudited interim consolidated financial statements as regulatory assets and liabilities. When the regulation provides assurance that incurred expenses will be recovered in the future, then OPG may defer those expenses and report them as a regulatory asset. If current recovery is provided for expenses expected to be incurred in the future, then OPG reports a regulatory liability. Also, if the regulation provides for lesser or greater than planned revenue to be received or returned by OPG through future regulated prices, then OPG recognizes and reports a regulatory asset or liability, respectively. The measurement of such regulatory assets and liabilities is subject to certain estimates and assumptions, including assumptions made in the interpretation of the regulation. See Notes 6 and 10 to the unaudited interim consolidated financial statements for additional disclosure related to rate regulated accounting.

Changes in Accounting Policies and Estimates

Financial Instruments and Capital Disclosures – Disclosure and Presentation

On January 1, 2008, OPG adopted three new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”): Handbook Section 3862, Financial Instruments – Disclosures, Handbook Section 3863, Financial Instruments – Presentation, and Handbook Section 1535, Capital Disclosures.

Handbook Section 1535, Capital Disclosures, requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate a company’s objectives, policies and processes for managing capital.

Handbook Section 3862, Financial Instruments – Disclosures, outlines disclosure requirements for financial instruments and places increased emphasis on disclosure about the risks associated with recognized and unrecognized financial instruments and how these risks are managed.

Handbook Section 3863, Financial Instruments – Presentation, carries forward the presentation requirements from Section 3861, Financial Instruments – Disclosure and Presentation.

Inventories

The CICA issued Section 3031, Inventories, in March 2007, which is based on International Accounting Standard (“IAS”) 2. The section replaced the existing Section 3030, Inventories. Under the section, inventories are required to be measured at the lower of cost and net realizable value, which is different from the existing guidance of lower of cost and market. The section also allows the reversal of any write-downs previously recognized. Further, due to the changes in the section and the consequential amendments, some of OPG’s critical spare parts, which were previously reported as materials and supplies on OPG’s consolidated balance sheets are now accounted for as property, plant and equipment. The accounting standard and the consequential amendments were effective for OPG beginning January 1, 2008. OPG reclassified significant critical spare parts of \$19 million, net of accumulated depreciation, to property, plant and equipment in 2008. This accounting standard and the consequential amendments did not have a significant impact to OPG’s statements of income for the three months ended March 31, 2008.

3. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER

In August 2007, the asset-backed commercial paper market (“ABCP”) experienced a liquidity event when paper sponsored by third party (non-bank) conduits could not be refinanced as it matured. The total face value of affected ABCP amounted to \$32 billion. At that time, OPG’s total ABCP investment was \$103 million. Of that amount, \$45 million was restructured, with OPG receiving payment of approximately 98.7% of the face value of the notes in December 2007. For the remaining \$58 million, OPG recorded an impairment loss of \$9 million as at December 31, 2007 based on the limited information available at that time.

The remaining \$58 million was held in illiquid trusts that are part of a pool of assets which are the subject of a restructuring proposal put forward by a committee of large noteholders (the “Plan”). The Plan provides that most of the assets in existing conduits be transferred into new conduits against which new long-term notes would be issued. In March, 2008, the Ontario Superior Court of Justice granted an order under the Companies’ Creditors Arrangement Act staying certain proceedings and ordering a vote on the Plan. The Plan was approved by the noteholders in April 2008. Court approval at a sanctioning hearing is required for the plan to proceed.

OPG performed a valuation analysis as at March 31, 2008 to assess the amount of any impairment on the new notes that it will hold based on the approved Plan. On the highest ranking senior notes, the analysis was based on discounted cash flows using information disclosed pursuant to the Plan and other market information. Subordinated notes were valued using a probability of recovery analysis based on

limited market information. As a result of the analysis, OPG recorded an impairment loss of \$9 million against the remaining holdings of \$58 million, in addition to the \$9 million loss recorded as at December 31, 2007. The impairment loss was included in other gains and losses. OPG's holdings of third party ABCP are recorded as long term investments.

OPG has sufficient credit facilities to satisfy its financial obligations as they come due and does not expect any material adverse impact on its operations as a result of this current third-party ABCP liquidity issue.

4. SALE OF ACCOUNTS RECEIVABLE

The Company has an agreement to sell an undivided co-ownership interest in its current and future accounts receivable (the "receivables") to an independent trust. The Company also retains an undivided co-ownership interest in the receivables sold to the trust. Under the agreement, OPG continues to service the receivables.

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

| <i>(millions of dollars)</i> | Principal amount of receivables as at | |
|--|--|---------------------|
| | March 31 2008 | December 31 2007 |
| Total receivables portfolio ¹ | 524 | 479 |
| Receivables sold | 300 | 300 |
| Receivables retained | 224 | 179 |

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

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

| <i>(millions of dollars)</i> | Three Months Ended March 31 | |
|------------------------------|--------------------------------|------|
| | 2008 | 2007 |
| Pre-tax charges | 4 | 4 |
| Average cost of funds | 4.7% | 4.9% |

5. FIXED ASSETS, DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three months ended March 31, 2008 and 2007 consists of the following:

| <i>(millions of dollars)</i> | Three Months Ended March 31 | |
|--|--------------------------------|------|
| | 2008 | 2007 |
| Depreciation | 145 | 144 |
| Amortization of deferred Pickering A generating station return to service costs | 29 | 36 |
| Nuclear waste management costs | 1 | 2 |
| | 175 | 182 |

Interest capitalized to construction in progress at 6.0 per cent (three months ended March 31, 2007 – 6.0 per cent) during the three months ended March 31, 2008 was \$13 million (three months ended March 31, 2007 – \$8 million).

6. REGULATORY ASSETS AND LIABILITIES AND SUMMARY OF RATE REGULATED ACCOUNTING

The regulatory assets and liabilities as at March 31, 2008 and December 31, 2007 are as follows:

| <i>(millions of dollars)</i> | March 31 2008 | December 31 2007 |
|---|--------------------------|-----------------------------|
| Regulatory assets | | |
| Pickering A generating station return to service costs | 156 | 183 |
| Nuclear liabilities deferral account | 164 | 131 |
| Nuclear generation development costs | 32 | 28 |
| Hydroelectric production variance | 8 | 7 |
| Ancillary services revenue variance | 5 | 5 |
| Transmission outages and transmission restrictions variance | 2 | 2 |
| Total regulatory assets | 367 | 356 |
| Regulatory liabilities | | |
| Other | 13 | 14 |
| Total regulatory liabilities | 13 | 14 |

The changes in the regulatory assets and liabilities for the three months ended March 31, 2008 and the year ended December 31, 2007 are as follows:

| <i>(millions of dollars)</i> | Pickering A Return to Service Costs | Nuclear Liabilities Deferral Account | Nuclear Generation Development Costs | Transmission Outages and Transmission Restrictions Variance | Hydro- electric Production Variance | Ancillary Services Revenue Variance | Other |
|---|--|---|---|--|--|--|--------------|
| Regulatory assets (liabilities), January 1, 2007 | 249 | - | - | 2 | (4) | - | (7) |
| Increase (decrease) during the year | - | 128 | 27 | - | 11 | 5 | (5) |
| Interest | 30 | 3 | 1 | - | - | - | (2) |
| Amortization during the year | (96) | - | - | - | - | - | - |
| Regulatory assets (liabilities), December 31, 2007 | 183 | 131 | 28 | 2 | 7 | 5 | (14) |
| Increase (decrease) during the period | - | 31 | 4 | - | 1 | - | 1 |
| Interest | 2 | 2 | - | - | - | - | - |
| Amortization during the period | (29) | - | - | - | - | - | - |
| Regulatory assets (liabilities), March 31, 2008 | 156 | 164 | 32 | 2 | 8 | 5 | (13) |

Nuclear Liabilities Deferral Account

In February 2007, the Province amended a regulation pursuant to the *Electricity Restructuring Act, 2004* (Ontario) that directed OPG to establish a deferral account in connection with certain changes to its liabilities for nuclear used fuel management and nuclear decommissioning and low and intermediate level waste management. The following items have been recorded as components of the deferral account:

| <i>(millions of dollars)</i> | March 31 2008 | December 31 2007 |
|------------------------------|------------------|---------------------|
| Return on rate base | 94 | 75 |
| Depreciation expense | 67 | 54 |
| Fuel expense | (7) | (5) |
| Capital tax | 4 | 3 |
| Interest expense | 6 | 4 |
| | 164 | 131 |

Nuclear Generation Development Costs

The amendments to the regulation pursuant to the *Electricity Restructuring Act, 2004* (Ontario) made in February 2007 and February 2008 clarified that OPG recovers the costs incurred and firm financial commitments made in the course of planning and preparing for the development of proposed new nuclear facilities. As a result of the amendment, OPG has recorded a regulatory asset of \$4 million during the three months ended March 31, 2008 (December 31, 2007 - \$28 million), which represents non-capital costs incurred since April 1, 2005 for its nuclear generation development initiatives.

Summary of Rate Regulated Accounting

The following table summarizes the impact of applying rate regulated accounting for selected income statement information:

| <i>(millions of dollars)</i> | Three Months Ended March 31, 2008 | | | Three Months Ended March 31, 2007 | | |
|--|--------------------------------------|--|--|--------------------------------------|--|--|
| | As Stated | Impact of Rate Regulated Accounting | Financial Statements without Rate Regulated Accounting | As Stated | Impact of Rate Regulated Accounting | Financial Statements without Rate Regulated Accounting |
| Revenue | 1,563 | 4 | 1,567 | 1,524 | 9 | 1,533 |
| Fuel expense | 304 | (2) | 302 | 328 | (1) | 327 |
| Operations, maintenance, and administration | 691 | 4 | 695 | 694 | 9 | 703 |
| Depreciation and amortization | 175 | (16) | 159 | 182 | (22) | 160 |
| Accretion on fixed asset removal and nuclear waste management liabilities | 135 | 19 | 154 | 128 | 19 | 147 |
| Property and capital taxes | 6 | 1 | 7 | 29 | 1 | 30 |
| Net interest expense | 40 | 4 | 44 | 26 | 20 | 46 |

In November 2007, OPG filed an application with the OEB for new payment amounts for its regulated facilities effective April 1, 2008. The OEB's decision with respect to the application may impact OPG's

accounting for variance and deferral accounts, including the recording of additional amounts in these accounts from April 1, 2008 onwards.

7. LONG-TERM DEBT

Long-term debt consists of the following:

| <i>(millions of dollars)</i> | March 31 2008 | December 31 2007 |
|--|--------------------------|-----------------------------|
| Notes payable to the Ontario Electricity Financial Corporation | 3,740 | 3,665 |
| Share of non-recourse limited partnership debt | 185 | 188 |
| | 3,925 | 3,853 |
| Less: due within one year | | |
| Notes payable to the Ontario Electricity Financial Corporation | 375 | 400 |
| Share of non-recourse limited partnership debt | 7 | 7 |
| | 382 | 407 |
| Long-term debt | 3,543 | 3,446 |

During the three months ended March 31, 2008, the Company met its debt retirement obligation by issuing \$200 million of notes under the \$950 million credit agreement to refinance the maturing notes. These borrowings will mature in March 2018.

Interest paid during the three months ended March 31, 2008 was \$95 million (three months ended March 31, 2007 – \$96 million), of which \$91 million relates to interest paid on long-term debt (three months ended March 31, 2007 – \$91 million). Interest on the notes payable to the Ontario Electricity Financial Corporation (“OEF”) is paid semi-annually.

Debt financing for the Niagara Tunnel, the Portlands Energy Centre and the Lac Seul hydroelectric generating station projects is provided by the OEF. As at March 31, 2008, debt financing for these projects consists of the following:

| <i>(millions of dollars)</i> | Niagara Tunnel | Portlands Energy Centre | Lac Seul Hydroelectric Generating Station |
|---|---------------------------|------------------------------------|--|
| Debt financing, as at December 31, 2007 | 240 | 210 | 20 |
| New borrowing during the period | 40 | 35 | - |
| Debt financing, as at March 31, 2008 | 280 | 245 | 20 |

8. SHORT-TERM CREDIT FACILITIES AND NET INTEREST EXPENSE

OPG maintains a \$1 billion revolving committed bank credit facility which is divided into two tranches – a \$500 million 364-day term tranche and a \$500 million five-year term tranche. OPG has renewed and extended the maturity date of the 364-day term tranche to May 20, 2009 and the five-year term tranche to May 20, 2013. The total credit facility will continue to be used primarily as credit support for notes issued under OPG’s commercial paper program. As at March 31, 2008, no commercial paper was outstanding (December 31, 2007 – nil). OPG had no other outstanding borrowings under the bank credit facility.

The following table summarizes the net interest expense for the three months ended March 31, 2008 and 2007:

| <i>(millions of dollars)</i> | Three Months Ended March 31 | |
|------------------------------|--------------------------------|------|
| | 2008 | 2007 |
| Interest on long-term debt | 56 | 50 |
| Interest on short-term debt | 3 | 6 |
| Interest income | (2) | (1) |
| Capitalized interest | (13) | (8) |
| Other | (4) | (21) |
| Net interest expense | 40 | 26 |

9. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT

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

| <i>(millions of dollars)</i> | March 31 2008 | December 31 2007 |
|---|------------------|---------------------|
| Liability for nuclear used fuel management | 6,001 | 5,938 |
| Liability for nuclear decommissioning and low and intermediate level waste management | 4,887 | 4,843 |
| Liability for non-nuclear fixed asset removal | 178 | 176 |
| Fixed asset removal and nuclear waste management liability | 11,066 | 10,957 |

The change in the fixed asset removal and nuclear waste management liability for the three months ended March 31, 2008 and the year ended December 31, 2007 are as follows:

| <i>(millions of dollars)</i> | March 31 2008 | December 31 2007 |
|---|------------------|---------------------|
| Liability, beginning of period | 10,957 | 10,520 |
| Increase in liability due to accretion | 154 | 582 |
| Increase in liability due to nuclear used fuel and nuclear waste management variable expenses | 9 | 76 |
| Liabilities settled by expenditures on waste management | (54) | (200) |
| Increase (decrease) in the liability for non-nuclear fixed asset removal | - | (21) |
| Liability, end of period | 11,066 | 10,957 |

Ontario Nuclear Funds Agreement

OPG sets aside and invests funds in segregated custodian and trustee accounts specifically for discharging its nuclear fixed asset removal and nuclear waste management liabilities. The nuclear fixed asset removal and nuclear waste management funds as at March 31, 2008 and December 31, 2007 consist of the following:

| <i>(millions of dollars)</i> | Fair Value | |
|--|------------------|---------------------|
| | March 31 2008 | December 31 2007 |
| Decommissioning Fund | 4,980 | 5,075 |
| Due to Province – Decommissioning Fund | - | (3) |
| | 4,980 | 5,072 |
| Used Fuel Fund ¹ | 4,700 | 4,702 |
| Due to Province – Used Fuel Fund | (362) | (511) |
| | 4,338 | 4,191 |
| | 9,318 | 9,263 |

¹ The Ontario NFWA Trust represented \$1,375 million as at March 31, 2008 (December 31, 2007 - \$1,244 million) of the Used Fuel Fund on a fair value basis.

10. INCOME TAXES

The following table summarizes the difference in the income statement amounts under the taxes payable method used by the Company to account for income taxes for the regulated business, compared to what would have been reported had OPG applied the liability method for the regulated business for the three months ended March 31, 2008 and 2007:

| <i>(millions of dollars)</i> | Three Months Ended March 31 | |
|---|--------------------------------|------|
| | 2008 | 2007 |
| As stated: | | |
| Future income tax (recovery) expense | (166) | 9 |
| Future income tax: Other comprehensive income – Upon transition | - | 16 |
| Future income tax: Other comprehensive income – Current | (6) | 7 |
| Liability method: | | |
| Future income tax (recovery) expense | (63) | 27 |
| Future income tax: Other comprehensive income – Upon transition | - | 12 |
| Future income tax: Other comprehensive income – Current | (9) | (6) |

The following table summarizes the difference in the balance sheet amounts under the taxes payable method used by the Company to account for income taxes compared to what would have been reported had OPG applied the liability method for the regulated business as at March 31, 2008 and December 31, 2007:

| <i>(millions of dollars)</i> | March 31, 2008 | | December 31, 2007 | |
|---|----------------|-------------------------------|-------------------|------------------|
| | As Stated | Liability Method ¹ | As Stated | Liability Method |
| Future income tax assets – current | 11 | 39 | 12 | 39 |
| Long-term future income tax assets | 56 | - | - | - |
| Long-term future income tax liabilities | - | (508) | (217) | (680) |

¹The amounts include the impact of the resolution of a number of tax uncertainties.

In the third quarter of 2006, OPG received a preliminary communication from the Provincial Tax Auditors (“Tax Auditors”) with respect to their initial findings from their audit of OPG’s 1999 taxation year. Many of the issues raised through the audit are unique to OPG and relate either to start-up matters and positions taken on April 1, 1999 upon commencement of operations, or matters that were not adequately addressed through the *Electricity Act, 1998*. Recently, a number of outstanding tax matters related to the 1999 tax audit were substantially resolved. As a result, OPG reduced its income tax liability by \$85 million.

The amount of cash income taxes paid during the three months ended March 31, 2008 was \$nil (three months ended March 31, 2007 – \$37 million).

11. PENSION AND OTHER POST EMPLOYMENT BENEFIT COSTS

Total benefit costs for the three months ended March 31, 2008 and 2007 are as follows:

| <i>(millions of dollars)</i> | March 31 2008 | March 31 2007 |
|--------------------------------|---------------|---------------|
| Registered pension plan | 47 | 61 |
| Supplementary pension plans | 4 | 4 |
| Other post employment benefits | 55 | 57 |
| | 106 | 122 |

12. FINANCIAL INSTRUMENTS

OPG’s Board of Directors has approved, and management has implemented, a risk management governance structure designed to effectively identify, measure, monitor and report on key risks across the Company. Risk management activities are coordinated through a centralized risk management group, separate and independent from operational management. Risk information from the business units is independently assessed and aggregated by the Risk Services Group, and is reported by the Chief Risk Officer to the Executive Risk Committee. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities.

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

The following is a summary of OPG's financial instruments as at March 31, 2008:

| Financial Instruments ¹ <i>(millions of dollars)</i> | Designated Category | Fair Value |
|---|----------------------------|-------------------|
| Cash and cash equivalents | Held-to-maturity | 303 |
| Long term investments ² | Held-to-maturity | 84 |
| Nuclear fixed asset removal and nuclear waste management funds | Held-for-trading | 9,318 |
| Long-term debt (including current portion) | Other liabilities | 4,057 |
| Foreign exchange forward contracts ³ | Held-for-trading | (2) |
| Other commodity derivative instruments ³ | Held-for-trading | 3 |

¹ The carrying value of other financial instruments included in accounts receivable and accounts payable and accrued charges approximate their fair values due to the immediate or short-term maturity of these financial instruments.

² Includes investments owned by the Company's wholly owned subsidiary, OPG Ventures Inc., that are recorded at fair value in accordance with Accounting Guideline 18, Investment Companies.

³ Derivative instruments not qualifying for hedge accounting.

Risks Associated with Financial Instruments

Credit Risk

Credit risk is the risk that a third-party to a financial instrument might fail to meet its obligation under the terms of a financial instrument. To manage credit risk, the Company enters into transactions with creditworthy counterparties, limits the amount of exposure to each counterparty where possible, and monitors the financial condition of counterparties.

The following table provides information on credit risk from energy trading activities as at March 31, 2008:

| Credit Rating ¹ | Number of Counterparties ² | Potential Exposure for Largest Counterparties | | |
|-----------------------------------|--|--|---------------------------------|--|
| | | Potential Exposure ³ <i>(millions of dollars)</i> | Number of Counterparties | Counterparty Exposure <i>(millions of dollars)</i> |
| Investment grade | 28 | 96 | 4 | 65 |

¹ Credit ratings are based on OPG's own analysis, taking into consideration external rating agency analysis where available, as well as recognizing explicit credit support provided through guarantees and letters of credit or other security.

² OPG's counterparties are defined by each master agreement.

³ Potential exposure is OPG's assessment of maximum exposure over the life of each transaction at a 95 per cent confidence interval.

The majority of OPG's revenues are derived from sales through the Independent Electricity System Operator ("IESO") administered spot market. OPG's management accepts this credit risk due to the IESO's primary role in the Ontario electricity market. Credit exposure to the IESO at March 31, 2008 was \$512 million. The retained interest of the receivable from the IESO accounts for \$224 million of the Company's accounts receivable carrying amount at March 31, 2008.

Investments

The Company limits its exposure to credit risk by investing in reasonably liquid (i.e. in normal circumstances, capable of liquidation within one month) securities that are rated by a recognized bond rating agency in accordance with a minimum investment quality standard.

In regards to derivative contracts, the Company limits its exposure to credit risk by engaging with high credit-quality counterparties.

Current exposure to credit risk has changed due to the Company's exposure to the restructuring of the ABCP market in Canada. Additional details with respect to OPG's exposure to the restructuring program are described in Note 3.

Guarantees

As part of normal business, OPG and certain of its subsidiaries and joint ventures enter into various agreements providing financial guarantees to third parties on behalf of certain subsidiaries and joint ventures. The maximum exposure to credit risk is the maximum amount the Company could have to pay if the guarantees are called on. As at March 31, 2008, this exposure was \$98 million.

Liquidity Risk

Liquidity risk arises through excess financial obligations over available financial assets, due at any point in time. The Company's approach to managing liquidity is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarizes the maturity profile of the Company's long-term debt at March 31, 2008:

| <i>(millions of dollars)</i> | 2009 | 2010 | 2011 | 2012 | 2013 and Thereafter |
|------------------------------|-------------|-------------|-------------|-------------|--------------------------------|
| Long-term debt | 357 | 978 | 383 | 409 | 1,594 |
| Interest on long-term debt | 209 | 177 | 128 | 99 | 426 |

Non-recourse limited partnership debt is secured by a first charge on the assets of one of the joint venture limited partnerships, an assignment of the joint venture's bank accounts, and an assignment of the joint venture's project agreements.

Market Risk

Market risk is the risk that changes to market prices, such as foreign exchange rates, interest rates, electricity prices and equities, will affect OPG's income or the value of the Company's holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Company manages its exposure to market risks using forwards and various derivative products in the ordinary course of business. All such transactions are carried out within the guidelines set by the Executive Risk Committee.

Foreign Exchange Risk

OPG's foreign exchange exposure is attributable to two primary factors: United States dollar ("USD") denominated transactions such as the purchase of fossil fuels; and the influence of USD denominated commodity prices on Ontario electricity spot market prices. OPG enters into derivative contracts with major financial institutions to manage the Company's exposure to foreign currency movements. Details on the Company's forward currency contracts outstanding as at March 31, 2008 are discussed below.

Interest Rate Risk

Interest rate risk is the risk that the value of OPG's assets and liabilities can decrease and increase respectively because of a change in the related interest rates. OPG considers interest rate risk related to cash and cash equivalents and short-term borrowings to be low because of their short-term nature. Changes in interest rates do not currently have a significant impact on the Company's interest expense, since long-term borrowings are on a fixed rate basis.

The Company is exposed to interest rate risk on its long-term borrowings expected to be issued in the future. The Company manages the exposure to changes in market interest rates for long-term borrowings by entering into forward start interest rate contracts and floating-to-fixed interest rate swap contracts.

Details of the notional principal amounts and remaining terms of the interest rate contracts outstanding are disclosed below.

Electricity Price Risk

Electricity price risk for the Company is the potential for adverse movements in the market price of electricity. Exposure to electricity price risk is reduced as a result of regulated rates for a significant portion of OPG's business, and is also affected by the revenue limit rebate mechanism that applies to generation from OPG's unregulated generating stations. To manage this risk, the Company seeks to maintain a balance between the commodity price risk inherent in its electricity production and electricity forward sales contracts to the extent that trading liquidity in the electricity commodity market provides the economic opportunity to do so.

The table below summarizes a sensitivity analysis for significant unsettled market risk exposures with respect to the Company's financial instruments as at March 31, 2008, with all other variables held constant. It shows how net income and other comprehensive income before tax would have been affected by changes in the relevant risk variable that were reasonably possible, at that date, over a three-month period.

| <i>(millions of dollars)</i> | A change of: | Impact on net income before tax | Impact on other comprehensive income before tax |
|--|---------------------|--|--|
| Foreign exchange – U.S. dollar | +/- \$0.02 | - | 1 |
| Interest rate ¹ | +/- 10 basis points | - | 5 |
| Electricity price – Hedge ² | | n/a | 3 |
| Electricity price – Trading ² | | - | n/a |

¹ The interest rate sensitivity analysis was determined based on the exposure to interest rates for derivatives instruments designated as hedges at the balance sheet date.

² The sensitivity analysis around electricity prices was constructed using forward price volatilities that were based on historical daily forward electricity contract prices. The analysis considered contracts of varying time frames, traded in Ontario and neighbouring electricity markets.

Nuclear Funds Equity Price Risk

Equity price risk is the risk of loss or unexpected volatility due to a decline in the values of individual equities and/or equity indices. The Company is exposed to equity price risk primarily related to equity investments held in the Nuclear Funds that are classified on the consolidated balance sheet as held-for-trading and measured at fair value. To manage this risk, OPG has established investment policies and procedures that set out an investment framework for the funds, including the investment assumptions, permitted investments, and various investment constraints for the Nuclear Funds. Such policies and procedures are approved annually by OPG and the Province in the case of the Decommissioning Fund and by the Province in the case of the Used Fuel Fund.

Under the Ontario Nuclear Funds Agreement, the annual return in the Used Fuel Fund is guaranteed by the Province for funding related to the first 2.23 million used fuel bundles. Therefore, OPG is not currently exposed to equity price risk in the Used Fuel Fund. OPG is, however, exposed to equity price risk in the Decommissioning Fund. Due to the long-term nature of the Decommissioning Fund's liabilities, the target asset mix of the fund was established with the goal of meeting the long-term liabilities. As such, the Company is prepared to accept shorter term market fluctuations with the expectation that equity securities will provide adequate returns over the long-term.

The table below approximates the potential dollar impact on OPG's pre-tax profit, associated with a 1 per cent change in the specified equity indices. This analysis is based on the market values of the Decommissioning Fund's equity holdings at March 31, 2008, as well as on the assumption that when one equity index changes by 1 per cent, all other equity indices are held constant.

| <i>(millions of dollars)</i> | March 31 2008 |
|--------------------------------|--------------------------|
| S&P/TSX Capped Composite Index | 13 |
| S&P 500 | 5 |
| MSCI EAFE Index | 5 |
| MSCI World Index | 6 |
| | 29 |

Derivatives and Hedging

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

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

Derivative Instruments Qualifying for Hedge Accounting

The following table provides the estimated fair value of derivative instruments designated as hedges. The majority of OPG's derivative instruments are treated as hedges, with gains or losses recognized in net income upon settlement when the underlying transactions occur. OPG holds financial commodity derivatives primarily to hedge the commodity price exposure associated with changes in the price of electricity.

| <i>(millions of dollars except where noted)</i> | Notional Quantity | Terms | Fair Value | Notional Quantity | Terms | Fair Value |
|---|------------------------------|-----------------|-----------------------|------------------------------|--------------|-----------------------|
| | March 31, 2008 | | | December 31, 2007 | | |
| Electricity derivative instruments | 1.6 TWh | 1-3 yrs | 22 | 1.8 TWh | 1-3 yrs | 35 |
| Foreign exchange derivative instruments | U.S. \$50 | Dec./08 | 2 | U.S. \$48 | Sep./08 | (1) |
| Floating to fixed interest rate hedges | 45 | 1-11 yrs | (3) | 43 | 1-11 yrs | (2) |
| Forward start interest rate hedges | 522 | 1-12 yrs | (22) | 692 | 1-12 yrs | (6) |

Foreign exchange derivative instruments are used to hedge the exposure to anticipated U.S. dollar denominated purchases. The weighted average fixed exchange rate for contracts outstanding at both March 31, 2008 and December 31, 2007 was U.S. \$1.00 for every Canadian dollar.

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

Net gains of \$6 million related to derivative instruments qualifying for hedge accounting were recognized in net income during the three months ended March 31, 2008. This amount was previously recorded in other comprehensive income. Existing net gains of \$8 million deferred in accumulated other comprehensive income at March 31, 2008 are expected to be reclassified to net income within the next 12 months.

Derivative Instruments Not Qualifying for Hedge Accounting

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

| <i>(millions of dollars except where noted)</i> | Notional Quantity March 31, 2008 | Fair Value | Notional Quantity December 31, 2007 | Fair Value |
|---|---|-----------------------|--|-----------------------|
| Foreign exchange derivative instruments | U.S \$14 | (2) | U.S.\$14 | (2) |
| Commodity derivative instruments | | | | |
| Assets | 6.1 TWh | 14 | 9.9 TWh | 14 |
| Liabilities | 2.5 TWh | (11) | 1.2 TWh | (10) |
| | | 1 | | 2 |
| Market liquidity reserve | | (11) | | (2) |
| Total | | (10) | | - |

Foreign exchange derivative instruments that are not designated as hedges have a weighted average exchange rate of U.S. \$0.86 at March 31, 2008.

Fair Value

Fair value is the value that a financial instrument can be closed out or sold, in a transaction with a willing and knowledgeable counterparty. The fair value of financial assets and liabilities, including exchange traded derivatives and other financial instruments for which quoted prices are available in an active market, are determined directly from those quoted market prices.

For financial instruments which do not have quoted market prices directly available, fair values are estimated using forward price curves developed from observable market prices or rates which may include the use of valuation techniques or models, based wherever possible on assumptions supported by observable market prices or rates prevailing at the balance sheet date. This is the case for over-the-counter derivatives and securities, which include energy commodity derivatives, foreign exchange derivatives, interest rate swap derivatives, and ABCP issued by third-party trusts. Valuation models use general assumptions and market data and therefore do not reflect the specific risks and other factors that would affect a particular instrument's fair value. The methodologies used for calculating the fair value adjustments are reviewed on an ongoing basis to ensure that they remain appropriate.

Forward pricing information is inherently uncertain so that fair values of derivative instruments may not accurately represent the cost to enter into these positions. To address the impact of some of this uncertainty on trading positions, OPG established liquidity reserves against the mark-to-market gains or losses of these positions. These reserves decreased trading revenue by \$9 million during the three months ended March 31, 2008 (three months ended March 31, 2007 – decreased by \$1 million).

13. CAPITAL MANAGEMENT

The Board of Director's objectives when managing capital are to safeguard the Company's assets and its ability to operate on a commercial basis, while undertaking future development projects that provide an adequate return to the shareholder, and benefits to other stakeholders. The Company attempts to maintain an optimal capital structure and minimize the cost of capital.

The Company is owned 100 per cent by the Province of Ontario. To minimize its cost of capital, the Company targets financial metrics consistent with an investment grade credit rating. This provides the Company with access to capital markets in the future, while targeting a low cost of debt financing.

The Company monitors capital on the basis of the ratio of total debt to total capitalization. Debt is calculated as total borrowings, including long-term debt due within one year, long-term debt and the amount of the letters of credit. Total capitalization is calculated as total debt plus total shareholder's equity as shown in the consolidated balance sheets.

A financial covenant in OPG's \$1 billion revolving committed bank credit facility requires OPG to maintain on a fully consolidated basis, a ratio of Debt to Total Capitalization, of not greater than 0.65:1.0 at any time.

For the regulated business, OPG has filed an application with the OEB based on a proposed deemed capital structure of 42.5 per cent debt and 57.5 per cent equity.

The table below summarizes OPG's debt to total capitalization position:

| (millions of dollars) | March 30 2008 | December 31 2007 |
|------------------------------------|------------------|---------------------|
| Long-term debt due within one year | 382 | 407 |
| Long-term debt | 3,543 | 3,446 |
| Letters of credit | 205 | 205 |
| Total debt | 4,130 | 4,058 |
| Total shareholder's equity | 6,938 | 6,807 |
| Total capitalization | 11,068 | 10,865 |
| Total debt to total capitalization | 37% | 37% |

There were no changes in the Company's approach to capital management during the year.

14. COMMITMENTS AND CONTINGENCIES

Litigation

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

On August 9, 2006, a Notice of Action and Statement of Claim in the amount of \$500 million (the "Claim") was served on OPG and Bruce Power L.P. by British Energy Limited and British Energy International Holdings Limited ("British Energy"), claiming that OPG is liable to them for breach of contract and negligence. OPG leased the Bruce nuclear generating stations to Bruce Power L.P. in 2001. British Energy was an investor in Bruce Power L.P. In 2003, British Energy sold its interest in Bruce Power L.P. to a group of investors (the "Purchasers"). The Purchasers are claiming that British Energy is liable to them with respect to this purchase transaction. Their claim is currently the subject of an arbitration proceeding (the "Arbitration"). British Energy is therefore suing OPG in order to preserve any similar claim it may have against OPG pursuant to the 2001 lease transaction. British Energy has indicated that it does not require OPG to actively defend the Claim at this point in time as British Energy is defending the Arbitration commenced by the Purchasers. The Arbitration may narrow

or eliminate the claims or damages British Energy has, so as to narrow or eliminate the need to continue the Claim against OPG. British Energy has reserved the right to require OPG to defend the Claim prior to the conclusion of the Arbitration should British Energy at some point believe there is some advantage in doing so.

Certain First Nations have commenced actions for interference with reserve and traditional land rights. The claims by some of these First Nations total approximately \$40 million and claims by others are for unspecified amounts.

Each of these matters is subject to various uncertainties. Some of these matters may be resolved unfavourably with respect to OPG and could have a significant effect on OPG's financial position. Management has provided for contingencies that are determined to be likely and are reasonably measurable.

Environmental

OPG was required to assume certain environmental obligations from Ontario Hydro. A provision of \$76 million was established as at April 1, 1999 for such obligations. As at March 31, 2008, the remaining provision was \$43 million (December 31, 2007 – \$45 million).

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

15. REVENUE LIMIT REBATE

Eighty-five per cent of the generation output from OPG's unregulated generation assets, excluding the Lennox generating station and forward sales as of January 1, 2005, is subject to a revenue limit.

The change in the revenue limit rebate liability for the three months ended March 31, 2008 and the year ended December 31, 2007 are as follows:

| <i>(millions of dollars)</i> | March 31 2008 | December 31 2007 |
|---|--------------------------|-----------------------------|
| Liability, beginning of the period | 100 | 40 |
| Increase to provision during the period | 67 | 227 |
| Payments made during the period | (66) | (167) |
| Liability, end of period | 101 | 100 |

16. BUSINESS SEGMENTS

| Segment (Loss) Income for Three Months Ended March 31, 2008 <i>(millions of dollars)</i> | Regulated | | Unregulated | | | Total |
|---|-----------|----------------|----------------|----------------|-------|-------|
| | Nuclear | Hydro-electric | Hydro-electric | Fossil-Fuelled | Other | |
| Revenue | 765 | 178 | 244 | 421 | 22 | 1,630 |
| Revenue limit rebate | - | - | (24) | (43) | - | (67) |
| | 765 | 178 | 220 | 378 | 22 | 1,563 |
| Fuel expense | 41 | 49 | 23 | 191 | - | 304 |
| Gross margin | 724 | 129 | 197 | 187 | 22 | 1,259 |
| Operations, maintenance and administration | 493 | 23 | 43 | 120 | 12 | 691 |
| Inter-segment service fee | 7 | 1 | 2 | 1 | (11) | - |
| Depreciation and amortization | 106 | 16 | 20 | 22 | 11 | 175 |
| Accretion on fixed asset removal and nuclear waste management liabilities | 133 | - | - | 2 | - | 135 |
| Losses on nuclear fixed asset removal and nuclear waste management funds | 51 | - | - | - | - | 51 |
| Property and capital taxes | (7) | 3 | - | 7 | 3 | 6 |
| (Loss) income before other gains and losses | (59) | 86 | 132 | 35 | 7 | 201 |
| Other (gains) and losses | - | - | - | (2) | 9 | 7 |
| (Loss) income before interest and income taxes | (59) | 86 | 132 | 37 | (2) | 194 |

| Segment (Loss) Income for Three Months Ended March 31, 2007 <i>(millions of dollars)</i> | Regulated | | Unregulated | | | Total |
|---|-----------|----------------|----------------|----------------|-------|-------|
| | Nuclear | Hydro-electric | Hydro-electric | Fossil-Fuelled | Other | |
| Revenue | 682 | 176 | 222 | 513 | 27 | 1,620 |
| Revenue limit rebate | - | - | (31) | (65) | - | (96) |
| | 682 | 176 | 191 | 448 | 27 | 1,524 |
| Fuel expense | 32 | 52 | 19 | 225 | - | 328 |
| Gross margin | 650 | 124 | 172 | 223 | 27 | 1,196 |
| Operations, maintenance and administration | 491 | 23 | 41 | 128 | 11 | 694 |
| Inter-segment service fee | 8 | - | 1 | 2 | (11) | - |
| Depreciation and amortization | 116 | 16 | 18 | 18 | 14 | 182 |
| Accretion on fixed asset removal and nuclear waste management liabilities | 126 | - | - | 2 | - | 128 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | (91) | - | - | - | - | (91) |
| Property and capital taxes | 11 | 5 | 4 | 6 | 3 | 29 |
| (Loss) income before interest and income taxes | (11) | 80 | 108 | 67 | 10 | 254 |

| <i>(millions of dollars)</i> | Regulated | | Unregulated | | | Total |
|--|-----------|----------------|----------------|----------------|-------|--------|
| | Nuclear | Hydro-electric | Hydro-electric | Fossil-Fuelled | Other | |
| Selected Balance Sheet Information | | | | | | |
| As at March 31, 2008 | | | | | | |
| Segment fixed assets in service, net | 4,003 | 3,858 | 2,993 | 427 | 495 | 11,776 |
| Segment construction work in progress | 199 | 325 | 100 | 330 | 30 | 984 |
| Segment property, plant and equipment, net | 4,202 | 4,183 | 3,093 | 757 | 525 | 12,760 |
| As at December 31, 2007 | | | | | | |
| Segment fixed assets in service, net | 4,030 | 3,871 | 2,996 | 422 | 508 | 11,827 |
| Segment construction work in progress | 210 | 299 | 88 | 49 | 304 | 950 |
| Segment property, plant and equipment, net | 4,240 | 4,170 | 3,084 | 471 | 812 | 12,777 |

17. CHANGES IN NON-CASH WORKING CAPITAL BALANCES

| <i>(millions of dollars)</i> | Three Months Ended March 31 | |
|--------------------------------------|--------------------------------|--------------|
| | 2008 | 2007 |
| Accounts receivable | (24) | (129) |
| Prepaid expenses | (3) | (18) |
| Fuel inventory | 64 | 103 |
| Materials and supplies | 1 | - |
| Revenue limit rebate payable | 67 | 96 |
| Accounts payable and accrued charges | (167) | (163) |
| Income and capital taxes payable | 10 | 9 |
| | (52) | (102) |

18. SEASONAL OPERATIONS

OPG's quarterly results are impacted by changes in demand resulting from variations in seasonal weather conditions. Historically, OPG's revenues are higher in the first and third quarters of a fiscal year as a result of winter heating demands in the first quarter and air conditioning/cooling demands in the third quarter. Regulated prices for most of OPG's baseload hydroelectric facilities and all of the nuclear facilities that OPG operates, the revenue limit related to the generation from OPG's other generating assets and OPG's hedging strategies significantly reduced the impact of seasonal price fluctuations on the results of operations.