

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
<i>(millions of dollars except where noted)</i>				
Revenue (Note 16)				
Revenue before revenue limit rebate	1,440	1,393	3,070	3,013
Revenue limit rebate (Note 15)	(55)	(20)	(122)	(116)
	1,385	1,373	2,948	2,897
Fuel expense (Note 16)	277	298	581	626
Gross margin (Note 16)	1,108	1,075	2,367	2,271
Expenses				
Operations, maintenance and administration	750	776	1,441	1,470
Depreciation and amortization (Note 5)	160	169	335	351
Accretion on fixed asset removal and nuclear waste management liabilities (Note 9)	152	126	287	254
Earnings on nuclear fixed asset removal and nuclear waste management funds (Note 9)	(108)	(209)	(57)	(300)
Property and capital taxes	24	20	30	49
	978	882	2,036	1,824
Income before the following:	130	193	331	447
Other losses (Note 3 and 16)	-	-	7	-
Income before interest and income taxes	130	193	324	447
Net interest expense (Note 8)	39	39	79	65
Income before income taxes	91	154	245	382
Income tax expenses (Note 10)				
Current	(12)	29	146	77
Future	4	-	(162)	9
	(8)	29	(16)	86
Net income	99	125	261	296
Basic and diluted income per common share (dollars)	0.39	0.48	1.02	1.15
Common shares outstanding (millions)	256.3	256.3	256.3	256.3

See accompanying notes to the consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Operating activities				
Net income	99	125	261	296
Adjust for non-cash items:				
Depreciation and amortization <i>(Note 5)</i>	160	169	335	351
Accretion on fixed asset removal and nuclear waste management liabilities <i>(Note 9)</i>	152	126	287	254
Earnings on nuclear fixed asset removal and nuclear waste management funds	(108)	(209)	(57)	(300)
Pension and other post employment benefit costs <i>(Note 11)</i>	106	121	212	243
Future income taxes <i>(Note 10)</i>	4	-	(162)	9
Other	30	54	49	64
	443	386	925	917
Contributions to nuclear fixed asset removal and nuclear waste management funds	(113)	(113)	(227)	(227)
Expenditures on fixed asset removal and nuclear waste management	(41)	(47)	(95)	(100)
Reimbursement of expenditures on nuclear fixed asset removal and nuclear waste management	-	74	8	86
Contributions to Pension Fund	(66)	(66)	(132)	(132)
Expenditures on other post employment benefits and supplementary pension plans	(23)	(17)	(39)	(34)
Revenue limit rebate <i>(Note 15)</i>	(30)	(26)	(96)	(48)
Expenditure on restructuring	-	-	-	(2)
Net changes to other long-term assets and liabilities	5	(15)	132	(19)
Changes in non-cash working capital balances <i>(Note 17)</i>	(23)	136	(75)	34
Cash flow provided by operating activities	152	312	401	475
Investing activities				
Increase in regulatory assets <i>(Note 6)</i>	(4)	(8)	(10)	(38)
Investment in fixed assets	(134)	(163)	(262)	(297)
Net proceeds from sale (purchase) of long-term investments	(1)	-	5	-
Cash flow used in investing activities	(139)	(171)	(267)	(335)
Financing activities				
Issuance of long-term debt <i>(Note 7)</i>	50	160	325	210
Repayment of long-term debt <i>(Note 7)</i>	(1)	(1)	(204)	(203)
Net decrease in short-term notes	-	(177)	-	(15)
Cash flow provided by (used in) financing activities	49	(18)	121	(8)
Net increase in cash and cash equivalents	62	123	255	132
Cash and cash equivalents, beginning of period	303	15	110	6
Cash and cash equivalents, end of period	365	138	365	138

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at <i>(millions of dollars)</i>	June 30 2008	December 31 2007
Assets		
Current assets		
Cash and cash equivalents	365	110
Accounts receivable <i>(Note 4)</i>	366	315
Fuel inventory	591	604
Prepaid expenses	25	35
Future income taxes <i>(Note 10)</i>	7	12
Materials and supplies <i>(Note 2)</i>	128	125
	1,482	1,201
Fixed assets <i>(Note 2 and 16)</i>		
Property, plant and equipment	17,979	17,772
Less: accumulated depreciation	5,240	4,995
	12,739	12,777
Other long-term assets		
Deferred pension asset	769	731
Nuclear fixed asset removal and nuclear waste management funds <i>(Note 9)</i>	9,539	9,263
Long-term investments <i>(Note 3)</i>	85	93
Long-term materials and supplies	332	353
Future income tax asset <i>(Note 10)</i>	57	-
Regulatory assets <i>(Note 6)</i>	369	356
Long-term accounts receivable and other assets	36	65
	11,187	10,861
	25,408	24,839

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at <i>(millions of dollars)</i>	June 30 2008	December 31 2007
Liabilities		
Current liabilities		
Accounts payable and accrued charges	831	953
Revenue limit rebate payable <i>(Note 15)</i>	126	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	41	66
	<u>1,392</u>	<u>1,538</u>
Long-term debt <i>(Note 7)</i>	<u>3,592</u>	<u>3,446</u>
Other long-term liabilities		
Fixed asset removal and nuclear waste management <i>(Note 9)</i>	11,187	10,957
Other post employment benefits and supplementary pension plans	1,635	1,556
Long-term accounts payable and accrued charges	440	184
Deferred revenue	115	120
Future income taxes <i>(Note 10)</i>	-	217
Regulatory liabilities <i>(Note 6)</i>	13	14
	<u>13,390</u>	<u>13,048</u>
Shareholder's equity		
Common shares	5,126	5,126
Retained earnings	1,925	1,664
Accumulated other comprehensive (loss) income	(17)	17
	<u>7,034</u>	<u>6,807</u>
	<u>25,408</u>	<u>24,839</u>

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)**

Six Months Ended June 30

(millions of dollars)

	2008	2007
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	261	296
Balance at end of period	1,925	1,432
Accumulated other comprehensive (loss) income, net of income taxes		
Balance at beginning of period	17	-
Transition adjustment on adoption of financial instruments accounting standards <i>(Note 2)</i>	-	21
Other comprehensive (loss) income for the period	(34)	29
Balance at end of period	(17)	50
Total shareholder's equity at end of period	7,034	6,608

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(millions of dollars)

	Three Months Ended June 30 2008	Six Months Ended June 30 2008
Net income	99	261
Other comprehensive (loss) income, net of income tax		
Net (loss) on derivatives designated as cash flow hedges ¹	(3)	(30)
Reclassification to income of gains on derivatives designated as cash flow hedges ²	-	(4)
Other comprehensive (loss) income for the period	(3)	(34)
Comprehensive income	96	227

¹ Net of income tax recoveries of \$Nil and \$3 million for the three and six months ended June 30, 2008, respectively.

² Net of income tax recoveries of \$2 million and \$3 million for the three and six months ended June 30, 2008, respectively.

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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 did not approve an interim increase in the payment amounts, but 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. Where the above 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 and six months ended June 30, 2008.

3. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER

In August 2007, the Asset-Backed Commercial Paper (“ABCP”) market experienced a liquidity event when paper sponsored by third party (non-bank) conduits could not be refinanced as it matured. 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 per cent of the face value of the notes in December 2007. Of the remaining \$58 million, OPG recorded \$9 million as at December 31, 2007, plus an additional \$9 million impairment loss during the first quarter of 2008. The impairment loss was recorded in other gains and losses. OPG’s remaining holdings of third party ABCP are recorded as long term investments.

The remaining investment of \$58 million is subject to 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. The Plan was approved by the noteholders in April 2008. The sanctioning of the Plan by the Ontario Superior Court was delayed until June 2008, to incorporate certain amendments to the Plan. Despite the ruling of the Ontario Superior Court, a motion by a number of noteholders opposing the sanctioning of the Plan went before the Ontario Court of Appeal. In August 2008, the Ontario Court of Appeal upheld the earlier decision of the Ontario Superior Court. Absent a further appeal to the Supreme Court of Canada by noteholders who objected to the restructuring, the committee of large noteholders expects the Plan to close by September 30, 2008. OPG continues to monitor events related to the Plan and its implementation.

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	
	June 30 2008	December 31 2007
Total receivables portfolio ¹	535	479
Receivables sold	300	300
Receivables retained	235	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 June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Pre-tax charges	3	4	6	7
Average cost of funds <i>(per cent)</i>	4.0	4.7	4.3	4.8

5. FIXED ASSETS, DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three and six months ended June 30, 2008 and 2007 consists of the following:

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Depreciation	155	147	299	291
Amortization of deferred Pickering A return to service costs	4	20	33	56
Nuclear waste management costs	1	2	3	4
	160	169	335	351

Interest capitalized to construction in progress at six per cent during the three and six months ended June 30, 2008 (three and six months ended June 30, 2007 – six per cent) was \$13 million and \$26 million respectively (three and six months ended June 30, 2007 – \$10 million and \$18 million, respectively).

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

Under a regulation introduced pursuant to the *Electricity Restructuring Act, 2004* (Ontario), OPG was required to establish a number of variance and deferral accounts. OPG ceased recording additions to these variance and deferral accounts as of April 1, 2008, pending a decision from the OEB in relation to its rate application that seeks approval of new payment amounts and the re-establishment of certain existing accounts. OPG will record additions to the accounts that are approved by the OEB when it receives the decision on its rate application, expected in the fall of 2008. OPG continued to amortize the Pickering A Return to Service deferral account in the second quarter of 2008 as the balance in this account is being recovered through existing rates. The balances in the other variance and deferral accounts will not be amortized until OPG receives an order from the OEB that provides recovery of these costs. OPG will continue to record interest on the unamortized balances in the variance and deferral accounts until the regulatory assets are recovered through new payment amounts or the regulatory liabilities are cleared.

The regulatory assets and liabilities as at June 30, 2008 and December 31, 2007 are as follows:

<i>(millions of dollars)</i>	June 30 2008	December 31 2007
Regulatory assets		
Pickering A return to service costs	155	183
Nuclear liabilities deferral account	166	131
Nuclear generation development costs	33	28
Hydroelectric production variance	8	7
Ancillary services revenue variance	5	5
Transmission outages and transmission restrictions variance	2	2
Total regulatory assets	369	356
Regulatory liabilities		
Other	13	14
Total regulatory liabilities	13	14

The changes in the regulatory assets and liabilities for the six months ended June 30, 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	5	4	1	-	-	-	-
Amortization during the period	(33)	-	-	-	-	-	-
Regulatory assets (liabilities), June 30, 2008	155	166	33	2	8	5	(13)

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 will recover the costs incurred and firm financial commitments made in the course of planning and preparing for the development of proposed new nuclear facilities. The amendment made in February 2008 established a deferral account for the development of proposed new nuclear facilities. This account is in place until the effective date of the OEB's first payment order. After the effective date of the OEB's first payment order, the regulation requires OPG to establish a variance account to record differences between actual non-capital costs incurred and the amount included in regulated rates for these activities. OPG will start recording costs in this variance account based on the effective date of the OEB's payment order, which is expected in the fall of 2008.

Summary of Rate Regulated Accounting

The following tables summarize the impact of applying rate regulated accounting for selected income statement information:

<i>(millions of dollars)</i>	Three Months Ended June 30, 2008			Three Months Ended June 30, 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	1,385	5	1,390	1,373	3	1,376
Fuel expense	277	-	277	298	(2)	296
Operations, maintenance, and administration	750	-	750	776	5	781
Depreciation and amortization	160	(4)	156	169	(6)	163
Accretion on fixed asset removal and nuclear waste management liabilities	152	-	152	126	19	145
Property and capital taxes	24	-	24	20	1	21
Net interest expense	39	6	45	39	4	43

<i>(millions of dollars)</i>	Six Months Ended June 30, 2008			Six Months Ended June 30, 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	2,948	9	2,957	2,897	12	2,909
Fuel expense	581	(2)	579	626	(3)	623
Operations, maintenance, and administration	1,441	4	1,445	1,470	14	1,484
Depreciation and amortization	335	(20)	315	351	(28)	323
Accretion on fixed asset removal and nuclear waste management liabilities	287	19	306	254	38	292
Property and capital taxes	30	1	31	49	2	51
Net interest expense	79	10	89	65	25	90

The OEB's decision with respect to OPG's application for new payment amounts may impact OPG's accounting for variance and deferral accounts, including the timing for recording additional amounts in these accounts and amortization of the balances in these accounts.

7. LONG-TERM DEBT

Long-term debt consists of the following:

<i>(millions of dollars)</i>	June 30 2008	December 31 2007
Notes payable to the Ontario Electricity Financial Corporation	3,790	3,665
Share of non-recourse limited partnership debt	184	188
	3,974	3,853
Less: due within one year		
Notes payable to the Ontario Electricity Financial Corporation	375	400
Share of limited partnership debt	7	7
	382	407
Long-term debt	3,592	3,446

Interest paid during the three months ended June 30, 2008 was \$19 million (three months ended June 30, 2007 – \$14 million), of which \$15 million relates to interest paid on long-term debt (three months ended June 30, 2007 – \$10 million). Interest paid during the six months ended June 30, 2008 was \$114 million (six months ended June 30, 2007 – \$111 million), of which \$107 million relates to interest paid on long-term debt (six months ended June 30, 2007 – \$101 million). Interest on the notes payable to the Ontario Electricity Financial Corporation (“OEFC”) 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 OEFC. As at June 30, 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	70	55	-
Debt financing, as at June 30, 2008	310	265	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 June 30, 2008, no commercial paper was outstanding (December 31, 2007 – nil), and OPG had no other outstanding borrowings under the bank credit facility. In the second quarter of 2008, OPG entered into a \$100 million five-year revolving committed bank credit facility in support of the Upper Mattagami Project. As at June 30, 2008, there was no borrowing under this credit facility.

The following table summarizes the net interest expense for the three and six months ended June 30, 2008 and 2007:

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Interest on long-term debt	58	49	114	99
Interest on short-term debt	4	5	7	11
Interest income	(4)	(1)	(6)	(2)
Capitalized interest	(13)	(10)	(26)	(18)
Other	(6)	(4)	(10)	(25)
Net interest expense	39	39	79	65

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>	June 30 2008	December 31 2007
Liability for nuclear used fuel management	6,072	5,938
Liability for nuclear decommissioning and low and intermediate level waste management	4,935	4,843
Liability for non-nuclear fixed asset removal	180	176
Fixed asset removal and nuclear waste management liability	11,187	10,957

The change in the fixed asset removal and nuclear waste management liability for the six months ended June 30, 2008 and the year ended December 31, 2007 are as follows:

<i>(millions of dollars)</i>	June 30 2008	December 31 2007
Liability, beginning of period	10,957	10,520
Increase in liability due to accretion	306	582
Increase in liability due to nuclear used fuel and nuclear waste management variable expenses	19	76
Liabilities settled by expenditures on waste management	(95)	(200)
(Decrease) in the liability for non-nuclear fixed asset removal	-	(21)
Liability, end of period	11,187	10,957

Ontario Nuclear Funds Agreement

OPG sets aside and invests funds held in segregated custodian and trustee accounts specifically for discharging its nuclear fixed asset removal and nuclear waste management liabilities. The nuclear fixed asset removal and nuclear waste management funds as at June 30, 2008 and December 31, 2007 consist of the following:

<i>(millions of dollars)</i>	Fair Value	
	June 30 2008	December 31 2007
Decommissioning Fund	4,993	5,075
Due to Province – Decommissioning Fund	-	(3)
	4,993	5,072
Used Fuel Fund ¹	4,885	4,702
Due to Province – Used Fuel Fund	(339)	(511)
	4,546	4,191
	9,539	9,263

¹ The Ontario NFWA Trust represented \$1,373 million as at June 30, 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 interim consolidated statements of income 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 and six months ended June 30, 2008 and 2007:

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
As Stated:				
Future income tax expense (recovery)	4	-	(162)	9
Future income tax: Other comprehensive income – Upon transition	-	-	-	16
Future income tax: Other comprehensive income – for the period	(1)	7	(7)	-
Liability method ¹ :				
Future income tax expense (recovery)	17	24	(47)	51
Future income tax: Other comprehensive income – Upon transition	-	-	-	12
Future income tax: Other comprehensive income – for the period	(2)	13	(11)	8

The following table summarizes the difference in the interim consolidated balance sheets 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 June 30, 2008 and December 31, 2007:

<i>(millions of dollars)</i>	June 30, 2008		December 31, 2007	
	As Stated¹	Liability Method¹	As Stated¹	Liability Method¹
Future income tax assets – current	7	32	12	39
Long-term future income tax assets	57	-	-	-
Long-term future income tax liabilities	-	(514)	(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, the outstanding tax matters related to the 1999 tax audit were resolved. As a result, OPG reduced its income tax liability by \$106 million.

The amount of cash income taxes paid during the three months ended June 30, 2008 was \$30 million (three months ended June 30, 2007 – \$15 million). For the six months ended June 30, 2008, cash income taxes paid were \$30 million (six months ended June 30, 2007 - \$52 million).

11. PENSION AND OTHER POST EMPLOYMENT BENEFIT COSTS

Total benefit costs for the three and six months ended June 30, 2008 and 2007, are as follows:

<i>(millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Registered pension plan	47	60	94	121
Supplementary pension plans	4	3	8	7
Other post employment benefits	55	58	110	115

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 June 30, 2008:

Financial Instruments ¹ <i>(millions of dollars)</i>	Designated Category	Fair Value
Cash and cash equivalents	Held-to-maturity	365
Long-term investments ²	Held-to-maturity	40
Nuclear fixed asset removal and nuclear waste management funds	Held-for-trading	9,539
Long-term debt (including current portion)	Other liabilities	4,030
Other commodity derivative instruments included in current and long-term accounts receivable ³	Held-for-trading	20
Other commodity derivative instruments included in current and long-term accounts payable ³	Held-for-trading	(30)

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 Excludes investments of \$45 million 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 June 30, 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	23	100	4	55

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. Net credit exposure to the IESO at June 30, 2008 was \$235 million (Note 4). Although the credit exposure to the IESO represents a significant portion of OPG's accounts receivable, the Company's management accepts this risk due to the IESO's primary role in the Ontario electricity market. The remaining receivables exposure is to a diverse group of generally high quality counterparties. OPG's allowance for doubtful debts at June 30, 2008 was less than \$1 million.

OPG also enters into financial transactions with high rated financial institutions in order to hedge interest rate and currency exposures. At June 30, 2008, the credit exposure with these counterparties was under \$20 million. Other credit exposures include the investing of excess cash.

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. Such agreements include guarantees, standby Letters of Credit and surety bonds.

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 June 30, 2008:

<i>(millions of dollars)</i>	2009	2010	2011	2012	2013 and Thereafter
Long-term debt	357	978	383	409	1,644
Interest on long-term debt	212	179	131	102	439

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 June 30, 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 June 30, 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	2
Electricity price – Trading ²		4	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 dates of the interim consolidated balance sheets.

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 interim consolidated balance sheets 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 of Ontario (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 June 30, 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>	June 30 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 hedge 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
	June 30, 2008			December 31, 2007		
Electricity derivative instruments	1.4 TWh	1-3 yrs	12	1.8 TWh	1-3 yrs	35
Foreign exchange derivative instruments	U.S. \$50	Apr./09	2	U.S. \$48	Sep./08	(1)
Floating to fixed interest rate hedges	42	1-11 yrs	(3)	43	1-11 yrs	(2)
Forward start interest rate hedges	472	1-12 yrs	(21)	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 June 30, 2008 and December 31, 2007 was U.S. \$1.01 and \$0.99, respectively 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 losses of \$8 million related to derivative instruments qualifying for hedge accounting were recognized in net income during the six months ended June 30, 2008. This amount was previously recorded in other comprehensive income. Existing net gains of \$4 million deferred in accumulated other comprehensive income at June 30, 2008 are expected to be reclassified to net income within the next 12 months.

In the second quarter of 2008, OPG de-designated certain forward start interest rate hedges as the previously anticipated future borrowings associated with these instruments were no longer expected to occur. As a result of the de-designation, a net gain of \$4 million was reclassified to net income in the second quarter of 2008.

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 June 30, 2008	Fair Value	Notional Quantity December 31, 2007	Fair Value
Foreign exchange derivative instruments	-	-	U.S.\$14	(2)
Commodity derivative instruments				
Assets	5.0 TWh	20	9.9 TWh	14
Liabilities	3.3 TWh	(30)	1.2 TWh	(10)
		(10)		2
Market liquidity reserve		(19)		(2)
Total		(29)		-

Foreign exchange derivative instruments that are not designated as hedges have a weighted average exchange rate of U.S. \$0.86 at December 31, 2007.

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 dates of the interim consolidated balance sheets. This is the case for over-the-counter derivatives and securities, which include energy commodity derivatives, foreign exchange derivatives, interest rate swap derivatives, and 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 \$8 million during the three months ended June 30, 2008 (three months ended June 30, 2007 – increase by \$1 million). During the six months ended June 30, 2008, the reserves decreased trading revenue by \$17 million (six months ended June 30, 2007 – nil).

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. 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 interim 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)	June 30 2008	December 31 2007
Long-term debt due within one year	382	407
Long-term debt	3,592	3,446
Letters of credit	205	205
Total debt	4,179	4,058
Total shareholder's equity	7,034	6,807
Total capitalization	11,213	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 June 30, 2008, the remaining provision was \$42 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 six months ended June 30, 2008 and the year ended December 31, 2007 are as follows:

<i>(millions of dollars)</i>	June 30 2008	December 31 2007
Liability, beginning of the period	100	40
Increase to provision during the period	122	227
Payments made during the period	(96)	(167)
Liability, end of period	126	100

16. BUSINESS SEGMENTS

Segment (Loss) Income for Three Months Ended June 30, 2008 <i>(millions of dollars)</i>	Regulated		Unregulated			Total
	Nuclear	Hydro-electric	Hydro-electric	Fossil-Fuelled	Other	
Revenue	593	191	282	359	15	1,440
Revenue limit rebate	-	-	(3)	(52)	-	(55)
	593	191	279	307	15	1,385
Fuel expense	36	67	30	144	-	277
Gross margin	557	124	249	163	15	1,108
Operations, maintenance and administration	535	24	47	132	12	750
Inter-segment service fee	7	-	-	3	(10)	-
Depreciation and amortization	95	16	16	24	9	160
Accretion on fixed asset removal and nuclear waste management liabilities	150	-	-	2	-	152
Earnings on nuclear fixed asset removal and nuclear waste management funds	(108)	-	-	-	-	(108)
Property and capital taxes	10	3	4	4	3	24
(Loss) income before interest and income taxes	(132)	81	182	(2)	1	130

Segment Income (Loss) for Three Months Ended June 30, 2007 <i>(millions of dollars)</i>	Regulated		Unregulated			Total
	Nuclear	Hydro-electric	Hydro-electric	Fossil-Fuelled	Other	
Revenue	632	179	197	345	40	1,393
Revenue limit rebate	-	-	(1)	(19)	-	(20)
	632	179	196	326	40	1,373
Fuel expense	33	67	20	178	-	298
Gross margin	599	112	176	148	40	1,075
Operations, maintenance and administration	504	50	59	152	11	776
Inter-segment service fee	6	1	1	2	(10)	-
Depreciation and amortization	100	18	17	21	13	169
Accretion on fixed asset removal and nuclear waste management liabilities	124	-	-	2	-	126
Earnings on nuclear fixed asset removal and nuclear waste management funds	(209)	-	-	-	-	(209)
Property and capital taxes	9	2	1	5	3	20
Income (loss) before interest and income taxes	65	41	98	(34)	23	193

Segment (Loss) Income for Six Months Ended June 30, 2008 <i>(millions of dollars)</i>	Regulated		Unregulated			Total
	Nuclear	Hydro-electric	Hydro-electric	Fossil-Fuelled	Other	
Revenue	1,358	369	526	780	37	3,070
Revenue limit rebate	-	-	(27)	(95)	-	(122)
	1,358	369	499	685	37	2,948
Fuel expense	77	116	53	335	-	581
Gross margin	1,281	253	446	350	37	2,367
Operations, maintenance and administration	1,028	47	90	252	24	1,441
Inter-segment service fee	14	1	2	4	(21)	-
Depreciation and amortization	201	32	36	46	20	335
Accretion on fixed asset removal and nuclear waste management liabilities	283	-	-	4	-	287
Earnings on nuclear fixed asset removal and nuclear waste management funds	(57)	-	-	-	-	(57)
Property and capital taxes	3	6	4	11	6	30
(Loss) income before other gains and losses	(191)	167	314	33	8	331
Other (gains) and losses	-	-	-	(2)	9	7
(Loss) income before interest and income taxes	(191)	167	314	35	(1)	324

Segment Income for Six Months Ended June 30, 2007 <i>(millions of dollars)</i>	Regulated		Unregulated			Total
	Nuclear	Hydro-electric	Hydro-electric	Fossil-Fuelled	Other	
Revenue	1,314	355	419	858	67	3,013
Revenue limit rebate	-	-	(32)	(84)	-	(116)
	1,314	355	387	774	67	2,897
Fuel expense	65	119	39	403	-	626
Gross margin	1,249	236	348	371	67	2,271
Operations, maintenance and administration	995	73	100	280	22	1,470
Inter-segment service fee	14	1	2	4	(21)	-
Depreciation and amortization	216	34	35	39	27	351
Accretion on fixed asset removal and nuclear waste management liabilities	250	-	-	4	-	254
Earnings on nuclear fixed asset removal and nuclear waste management funds	(300)	-	-	-	-	(300)
Property and capital taxes	20	7	5	11	6	49
Income before interest and income taxes	54	121	206	33	33	447

<i>(millions of dollars)</i>	Regulated		Unregulated			Total
	Nuclear	Hydro-electric	Hydro-electric	Fossil-Fuelled	Other	
Selected Balance Sheet Information						
As at June 30, 2008						
Segment fixed assets in service, net	3,934	3,852	2,979	410	489	11,664
Segment construction in progress	221	340	124	41	349	1,075
Segment property, plant and equipment, net	4,155	4,192	3,103	451	838	12,739
As at December 31, 2007						
Segment fixed assets in service, net	4,030	3,871	2,996	422	508	11,827
Segment construction 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 June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Accounts receivable	(16)	66	(40)	(63)
Prepaid expenses	13	11	10	(7)
Fuel inventory	(51)	8	13	111
Materials and supplies	(4)	(4)	(3)	(4)
Revenue limit rebate	55	20	122	116
Accounts payable and accrued charges	15	25	(152)	(138)
Income and capital taxes payable	(35)	10	(25)	19
	(23)	136	(75)	34

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.