

August 7, 2002

ONTARIO POWER GENERATION REPORTS 2002 SECOND QUARTER EARNINGS

[Toronto]: Ontario Power Generation Inc. (OPG) today reported its financial and operating results for the second quarter and first six months ended June 30, 2002. Earnings for the three months ended June 30, 2002 were \$63 million or \$0.25 per share, as compared with second quarter earnings in 2001 of \$17 million or \$0.07 per share. For the six months ended June 30, 2002 the loss was \$154 million or \$0.60 per share compared to earnings of \$119 million or \$0.46 per share for the same period last year.

“OPG’s second quarter earnings primarily reflect a gain on sale of the four hydroelectric stations on the Mississagi River, offset in part by the impact of lower energy prices since market opening. Our six month results reflect a loss primarily due to restructuring charges and a provision on transition rate option contracts for industrial customers taken in the first quarter,” said OPG President and CEO, Ron Osborne.

OPG’s generating stations continued to perform well during the second quarter, particularly the nuclear generating stations which achieved a net capacity factor of 85.7 per cent for the three months ended June 30, 2002 compared to 73.2 per cent for the same period last year. For the six months ended June 30, 2002, the net capacity factor was 87.6 per cent compared to 82.0 per cent last year.

“On May 1, 2002, Ontario’s electricity market opened to competition at the wholesale and retail levels. We are pleased with the transition to a competitive market environment and look forward to successfully competing in Ontario’s reregulated electricity industry. The dynamics of the electricity market will continue to evolve with all participants developing a better understanding of market forces,” said Osborne.

During the second quarter, OPG completed the sale of four Mississagi hydroelectric stations to Great Lakes Hydro Income Fund; obtained its Federal Energy Regulatory Commission (FERC) licence to market electricity directly to end-use customers in the U.S. effective May 1, 2002; and continued to improve nuclear performance.

In May, Dominion Bond Rating Service lowered OPG's senior unsecured long-term debt rating to A (low) with a stable trend from A, while affirming its short-term debt rating of R-1 (low). In July, Standard and Poor's reaffirmed OPG's long-term debt rating of BBB+ while changing the outlook to negative and lowering the short-term debt rating to A-2 (Cdn) from A-1 (low).

Ontario Power Generation is an Ontario based company, whose principal business is the generation and sale of electricity to customers in Ontario and to interconnected markets. OPG's goal is to be a premier North American energy company, while operating in a safe, open and environmentally responsible manner. Our focus is on producing reliable electricity from our competitive generation assets; power trading; and commercial energy sales activities.

ONTARIO POWER GENERATION INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER 2002 RESULTS

This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and accompanying notes of OPG for the three and six months ended June 30, 2002. It should also be read in conjunction with OPG's audited consolidated financial statements, accompanying notes and Management's Discussion and Analysis for the year ended December 31, 2001. OPG's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars.

BUSINESS SEGMENTS

Commencing May 1, 2002, upon opening of the Ontario electricity market to competition, OPG began operating two business segments: Generation and Energy Marketing. A separate category, Non-Energy and Other, includes revenue and corporate costs which are not allocated to the two business segments.

With the opening of the Ontario electricity market to competition on May 1, 2002, all of OPG's electricity generation is sold into the real-time energy spot market administered by the Independent Electricity Market Operator ("IMO"), in order to be dispatched by the IMO. As such, the majority of OPG's revenue is derived from spot market sales. Revenue is also earned through offering available capacity as operating reserve and through the supply of other ancillary services including voltage control/reactive support, black start capability and automatic generation control. Prior to market opening, OPG sold electricity directly to wholesale electricity customers in Ontario, including local distribution companies and large industrial customers, and to customers in the interconnected markets of Quebec, Manitoba and the northeast and midwest regions of the United States.

OPG has entered into various energy and related sales contracts with its customers to hedge commodity price exposure to changes in electricity prices associated with an open spot market for electricity in Ontario. Contracts that are designated as hedges of OPG's generation portfolio are included in the Generation segment activities.

The Energy Marketing segment includes spot market sales and trading, and the sale of risk management and other energy-related products and services to meet customers' needs for energy solutions. OPG also sells and purchases into and from the interconnected markets of other provinces and the U.S. northeast and midwest. All contracts that are not designated as hedges are valued at market value with changes in fair value recorded in energy marketing revenue as trading gains or losses.

OPG derives non-energy revenue under the terms of a lease arrangement with Bruce Power L.P. ("Bruce Power") related to the Bruce nuclear generating stations. This includes lease revenue, interest income and revenue from engineering analysis and design, technical and ancillary services. Non-energy revenue also includes isotope sales to the medical industry. Corporate groups including human resources, finance, legal, treasury, information systems and other administrative services provide support to the reportable business segments.

HIGHLIGHTS

(millions of dollars unless otherwise stated)	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Revenues	1,288	1,507	2,845	3,046
Net income (loss)	63	17	(154)	119
Earnings (loss) per common share (\$ per common share)	0.25	0.07	(0.60)	0.46
Cash flow provided by (used in) operating activities	(39)	118	88	201
<i>Total physical electricity sales volume (TWh)</i>				
Generation segment	30.0	33.7	66.3	70.8
Energy marketing segment	0.4	-	0.4	-
Total	30.4	33.7	66.7	70.8
<i>Total energy available (TWh)</i>				
Total production	28.0	30.0	58.8	65.8
Purchased power	2.3	4.3	8.0	5.8
Other*	0.1	(0.6)	(0.1)	(0.8)
Total	30.4	33.7	66.7	70.8

* Represents deposits and withdrawals of electricity with utilities in neighbouring jurisdictions under energy banking arrangements

For the three months ended June 30, 2002, OPG had net income of \$63 million compared with net income of \$17 million for the same period in 2001. For the six months ended June 30, 2002, OPG had a net loss of \$154 million compared with net income of \$119 million for the same period last year, a decrease of \$273 million. Significant factors impacting earnings in 2002 compared to 2001 included the following:

Change in Earnings – 2002 compared to 2001 (millions of dollars – after tax)	Three Months Ended June 30, 2002	Six Months Ended June 30, 2002
Lower energy prices after market opening on May 1	(56)	(56)
Gain on sale of Mississagi River stations	79	79
Restructuring charge for costs related to a reduction in workforce	-	(134)
Loss on Transition Rate Option contracts for industrial customers after market opening	-	(137)
Higher activity levels and expenditures related to the return to service of the Pickering A nuclear generating station	(20)	(57)
Impact of decontrol – decrease in gross margin partially offset by OM&A and other savings	(8)	(32)
Decrease in OM&A expenses due in part to lower nuclear outage costs and completion of nuclear recovery programs	6	17
Other including impact of higher nuclear and hydroelectric production, lower power purchased and lower depreciation and amortization	45	47
Increase (decrease) in earnings	46	(273)

DISCUSSION OF SEGMENTED RESULTS

Generation

(millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Revenue	1,186	1,458	2,656	2,968
Fuel	332	338	731	706
Power purchased	75	173	294	275
Gross margin	779	947	1,631	1,987
Operation, maintenance and administration	604	613	1,178	1,239
Depreciation and amortization	156	164	306	346
Property and capital taxes	14	12	30	25
Operating income	5	158	117	377

Gross Margin

The gross margin from electricity sales in the Generation segment was \$779 million for the second quarter of 2002 compared to \$947 million for the same period in 2001. The gross margin for the six months ended June 30, 2002 was \$1,631 million compared to \$1,987 million for the same period last year. The most significant factor contributing to the decrease in gross margin for both the second quarter and six month period was the impact of the decontrol of the Bruce nuclear generating stations. On May 11, 2001, OPG completed the agreement to lease its Bruce nuclear generating stations to Bruce Power. Under the terms of the operating lease agreement, OPG was required to purchase electricity from Bruce Power up to the date of market opening, which reduced OPG's gross margin. Other factors that contributed to the decrease in gross margin included lower prices subsequent to market opening on May 1, 2002 and higher coal prices, partially offset by lower power purchases from sources other than Bruce Power due to higher production from OPG's generating stations.

(millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Spot market sales	638	-	638	-
Electricity sales (prior to market opening)	494	1,432	1,939	2,917
Financial transactions (sales contracts)	30	-	30	-
Other	24	26	49	51
Total generation revenue	1,186	1,458	2,656	2,968

Generation revenue was \$1,186 million for the three months ended June 30, 2002 compared to revenue of \$1,458 million for the same period in 2001, a decrease of \$272 million. For the six months ended June 30, 2002, generation revenue was \$2,656 million, a decrease of \$312 million compared to revenue of \$2,968 million for the same period last year. The decrease in generation revenue was due to both lower electricity sales prices and lower volumes. The net reduction in average price has contributed to a decrease in both second quarter and year to date revenue of \$94 million compared to last year.

OPG is required under its generating licence to comply with prescribed market power mitigation measures to address the potential for OPG to exercise market power in Ontario, including a rebate mechanism. Under the rebate mechanism, for the first four years after market opening, a majority of OPG's expected energy sales in Ontario are subject to an average annual revenue cap of 3.8 cents/kWh. OPG is required to pay a rebate to the IMO for ultimate distribution to customers equal to the excess, if any, of the average hourly spot energy price over 3.8 cents/kWh for the amount of energy sales subject to the rebate mechanism. Given that the average spot market prices were less than 3.8 cents/kWh, there was no rebate accrued as at June 30, 2002.

Electricity sales volumes for the second quarter ended June 30, 2002 were 30.0 TWh, compared to 33.7 TWh for the same period last year. For the six months ended June 30, 2002, electricity sales were 66.3 TWh compared to 70.8 TWh last year. The decrease in volumes was primarily due to lower sales related to generation from the Bruce nuclear generating stations. Upon the closing of the operating lease agreement with Bruce Power, OPG was obligated to purchase and resell all of Bruce Power's electricity generation up to the date of market opening. With market opening, Bruce Power now sells electricity directly into the IMO-administered real-time energy market, lowering OPG's sales revenue and volumes.

Fuel expense for the second quarter of 2002 was \$332 million compared to a fuel expense of \$338 million for the same period in 2001. The decrease of \$6 million was primarily due to lower production at OPG's fossil-fuelled generating stations, largely offset by higher coal prices and an increase in the Gross Revenue Charge ("GRC") as a result of higher hydroelectric production. The GRC was introduced by the Province of Ontario effective January 1, 2001 to restructure the payment of municipal property taxes, water rentals and payments in lieu of property taxes from OPG's hydroelectric generating stations. The GRC payments are set based on the gross revenue derived from the annual generation of electricity from these hydroelectric generating stations and are dependent on both energy prices and hydroelectric production.

Fuel expense for the first six months of 2002 was \$731 million compared to \$706 million in 2001. The increase was due to higher coal prices and GRC amounts, largely offset by the lower production at the fossil-fuelled generating stations.

Power purchased during the second quarter 2002 was \$75 million compared with \$173 million for the same period in 2001. Power purchased in the second quarter of 2002 was 1.9 TWh compared with 4.3 TWh for the same period last year. The decrease was primarily due to the elimination of purchases from Bruce Power subsequent to market opening. Power purchased from Bruce Power during the second quarter of 2002 for the period April 1 to April 30, 2002 was 1.7 TWh, compared with 3.7 TWh during the second quarter of 2001, related to the period from May 11 to June 30, 2001.

Power purchased during the first six months of 2002 was \$294 million compared with \$275 million for the same period in 2001, based on purchases of 7.6 TWh in 2002 and 5.8 TWh in 2001. The increase was primarily due to higher purchases of electricity from Bruce Power. OPG purchased 6.8 TWh of electricity from Bruce Power during the period from January 1 to April 30, 2002, compared to 3.7 TWh from May 11 to June 30, 2001. This increase was partially offset by lower purchases from other sources in 2002 due to increased production from OPG's generating stations.

Total Energy Available (TWh)	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Production				
Nuclear:				
Darlington & Pickering	10.5	9.0	21.3	20.0
Bruce (1)	-	2.3	-	8.6
Total Nuclear	10.5	11.3	21.3	28.6
Fossil	7.4	9.7	18.1	20.0
Hydroelectric	10.1	9.0	19.4	17.2
Total Production	28.0	30.0	58.8	65.8
Power Purchased (2)	1.9	4.3	7.6	5.8
Other (3)	0.1	(0.6)	(0.1)	(0.8)
Total Energy Available	30.0	33.7	66.3	70.8

(1) Represents generation from Bruce nuclear generating stations prior to decontrol.

(2) OPG had a commitment to purchase all of Bruce Power's electricity generation up to May 1, 2002, the date of market opening, as part of the lease agreement for the Bruce nuclear generating stations.

(3) Represents deposits and withdrawals of electricity with utilities in neighbouring jurisdictions under energy banking arrangements.

Operating Expenses

Operation, maintenance and administration (OM&A) expenses were \$604 million for the second quarter of 2002 compared with \$613 million for the same period in 2001. OM&A expenses were impacted by a reduction in operating costs resulting from the decontrol of the Bruce nuclear generating stations in May 2001 (\$30 million), increased activity and expenditures related to the return to service of the Pickering A nuclear generating station (\$34 million) and other decreases in expenses (\$13 million).

OM&A expenses were \$1,178 million for the six months ended June 30, 2002 compared with \$1,239 million for the same period in 2001. The decrease in OM&A expenses for the six-month period was mainly due to reduced operating expenses from the decontrol of the Bruce nuclear generating stations (\$112 million) and a decrease in other expenses primarily due to lower nuclear outage costs and completion of nuclear recovery programs (\$44 million). This decrease was partially offset by higher expenditures related to the return to service of the Pickering A nuclear generating station (\$95 million).

Energy Marketing

Since May 2002, OPG has transacted with counterparties in Ontario and neighbouring energy markets in predominantly short-term trading activities ranging from one day to one year. These activities related primarily to physical energy, but also included financial products to manage the financial risk of the physical transactions. Previously, OPG's energy marketing activity was not a reportable business segment. Accordingly, there are no comparative amounts for 2001.

(millions of dollars)	Six Months Ended June 30	
	2002	2001
Revenue	19	-
Power purchased	18	-
Gross margin	1	-
Operation, maintenance and administration	2	-
Operating loss	(1)	-

OPG has implemented comprehensive trade capture and risk management systems and processes to identify and measure risk related to energy marketing activities. Appropriate position and risk limits have been established for performance and risk management purposes.

Non-Energy and Other

(millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Revenue	83	49	170	78
Operation, maintenance and administration	14	13	32	19
Depreciation and amortization	37	44	72	58
Property and capital taxes	14	16	29	19
Restructuring costs	-	-	210	-
Loss on transition rate option contracts	-	-	210	-
Gain on sale of fixed assets	(99)	-	(99)	-
Net interest expense	39	37	78	71

Revenue

Non-energy revenue was \$83 million for the second quarter of 2002 compared to \$49 million for the same period last year. Non-energy revenue for the six months ended June 30, 2002 was \$170 million compared to revenue of \$78 million for the same period in 2001. The increase in non-energy revenue was primarily due to the lease and ancillary revenue earned under the agreements with Bruce Power. Isotope sales for the six months ended June 30, 2002 were \$9 million compared to \$12 million for the same period last year.

Restructuring Costs

In 2001, OPG approved a restructuring plan designed to improve OPG's future cost competitiveness. Completion of significant decontrol activities and completion of other major initiatives over the next two years requires the restructuring of areas within OPG that support these operations. Restructuring charges are related to an anticipated reduction in the workforce of approximately 2,000 employees over a two to three year period. During the first quarter of 2002, voluntary severance packages for approximately 1,200 employees were accepted.

Restructuring charges include severance costs and related pension and other post employment benefit expenses. The provision for restructuring costs recorded in the first quarter of 2002 was \$210 million. This amount is in addition to a restructuring charge of \$67 million recorded in the fourth quarter of 2001. The total cost of the restructuring plan is expected to be approximately \$400 million. During the second quarter of 2002, there were payments of \$64 million related to restructuring.

Loss on Transition Rate Options

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

A provision of \$210 million on the TRO contracts was recorded in the first quarter of 2002 related to the future loss on these contracts. The provision was determined using management's best estimates of the forward price curve for electricity, wholesale electricity market fees, impact of decontrol on the contracts, interruptions of volume, and the recovery of market power mitigation rebates. These estimates are subject to measurement uncertainty. Since the market opened on May 1, 2002, \$18 million has been charged against the provision and included in generation revenue.

Gain on Sale of Fixed Assets

Four hydroelectric generating stations located on the Mississagi River were sold to Great Lakes Hydro Income Fund. The sale closed May 17, 2002. OPG received cash proceeds of \$342 million from the sale and recorded a pretax gain of \$99 million.

INCOME TAX

For the six month period ended June 30, 2002, the effective income tax rate decreased to 37.4 per cent from an effective income tax rate of 58.6 per cent in 2001. The decrease in the effective income tax rate was primarily due to the impact of Large Corporations Tax expense, which reduced the amount of the income tax recoverable in 2002.

RESTATEMENT OF SECOND QUARTER 2001 FOR PENSIONS AND OTHER POST EMPLOYMENT BENEFITS (OPEB)

At year-end 2001, OPG changed its policy of accounting for changes in the net actuarial gain or loss for pension and OPEB. This change in accounting policy results in amortization of the net cumulative unamortized gain or loss in excess of 10% of the greater of the benefit obligation and the market-related value of the plan assets. Previously, the entire change in the net actuarial gain or loss was amortized over the employee average remaining service life and plan assets were valued at market for purposes of determining actuarial gains and losses. The change in accounting policy for pensions and OPEB was applied retroactively to April 1, 1999. As a result of this change, the operating results for the six months ended June 30, 2001 have been restated to reflect an increase in employee benefit expense of \$51 million and a decrease in net income of \$46 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow used in operating activities for the second quarter ended June 30, 2002 was \$39 million compared to cash flow provided from operating activities of \$118 million in same period in 2001, a reduction in cash flow of \$157 million. The decrease in cash flow from operating activities was mainly due to expenditures for restructuring and changes in non-cash working capital.

Cash flow provided from operating activities for the six months ended June 30, 2002 was \$88 million compared to \$201 million for the same period in 2001. The decrease in cash flow provided by operating activities was mainly due to expenditures for restructuring and changes in non-cash working capital, partially offset by lower contributions to the fixed asset removal and nuclear waste management fund.

With market opening, electricity prices are expected to have seasonal variations related to changes in demand. Prices are expected to be 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.

During the six months ended June 30, 2002 the fixed asset removal and nuclear waste management fund increased by a total of \$160 million compared to \$217 million for the same period in 2001. OPG made lower contributions in 2002 in order to adjust for overcontributions in previous years. The balance in the fund at June 30, 2002 was \$1,368 million.

Capital expenditures for the second quarter were \$210 million compared to \$154 million for the same period in 2001. For the six-month period ended June 30, 2002, capital expenditures were \$366 million compared to \$269 million for the same period last year. The increase in capital expenditures was primarily due to higher activity related to the return to service of the Pickering A nuclear generating station and expenditures related to the installation of selective catalytic reduction equipment associated with emission reductions at OPG's Lambton and Nanticoke fossil generating stations.

OPG is progressing with the safety and environmental upgrades and other refurbishment work which is required prior to the return to service of the four units at the Pickering A nuclear generating station. To date, expenditures on the return to service initiative total approximately \$880 million, the majority of which has been expensed.

OPG expects to begin commissioning the first of the four units at the Pickering A nuclear generating station towards the end of 2002. The estimated additional cost to complete the first unit is \$120 million. The remaining three units are estimated to be returned to service at an additional cost of approximately \$300 million to \$400 million per unit. Pickering A will add 2,060 MW of reliable, low cost electricity and will make a significant contribution towards improving environmental performance within the Ontario electricity sector.

In March 2002, OPG renewed its revolving short-term committed credit facility. The amount of the credit facility was increased from \$600 million to \$1,000 million. The credit facility can be extended for a two-year term. Notes issued under the Company's Commercial Paper ("CP") program are supported by this credit facility. At June 30, 2002, OPG had no amounts outstanding under the CP program. OPG is planning to access the long-term debt market during the fourth quarter of 2002.

In May 2002, Dominion Bond Rating Service lowered OPG's senior unsecured long-term debt rating to A (low) from A while confirming the Commercial Paper rating of R-1 (low). The trend on both ratings remains stable. In July 2002, Standard and Poor's reaffirmed OPG's long-term debt rating of BBB+ while changing the outlook to negative and lowering the short-term debt rating to A-2 from A-1(low).

The Company paid dividends of \$134 million during the six months ended June 30, 2002 compared with \$100 million for the same period in 2001. The increase in dividends reflected a dividend related to proceeds received from the decontrol of the Bruce nuclear generating stations and other dividends to achieve a 35 per cent pay out of actual 2001 earnings.

RISK MANAGEMENT

Ontario's electricity market opened to competition on May 1, 2002. With market opening, OPG is subject to increased risk, including market and credit risk inherent in a deregulated market. The Board of Directors has approved governance policies and structures to facilitate the management of the increased risk. A Risk Oversight Committee, which consists of senior officers of OPG, has been established to approve products, monitor policies and compliance issues, and ensure the continuing effectiveness of overall corporate governance under the direction of the Board of Directors.

In anticipation of increased levels of risk and complexity of market activities, OPG implemented a comprehensive trade capture and risk management system with related processes and controls. OPG's commercial activities are separated into portfolios to capture the risks inherent in each transaction for each portfolio. This process facilitates the effective identification and measurement of risks, and the application of appropriate position and risk limits for performance and risk management purposes. The methodology used to measure these risks includes the use of consistent and recognized risk measures for monitoring trading activities and the generation portfolio. Open positions are subject to measurement against value at risk ("VaR") limits, which measure the potential loss in a portfolio's market value due to market volatility over a one day holding period, with a 95% confidence interval.

Electricity Price Risk

Electricity price risk is the risk that changes in the market price of electricity will adversely impact OPG's earnings and cash flow from operations. OPG faces price risk directly related both to the demand and supply of generation in the open market and transmission constraints. OPG's production is exposed to spot market prices. However, derivative instruments and related risk management products may be used to mitigate OPG's exposure to volatile electricity prices.

Credit Risk

Credit risk is the risk of non-performance by contractual counterparties. With an open market, substantially all of OPG's revenues are derived from sales through the IMO-administered spot market. Participants in the IMO spot market must meet IMO-mandated standards for creditworthiness. Other revenues are derived from several sources, including the sale of financial risk management products to third parties.

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

Generation Risk

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

Liquidity Risk

OPG operates in a capital-intensive business and its initiative to return its Pickering A station back to service requires significant financial resources. Furthermore, any acquisition or development projects may require access to capital from outside sources on acceptable terms. OPG may also require external financing to fund capital expenditures necessary to comply with air emission or other regulatory requirements.

OPG's ability to arrange debt financing and the costs of debt capital are dependent on a number of factors including: general economic and capital market conditions; credit availability from banks and other financial institutions; maintenance of acceptable credit ratings; and the status of electricity market deregulation in Ontario.

Foreign Exchange and Interest Rate Risk

OPG's foreign exchange risk exposure is attributable primarily to U.S. dollar-denominated transactions such as the purchase of fossil fuel and the purchase and sale of electricity in U.S. markets. OPG currently manages its exposure by periodically hedging portions of its U.S. dollar cash flows according to approved risk management policies.

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

COMPARATIVE FIGURES

In 2001, the Province of Ontario introduced a Gross Revenue Charge derived from the annual generation of electricity from hydroelectric generating stations. In the second quarter of 2002, OPG has classified all of the GRC payments as fuel expense. Previously, GRC expenses were charged to fuel expense and property tax expense. As a result of this change, \$38 million has been reclassified for comparative purposes as fuel expense from property tax expense for the second quarter of 2001. For the six months ended June 30, 2001, \$91 million has been reclassified for comparative purposes to fuel expense from property tax expense.

FORWARD-LOOKING STATEMENTS

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

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