

August 20, 2010

ONTARIO POWER GENERATION REPORTS 2010 SECOND QUARTER FINANCIAL RESULTS

[Toronto]: Ontario Power Generation Inc. ("OPG" or the "Company") today reported its financial and operating results for the three and six months ended June 30, 2010. Net loss for the second quarter of 2010 was \$29 million compared to net income of \$306 million for the same period in 2009. Net income for the six months ended June 30, 2010 was \$114 million compared to net income of \$297 million for the same period in 2009.

Tom Mitchell, President and CEO said, "Although OPG experienced a reduction in net income in the first half of 2010 compared to last year, our operational performance was strong. Our generating stations reliably provided much needed power during Ontario's first heat wave of the summer. Production from our nuclear and thermal stations increased. Our hydroelectric production was lower because of extremely low water levels caused by below normal precipitation across Ontario."

Mr. Mitchell said, "OPG's financial results reflect, in part, the impact of the decision we made last year to delay seeking an increase in the rates we receive for the 70 percent of our electricity output that is regulated in a public process."

He explained, "As a result, the rates that we receive for electricity from our nuclear and large hydroelectric stations have been unchanged since April 1, 2008, a period of 28 months."

Mr. Mitchell said, "In May, OPG filed an application with the Ontario Energy Board for new rates. If the application is approved, the new rates would take effect on March 1, 2011, and remain in place for 22 months until the end of 2012. This would be only the second increase in OPG's regulated rates since 2005."

Mr. Mitchell noted that OPG is the only electricity generating company in Ontario whose rates are set through an open process with public participation that requires the Company to explain and defend its investment and spending decisions.

Mr. Mitchell added, "We continued to advance with a number of strategically important initiatives critical to our long-term success. These included the successful completion of the Pickering Vacuum Building Outage, and continued progress with our hydroelectric development projects. In addition, OPG received the ZeroQuest Platinum Award from the Infrastructure Health and Safety Association in recognition of our excellent workplace safety performance. We are the first employer in Ontario to receive this award."

Highlights

The decrease in income for the second quarter of 2010 compared to the same period in 2009 was primarily a result of lower earnings from the Used Fuel and Decommissioning Segregated Funds (together "Nuclear Funds"), and a reduction in 2010 revenue associated with a regulatory asset related to tax losses ("Tax Loss Variance Account") established as a result of a 2009 Ontario Energy Board ("OEB") decision. The decrease in income was partially offset by a reduction in income tax liabilities as a result of the resolution of a number of tax uncertainties related to the audit of OPG's 2000 and 2001 taxation years, an increase in non-generation electricity revenue and higher average sales prices for production from OPG's unregulated generation segments.

Total electricity generated during the three month period ended June 30, 2010 was 19.7 terawatt hours ("TWh") compared to 20.9 TWh for the same period in 2009. The 5.7 percent decrease in production was primarily a result of lower electricity generation from OPG's unregulated hydroelectric generating stations due to the impact of low water flows. The decrease in unregulated hydroelectric production was partially offset by an increase in generation from OPG's thermal stations primarily due to the impact of low water flows at the hydroelectric generating stations and higher primary demand in Ontario. The increase in generation at OPG's nuclear generating stations during the second quarter of 2010 compared to the same quarter in 2009 reflects the higher capability factor at the Darlington generating station, largely offset by the impact of the lower capability factors at the Pickering generating stations.

For the six months ended June 30, 2010, total production from OPG's generating stations was 44.2 TWh compared to 46.5 TWh for the same period in 2009. This decrease primarily reflects lower unregulated hydroelectric production of 3.1 TWh, partially offset by higher thermal production as a result of the impact of lower water flows at the hydroelectric generating stations and higher primary demand in Ontario during the second quarter of 2010.

The capability factor at the Darlington nuclear station improved during the second quarter of 2010 and on a year-to-date basis, as all four units at the Darlington station were shutdown due to a planned VBO during the second quarter of 2009. Capability factors at the Pickering A and B nuclear stations decreased during the second quarter of 2010 compared to the second quarter of 2009 primarily due to a planned VBO which required the shutdown of all six units at the Pickering A and B nuclear generating stations. The availability of OPG's regulated and unregulated hydroelectric generating stations for the three months ended June 30, 2010 decreased primarily as a result of an increase in unplanned outage days and the advancement of planned outages at certain stations due to the lower water flows. The reliability of the thermal generating stations improved during the second quarter and on a year-to-date basis compared with 2009 primarily as a result of improved performance from OPG's thermal generating stations.

In May 2010, OPG filed an application with the OEB for new regulated prices for production from OPG's regulated hydroelectric and nuclear facilities for the period March 1, 2011 to December 31, 2012. The application reflected the costs associated with operating the prescribed assets in a safe, reliable and environmentally responsible manner, as well as the financial resources required for nuclear life extension and refurbishment projects. As part of the application, OPG requested

approval to recover the balances in the deferral and variance accounts. The OEB's decision on OPG's application will be made following a public hearing process, which is expected to take place during the second half of 2010.

Segmented Financial Results

OPG's loss before interest and income taxes was \$103 million for the three months ended June 30, 2010 compared to income before interest and taxes of \$354 million for the three months ended June 30, 2009.

Income before interest and income taxes from the electricity generation business segments was \$12 million for the three months ended June 30, 2010 compared to \$191 million for the same quarter in 2009. Earnings from the electricity generation business segments were lower due to a decrease in gross margin of \$179 million compared to the same period in 2009. This decrease was primarily due to a reduction in revenue related to the Tax Loss Variance Account, and lower production from OPG's unregulated hydroelectric generating stations. During the second quarter of 2009, revenue related to the Tax Loss Variance Account included revenue related to the period April 1, 2008 to March 31, 2009 in accordance with an OEB decision and order issued in May 2009. The impact of these unfavourable variances was partially offset by an increase in revenue from nuclear technical services provided to third parties, and higher average sales prices for production from OPG's unregulated generation stations.

The Regulated – Nuclear Waste Management business segment incurred a loss before interest and income taxes of \$125 million in the second quarter of 2010 compared to income before interest and income taxes of \$143 million during the same period in 2009. The loss in the second quarter of 2010 resulted from unfavourable returns from the Nuclear Funds as a result of a decline in the valuation levels of global financial markets compared to an increase in valuation levels during the same period in 2009. The unfavourable impact of these factors was partially offset by the impact of a variance account approved by the OEB related to the earnings associated with the stations leased to Bruce Power, since a portion of the earnings from the Nuclear Funds are related to these stations.

OPG's income before interest and income taxes was \$133 million for the six months ended June 30, 2010 compared to \$463 million for the six months ended June 30, 2009.

Income before interest and income taxes from OPG's electricity generation business segments was \$244 million for the six months ended June 30, 2010 compared to \$434 million for the same period in 2009. Earnings from the electricity generation business segments were unfavourably affected by a decrease in gross margin of \$205 million compared to the same period in 2009. This decrease was primarily due to lower production from OPG's unregulated hydroelectric generating stations, a reduction in revenue related to the Tax Loss Variance Account, and a decrease in non-electricity generation revenue. Earnings from the electricity generation business segments were also unfavourably affected by an increase in pension and other post employment benefit costs, partially offset by lower expenditures related to a decrease in outage and maintenance activities at OPG's thermal generating stations.

The Regulated – Nuclear Waste Management business segment incurred a loss before interest and income taxes of \$149 million for the six months ended June 30, 2010, compared to a loss before interest and income taxes of \$21 million for the same period in 2009. This decline was primarily due to unfavourable returns from the Nuclear Funds as a result of a decline in the valuation levels of global financial markets during the first half of 2010.

Generation Development

OPG is undertaking a number of generation development projects aimed at significantly contributing to Ontario's long-term electricity supply requirements. The status of these capacity expansion or life extension projects is as follows:

Nuclear

- The Government of Ontario continues to be supportive of two new nuclear units at Darlington, and discussions between Atomic Energy of Canada Limited, Infrastructure Ontario, OPG and representatives from the Government of Ontario are currently underway. OPG continues with two initiatives that were underway prior to the Government of Ontario's suspension of the competitive Request for Proposal process to procure the two new nuclear units – the environmental assessment process and obtaining a site preparation licence. In November 2009, the Joint Review Panel (“JRP”) announced the start of the six-month public review period for the Environmental Impact Statement and the “Licence to Prepare Site”. OPG is in the process of responding to requests for additional information from the JRP with respect to these two initiatives.
- In February 2010, OPG announced its decision to commence the detailed planning phase for the refurbishment of the Darlington nuclear generating station. The refurbishment is expected to extend the operating life of the Darlington station by approximately 30 years. In the detailed planning phase, all regulatory work will be completed including the Environmental Assessment (“EA”), the Integrated Safety Review (“ISR”), and the Integrated Improvement Plan. In support of the EA, OPG continued with field programs during the second quarter of 2010. With respect to the ISR, OPG completed the Operating Experience Safety Factor Report during the second quarter of 2010. Additionally, a Scope Review Board has been established to review and finalize the technical scope of the project. Scope reports have been prepared for major systems and condition assessment summary reports are being prepared for the balance of the station.

Hydroelectric

- OPG is replacing three existing hydroelectric generating stations on the Upper Mattagami River and the Hound Chute generating station on the Montreal River. Upon project completion, the total installed capacity of the four stations will increase from 23 MW to 44 MW. During the second quarter of 2010, major equipment assembly continued and commissioning activities commenced. The stations are expected to be completed on schedule, and are forecast to be in-service by April 2011. The project costs are expected to be within the approved budget of \$300 million.

- The development of the Niagara Tunnel has progressed in a number of key areas. As of June 30, 2010, the Niagara tunnel boring machine has progressed 7,050 metres, representing 69 percent of the tunnel length. Installation of the lower one-third of the permanent concrete lining has progressed 5,075 metres. Restoration of the circular cross-section of the tunnel, before installation of the upper two-thirds of the concrete lining, has progressed 1,870 metres. Installation of the upper two-thirds of the concrete lining started in late May and has progressed 75 metres. The Niagara Tunnel is expected to be in-service by the approved date of December 2013. The project costs are expected to be within the revised approved budget of \$1.6 billion.
- Construction activities to add one generating unit to three existing hydroelectric generating stations and redevelop a fourth generating station on the Lower Mattagami River commenced in June 2010. Upon project completion in June 2015, the capacity of the four stations will be increased by 438 MW. During the second quarter of 2010, OPG and the Ontario Power Authority (“OPA”) finalized a Hydroelectric Energy Supply Agreement. In addition, a comprehensive agreement that resolves grievances attributed to the construction, and subsequent operation and maintenance of OPG facilities in the area has been executed with a local First Nation. The agreement provides the First Nation with a right to purchase up to a 25 percent equity interest in the project. The project budget of \$2.6 billion includes the design build contract as well as contingencies, interest and other OPG costs, including project management, contract management, impact agreements with First Nations, and transmission connection costs. In August 2010, a \$700 million bank credit facility was established to support the initial construction phase for the Lower Mattagami project. Additional financing arrangements are being established to support the total requirements of the project.

Thermal

- OPG’s coal-unit conversion strategy is continuing to advance with the analysis of submissions received following OPG’s request for indicative pricing issued in March 2010 to potential suppliers of wood-based biomass fuel for the Atikokan generating station. In addition to fuel pricing levels, the feasibility of the Atikokan conversion is contingent on the cost of conversion and operation. OPG requires a cost recovery agreement with the OPA for conversion of the unit and the electricity generated post-conversion before seeking Board of Directors approval to proceed with unit conversion.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

<i>(millions of dollars – except where noted)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
<i>Earnings</i>				
Revenue after revenue limit rebate	1,211	1,397	2,655	2,878
Fuel expense	211	220	459	481
Gross margin	1,000	1,177	2,196	2,397
Operations, maintenance and administration expense	778	762	1,504	1,504
Depreciation and amortization	177	185	344	363
Accretion on fixed asset removal and nuclear waste management liabilities	165	159	330	318
Earnings on nuclear fixed asset removal and nuclear waste management funds	(40)	(301)	(181)	(295)
Restructuring	-	-	25	-
Other net expenses	24	24	43	50
Other (gains) losses	(1)	(6)	(2)	(6)
(Loss) income before interest and income taxes	(103)	354	133	463
Net interest expense	44	43	89	82
Income tax (recovery) expense	(118)	5	(70)	84
Net (loss) income	(29)	306	114	297
<i>Cash flow</i>				
Cash flow provided by (used in) operating activities	110	(183)	328	(142)
<i>(Loss) income before interest and income taxes</i>				
Generating segments	12	191	244	434
Nuclear Waste Management segment	(125)	143	(149)	(21)
Other segment	10	20	38	50
Total (loss) income before interest and income taxes	(103)	354	133	463
<i>Electricity generation (TWh)</i>				
Regulated – Nuclear	9.6	9.2	21.6	21.5
Regulated – Hydroelectric	4.6	4.9	9.4	9.6
Unregulated – Hydroelectric	2.3	5.0	6.2	9.3
Unregulated – Thermal	3.2	1.8	7.0	6.1
Total electricity generation	19.7	20.9	44.2	46.5
<i>Average electricity sales price (¢/kWh)</i>				
Regulated – Nuclear	5.5	5.5	5.5	5.5
Regulated – Hydroelectric	3.7	3.9	3.7	3.7
Unregulated – Hydroelectric	4.0	2.6	3.7	3.4
Unregulated – Thermal	4.1	3.2	3.9	4.3
OPG average sales price paid through regulated and spot market prices	4.6	4.2	4.6	4.6
<i>Nuclear unit capability factor (percent)</i>				
Darlington	93.6	52.5	88.0	76.1
Pickering A	30.3	72.2	48.7	57.4
Pickering B	41.6	81.4	69.4	83.2
<i>Availability (percent)</i>				
Regulated – Hydroelectric	91.8	93.7	92.7	94.0
Unregulated – Hydroelectric	93.4	97.5	93.7	96.5
<i>Equivalent forced outage rate (percent)</i>				
Unregulated Thermal	7.3	8.4	4.8	10.4

Ontario Power Generation Inc. is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario. Our focus is on the efficient production and sale of electricity from our generation assets, while operating in a safe, open and environmentally responsible manner.

Ontario Power Generation Inc.'s unaudited consolidated financial statements and Management's Discussion and Analysis as at and for the three and six months ended June 30, 2010, can be accessed on OPG's Web site (www.opg.com), the Canadian Securities Administrators' Web site (www.sedar.com), or can be requested from the Company.

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