

February 29, 2008

## **ONTARIO POWER GENERATION REPORTS 2007 FINANCIAL RESULTS**

[Toronto]: Ontario Power Generation Inc. ("OPG" or the "Company") today reported its financial and operating results for the year ended December 31, 2007. Net income for the year was \$528 million compared to net income of \$490 million for the year ended December 31, 2006.

"In 2007, safety performance was the best since the Company's inception in 1999, and the performance of our generating stations improved significantly. Ensuring employee and public safety, and improving the performance of our existing assets are two important priorities. The reliability of our generating stations improved over the previous year with the exception of the Pickering A and B nuclear stations, where one-time events unfavourably affected production in 2007," said President and CEO Jim Hankinson.

Electricity generated in 2007 of 105.1 terawatt hours ("TWh") was essentially equal to production of 105.2 TWh in 2006. Electricity production from OPG's nuclear stations of 44.2 TWh in 2007 decreased from 2006 production of 46.9 TWh. Production at the Pickering A station decreased primarily as a result of a requirement to perform modifications to a backup electrical system, and repair work required due to a component failure during inspection. In addition, production at the Pickering B station during the first quarter of 2007 was affected by an inadvertent release of resin by a third party contractor from the water treatment plant into the demineralized water system. Hydroelectric production of 31.9 TWh was slightly lower than production of 33.3 TWh in 2006 due to lower water levels. Fossil production increased to 29.0 TWh in 2007 compared to 25.0 TWh in 2006, mainly as a result of lower generation from OPG's nuclear and hydroelectric generating stations.

OPG received an average price of 4.6¢/kilowatt hour ("kWh") for the output from all of its generating stations in 2007. This average price equalled that of 2006. These average prices received by OPG reflect regulated prices for production from its nuclear and baseload hydroelectric generating assets, and spot market prices, subject to a revenue limit, for the majority of its remaining production. The average Ontario electricity spot market price in 2007 increased to 5.1¢/kWh from 4.9¢/kWh in 2006.

Earnings in 2007 were favourably affected by an increase in earnings from the Nuclear Funds, an increase in non-electricity generation revenue, higher fossil generation, a decrease in income tax expense largely due to an additional contribution to the Nuclear Funds that is deductible for tax purposes, and lower depreciation expense primarily due to the extension in 2006 of the service lives of the coal-fired generating stations for accounting purposes. These favourable impacts were partly offset by lower generation from OPG's Pickering nuclear stations, and higher nuclear and fossil maintenance expenses.

OPG continues to pursue a number of hydroelectric generation projects, and, in consultation with its shareholder, plans to explore and develop, where feasible, nuclear and natural gas generation projects. The following projects will significantly contribute to meeting Ontario's long-term electricity supply requirements.

- Excavation of a new 10.4 km water diversion tunnel to increase the amount of water flowing to existing turbines at the Sir Adam Beck generating stations in Niagara began in September 2006. At December 31, 2007, the tunnel boring machine had advanced 1,609 metres. The progress of the tunnel boring machine through a fractured rock formation has been slower than expected. Considerable uncertainty remains with respect to the schedule until the tunnel boring machine advances to approximately 2,300 metres, and establishes consistent tunneling performance. The contractor has advised that the in-service date of the tunnel will be delayed, and is investigating alternatives, including the realignment of the tunnel, to mitigate the impact of the delay. The estimated in-service date will be dependent on the alternative selected by the contractor. There is a potential risk that the schedule delay could impact the project cost.
- Construction of the new 12.5 megawatt ("MW") Lac Seul hydroelectric generating station on the English River began during the first quarter of 2006. The design-build contractor indicated that the project is expected to be in-service in the third quarter of 2008. There have been project delays due to various difficulties, including the replacement of the major subcontractor on two occasions.
- OPG plans to redevelop four existing hydroelectric stations that are nearing the end of their useful lives. Three stations are on the Upper Mattagami River and one is located on the Montreal River. The total installed capacity of the four stations will increase from 23 MW to 44 MW. Project completion is planned for the second quarter of 2011.
- OPG is expanding the Healey Falls generating station by 6.4 MW on the Trent-Severn Waterway. Project completion is planned for mid-2010.
- OPG plans to increase the generating capacity of four hydroelectric generating stations on the Lower Mattagami River. The incremental capacity associated with these stations totals 450 MW. Following discussions with the Canadian Environmental Assessment Agency ("CEAA"), a scoping document for a comprehensive study process has been posted on the CEAA website for public comment. OPG is engaged in consultations with First Nation stakeholders regarding an agreement to address past issues and establish a new commercial relationship.
- The Portlands Energy Centre ("PEC") is a 550 MW gas-fired, combined cycle generating station that is under construction near downtown Toronto. PEC is a limited partnership between OPG and TransCanada Energy Ltd. Construction of the station started in 2006 and is expected to be operational in a simple cycle mode, with a capacity of up to 340 MW, by June 1, 2008. The generating station is expected to be completed in a combined cycle mode in the second quarter of 2009, providing up to 550 MW of power.
- OPG is exploring the potential development of a gas-fuelled electricity generating station at its Lakeview site. Construction of a new plant would proceed only after required approvals and a clean energy supply agreement are obtained.

- OPG is proceeding with a feasibility study on the refurbishment and life extension of the Pickering B nuclear generating station. This work includes an assessment of the plant condition, an Environmental Assessment (“EA”), and an Integrated Safety Review. The requirements of the EA and the Integrated Safety Review have extended the timeframe required to define the scope of the refurbishment project and complete a comprehensive assessment. As a result, OPG plans to make a recommendation on this project to its Board of Directors in early 2009. OPG plans to begin a feasibility study on the refurbishment of the Darlington nuclear generating station in 2008.
- In September 2006, OPG initiated a federal approvals process for new nuclear generating units at the Darlington nuclear generating site. An Application for a Site Preparation licence was filed with the Canadian Nuclear Safety Commission (“CNSC”). In 2007, OPG implemented initiatives in support of an EA for new nuclear units at the Darlington site and filed a project description with the CNSC to determine the type of EA required. In January 2008, the CNSC recommended to the Federal government that the project proceed directly to a panel review, which is the highest level of review under current legislation. The panel review decision is pending.

Ontario’s Minister of Energy has directed the Ontario Power Authority (“OPA”) to negotiate Hydroelectric Energy Supply Agreement’s with OPG for the following hydroelectric development projects: Lac Seul, Upper Mattagami , Hound Chute, Healey Falls, and Lower Mattagami. The directive indicated that the negotiation and execution of these agreements should be completed in the first half of 2008.

“The list of new generation projects that OPG is undertaking is unprecedented. In consultation with our Shareholder, we will develop these much-needed new sources of electricity supply to help meet Ontario’s future electricity needs. Our objective is to efficiently manage and complete these small, medium, and large scale projects in a timely and cost effective manner,” said Hankinson.

Hankinson added, “In 2008, the OEB will review OPG’s application for new payment amounts for our regulated facilities. We look forward to presenting our case for receiving a fair return on equity for our regulated assets as a transition to a financially sustainable company.”

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

<i>(millions of dollars – except where noted)</i>	<b>2007</b>	<b>2006</b>
<i>Earnings</i>		
Revenue after revenue limit rebate	<b>5,660</b>	5,564
Fuel expense	<b>1,270</b>	1,098
Gross margin	<b>4,390</b>	4,466
Operations, maintenance and administration	<b>2,974</b>	2,752
Other expenses	<b>939</b>	1,138
Income tax (recoveries) expenses	<b>(51)</b>	86
Net income	<b>528</b>	490
<i>Cash flow</i>		
Cash flow provided by operating activities	<b>407</b>	397
<i>Electricity Generation (TWh)</i>		
Regulated – Nuclear	<b>44.2</b>	46.9
Regulated – Hydroelectric	<b>18.1</b>	18.3
Unregulated – Hydroelectric	<b>13.8</b>	15.0
Unregulated – Fossil-Fuelled	<b>29.0</b>	25.0
Total electricity generation	<b>105.1</b>	105.2
<i>Average electricity sales price<sup>1</sup> (¢/kWh)</i>		
Regulated – Nuclear <sup>1</sup>	<b>4.9</b>	4.9
Regulated – Hydroelectric <sup>1</sup>	<b>3.5</b>	3.5
Unregulated – Hydroelectric <sup>2</sup>	<b>4.7</b>	4.6
Unregulated – Fossil-Fuelled <sup>2</sup>	<b>4.8</b>	4.8
OPG's average sales price	<b>4.6</b>	4.6
<i>Nuclear unit capability factor (per cent)</i>		
Darlington	<b>89.5</b>	88.7
Pickering A	<b>41.3</b>	72.0
Pickering B	<b>75.0</b>	75.2
<i>Equivalent forced outage rate (per cent)</i>		
Unregulated– Fossil-Fuelled	<b>11.5</b>	14.1
<i>Availability (per cent)</i>		
Regulated – Hydroelectric	<b>94.1</b>	94.2
Unregulated – Hydroelectric	<b>93.9</b>	92.4

<sup>1</sup> After April 1, 2005, electricity generation from stations in the Regulated – Nuclear segment receives a fixed price of 4.95¢/kWh and electricity generation from stations in the Regulated – Hydroelectric segment receives a fixed price of 3.3¢/kWh for the first 1,900 MWh of generation in any hour, and the Ontario spot electricity market price for generation above this level.

<sup>2</sup> Eighty-five per cent of the electricity generation from unregulated stations, excluding the Lennox generating station and other contract volumes, is subject to a revenue limit. During the period from April 1, 2005 to April 30, 2006, the revenue limit was set at 4.7¢/kWh. Starting May 1, 2006, the revenue limit decreased to 4.6¢/kWh and increased to 4.7¢/kWh effective May 1, 2007.

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 audited consolidated financial statements and Management's Discussion and Analysis as at and for the year ended December 31, 2007, can be accessed on OPG's Web site ([www.opg.com](http://www.opg.com)), the Canadian Securities Administrators' Web site ([www.sedar.com](http://www.sedar.com)), or can be requested from the Company.

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