

February 13, 2009

**ONTARIO POWER GENERATION REPORTS 2008 FINANCIAL RESULTS**

[Toronto]: Ontario Power Generation Inc. (“OPG” or the “Company”) today reported its financial and operating results for the year ended December 31, 2008. Net income for the year was \$88 million compared to net income of \$528 million for the year ended December 31, 2007.

“OPG’s operational performance improved in 2008 with electricity production and gross margin increasing compared to 2007. However, these favourable increases were more than offset by the negative impact that the capital markets had on the market value of the investment funds that have been established for nuclear fixed asset removal and nuclear waste management,” said President and CEO Jim Hankinson.

During the fourth quarter of 2008, OPG revised its reporting segments to align with its strategic business unit and reporting structure, and to reflect the manner in which operating decisions are made and performance assessed. A new business segment titled ‘Regulated – Nuclear Waste Management’ was created, which includes: certain activities associated with the management of used nuclear fuel and low and intermediate level waste; the decommissioning of OPG’s nuclear generating stations; and the management of the investment funds established for nuclear fixed asset removal and nuclear waste management (“Nuclear Funds”). OPG’s other business segments include Regulated – Nuclear Generation, Regulated - Hydroelectric, Unregulated – Hydroelectric, and Unregulated – Fossil-Fuelled.

Income before interest and income taxes of \$1,028 million from OPG’s electricity generating segments in 2008 improved significantly compared to income before interest and income taxes of \$594 million in 2007. Gross margin increased as a result of the Ontario Energy Board’s (“OEB”) rate decision for OPG’s regulated hydroelectric and nuclear facilities, higher market prices, and higher nuclear and hydroelectric generation.

Total electricity generated during 2008 of 107.8 TWh increased from 2007 production of 105.1 TWh. The increase of 2.7 TWh was primarily due to higher generation from OPG’s hydroelectric and nuclear stations. Higher hydroelectric production was primarily due to increased water flows and excellent station performance. Higher generation at the nuclear stations was mainly a result of improved reliability at the Pickering A and Darlington nuclear generating stations. Generation at the fossil-fuelled stations was lower primarily as a result of the higher production from OPG’s nuclear and hydroelectric generating stations, and lower market demand.

The reliability of OPG's nuclear stations improved during 2008 due to a reduction in outage days at the Darlington and Pickering A generating stations. The Darlington station continued to achieve exceptional reliability with a unit capability factor of 94.5 per cent in 2008. The availability of OPG's regulated and unregulated hydroelectric generating stations remained at historically high levels. The reliability of OPG's fossil stations decreased slightly as a result of forced and extended outages at the Lambton and Atikokan generating stations.

A loss before interest and income taxes of \$670 million in the Regulated – Nuclear Waste Management segment in 2008 was significantly higher than the \$26 million loss before interest and income taxes in 2007. The loss before interest and income taxes in 2008 primarily resulted from lower returns on the Decommissioning Fund caused by significant reductions in the trading levels of global financial markets, which reduced the current market value of the fund investments. These losses were partially mitigated by the establishment by the OEB of a regulatory variance account associated with the stations leased to Bruce Power, since a portion of the losses from the Nuclear Funds are related to these stations.

On December 2, 2008, the OEB issued new payment amounts for production from OPG's regulated hydroelectric and nuclear facilities. The new regulated prices are \$36.66/MWh and \$54.98/MWh for OPG's regulated hydroelectric and nuclear facilities, respectively. The OEB determined that the appropriate rate of return on equity for OPG's regulated facilities for the purposes of determining the new payment amounts is 8.65 percent. This rate is higher than the 5 percent rate of return on equity established for the period up to April 1, 2008. The new prices apply retrospectively to production from April 1, 2008.

OPG advanced a number of new generation projects aimed at significantly contributing to Ontario's long-term electricity supply requirements:

### **Nuclear**

- On June 16, 2008, the Province announced that OPG will operate a new two-unit nuclear power plant at the Darlington site. OPG is participating with Infrastructure Ontario in a competitive process to select a nuclear reactor vendor in the spring of 2009. OPG is proceeding with initiatives associated with the Environmental Impact Statement.
- OPG is proceeding with the Pickering B Refurbishment feasibility study. OPG submitted a draft Environmental Impact Statement report to the Canadian Nuclear Safety Commission ("CNSC") in December 2007. The CNSC finalized their Environmental Assessment ("EA") Screening Report in October 2008 and conducted a one-day public hearing on December 10, 2008. On January 26, 2009, the CNSC concluded that, taking into account the identified mitigation measures, the refurbishment and continued operation of the Pickering B nuclear station is not likely to cause significant adverse environmental effects. OPG is preparing the final Integrated Safety Review for submission to the CNSC in late 2009.

## Hydroelectric

- At December 31, 2008, the boring machine for the Niagara tunnel had advanced to 3,306 metres. Progress continues to be slower than expected in the Queenston shale formation, primarily due to excessive overbreak in the tunnel crown. To minimize further excavation in the Queenston shale, a change in the vertical alignment has been initiated. Non-binding recommendations issued by the Dispute Review Board in August 2008 are the basis of current negotiations between OPG and the contractor to revise the design build contract. The negotiations are targeted for completion in the first quarter of 2009, and are expected to have a significant impact on the project cost estimate and the completion schedule.
- OPG is replacing four hydroelectric stations. Three of the stations are on the Upper Mattagami River (Wawaitin, Sandy Falls and Lower Sturgeon) and the fourth (Hound Chute) is located on the Montreal River. The project includes the demolition and decommissioning of the four existing powerhouses that are at the end of their useful lives, and the rehabilitation of the existing dams and other civil structures. Upon completion of the project, the total installed capacity of the four stations will increase from 23 MW to 44 MW, increasing annual energy production from 134 GWh to 223 GWh.
- In February 2009, the Lac Seul generating station is expected to be declared in service with a capacity of 12.5 MW. The project was originally expected to be in-service by the end of the third quarter of 2007. However, it was delayed as a result of various contractor difficulties. A settlement in principle has been negotiated to compensate the contractor for recovery of certain additional costs. The final project cost is expected to be \$55 million.
- OPG is proceeding with a development plan to increase the generating capacity of four hydroelectric generating stations on the Lower Mattagami River from 483 MW to 933 MW. A comprehensive Environmental Assessment will be submitted to the Minister of the Environment for Canada and to the Canadian Environmental Assessment Agency in 2009. OPG is also engaged with First Nation stakeholders to address past grievances and to establish a new commercial relationship.

## Natural Gas

- The Portlands Energy Centre ("PEC") is a 550 MW high-efficiency, combined cycle, natural gas generation plant designed to meet downtown Toronto's need for electricity. PEC is a limited partnership between OPG and TransCanada Energy Ltd. The first phase was completed in a simple cycle mode, with a capacity of up to 340 MW, in May 2008. In September 2008, the station was taken out of service in order to complete construction of the combined cycle mode of operation. PEC is expected to be fully operational in the combined cycle configuration in the first quarter of 2009, earlier than its contractual in-service date of June 1, 2009.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

<i>(millions of dollars – except where noted)</i>	Year Ended December 31	
	2008	2007
<i>Earnings</i>		
Revenue after revenue limit rebate	<b>6,082</b>	5,660
Fuel expense	<b>1,191</b>	1,270
Gross margin	<b>4,891</b>	4,390
Operations, maintenance and administration expense	<b>2,967</b>	2,974
Depreciation and amortization	<b>743</b>	695
Accretion on fixed asset removal and nuclear waste management liabilities	<b>581</b>	507
Losses (earnings) on nuclear fixed asset removal and nuclear waste management funds	<b>93</b>	(481)
Other net expenses	<b>71</b>	75
Income before interest and income taxes	<b>436</b>	620
Net interest expense	<b>165</b>	143
Income tax expenses (recoveries)	<b>183</b>	(51)
Net income	<b>88</b>	528
<i>Cash flow</i>		
Cash flow provided by operating activities	<b>870</b>	379
<i>Income (loss) before interest and income taxes</i>		
Generating segments	<b>1,028</b>	594
Nuclear Waste Management segment	<b>(670)</b>	(26)
Other segment	<b>78</b>	52
Total income before interest and income taxes	<b>436</b>	620
<i>Electricity generation (TWh)</i>		
Regulated – Nuclear	<b>48.2</b>	44.2
Regulated – Hydroelectric	<b>18.8</b>	18.1
Unregulated – Hydroelectric	<b>17.6</b>	13.8
Unregulated – Fossil-Fuelled	<b>23.2</b>	29.0
Total electricity generation	<b>107.8</b>	105.1
<i>Average electricity sales price (¢/kWh)</i>		
Regulated – Nuclear	<b>5.3</b>	4.9
Regulated – Hydroelectric	<b>3.9</b>	3.5
Unregulated – Hydroelectric	<b>4.8</b>	4.7
Unregulated – Fossil-Fuelled	<b>5.0</b>	4.8
OPG average sales price	<b>4.9</b>	4.6

## FINANCIAL AND OPERATIONAL HIGHLIGHTS (continued)

<i>(millions of dollars – except where noted)</i>	Year Ended December 31	
	2008	2007
<i>Nuclear unit capability factor (percent)</i>		
Darlington	<b>94.5</b>	89.5
Pickering A	<b>71.8</b>	41.3
Pickering B	<b>71.4</b>	75.0
<i>Equivalent forced outage rate (percent)</i>		
Unregulated– Fossil-Fuelled	<b>12.8</b>	11.5
<i>Availability (percent)</i>		
Regulated – Hydroelectric	<b>93.8</b>	94.1
Unregulated– Hydroelectric	<b>94.6</b>	93.9

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, 2008, 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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