

February 10, 2006

## **ONTARIO POWER GENERATION REPORTS 2005 FINANCIAL RESULTS**

[Toronto]: Ontario Power Generation Inc. ["OPG" or the "Company"] today reported its financial and operating results for the year ended December 31, 2005. Net income for the year was \$366 million or \$1.43 per share compared to net income of \$42 million or \$0.16 per share for the year ended December 31, 2004.

"Throughout 2005, OPG successfully pursued its strategy of improving the performance of its generating assets in a cost effective manner. The reliability of our nuclear, hydroelectric and fossil assets improved and the stations performed extremely well during the record setting levels of demand for electricity experienced during the summer. The improved reliability contributed to an increase in energy production and earnings compared to 2004," said President and CEO Jim Hankinson.

Electricity generated in 2005 of 108.5 terawatt hours (TWh) was higher than 2004 production of 105.0 TWh, an increase of 3.3 per cent. Higher fossil-fuelled production was due to increased electricity demand and improved station reliability. Nuclear production increased primarily as a result of increased capability factors at OPG's Pickering B and Darlington stations. Hydroelectric production declined as a result of lower water levels.

Earnings in 2005 were favourably impacted by an increase in gross margin as a result of higher average sales prices and increased nuclear and fossil-fuelled electricity production. The increase in OPG's average sales prices resulted from higher average Ontario spot market prices, primarily due to higher demand resulting from a prolonged period of hot summer weather and the effect on electricity prices of higher natural gas prices, and from the introduction of regulated prices and other related regulatory changes effective April 1, 2005. The regulatory changes included the elimination of the Market Power Mitigation Agreement rebate and the introduction of a revenue limit on a significant portion of OPG's production from its unregulated generating assets.

OPG received an average price of 4.9¢/kilowatt hour (kWh) from the output of all of its generating stations compared to an average price of 4.1¢/kWh in 2004. OPG's average sales price was considerably less than the weighted average hourly Ontario electricity price of 7.2¢/kWh in 2005 as a result of the regulated rates and the rebate mechanisms.

Earnings in 2005 were also favourably impacted by a reduction in operations, maintenance and administration ("OM&A") expenses due to the deferral in 2005 of non-capital costs related to the Pickering A nuclear generating station return to service project, as required by regulation. This reduction in OM&A was partially

offset by higher nuclear maintenance and repairs related to continuing improvement in station reliability, inventory write-offs as a result of OPG's decision not to proceed with the return to service of Pickering A nuclear generating station Units 2 and 3, and an increase in pension and other post employment benefit expenses primarily due to changes in economic assumptions.

Earnings in 2005 were negatively impacted by an impairment loss on OPG's Lennox gas and oil-fired generating station and an impairment loss on Pickering A generating station Units 2 and 3.

In addition to improved generating asset performance and earnings, there were a number of noteworthy accomplishments in 2005. Unit 1 at the Pickering A nuclear station was synchronized to the provincial grid in September 2005, sending electricity from the unit to Ontario consumers for the first time since December 1997. The unit was declared commercially available in November 2005, adding 515 megawatts (MW) of baseload capacity to Ontario's energy supply. The project represented a complex management and construction challenge, encompassing more than 1.9 million hours of work and almost 3,000 people at its peak.

Construction of a new 10.4 kilometre water diversion tunnel began in Niagara that will allow OPG's Sir Adam Beck hydroelectric generating facilities to more effectively utilize available water to increase annual production by approximately 1.6 TWh. Construction started in September 2005, with project completion expected by late 2009.

OPG's Board of Directors decided that while technically feasible, the return to service of Units 2 and 3 at the Pickering A nuclear generating station was not justified on a commercial basis. OPG will focus its resources on improving the performance of its remaining operating nuclear units.

OPG's 1,140 MW coal-fired Lakeview generating station was closed in April 2005 as part of the Ontario Government's plan to replace coal-fired generation.

"In addition to our many achievements in 2005, OPG and its Shareholder reached agreement on a comprehensive mandate that specifies OPG's strategic objectives which we will vigorously pursue. By continuing to demonstrate that OPG is a reliable, efficient and safe operator of electricity generating stations, we will reinforce the vital role that OPG plays in Ontario's electricity marketplace," said Mr. Hankinson.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

<i>(millions of dollars)</i>	<b>2005</b>	<b>2004</b>
<i>Earnings</i>		
Revenue before Market Power Mitigation Agreement rebate and revenue limit rebate	<b>6,949</b>	6,072
Market Power Mitigation Agreement and revenue limit rebates	<b>(1,151)</b>	(1,154)
Fuel expense	<b>(1,297)</b>	(1,153)
Gross margin	<b>4,501</b>	3,765
Operations, maintenance and administration	<b>2,516</b>	2,594
Other expenses	<b>1,162</b>	1,209
Impairment of long-lived assets	<b>265</b>	-
Income tax expense (recovery)	<b>118</b>	(80)
Extraordinary item	<b>74</b>	-
Net income	<b>366</b>	42
<i>Cash flow</i>		
Cash flow provided by operating activities	<b>1,201</b>	226
<i>Electricity Generation (TWh)</i>		
Regulated – Nuclear	<b>45.0</b>	42.3
Regulated – Hydroelectric	<b>18.5</b>	18.9
Unregulated Generation – Hydroelectric	<b>14.1</b>	16.8
Unregulated Generation – Fossil-fuelled	<b>30.9</b>	27.0
Total electricity generation	<b>108.5</b>	105.0
<i>Average electricity sales price<sup>1</sup> (¢/kWh)</i>		
Regulated – Nuclear <sup>2</sup>	<b>4.7</b>	4.1
Regulated – Hydroelectric <sup>2</sup>	<b>4.1</b>	4.1
Unregulated Generation – Hydroelectric <sup>3</sup>	<b>5.2</b>	4.1
Unregulated Generation – Fossil-fuelled <sup>3</sup>	<b>5.5</b>	4.2
OPG average sales price	<b>4.9</b>	4.1
<i>Nuclear unit capability factor (per cent)</i>		
Darlington	<b>90.6</b>	88.2
Pickering A	<b>69.9</b>	75.7
Pickering B	<b>77.7</b>	69.8
<i>Equivalent forced outage rate (per cent)</i>		
Regulated – Hydroelectric	<b>1.2</b>	2.2
Unregulated Generation – Hydroelectric	<b>1.4</b>	1.4
Unregulated Generation – Fossil-fuelled	<b>15.9</b>	18.7

<sup>1</sup> Prior to the inception of rate regulation on April 1, 2005, OPG's electricity generation received the Ontario spot electricity market price net of the Market Power Mitigation Agreement rebate.

<sup>2</sup> During the period from April 1, 2005, electricity generation from stations in the Regulated – Nuclear segment received a fixed price of 4.95¢/kWh. During the same period, electricity generation from stations in the Regulated – Hydroelectric segment received 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>3</sup> During the period from April 1, 2005, 85 per cent of the electricity generation from unregulated stations, excluding the Lennox generating station and other contract volumes, was subject to a revenue limit based on an average price of 4.7¢/kWh.

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 consolidated financial statements and Management's Discussion and Analysis of financial condition and results of operations as at and for the year ended December 31, 2005 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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