

May 23, 2008

ONTARIO POWER GENERATION REPORTS 2008 FIRST QUARTER FINANCIAL RESULTS

[Toronto]: Ontario Power Generation Inc. ("OPG" or the "Company") today reported its financial and operating results for the three months ended March 31, 2008. Net income for the first quarter of 2008 was \$162 million compared to net income of \$171 million for the same period in 2007.

"In the first quarter of 2008, OPG continued to improve its operational performance. Our nuclear and hydroelectric stations increased their electricity production and improved their reliability. We continually strive to increase our generating capacity while operating safely," said President and CEO Jim Hankinson.

Electricity generated in the first quarter of 2008 of 29.4 terawatt hours ("TWh") was four per cent higher than first quarter 2007 production of 28.2 TWh. Nuclear production increased by 1.7 TWh as a result of fewer outages at both Pickering nuclear stations. Hydroelectric production of 9.1 TWh was higher than production of 8.5 TWh during the first quarter 2007 due to mild weather and increased rainfall in northwestern Ontario. Electricity production from OPG's fossil stations decreased to 7.0 TWh in the first quarter of 2008 compared to 8.1 TWh in 2007, primarily as a result of higher nuclear and hydroelectric production.

Net income during the three months ended March 31, 2008 was marginally lower than net income in the first quarter of 2007. Gross margin increased due to higher electricity generation from OPG's lower marginal cost nuclear and unregulated hydroelectric generating stations. Income tax expense decreased due to a reduction in income tax liabilities as a result of the resolution of a number of tax uncertainties. These favourable impacts were offset by a decrease in earnings on the nuclear fixed asset removal and nuclear waste management funds, as a result of significant volatility and unfavourable returns in the capital markets.

During the first quarter of 2008, there was noteworthy progress on the Portlands Energy Centre ("PEC") project. 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 on schedule to be operational in a simple cycle mode, with a capacity of up to 340 MW, in June 2008. Project costs to date are on budget. The station will operate as needed to meet peak demand during the summer of 2008, after which it will be taken out of service in order to complete construction of the combined cycle mode. PEC is expected to be completed and fully operational in the combined cycle configuration in the second quarter of 2009, providing up to 550 MW of power.

OPG continues to make progress on a number of new generation projects that will significantly contribute to meeting Ontario's long-term electricity supply requirements including:

- At March 31, 2008, the boring machine for the Niagara tunnel had advanced 1,848 metres. Considerable uncertainty remains with respect to the schedule until the tunnel boring machine has advanced beyond the St. David's gorge to approximately 2,300 metres, and establishes consistent tunneling performance. The project cost estimate of \$985 million will be reviewed in conjunction with any changes to the project completion schedule, and a dispute resolution process to review, among other things, the actual subsurface rock conditions compared to those that were anticipated as part of the design-build contract.
- The expected in-service date for the new Lac Seul generating station continues to be in the third quarter of 2008, based on the contractor's current schedule.
- During the first quarter of 2008, OPG finalized a Hydroelectric Energy Supply Agreement for the Lac Seul station and continued negotiations for the Upper Mattagami and Hound Chute stations.
- In January 2008, the Canadian Nuclear Safety Commission recommended to the Federal Minister of Environment that the project for new nuclear generating units at the Darlington nuclear generating site be referred to a panel review, which is the highest level of review under current legislation. In March 2008, the Federal Minister of Environment accepted the recommendation and referred the project Environmental Assessment to a review panel. OPG is a part of the commercial team directed by Infrastructure Ontario that will manage the procurement process to select a nuclear reactor vendor by the end of 2008.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

<i>(millions of dollars – except where noted)</i>	Three Months Ended March 31	
	2008	2007
<i>Earnings</i>		
Revenue after revenue limit rebate	1,563	1,524
Fuel expense	(304)	(328)
Gross margin	1,259	1,196
Operations, maintenance and administration	691	694
Other expenses	414	274
Income tax (recovery) expense	(8)	57
Net income	162	171
<i>Cash flow</i>		
Cash flow provided by operating activities	249	163
<i>Electricity Generation (TWh)</i>		
Regulated – Nuclear	13.3	11.6
Regulated – Hydroelectric	4.6	4.6
Unregulated Generation – Hydroelectric	4.5	3.9
Unregulated Generation – Fossil-Fuelled	7.0	8.1
Total electricity generation	29.4	28.2
<i>Average electricity sales price (¢/kWh)</i>		
Regulated – Nuclear	4.9	4.9
Regulated – Hydroelectric ¹	3.6	3.6
Unregulated Generation – Hydroelectric ²	4.7	4.7
Unregulated Generation – Fossil-Fuelled ²	4.8	4.8
OPG average sales price	4.7	4.7
<i>Nuclear unit capability factor (per cent)</i>		
Darlington	98.9	93.6
Pickering A	77.6	63.5
Pickering B	86.5	69.6
<i>Equivalent forced outage rate (per cent)</i>		
Unregulated – Fossil-Fuelled	15.5	11.7
<i>Availability (per cent)</i>		
Regulated – Hydroelectric	93.4	92.0
Unregulated – Hydroelectric	95.7	95.7

¹ Electricity generated 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.

² Eighty-five per cent of the electricity generated from unregulated stations, excluding the Lennox generating station, those stations where generation output is subject to a Hydroelectric Energy Supply Agreement with the Ontario Power Authority, and forward sales as of January 1, 2005, is subject to a revenue limit. During the period from May 1, 2006 to April 30, 2007, the revenue limit was set at 4.6¢/kWh. The revenue limit increased to 4.7¢/kWh effective May 1, 2007 and to 4.8 ¢/kWh effective May 1, 2008.

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 interim consolidated financial statements and Management's Discussion and Analysis as at and for the three months ended March 31, 2008, can be accessed on OPG's website (www.opg.com), the Canadian Securities Administrators' website (www.sedar.com), or can be requested from the Company.

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ONTARIO POWER GENERATION INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes of Ontario Power Generation Inc. ("OPG" or the "Company") as at and for the three months ended March 31, 2008. For a complete description of OPG's corporate strategies, risk management, and the effect of critical accounting policies and estimates on OPG's results of operations and financial condition, this MD&A should also be read in conjunction with OPG's audited consolidated financial statements, accompanying notes, and MD&A as at and for the year ended December 31, 2007. Certain of the 2007 comparative amounts have been reclassified to conform to the 2008 presentation. OPG's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars. This MD&A is dated May 22, 2008.

FORWARD-LOOKING STATEMENTS

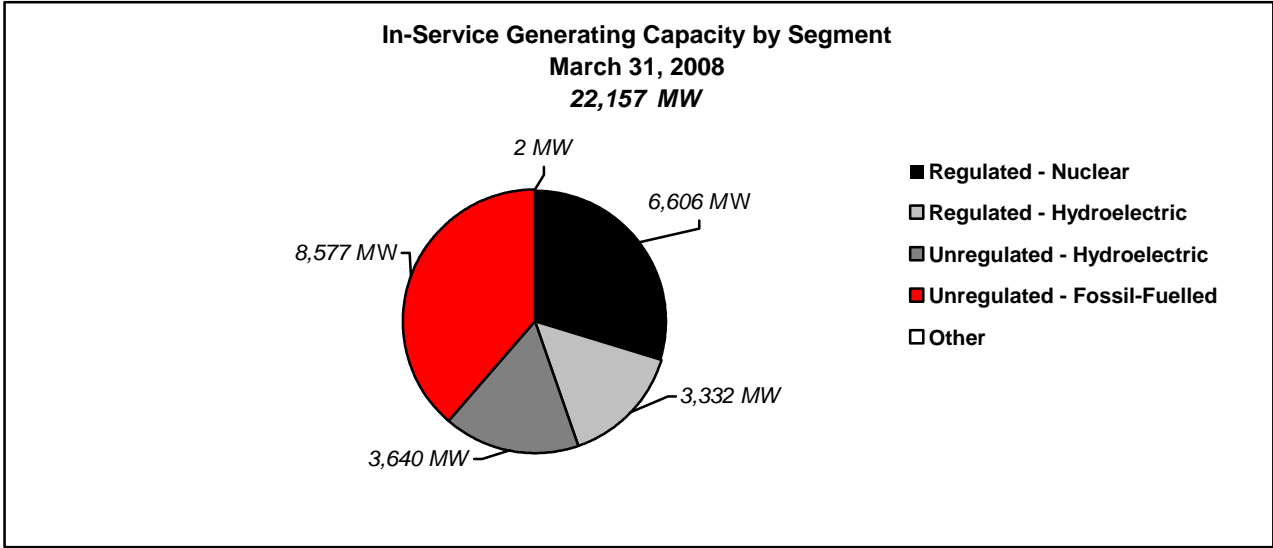
The MD&A contains forward-looking statements that reflect OPG's current views regarding certain future events and circumstances. Any statement contained in this document that is not current or historical is a forward-looking statement. OPG generally uses words such as "anticipate", "believe", "foresee", "forecast", "estimate", "expect", "schedule", "intend", "plan", "project", "seek", "target", "goal", "strategy", "may", "will", "should", "could" and other similar words and expressions to indicate forward-looking statements. The absence of any such word or expression does not indicate that a statement is not forward-looking.

All forward-looking statements involve inherent assumptions, risks and uncertainties and, therefore, could be inaccurate to a material degree. In particular, forward-looking statements may contain assumptions such as those relating to OPG's fuel costs and availability, asset performance, nuclear decommissioning and waste management, closure of coal-fired generating stations, refurbishment of existing facilities, development and construction of new facilities, pension and other post employment benefit obligations, income taxes, spot electricity market prices, the ongoing evolution of the Ontario electricity industry, environmental and other regulatory requirements, the weather, and the developments with respect to third-party Asset-Backed Commercial Paper. Accordingly, undue reliance should not be placed on any forward-looking statement. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. OPG does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise.

THE COMPANY

OPG is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario. OPG's focus is on the efficient production and sale of electricity from its generating assets, while operating in a safe, open and environmentally responsible manner. OPG was established under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (the "Province").

At March 31, 2008, OPG's electricity generating portfolio had an in-service capacity of 22,157 megawatts ("MW"). OPG's electricity generating portfolio consists of three nuclear generating stations, five fossil-fuelled generating stations, 64 hydroelectric generating stations and two wind generating stations. In addition, OPG, ATCO Power Canada Ltd. and ATCO Resources Ltd. co-own the Brighton Beach gas-fired generating station. OPG also owns two other nuclear generating stations, which are leased on a long-term basis to Bruce Power L.P. ("Bruce Power").



RATE REGULATION

A regulation was introduced pursuant to the *Electricity Restructuring Act, 2004* (Ontario), which provides that, effective April 1, 2005, OPG receives regulated prices for electricity generated from most of its baseload hydroelectric and all of the nuclear facilities that it operates. This comprises electricity generated from the Sir Adam Beck 1, 2 and Pump generating station, DeCew Falls 1 and 2, and R.H. Saunders hydroelectric facilities, and Pickering A and B and Darlington nuclear facilities. The production from OPG's other generating assets remains unregulated and continues to be sold at the Ontario electricity spot market price, subject to a revenue limit on the majority of this output.

In November 2007, OPG filed an application with the Ontario Energy Board ("OEB") for new payment amounts for its regulated facilities effective April 1, 2008, for a 21-month period. OPG is seeking a rate of return consistent with the scope and type of business risks associated with safely and reliably operating, maintaining and developing its regulated assets. An update to this filing was submitted in March 2008.

In February 2008, the OEB held a hearing to consider OPG's request that payment amounts for its regulated facilities be declared interim, effective April 1, 2008, and OPG's request for an interim increase in payment amounts. The OEB granted OPG's request that payment amounts be made interim, effective April 1, 2008. This decision preserves the opportunity for OPG to recover the difference between final payment amounts as approved by the OEB and the current payment amounts, for the period between April 1, 2008 and the date of the OEB's final order. The decision regarding retrospective recovery will be made by the OEB as part of the final payment order. The OEB did not approve an interim increase in payment amounts, and stated that if a retrospective recovery adjustment is required, it can be achieved prospectively by spreading the impact of the adjustment over a period after the final order is made.

An oral hearing on OPG's Application is scheduled to commence on May 22, 2008. The OEB's final decision on the application is expected in the fall of 2008.

HIGHLIGHTS

Overview of Results

This section provides an overview of OPG's unaudited interim consolidated operating results. A detailed discussion of OPG's performance by reportable business segment is included under the heading, *Discussion of Operating Results by Business Segment*.

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2008	2007
<i>Revenue</i>		
Revenue before revenue limit rebate	1,630	1,620
Revenue limit rebate	(67)	(96)
	1,563	1,524
<i>Earnings</i>		
Income before the following:	201	254
Other (gains) and losses	7	-
Income before interest and income taxes	194	254
Net interest expense	40	26
Income before income taxes	154	228
Income tax (recovery) expense	(8)	57
Net income	162	171
<i>Electricity production (TWh)</i>	29.4	28.2
<i>Cash flow</i>		
Cash flow provided by operating activities	249	163

Net income for the three months ended March 31, 2008 was \$162 million compared to net income of \$171 million for the same period in 2007, a decrease of \$9 million. Income before income taxes for the three months ended March 31, 2008 was \$154 million compared to income before income taxes during the same period in 2007 of \$228 million, a decrease of \$74 million.

For the three months ended March 31, 2008, there was a net income tax recovery of \$8 million compared to an income tax expense of \$57 million for the same period in the prior year. The decrease in the income tax expense was due to the impact of 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 1999 taxation year.

The following is a summary of the factors impacting OPG's results for the three months ended March 31, 2008 compared to results for the same period in 2007, on a before-tax basis:

(millions of dollars – before tax)

Income before income taxes for the three months ended March 31, 2007	228
Changes in gross margin	
Increase in electricity sales price after revenue limit rebate	4
Change in electricity generation by segment:	
Regulated – Nuclear	80
Unregulated – Hydroelectric	27
Unregulated – Fossil-Fuelled	(18)
Decrease in ancillary revenue	(18)
Other changes in gross margin	(12)
	63
Increase in operations and maintenance expenses primarily related to nuclear operations	(22)
Decrease in pension and other post employment benefit costs	16
Decrease in earnings from the nuclear fixed asset removal and nuclear waste management funds	(142)
Decrease in property and capital taxes primarily due to property tax refunds	23
Other changes	(5)
Decrease in income before other gains and losses and income taxes	(67)
Other gains and (losses) recognized in 2008	(7)
Income before income taxes for the three months ended March 31, 2008	154

Gross margin for the first quarter of 2008 compared to the same period in 2007 was favourably impacted by an increase in generation from OPG's lower marginal cost nuclear and unregulated hydroelectric generating stations, partially offset by lower generation from the fossil-fuelled generating stations.

For the three months ended March 31, 2008, operations, maintenance and administration ("OM&A") expenses were \$691 million compared to \$694 million for the same period in 2007. The decrease was due to lower pension and other post employment benefits costs, and a reduction in planned outage work for the fossil-fuelled generating stations. This decrease was partly offset by higher costs at OPG's nuclear generating stations for maintenance activities and outage expenditures in the first quarter of 2008 compared to the same period in 2007.

Earnings for the three months ended March 31, 2008 were unfavourably impacted by a decrease in earnings on the nuclear fixed asset removal and nuclear waste management funds (the "Nuclear Funds"). Losses on the Nuclear Funds for the three months ended March 31, 2008 were \$51 million compared to earnings of \$91 million for the same quarter in 2007, a decrease of \$142 million. The decrease in earnings was primarily due to lower returns on the Decommissioning Segregated Fund ("Decommissioning Fund"), as a result of significant volatility and unfavourable returns in the capital markets during the first quarter of 2008 compared to the first quarter of 2007. The Nuclear Funds have been designed to fund long-term liability requirements with a long-term strategic asset mix, and therefore, short-term market fluctuations are inevitable. OPG's earnings on the Used Fuel Segregated Fund ("Used Fuel Fund") are not subject to such capital market volatility since the rate of return on this fund for the first 2.23 million used fuel bundles is guaranteed by the Province.

Property and capital taxes for the three months ended March 31, 2008 were \$6 million compared to \$29 million for the same period in 2007. The decrease in property and capital taxes was primarily due to a refund of property taxes in the amount of \$17 million during the first quarter of 2008.

Average Sales Prices

The weighted average Ontario spot electricity market price and OPG's average sales prices by reportable business segment, net of the revenue limit rebate for the three months ended March 31, 2008 and 2007, were as follows:

(ϕ /kWh)	Three Months Ended March 31	
	2008	2007
Weighted average hourly Ontario spot electricity market price	5.2	5.5
Regulated – Nuclear	4.9	4.9
Regulated – Hydroelectric ¹	3.6	3.6
Unregulated – Hydroelectric ²	4.7	4.7
Unregulated – Fossil-Fuelled ²	4.8	4.8
OPG's average sales price	4.7	4.7

¹ Electricity generated 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.

² 85 per cent of the electricity generated from unregulated stations, excluding the Lennox generating station, those stations where generation output is subject to a Hydroelectric Energy Supply Agreement ("HESA") with the Ontario Power Authority, and forward sales as of January 1, 2005, is subject to a revenue limit. During the period from May 1, 2006 to April 30, 2007, the revenue limit was set at 4.6¢/kWh. The revenue limit increased to 4.7¢/kWh effective May 1, 2007 and to 4.8 ¢/kWh effective May 1, 2008.

The weighted average hourly Ontario spot electricity market price was 5.2¢/kWh for the three months ended March 31, 2008 compared to 5.5¢/kWh for the same period in 2007. The decrease was primarily a result of higher nuclear and hydroelectric generation, and a stronger Canadian dollar, which contributes to lower spot market prices.

For the three month periods ended March 31, 2008 and March 31, 2007, OPG's average sales price was 4.7¢/kWh, which was lower than the weighted average hourly Ontario spot electricity market price as a result of regulated prices and the revenue limit rebate.

Electricity Generation

Total electricity generated during the three months ended March 31, 2008 from OPG's generating stations was 29.4 TWh compared to 28.2 TWh for the first quarter of 2007. The increase was primarily due to higher electricity generation from OPG's nuclear generating stations and its unregulated hydroelectric facilities, partially offset by lower generation from the fossil-fuelled generating stations. Ontario primary demand in the first quarter of 2008 was lower compared to the same period in 2007, however, net exports from Ontario increased compared to the same quarter last year.

Electricity generation from OPG's nuclear stations was 13.3 TWh for the first quarter of 2008 compared to 11.6 TWh for the first quarter of 2007. The increase of 1.7 TWh was primarily due to outages during the first quarter of 2007 at the Pickering nuclear generating stations that reduced generation compared to the first quarter of 2008. During the first quarter of 2007, there was an unplanned outage at the Pickering B generating station caused by an inadvertent release of resin by a third-party contractor, from the water treatment plant into the station's demineralized water system, and the requirement for maintenance related to the recovery of resin. Generation during the first quarter of 2007 was also impacted by an extension to a planned outage at the Pickering A nuclear generating station for significant additional repair work required as a result of a component failure during inspection.

For the three month periods ended March 31, 2008 and 2007, electricity sales volume from the Regulated – Hydroelectric segment was 4.6 TWh. Electricity generated from the unregulated hydroelectric generating stations during the first quarter of 2008 was 4.5 TWh compared to 3.9 TWh during the same period in 2007. The increase was primarily due to increased generation from hydroelectric stations in Northwest Ontario due to mild weather conditions and increased rainfall in January 2008.

Electricity generation from OPG's fossil-fuelled generating stations for the three months ended March 31, 2008 was 7.0 TWh compared to 8.1 TWh during the first quarter of 2007. The decrease was primarily due to higher generation from OPG's nuclear and unregulated hydroelectric generating stations, and an increase in forced outages during the first quarter of 2008 compared to the same period in 2007.

OPG's operating results are impacted by changes in demand resulting from variations in seasonal weather conditions. The following table provides a comparison of Heating Degree Days for the three months ended March 31:

	Three Months Ended March 31	
	2008	2007
Heating Degree Days ¹		
Quarter	1,893	1,920
Ten-year average	1,857	1,831

¹ Heating Degree Days are recorded on days with an average temperature below 18°C, and represent the aggregate of the differences between the average temperature and 18°C for each day during the period, as measured at Pearson International Airport in Toronto, Ontario.

Heating Degree Days for the three months ended March 31, 2008 decreased compared to the same period in 2007 due to warmer weather. The weather during the first quarter of 2008 was colder than the ten-year average. Ontario primary electricity demand was 39.5 TWh and 40.0 TWh for the three months ended March 31, 2008 and 2007, respectively.

Recent Developments

Investments in Asset-Backed Commercial Paper ("ABCP")

In August 2007, the ABCP market experienced a liquidity event when paper sponsored by third party (non-bank) conduits could not be refinanced as it matured. The total face value of affected ABCP amounted to \$32 billion. At that time, OPG's total ABCP investment was \$103 million. Of that amount, \$45 million was restructured, with OPG receiving payment of approximately 98.7% of the face value of the notes in December 2007. For the remaining \$58 million, OPG recorded an impairment loss of \$9 million as at December 31, 2007 based on the limited information available at that time.

The remaining \$58 million was held in illiquid trusts that are part of a pool of assets which are the subject of a restructuring proposal put forward by a committee of large noteholders (the "Plan"). The Plan provides that most of the assets in existing conduits be transferred into new conduits against which new long-term notes would be issued. In March, 2008, the Ontario Superior Court of Justice granted an order under the Companies' Creditors Arrangement Act staying certain proceedings and ordering a vote on the Plan. The Plan was approved by the noteholders in April 2008. Court approval at a sanctioning hearing is required for the plan to proceed.

OPG performed a valuation analysis as at March 31, 2008 to assess the amount of any impairment on the new notes that it will hold based on the approved Plan. On the highest ranking senior notes, the analysis was based on discounted cash flows using information disclosed pursuant to the Plan and other market information. Subordinated notes were valued using a probability of recovery analysis based on limited market information. As a result of the analysis, OPG recorded an impairment loss of \$9 million against the remaining holdings of \$58 million, in addition to the \$9 million loss recorded as at December 31, 2007. The impairment loss was included in other gains and losses. OPG's holdings of third-party ABCP are recorded as long-term investments.

OPG has sufficient credit facilities to satisfy its financial obligations as they come due and does not expect any material adverse impact on its operations as a result of this current third-party ABCP liquidity issue.

Climate Change Plan

The Federal Government, in April 2007, announced targets for reducing both GHG emissions and air pollutants from 2006 levels. Under the Federal proposal, OPG would be required to reduce its intensity levels of GHG emissions from its fossil-fuelled generating stations from 2006 levels by 18 per cent in 2010, with an eventual reduction of 28 per cent by 2015. The Federal Government confirmed these GHG targets in March 2008. The Federal Government also confirmed that for the electricity sector, GHG intensity would be calculated at the corporate level, rather than at the station or fleet levels. The Federal Government plans to release a regulatory framework for air pollutants in the spring of 2008, with draft regulations for both GHG emissions and air pollutants expected to be published for comment in the fall of 2008.

On May 16, 2008, the Province announced new annual limits on CO₂ emissions from OPG's coal-fired generating stations to ensure that such emissions are reduced by two-thirds below 2003 levels by 2011. A draft regulation under the Environmental Protection Act will require a reduction in CO₂ emissions to a limit of 11.5 million tonnes beginning on January 1, 2011, from CO₂ emissions of 34.5 million tonnes in 2003. Between now and 2011, the government has directed OPG to target emissions to 19.6 million tonnes in 2009 and 15.6 million tonnes in 2010. OPG is required to submit a strategy outlining how it will achieve these emission targets, to the Minister of Energy by November 30, 2008, for the 2009 calendar year and within one year thereafter in respect of the 2010 calendar year. These strategies may result in a reduction to OPG's revenues. The Province will ensure that an appropriate cost recovery mechanism is established to enable OPG to recover the costs of its coal-fired generating stations following the implementation of the CO₂ reductions.

VISION, CORE BUSINESS AND STRATEGY

OPG's mandate is to cost effectively produce electricity from its diversified generating assets, while operating in a safe, open and environmentally responsible manner. To achieve its mandate, OPG is focused on four corporate strategies: improving the performance of its generating assets; increasing its generating capacity; achieving financial sustainability; and achieving excellence in corporate governance, safety, social responsibility, corporate citizenship and environmental stewardship.

A detailed discussion of OPG's strategies is outlined in the 2007 annual MD&A under the heading, *Vision, Core Business and Strategy*. The following section provides an update to the year end discussion.

Improving the Performance of Generating Assets

Nuclear Generating Assets

Refurbishment Projects

Work is proceeding on the feasibility study to refurbish the Pickering B nuclear generating station. This work includes an assessment of the station condition, an Environmental Assessment ("EA"), and an Integrated Safety Review ("ISR"), which is designed to ensure safe and secure operations of the generating station for the proposed future period. OPG submitted a draft Environment Impact Study Report to the Canadian Nuclear Safety Commission ("CNSC") in December 2007. CNSC staff is reviewing the report and preparing a Screening Report which is expected in mid-2008. The CNSC has accepted OPG's "ISR basis" document, which establishes the framework for performing the Pickering B Integrated Safety Review.

Preparatory work for the feasibility study on the refurbishment of the Darlington nuclear generating station began in the first quarter of 2008. The work is focusing on project planning including the definition of scope, schedule, and determination of resources required to conduct the assessment phase.

Pickering A Units 2 and 3 Safe Storage Project

The Pickering A safe storage project includes isolating Units 2 and 3 from the rest of the generating station, redesigning the control room for the remaining two operating units, and de-watering and de-fuelling the units.

In the third quarter of 2007, the CNSC concluded that an EA was necessary for certain aspects of the safe storage project. As a result, certain planned work was suspended pending completion of the EA. The initial cost estimate of the project was approximately \$270 million, with completion targeted for 2009. It is now estimated that as a result of the EA requirement, completion of the safe storage project will be delayed by approximately 16 months and total project costs are estimated to be \$350 million. OPG is finalizing the scope of the required EA with the CNSC, which will allow OPG to update the definition of the project work.

Increasing OPG's Generating Capacity

Niagara Tunnel

At March 31, 2008, the tunnel boring machine had advanced 1,848 metres. The progress of the tunnel boring machine by the design-build contractor continues to be slower than expected through the rock conditions encountered under the St. David's gorge. Based on the information provided by the contractor, the in-service date of the tunnel will be delayed. To mitigate the impact of the schedule delay, the contractor is investigating alternatives, including realignment of a portion of the tunnel. The estimated in-service date will be dependent on the alternative selected by the contractor. Considerable uncertainty remains with respect to the schedule for any of the contractor's alternatives until the tunnel boring machine has advanced beyond the St. David's gorge to approximately 2,300 metres, and establishes consistent tunneling performance.

The contract structure places the onus on the contractor to mitigate schedule delays, and includes liquidated damages provisions for failure to meet the contractual in-service date.

There is a potential that the schedule delay could impact the project cost. The project cost estimate of \$985 million will be reviewed in conjunction with any changes to the project completion schedule and a dispute resolution process to review, among other things, the actual subsurface rock conditions compared to those that were anticipated as part of the design-build contract, which is scheduled for June 2008.

The capital project expenditures for the three months ended March 31, 2008 were \$23 million and life-to-date capital expenditures were \$326 million. The project is debt financed through the Ontario Electricity Financial Corporation ("OEFC").

Lac Seul

The Lac Seul generating station was expected to be in-service in the fourth quarter of 2007 in accordance with the contractor's original schedule. However, the project has been delayed as a result of various difficulties, including the replacement by the contractor of the major subcontractor on two occasions. The expected in-service date for the new station continues to be in the third quarter of 2008, based on the contractor's current schedule.

The design-build contract includes liquidated damages terms to mitigate, among other things, the impact of any project delay. OPG is deducting applicable liquidated damages from amounts otherwise payable to the contractor for the late in-service date.

Primary concrete work at the intake area was completed. The contractor has commenced work on installing steel gains to support the headgates. Life-to-date expenditures were \$43 million. Total project costs are expected to be \$47 million. The project is debt financed through the OEFC.

Lower Mattagami

Following discussions with the Canadian Environmental Assessment Agency (“CEAA”), it was determined that a comprehensive study process must be followed under CEAA regulations. The CEAA is in the process of formally documenting its decision for ministerial approval.

Hydroelectric Projects Directive

In December 2007, the Minister of Energy issued a directive to the Ontario Power Authority (“OPA”) to negotiate Hydroelectric Energy Supply Agreements (“HESA”) for the Lac Seul, Upper Mattagami, Hound Chute, Healey Falls and Lower Mattagami projects. The final review of the Lac Seul HESA was completed in January 2008 and the agreement was executed. The negotiation of the HESA for the Upper Mattagami and Hound Chute are in progress.

Portlands Energy Centre

During the first quarter of 2008, progress included the substantial completion of the construction required for the simple cycle mode of operations, as well as start-up and commissioning of these systems. There was also a significant effort related to the development and implementation of procedures and governance for operations, along with staff recruitment and training. The generating station is expected to be operational in a simple cycle mode with capacity of up to 340 MW, no later than June 7, 2008.

The simple cycle mode will only operate as needed during the summer of 2008, after which the generating station will be taken out of service to enable construction to be completed on the combined cycle mode. The plant is on schedule to be completed and fully operational in the combined cycle configuration in the second quarter of 2009, providing up to 550 MW of power. Project costs are expected to be within the approved budget, which is \$730 million excluding capitalized interest. A significant proportion of this capital cost relates to an engineer-procure-construct contract to construct the facility.

OPG’s share of capital expenditures for the three months ended March 31, 2008 was \$24 million. OPG’s share of the life-to-date capital expenditures was \$297 million. OPG’s share of the project is debt financed through the OEFC.

New Nuclear Generating Units

As directed by the Minister of Energy in June 2006, OPG initiated a federal approvals process in September 2006 by filing an Application for a Site Preparation Licence with the CNSC for new nuclear generating units at the Darlington nuclear generating site.

In January 2008, the CNSC recommended to the Federal Minister of Environment that the project be referred to a panel review, which is the highest level of review under current legislation. In March 2008, the Federal Minister of Environment accepted the recommendation and announced the referral of the project EA to a review panel. Work continues on the Environmental Impact Statement, which is planned for completion in early 2009. The third round of public consultation is underway and community open houses have been held in April and May 2008.

In March 2008, the Minister of Energy announced a two-phase competitive Request For Proposal (“RFP”) process to select a nuclear reactor vendor to provide 2,000 to 3,500 MW of baseload generation capacity to the Ontario electricity grid. A commercial team, directed by Infrastructure Ontario and supported by OPG, Bruce Power, and the Ministries of Energy and Finance, will manage the procurement process to select a nuclear reactor vendor by the end of 2008. Areva NP, Atomic Energy of Canada Limited, and Westinghouse are participating in the first phase of the proposal process. Respondents are expected to submit their initial proposals by May 2008.

Planning for new nuclear generating units at OPG’s Darlington nuclear generating site continues. In 2008, OPG created an organization to provide commercial, technical, and operational expertise and support to the Infrastructure Ontario’s nuclear procurement process.

ONTARIO ELECTRICITY MARKET TRENDS

In its 18-Month Outlook published on April 1, 2008, the IESO indicated that Ontario's installed electricity generating capacity was 31,297 MW. OPG's in-service electricity generating capacity at the end of March 31, 2008 was 22,157 MW or 71 per cent of Ontario's capacity. The expected peak electricity demand in the summer of 2008, under normal weather conditions and prior to the impacts of targeted conservation, is forecast by the IESO to be 25,779 MW. The IESO expects energy demand in 2008 to grow by 0.4 per cent to 152.2 TWh, attributed primarily to lower industrial demand and conservation measures. The IESO reported that over the next 18 months, the outlook for Ontario's supply/demand balance remains positive under a normal weather scenario. Over the next 18 months, over 4,500 MW of new supply is scheduled to go in service or return to service, including 3,100 MW of gas-fired generation, 800 MW of nuclear generation, 100 MW of hydroelectric generation, and 600 MW of wind generation. Most of the new supply projects are now under construction with the majority of projects becoming available to generate electricity in the latter half of the 18-month period.

Both the spot electricity market price and fuel prices can have a significant impact on OPG's revenue and gross margin. Uranium market prices have increased significantly since 2003. Near term impact on OPG's fuel costs has been mitigated by existing lower priced long term supply agreements and the consumption of low cost inventory. However, fuel costs for nuclear operations are expected to be significantly higher in the future. Average market prices during the first quarter of 2008 for natural gas increased by approximately 20 per cent and coal prices increased approximately 75 per cent compared to average market prices in the same period of 2007. The outlook for gas prices remains volatile, and for coal there is upward pressure on pricing.

KEY GENERATION AND FINANCIAL PERFORMANCE INDICATORS

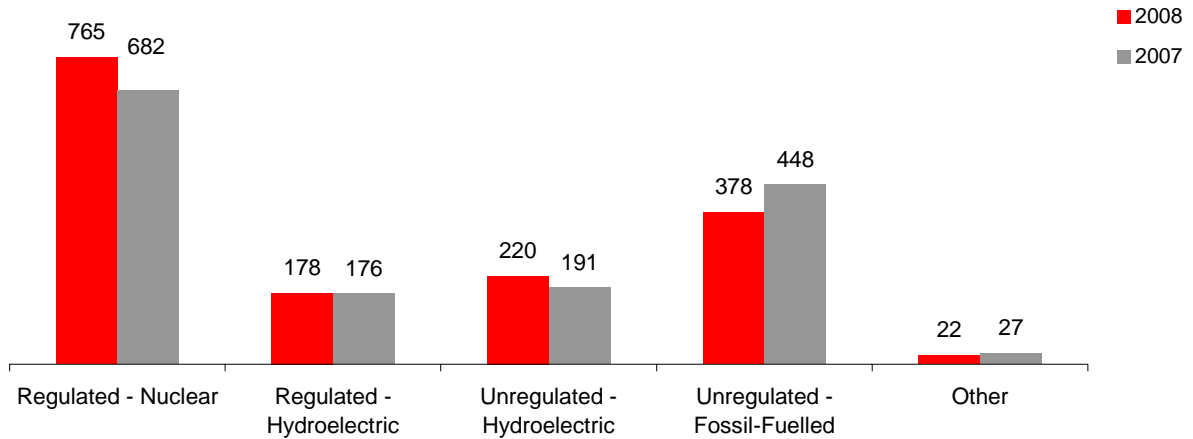
Key performance indicators that directly pertain to OPG's mandate and corporate strategies are measures of production efficiency, cost effectiveness, and environmental performance. OPG evaluates the performance of its generating stations using a number of key performance indicators, which vary depending on the generating technology. These indicators are defined in the 2007 annual MD&A and are discussed in the *Discussion of Operating Results by Business Segment* section.

DISCUSSION OF OPERATING RESULTS BY BUSINESS SEGMENT

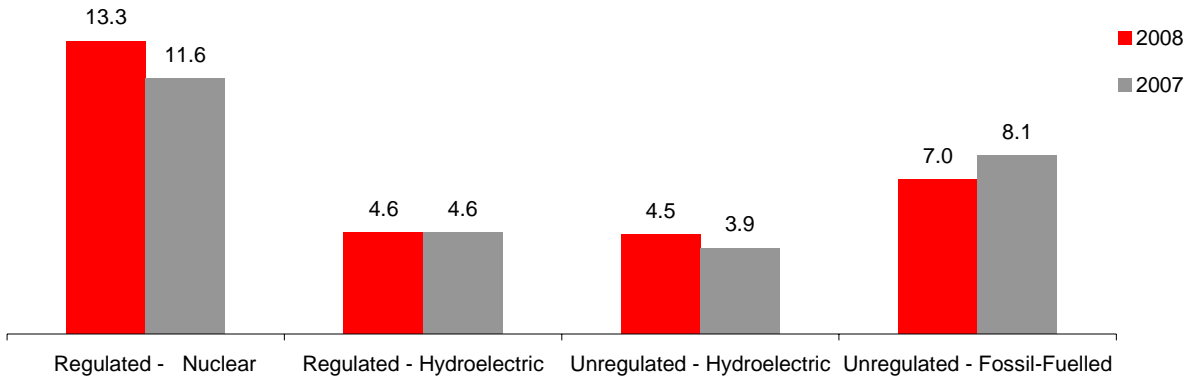
This section summarizes OPG's key results by segment for the three months ended March 31, 2008 and 2007. The following table provides a summary of revenue, earnings and key generation and financial performance indicators by business segment:

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2008	2007
<i>Revenue, net of revenue limit rebate</i>		
Regulated – Nuclear	765	682
Regulated – Hydroelectric	178	176
Unregulated – Hydroelectric	220	191
Unregulated – Fossil-Fuelled	378	448
Other	22	27
	1,563	1,524
<i>(Loss) income before interest and income taxes</i>		
Regulated – Nuclear	(59)	(11)
Regulated – Hydroelectric	86	80
Unregulated – Hydroelectric	132	108
Unregulated – Fossil-Fuelled	37	67
Other	(2)	10
	194	254
<i>Electricity Generation (TWh)</i>		
Regulated – Nuclear	13.3	11.6
Regulated – Hydroelectric	4.6	4.6
Unregulated – Hydroelectric	4.5	3.9
Unregulated – Fossil-Fuelled	7.0	8.1
Total electricity generation	29.4	28.2
<i>Nuclear unit capability factor (per cent)</i>		
Darlington	98.9	93.6
Pickering A	77.6	63.5
Pickering B	86.5	69.6
<i>Equivalent forced outage rate (per cent)</i>		
Regulated – Hydroelectric	1.6	1.4
Unregulated – Hydroelectric	0.5	1.2
Unregulated – Fossil-Fuelled	15.5	11.7
<i>Availability (per cent)</i>		
Regulated – Hydroelectric	93.4	92.0
Unregulated – Hydroelectric	95.7	95.7
<i>Nuclear PUEC (\$/MWh)</i>	39.49	43.78
<i>Regulated – Hydroelectric OM&A expense per MWh (\$/MWh)</i>	5.22	5.00
<i>Unregulated – Hydroelectric OM&A expense per MWh (\$/MWh)</i>	10.00	10.26
<i>Unregulated – Fossil-Fuelled OM&A expense per MW (\$000/MW)</i>	56.4	60.5

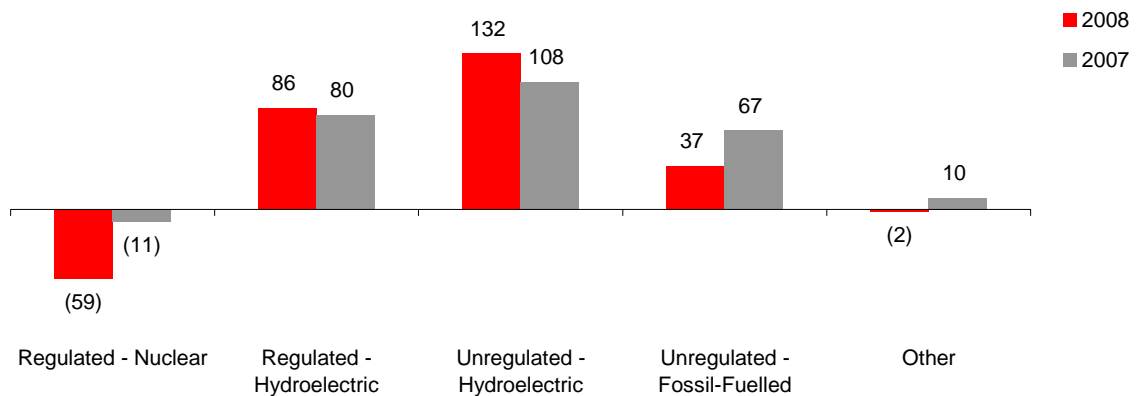
Revenue, Net of Revenue Limit Rebate by Segment
Three Months Ended March 31
(millions of dollars)



Electricity Generation by Segment
Three Months Ended March 31
(TWh)



(Loss) Income Before Interest and Income Taxes by Segment
Three Months Ended March 31
(millions of dollars)



Regulated – Nuclear Segment

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2008	2007
Regulated generation sales	654	569
Other	111	113
Total revenue	765	682
Fuel expense	41	32
Gross margin	724	650
Operations, maintenance and administration	500	499
Depreciation and amortization	106	116
Accretion on fixed asset removal and nuclear waste management liabilities	133	126
Losses (earnings) on nuclear fixed asset removal and nuclear waste management funds	51	(91)
Property and capital taxes	(7)	11
Loss before interest and income taxes	(59)	(11)

Revenue

Regulated – Nuclear revenue was \$765 million for the three months ended March 31, 2008 compared to \$682 million for the same quarter in 2007. The increase in revenue of \$83 million was primarily due to higher generation of 1.7 TWh in the first quarter of 2008 compared to the same period in 2007.

Electricity Prices

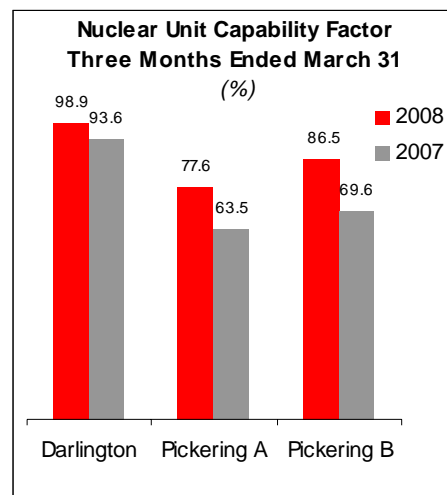
Electricity generation from stations in the Regulated – Nuclear segment received a fixed price of 4.95¢/kWh since the introduction of rate regulation effective April 1, 2005.

Volume

Electricity generation from OPG's nuclear stations was 13.3 TWh for the first quarter of 2008 compared to 11.6 TWh for the first quarter of 2007. The increase of 1.7 TWh was primarily due to outages during the first quarter of 2007 at the Pickering nuclear generating stations that reduced generation compared the first quarter of 2008. During the first quarter of 2007, there was an unplanned outage of the Pickering B generating station caused by an inadvertent release of resin by a third-party contractor, from the water treatment plant into the station's demineralized water system, and the requirement for maintenance related to the recovery of resin. Generation during the first quarter of 2007 was also impacted by an extension to a planned outage at the Pickering A nuclear generating station for significant additional repair work required as a result of a component failure during inspection.

The Darlington nuclear generating station's unit capability factor for the three months ended March 31, 2008 was 98.9 per cent compared to 93.6 per cent for the same period in 2007. The very high capability factor reflects the continuing strong performance of the Darlington nuclear generating station.

The unit capability factor for the Pickering A nuclear generating station for the three months ended March 31, 2008 was 77.6 per cent compared to 63.5 per cent in 2007. The station's unit capability factor was impacted during the first quarter of 2007 as a result of the extension to the planned outage related to the component failure during inspection. The station's capability factor in the first quarter of 2008 was impacted by unplanned outages and the impact of a station derating.



The unit capability factor for the Pickering B nuclear generating station was 86.5 per cent for the three months ended March 31, 2008 compared to 69.6 per cent for same quarter in 2007. The unit capability factor during the first quarter of 2007 was impacted by higher unplanned outage days related to the release of resin into the demineralized water system.

Unit 7 at the Pickering B nuclear generating station commenced a forced outage in April 2008 for equipment repairs. OPG is working on determining the scope and timing of this outage.

OPG is pursuing the recovery of revenue and incremental costs as a result of the unplanned outage at the Pickering B generating station in the first quarter of 2007 caused by an inadvertent release of resin by the third-party contractor. In February 2008, the Company received an interim recovery payment of \$10 million.

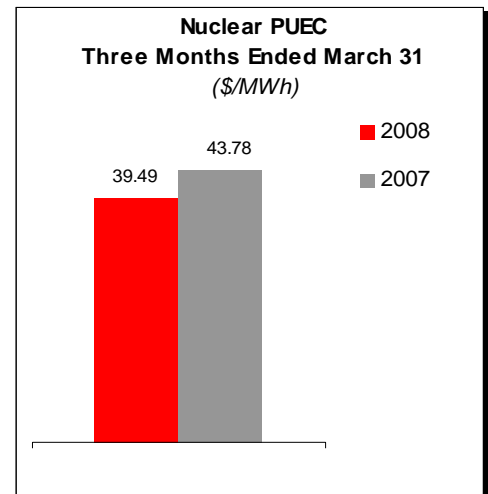
Fuel Expense

Fuel expense for the three months ended March 31, 2008 was \$41 million compared to \$32 million during the same period in 2007. The increase in fuel expense was primarily due to higher uranium prices and higher generation volume.

Operations, Maintenance and Administration

OM&A expenses for the three months ended March 31, 2008 were \$500 million compared to \$499 million during the same period in 2007. The increase in OM&A expenses was primarily due to higher costs for outage and maintenance activities, partially offset a reduction in pension and other post employment benefit expenses.

Based on the amendment to the regulation pursuant to the *Electricity Restructuring Act, 2004* (Ontario) made in February 2007, OPG recorded a regulatory asset of \$4 million and \$9 million related to non-capital costs for nuclear generation development initiatives during the first quarters of 2008 and 2007, respectively.



Nuclear PUEC for the three months ended March 31, 2008 was \$39.49/MWh compared to \$43.78/MWh during same period in 2007. The decrease was primarily due to higher generation.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended March 31, 2008 was \$106 million compared to \$116 million for the same period in 2007. The decrease in depreciation and amortization expense was primarily due to lower amortization of the Pickering A return to service deferral account. The amortization expense related to this deferral account was \$29 million for the three months ended March 31, 2008 compared to \$36 million during the same period in 2007, consistent with the method of recovery of costs included in regulated prices.

Accretion

Accretion expense for the three months ended March 31, 2008 was \$133 million compared to \$126 million for the same period in 2007. The increase was due to the higher nuclear fixed asset removal and nuclear waste management liability compared to the first quarter of 2007 primarily as a result of the increase in the present value of the liability due to the passage of time.

Losses (Earnings) on the Nuclear Fixed Asset Removal and Nuclear Waste Management Funds

Losses from the Nuclear Funds for the three months ended March 31, 2008 were \$51 million compared to earnings from the Nuclear Funds of \$91 million for the same period in 2007. The decrease in earnings of \$142 million was primarily due to lower returns on the Decommissioning Fund as a result of significant volatility and unfavourable returns in the capital markets during the first quarter of 2008 compared to the same period in 2007.

The assets in the Decommissioning Fund are invested primarily in publicly traded fixed income and equity investments. As a result, the value of these investments is subject to volatility in the capital markets. The volatility of the returns on these investments has increased over the past several months, which has resulted in a negative impact on the fair value and the funding status of the Decommissioning Fund. The Decommissioning Fund has been designed to meet long-term liability requirements with a long-term strategic asset mix, and therefore, short term market fluctuations are inevitable.

OPG's earnings from the Used Fuel Fund are not subject to the volatility of the capital markets, since the Province guarantees the rate of return on the Used Fuel Fund for the first 2.23 million used fuel bundles at 3.25 per cent per annum plus the change in the Ontario Consumer Price Index.

Regulated – Hydroelectric Segment

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2008	2007
Regulated generation sales ¹	164	167
Variance accounts	1	(2)
Other	13	11
Total revenue	178	176
Fuel expense	49	52
Gross margin	129	124
Operations, maintenance and administration	24	23
Depreciation and amortization	16	16
Property and capital taxes	3	5
Income before interest and income taxes	86	80

¹ Regulated generation sales included revenue of \$41 million and \$47 million that OPG received at the Ontario electricity spot market price for generation over 1,900 MWh in any hour during the three months ended March 31, 2008 and 2007, respectively.

Revenue

Regulated – Hydroelectric revenue was \$178 million for the three months ended March 31, 2008 compared to \$176 million for the same period in 2007.

Electricity Prices

For the three month period ended March 31, 2008 and 2007, the average electricity sales price for the Regulated – Hydroelectric segment was unchanged at 3.6¢/kWh. The average sales price is based on the fixed price of 3.3¢/kWh for generation up to 1,900 MWh in any hour, and the spot electricity market price for generation above this level.

Volume

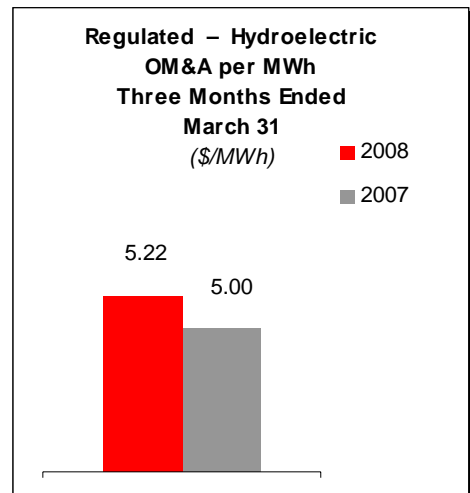
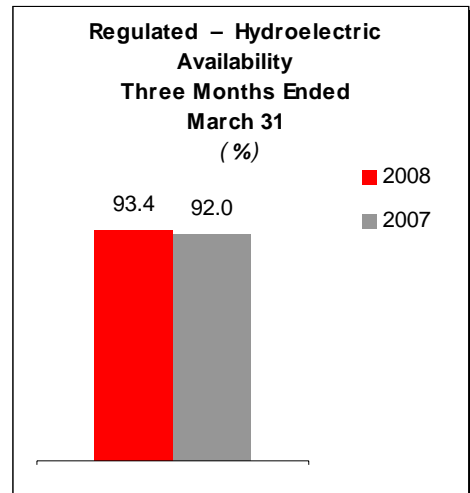
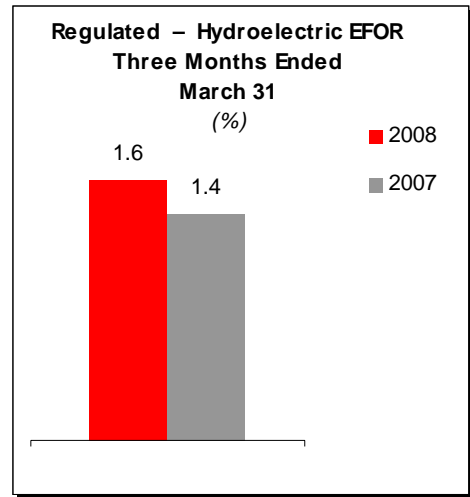
For the three month periods ended March 31, 2008 and 2007, electricity sales volume was unchanged at 4.6 TWh. Volume related to production levels above 1,900 MWh in any hour was unchanged at 0.8 TWh.

For the three months ended March 31, 2008 and 2007, the Equivalent Forced Outage Rate (“EFOR”) for the Regulated – Hydroelectric stations was 1.6 per cent and 1.4 per cent, respectively. The availability for the Regulated – Hydroelectric stations was 93.4 per cent for the three months ended March 31, 2008 compared to 92.0 per cent for the three months ended March 31, 2007. The low EFOR and high availability reflected a reduction in the duration of outages and the continuing strong performance of the hydroelectric generating stations.

Operations, Maintenance and Administration

OM&A expense for the three months ended March 31, 2008 was \$24 million compared to \$23 million for the same period in 2007.

OM&A expense per MWh for the regulated hydroelectric stations increased to \$5.22/MWh in the first quarter of 2008 compared to \$5.00/MWh for the same period in 2007. The increase was primarily due to the marginally higher OM&A expenses. OM&A expense per MWh excludes expenses related to past grievances by First Nations.



Unregulated – Hydroelectric Segment

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2008	2007
Spot market sales, net of hedging instruments	239	215
Revenue limit rebate	(24)	(31)
Other	5	7
Total revenue	220	191
Fuel expense	23	19
Gross margin	197	172
Operations, maintenance and administration	45	42
Depreciation and amortization	20	18
Property and capital taxes	-	4
Income before interest and income taxes	132	108

Revenue

Unregulated – Hydroelectric revenue was \$220 million for the three months ended March 31, 2008 compared to \$191 million for the three months ended March 31, 2007. The increase of \$29 million was primarily due to a higher generation volume of 0.6 TWh.

Electricity Prices

OPG's average sales price for its unregulated hydroelectric generation for the three months ended March 31, 2008 and 2007 was unchanged at 4.7¢/kWh. The impact of a higher revenue limit was offset by lower average Ontario spot electricity market prices.

Volume

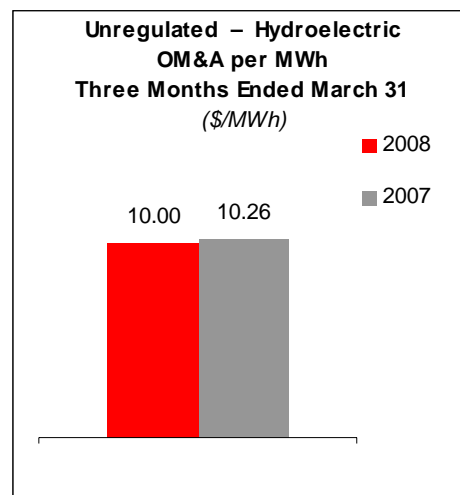
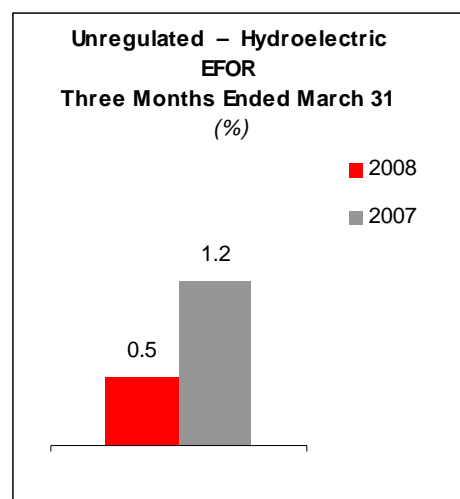
Electricity sales volume for the three months ended March 31, 2008 was 4.5 TWh compared to 3.9 TWh during the same period in 2007. The increase in volume in the first quarter of 2008 was primarily due to increased generation from the Northwest due to mild weather conditions and increased rainfall in January 2008.

The EFOR for the Unregulated – Hydroelectric stations was 0.5 per cent during the three months ended March 31, 2008 compared to 1.2 per cent during the first quarter of 2007. The availability for the Unregulated – Hydroelectric stations was 95.7 per cent for the three month periods ended March 31, 2008 and 2007. The low EFOR and the high availability reflected the continuing strong performance of the hydroelectric generating stations.

Operations, Maintenance and Administration

OM&A expenses for the three months ended March 31, 2008 were \$45 million compared to \$42 million during the same period in 2007.

OM&A expense per MWh for the unregulated hydroelectric stations was \$10.00/MWh for the three months ended March 31,



2008 compared to \$10.26/MWh in the first quarter of 2007. The decrease was primarily due to higher generation during the first quarter of 2008 compared to the same period in 2007. OM&A expense per MWh excludes expense related to past grievances by First Nations.

Unregulated – Fossil-Fuelled Segment

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2008	2007
Spot market sales, net of hedging instruments	387	463
Revenue limit rebate	(43)	(65)
Other	34	50
Total revenue	378	448
Fuel expense	191	225
Gross margin	187	223
Operations, maintenance and administration	121	130
Depreciation and amortization	22	18
Accretion on fixed asset removal liabilities	2	2
Property and capital taxes	7	6
Income before other gains and losses, interest and income taxes	35	67
Other (gains) and losses	(2)	-
Income before interest and income taxes	37	67

Revenue

Unregulated – Fossil-Fuelled revenue was \$378 million for the three months ended March 31, 2008 compared to \$448 million for the same period in 2007. The decrease in revenue of \$70 million was primarily due to a decrease in generation of 1.1 TWh during the first quarter of 2008 compared to the same period in 2007.

The decrease in revenue was also due to differences in the timing of the OEB approval for the current and prior year's reliability must-run ("RMR") contracts for the Lennox generating station. OPG recorded revenue of \$23 million related to the recovery of costs for the three months ended March 31, 2008 compared to \$40 million for the same period in 2007.

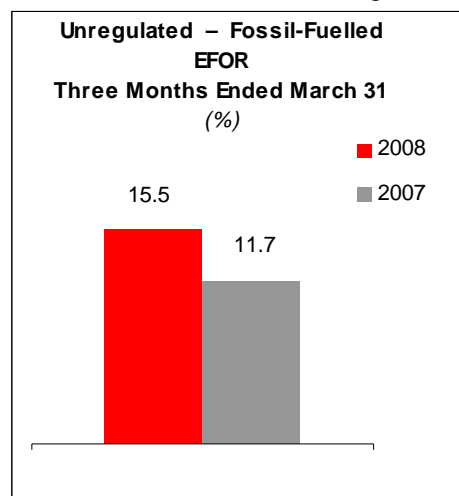
Electricity Prices

OPG's average sales price net of the revenue limit rebate for its unregulated fossil-fuelled generation was unchanged at 4.8¢/kWh for the three month periods ended March 31, 2008 and 2007. The average sales price for the fossil-fuelled generation for the three months ended March 31, 2008 was favorably impacted by a higher revenue limit, offset by the impact of lower average Ontario spot electricity market prices compared the same period in 2007.

Volume

Electricity sales volume for the three months ended March 31, 2008 was 7.0 TWh compared to 8.1 TWh during the same period in 2007. The decrease in volume during the three months ended March 31, 2008 was primarily due to higher generation from OPG's nuclear and unregulated hydroelectric generating stations.

The EFOR for the Unregulated – Fossil-Fuelled stations for the three months ended March 31, 2008 was 15.5 per cent compared to 11.7 per cent in the first quarter of 2007. The



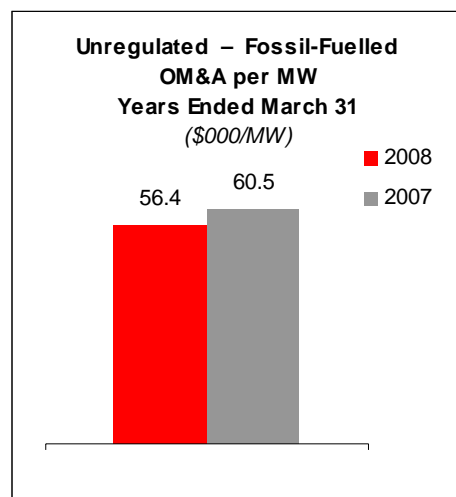
increase in EFOR was primarily due to boiler tube leaks and extensions to planned outages at the Nanticoke and Lambton generating stations.

Fuel Expense

Fuel expense was \$191 million for the three months ended March 31, 2008 compared to \$225 million for the same period in 2007. The decrease in fuel expense in the first quarter in 2008 compared to the same quarter in 2007 was primarily due to lower generation volume, partially offset by higher natural gas prices.

Operations, Maintenance and Administration

OM&A expenses for the three months ended March 31, 2008 were \$121 million compared to \$130 million for the same period in 2007. The decrease of \$9 million reflected a reduction in planned outage work for the three months ended March 31, 2008 compared to the same period last year and the completion of non-recurring project work at the Nanticoke, Lambton and Thunder Bay generating stations.



Annualized OM&A expense per MW (\$/MW) for the unregulated fossil-fueled stations decreased to \$56,400/MW for the three months ended March 31, 2008 compared to \$60,500/MW for the three months ended March 31, 2007. The decrease primarily reflected lower expenditures.

Depreciation and Amortization

Depreciation expense for the three months ended March 31, 2008 was \$22 million compared to \$18 million for the three months ended March 31, 2007. The higher depreciation expense in 2008 was primarily due to an increase in fixed assets in-service.

OPG continues to assess the service lives of the coal-fired stations.

Other

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2008	2007
Revenue	22	27
Operations, maintenance and administration	1	-
Depreciation and amortization	11	14
Property and capital taxes	3	3
Income before other gains and losses, interest and income taxes	7	10
Other (gains) and losses	9	-
(Loss) Income before interest and income taxes	(2)	10

Other revenue for the three months ended March 31, 2008 was \$22 million compared to \$27 million during the first quarter of 2007. The decrease of \$5 million was primarily due to a decrease in investment income from OPG's equity investments.

Interconnected markets purchases and sales (including those to be physically settled) and mark-to-market gains and losses (realized and unrealized) on energy trading contracts are disclosed on a net basis in the consolidated statements of income. If disclosed on a gross basis, revenue and power purchases for the three months ended March 31, 2008 would have increased by \$51 million (three months ended March 31, 2007 – \$44 million).

The changes in the fair value of derivative instruments not qualifying for hedge accounting are recorded in Other revenue, and are carried on the consolidated balance sheets as assets or liabilities at fair value. The carrying amounts and notional quantities of the derivative instruments are disclosed in Note 12 in the unaudited interim consolidated financial statements as at and for the three months ended March 31, 2008.

Net Interest Expense

The net interest expense for the three months ended March 31, 2008 was \$40 million compared to \$26 million for the same quarter in 2007. The increase in net interest expense was primarily due to the deferral of additional interest in the first quarter of 2007 related to the Pickering A return to service deferral account.

Income Taxes

OPG follows the liability method of tax accounting for its unregulated operations. Under the liability method, future tax assets and liabilities are determined based on differences between the accounting and tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Following the introduction of rate regulation on April 1, 2005, OPG has accounted for income taxes relating to the rate regulated segments of its business using the taxes payable method. Under the taxes payable method, OPG does not recognize future income taxes relating to the rate regulated segments of its business to the extent those future income taxes are expected to be recovered or refunded through future regulated prices charged to customers. As a result, OPG did not record a future tax recovery of \$24 million and a future tax expense of \$18 million for the rate regulated segments during the three months ended March 31, 2008 and 2007, respectively, which would have been recorded had OPG accounted for income taxes for the regulated segments using the liability method.

In the third quarter of 2006, OPG received a preliminary communication from the Provincial Tax Auditors ("Tax Auditors") with respect to their initial findings from their audit of OPG's 1999 taxation year. Many of the issues raised through the audit are unique to OPG and relate either to start-up matters and positions taken on April 1, 1999 upon commencement of operations, or matters that were not adequately addressed through the *Electricity Act, 1998*. Recently, a number of outstanding tax matters related to the 1999 tax audit were substantially resolved. As a result, OPG reduced its income tax liability by \$85 million.

For the three months ended March 31, 2008, there was a net income tax recovery of \$8 million compared to an income tax expense of \$57 million for the same period in the prior year. The decrease in the income tax expense was due to the reduction in 2008 of the income tax liability to reflect the resolution of a number of tax uncertainties related to OPG's 1999 taxation year. This impact on the tax expense was partly offset by higher taxable income in the first quarter of 2008 compared to the same period in 2007.

The audit of OPG's taxation years subsequent to 1999 is expected to commence in the second quarter of 2008. Should the outcome of the audit for subsequent years differ from OPG's recorded income tax liabilities, the Company's effective tax rate and its net income could be materially affected either negatively or positively in the period in which the matters are resolved.

LIQUIDITY AND CAPITAL RESOURCES

OPG's primary sources of liquidity and capital are funds generated from operations, bank financing and credit facilities provided by the OEFC. These sources are utilized for continued investment in plant and technologies, and to meet other significant funding obligations including contributions to the pension fund, the Used Fuel and Decommissioning Funds, and to service and repay long-term debt and revenue limit rebate obligations.

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2008	2007
Cash and cash equivalents, beginning of period	110	6
Cash flow provided by operating activities	249	163
Cash flow used in investing activities	(128)	(164)
Cash flow provided by financing activities	72	10
Net increase	193	9
Cash and cash equivalents, end of period	303	15

Operating Activities

Cash flow provided by operating activities for the three months ended March 31, 2008 was \$249 million compared to cash flow provided by operating activities of \$163 million for the same period in 2007. The increase in cash flow was primarily due to higher cash receipts from generation revenue and lower income tax instalment payments, partially offset by higher payments for fuel purchases.

Investing Activities

OPG is in a capital-intensive business that requires continued investment in plant and technologies to improve operating efficiencies, increase generating capacity of its existing stations, invest in new generating stations and to maintain and improve service, reliability, safety and environmental performance.

Investment in fixed assets during the three months ended March 31, 2008 was \$128 million compared with \$134 million for the first quarter of 2007. OPG's forecast capital expenditures for 2008 are approximately \$800 million, which include amounts for the Niagara Tunnel, Portlands Energy Centre and other development projects.

For the three months ended March 31, 2008, investing activities included costs deferred as regulatory assets of \$6 million compared to \$30 million during the same period in 2007. The amounts deferred as regulatory assets included interest expense related to the Pickering A return to service deferral account, and non-capital costs incurred for nuclear generation development initiatives.

Financing Activities

OPG maintains a \$1 billion revolving committed bank credit facility which is divided into two tranches – a \$500 million 364-day term tranche and a \$500 million five-year term tranche. OPG has renewed and extended the maturity date of the 364-day term tranche to May 20, 2009 and the five-year term tranche to May 20, 2013. The total credit facility will continue to be used primarily as credit support for notes issued under OPG's commercial paper program. As at March 31, 2008, no commercial paper was outstanding (December 31, 2007 – nil). OPG had no other outstanding borrowings under the bank credit facility.

OPG also maintains \$25 million (December 31, 2007 – \$25 million) in short-term uncommitted overdraft facilities and \$238 million (December 31, 2007 – \$238 million) of short-term uncommitted credit facilities, which support the issuance of Letters of Credit. OPG uses Letters of Credit to support its supplementary pension plans and for other purposes. At March 31, 2008, there was a total of \$205 million of Letters of Credit issued (December 31, 2007 – \$205 million), which included \$175 million for the supplementary pension plans (December 31, 2007 – \$175 million) and \$16 million related to the construction of the Portlands Energy Centre (December 31, 2007 – \$16 million).

OPG negotiated an agreement with the OEFC to finance the Niagara Tunnel project for up to \$1 billion over the duration of the project. The funding is advanced in the form of 10-year notes, on commercial terms and conditions. Advances under this facility commenced in October 2006, and amounted to \$280 million as at March 31, 2008, including \$40 million of new borrowing during the first quarter of 2008. Similarly, debt financing has been negotiated with the OEFC for OPG's interest in the Portlands Energy Centre and the Lac Seul project for up to \$400 million and \$50 million, respectively. Advances under these facilities commenced in December 2006, and totalled \$245 million for the Portlands Energy Centre and \$20 million for the Lac Seul project as at March 31, 2008. This included \$35 million of new borrowing under the Portlands Energy Centre facility in the first quarter of 2008.

As at March 31, 2008, OPG's long-term debt outstanding with the OEFC was \$3.7 billion. Although the new financing added in 2007 has extended the maturity profile, approximately \$2.3 billion of long-term debt must be repaid or refinanced within the next five years. To ensure that adequate financing resources are available beyond its \$1 billion commercial paper program backed by the bank credit facility, OPG reached an agreement with the OEFC in 2007 for a \$950 million credit agreement to refinance senior notes as they mature over the period from September 2007 to September 2009.

During the first quarter of 2008, OPG met its debt retirement obligation by issuing \$200 million of notes under the \$950 million credit agreement to refinance the maturing notes. These borrowings will mature in March 2018.

BALANCE SHEET HIGHLIGHTS

The following section provides highlights of OPG's unaudited interim consolidated financial position using selected balance sheet data:

Selected balance sheet data <i>(millions of dollars)</i>	As at	
	March 31 2008	December 31 2007
Assets		
Accounts receivable	346	315
Property, plant and equipment – net	12,760	12,777
Nuclear fixed asset removal and nuclear waste management funds	9,318	9,263
Regulatory assets	367	356
Liabilities		
Accounts payable and accrued charges	791	953
Long-term debt (including debt due within one year)	3,925	3,853
Fixed asset removal and nuclear waste management	11,066	10,957
Long-term accounts payable and accrued charges	442	184
Future income taxes	-	217

Accounts Receivable

As at March 31, 2008, accounts receivable were \$346 million compared to \$315 million as at December 31, 2007. The increase of \$31 million was primarily due to higher electricity generation volumes in March 2008 compared to December 2007.

Property, Plant and Equipment – Net

Net property, plant and equipment as at March 31, 2008 and December 31, 2007 was \$12,760 million and \$12,777 million, respectively.

Nuclear Fixed Asset Removal and Nuclear Waste Management Funds

Decommissioning Fund

The Decommissioning Fund was established to fund the future costs of nuclear fixed asset removal and long-term low and intermediate level nuclear waste management and a portion of used fuel storage costs after station life. Upon termination of the Ontario Nuclear Funds Agreement (“ONFA”), the Province has a right to any excess funding in the Decommissioning Fund, which is the excess of the fair market value of the Decommissioning Fund over the estimated completion costs as per the most recently approved ONFA Reference Plan. When the Decommissioning Fund is overfunded, OPG limits the earnings it recognizes in its consolidated financial statements, through a charge to the Decommissioning Fund with a corresponding payable to the Province, such that the balance of the Decommissioning Fund would equal the cost estimate of the liability based on the most recently approved ONFA reference plan. The payable to the Province could be reduced in subsequent periods in the event that the Decommissioning Fund earns less than its target rate of return or in the event that a new ONFA reference plan is approved with a higher estimated decommissioning liability. If the Decommissioning Fund were underfunded, the earnings for the Decommissioning Fund would reflect actual fund returns based on the market value of the assets.

The Decommissioning Fund’s asset value on a fair value basis was \$4,980 million at March 31, 2008 compared to \$5,072 million as at December 31, 2007. The decrease in asset value in the Decommissioning Fund of \$92 million was primarily due to significant volatility and unfavourable returns in the capital markets during the first quarter of 2008. As at December 31, 2007, the Decommissioning Fund was overfunded by \$3 million when compared to the 2006 ONFA reference plan cost to complete, and the fund balance was reduced by a payable to the Province. The Decommissioning Fund was underfunded at March 31, 2008, and as a result the payable to the Province was nil.

Used Fuel Fund

Under the ONFA, the Province guarantees OPG’s annual return in the Used Fuel Fund at 3.25 per cent plus the change in the Ontario Consumer Price Index (“committed return”) for funding related to the first 2.23 million used fuel bundles. OPG recognizes the committed return on the Used Fuel Fund and includes it in the earnings on the nuclear fixed asset removal and nuclear waste management funds. The difference between the committed return on the Used Fuel Fund and the actual market return, based on the fair value of the Used Fuel Fund’s assets, which includes realized and unrealized returns, is recorded as due to or due from the Province. The asset values as at March 31, 2008 and December 31, 2007, were offset by a payable to the Province of \$362 million and \$511 million, respectively. The offset relates to the committed return adjustment. At March 31, 2008, the Used Fuel Fund asset value on a fair value basis was \$4,338 million compared to \$4,191 million as at December 31, 2007. The increase in the Used Fuel Fund was due to the committed return and contributions to the fund.

The market volatility during the first quarter of 2008 did not have a significant impact to Used Fuel Fund balance as a result of the Province’s rate of return guarantee.

Regulatory Assets

At March 31, 2008, the regulatory assets were \$367 million compared to \$356 million as at December 31, 2007. OPG recorded \$33 million in the deferral account related to the increase in OPG’s liabilities for nuclear used fuel management and nuclear decommissioning and low and intermediate level waste management arising from the 2006 Approved Reference Plan. OPG also deferred an additional \$4 million of deferred non-capital costs incurred for nuclear generation development initiatives.

The increase in the regulatory assets was partially offset by the reduction in the balance of the Pickering A return to service deferral account due to amortization of \$29 million during the three months ended March 31, 2008.

Accounts Payable and Accrued Charges

Accounts payable and accrued charges as at March 31, 2008 were \$791 million compared to \$953 million as at December 31, 2007. The decrease of \$162 million was primarily due to reduced trade accounts payable and accrued charges, including lower payables related to uranium and coal purchases.

Long-Term Debt (including debt due within one year)

Long-term debt as at March 31, 2008 was \$3,925 million compared to \$3,853 million as at December 31, 2007. The increase was primarily due to the issuance of long-term debt of \$200 million under the \$950 million credit agreement to refinance maturing notes, \$40 million under the Niagara Tunnel facility, and \$35 million under the Portlands Energy Centre facility. The increase was largely offset by repayment of long-term debt of \$203 million.

Fixed Asset Removal and Nuclear Waste Management

The liability for fixed asset removal (for nuclear and fossil-fuelled generating stations) and nuclear waste management as at March 31, 2008 was \$11,066 million compared to \$10,957 million as at December 31, 2007. The increase was primarily due to accretion due to the passage of time, partially offset by expenditures on nuclear waste management activities.

Long-term Accounts Payable and Accrued Charges and Future Income Tax Liability

As at March 31, 2008, long-term accounts payable and accrued charges included various contingent liabilities and unrealized mark-to-market losses. The resolution of tax uncertainties related to the 1999 taxation year also impacted the future income tax liability as of March 31, 2008.

Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive loss as at March 31, 2008 was \$14 million and accumulated other comprehensive income as at December 31, 2007 was \$17 million. Accumulated other comprehensive (loss) income reflects the balances related to derivative instruments and amounts that are designated for hedging purposes net of income taxes.

Off-Balance Sheet Arrangements

In the normal course of operations, OPG engages in a variety of transactions that, under Canadian GAAP, are either not recorded in the Company's consolidated financial statements or are recorded in the Company's consolidated financial statements in amounts that differ from the full contract amounts. Principal off-balance sheet activities that OPG undertakes include securitization of certain accounts receivable agreements, guarantees, which provide financial or performance assurance to third parties on behalf of certain subsidiaries, and long-term fixed price contracts.

CHANGES IN ACCOUNTING POLICIES

Capital Disclosures and Financial Instruments

In December 2006, the CICA issued three new accounting standards: Handbook Section 1535, *Capital Disclosures* ("Section 1535"), Handbook Section 3862, *Financial Instruments – Disclosures* ("Section 3862"), and Handbook Section 3863, *Financial Instruments – Presentation* ("Section 3863"). These new standards are effective for the Company beginning January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Inventories

The CICA issued a new accounting standard, Section 3031, *Inventories*, in March 2007, which is based on International Accounting Standard (“IAS”) 2. The new section replaced the existing Section 3030, *Inventories*. Under the new section, inventories are required to be measured at the “lower of cost and net realizable value”, which is different from the existing guidance of “lower of cost and market”. The new section also allows the reversal of any write-downs previously recognized. Further, due to the changes in the section and the consequential amendments, some of OPG’s critical spare parts, which were previously reported as materials and supplies on OPG’s consolidated balance sheets are now accounted for as property, plant and equipment. The new accounting standard and the consequential amendments are effective for OPG beginning January 1, 2008. OPG reclassified significant critical spare parts of \$19 million, net of accumulated depreciation, to property, plant and equipment in 2008.

Accounting for Regulatory Operations

In December 2007, the CICA revised its guidance on accounting for rate-regulated operations. The revision resulted in amendments to Handbook Sections 1100, *Generally Accepted Accounting Principles*, and 3465, *Income Taxes*, and Accounting Guideline 19 (“AcG-19”), *Disclosures by Entities Subject to Rate Regulation*, as follows:

- to remove the temporary exemption pertaining to the application of Section 1100 to rate-regulated operations, including the elimination of the opportunity to use industry practice as an acceptable basis for recognition and measurement of assets and liabilities arising from rate regulation;
- to amend Section 3465 to require the recognition of future income tax liabilities and assets as well as a separate regulatory asset or liability for the amount of future income taxes expected to be included in future rates and recovered from or paid to customers; and
- to amend AcG-19, as necessary, as a result of amendments to Sections 1100 and 3465.

As a result of the changes to Section 3465, OPG will be required to recognize future income taxes associated with its rate-regulated operations in the same manner as it currently recognizes future income taxes for its unregulated operations. OPG will apply the changes prospectively to interim and annual financial consolidated statements beginning January 1, 2009. OPG is currently evaluating the impact of implementing these changes on its consolidated financial statements.

RISK MANAGEMENT

A detailed discussion of OPG’s governance structure and inherent risks is included in the 2007 annual MD&A under the heading, *Risk Management*. The following discussion updates the annual disclosure.

Market and Credit Risks

Commodities

Changes in the market price of electricity or of the fuels used to produce electricity can adversely impact OPG’s earnings and cash flow from operations. To manage this risk, the Company seeks to maintain a balance between the commodity price risk inherent in its electricity production and plant fuel portfolios to the extent that trading liquidity in the relevant commodities markets provides the economic opportunity to do so. To manage fuel price risk, OPG has a fuel hedging program, which includes using fixed price and indexed contracts, as well as approved derivative products. During the past quarter unexpected interruptions in global supply have caused coal prices to escalate significantly. The impact of the escalation has not however impacted fuel costs due to the long term nature of the hedge program. However, the price increase has increased the Company’s potential credit exposure to suppliers as these long term contracts have increased in value.

The percentages of OPG's expected generation, emission requirements and fuel requirements hedged are shown below:

	2008	2009	2010
Estimated generation output hedged ¹	93%	70%	59%
Estimated fuel requirements hedged ²	98%	90%	72%
Estimated nitric oxide ("NO") emission requirement hedged ³	100%	100%	100%
Estimated SO ₂ emission requirement hedged ³	100%	100%	100%

¹ Represents the portion of megawatt hours of expected future generation production, including power purchases, for which the Company has sales commitments and contracts including the obligations under regulated pricing commitments, agreements with the IESO, OPA auction sales and the revenue limit on OPG's non-prescribed assets (which ends on April 30, 2009).

² Represents the approximate portion of megawatt hours of expected generation production (and fossil year-end inventory target) from all types of facilities (fossil, nuclear and hydroelectric) for which OPG has entered into some form of contractual arrangements or obligations in order to secure either the expected availability and/or price of fuel and/or fuel related services. Excess fuel in inventories in a given year is attributed to the next year for the purpose of measuring hedge ratios. Since production from hydroelectric facilities is primarily influenced by expected weather and weather patterns, fuel hedge ratios for hydroelectric facilities are assumed to be 100 per cent.

³ Represents the approximate portion of megawatt hours of expected fossil production for which OPG has purchased, been allocated or granted emission allowances and Emission Reduction Credits to meet OPG's obligations under Ontario Environmental Regulation 397/01.

Interest Rates

OPG periodically uses interest rate swap agreements to mitigate elements of interest rate risk exposure associated with anticipated new financing. As of March 31, 2008, OPG had total forward start interest rate swap contracts outstanding with a notional principal of \$522 million and cover a maturity schedule of one to 12 years.

Trading

Open trading positions are subject to measurement against Value at Risk ("VaR") limits. For a given portfolio, VaR measures the possible future loss in terms of market value, which under normal market conditions will not be exceeded within a defined probability and time period. Currently, VaR limits for trading are \$5 million, and VaR utilization ranged between \$0.9 million and \$2.0 million during the three months ended March 31, 2008, compared to \$0.7 million and \$1.6 million during the three months ended March 31, 2007. VaR utilization is closely monitored in order to ensure compliance with approved limits.

Regulatory Risks

Addressing nuclear regulatory requirements adds to the cost of operations and in some instances, may result in a reduction in the productive capacity of a nuclear generating station. This is currently the case at the Pickering A nuclear generating station, where the units are derated to 96 per cent of full capacity. OPG is expecting the derating could be extended through part of 2009.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the most recent interim period, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

QUARTERLY FINANCIAL HIGHLIGHTS

The following tables set out selected financial information from OPG's unaudited interim consolidated financial statements for each of the eight most recently completed quarters. This financial information has been prepared in accordance with Canadian GAAP.

<i>(millions of dollars)</i>	March 31 2008	December 31 2007	September 30 2007	June 30 2007
Revenue after revenue limit rebate	1,563	1,342	1,421	1,373
Net income	162	119	113	125
Net income per share	\$0.63	\$0.46	\$0.44	\$0.49

<i>(millions of dollars)</i>	March 31 2007	December 31 2006	September 30 2006	June 30 2006
Revenue after revenue limit rebate	1,524	1,276	1,435	1,345
Net income (loss)	171	(19)	167	143
Net income (loss) per share	\$0.67	\$(0.08)	\$0.65	\$0.56

OPG's quarterly results are impacted by changes in demand primarily resulting from variations in seasonal weather conditions. Historically, OPG's revenues are 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.

Additional items which impacted net income (loss) in certain quarters above include the following:

- Write-off of \$13 million for costs incurred on the Thunder Bay conversion project due to a Shareholder Declaration that effectively cancelled the project during the second quarter of 2006;
- Decrease in depreciation expense primarily due to extension of the service life, for accounting purposes, of all coal-fired generating stations to December 31, 2012, beginning in the third quarter of 2006;
- Impairment loss on the Thunder Bay and Atikokan coal-fired generating stations of \$22 million, reflecting the carrying value of the stations, during the fourth quarter of 2006;
- Higher OM&A expense in 2007 primarily due to higher outage and other maintenance expenditures at OPG's nuclear and fossil-fuelled generating stations, and expenses related to past grievances by First Nations;
- Decrease in gross margin from electricity sales during the first quarter of 2007 primarily due to lower generation from OPG's nuclear generating stations as a result of an unplanned outage during the first quarter of 2007 at the Pickering B nuclear generation station caused by an inadvertent release of resin by a third-party contractor from the water treatment plant into the demineralized water system, and the requirement for maintenance related to the recovery of the resin. In addition, nuclear generation was also impacted by an extension to a planned outage during the first quarter of 2007 at the Pickering A nuclear generating station for significant additional repair work required as a result of a component failure during inspection;
- Higher earnings from the Nuclear Funds during the second quarter of 2007 primarily due to a higher Ontario CPI during the second quarter of 2007, which impacted the guaranteed return on the Used Fuel Fund. In addition, the increase in earnings also reflected a reimbursement from the Nuclear Funds for expenditures related to the safe storage of Pickering A Units 2 and 3;
- Lower gross margin primarily due to lower nuclear generation during the three months ended September 30, 2007 as a result of the shutdown of the Pickering A nuclear generating station Units 1 and 4 to perform modifications on a backup electrical system;
- Higher earnings due to a recovery of \$20 million related to the re-estimation of costs to complete the remaining work to remediate the Lakeview site during the fourth quarter of 2007;
- Impairment losses of \$10 million reflecting the fair market value of OPG's third-party ABCP holdings during the fourth quarter of 2007; and

- Lower income tax expense during the fourth quarter of 2007 largely due to an additional contribution of \$334 million to the Nuclear Funds. Contributions are deductible for tax purposes and no offsetting future tax expense is recognized by OPG due to the use of the taxes payable method to account for income taxes in the regulated segment.

SUPPLEMENTAL EARNINGS MEASURES

In addition to providing net income in accordance with Canadian GAAP, OPG's MD&A, unaudited interim consolidated financial statements as at and for the three months ended March 31, 2008 and 2007 and the notes thereto, present certain non-GAAP financial measures. These financial measures do not have standard definitions prescribed by Canadian GAAP and therefore may not be comparable to similar measures disclosed by other companies. OPG utilizes these measures in making operating decisions and assessing its performance. Readers of the MD&A, consolidated financial statements and notes thereto utilize these measures in assessing the Company's financial performance from ongoing operations. These non-GAAP financial measures have not been presented as an alternative to net income in accordance with Canadian GAAP as an indicator of operating performance. The definitions of the non-GAAP financial measures are as follows:

(1) **Gross margin** is defined as revenue less revenue limit rebate and fuel expense.

(2) **Earnings** are defined as net income.

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