

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

<i>(millions of dollars except where noted)</i>	Three Months Ended		Nine Months Ended	
	September 30 2006	2005	September 30 2006	2005
Revenue				
Revenue before revenue limit and Market Power Mitigation Agreement rebates	1,494	1,907	4,436	5,191
Revenue limit rebate <i>(Note 14)</i>	(59)	(336)	(148)	(477)
Market Power Mitigation Agreement rebate	-	-	-	(412)
	1,435	1,571	4,288	4,302
Fuel expense	310	384	831	983
Gross margin	1,125	1,187	3,457	3,319
Expenses				
Operations, maintenance and administration	634	627	1,967	1,830
Depreciation and amortization <i>(Note 4)</i>	148	181	504	566
Accretion on fixed asset removal and nuclear waste management liabilities <i>(Note 8)</i>	125	119	375	358
Earnings on nuclear fixed asset removal and nuclear waste management funds <i>(Note 8)</i>	(82)	(96)	(274)	(279)
Property and capital taxes	35	26	82	64
Restructuring	-	6	-	6
	860	863	2,654	2,545
Income before impairment of long-lived assets	265	324	803	774
Impairment of long-lived assets <i>(Note 4)</i>	-	-	-	265
Income before interest, income taxes and extraordinary item	265	324	803	509
Net interest expense	47	49	145	143
Income before income taxes and extraordinary item	218	275	658	366
Income tax expenses				
Current	47	57	93	71
Future <i>(Note 9)</i>	4	37	56	15
	51	94	149	86
Income before extraordinary item	167	181	509	280
Extraordinary item <i>(Note 9)</i>	-	-	-	74
Net income	167	181	509	206
Basic and diluted income per common share before extraordinary item <i>(dollars)</i>	0.65	0.71	1.99	1.09
Basic and diluted income per common share <i>(dollars)</i>	0.65	0.71	1.99	0.80
Common shares outstanding <i>(millions)</i>	256.3	256.3	256.3	256.3

See accompanying notes to the interim consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT) (UNAUDITED)

Nine Months Ended September 30

(millions of dollars)

	<u>2006</u>	<u>2005</u>
Retained earnings (deficit), beginning of period	261	(105)
Net income	509	206
Dividend	(128)	-
Retained earnings, end of period	<u>642</u>	<u>101</u>

See accompanying notes to the interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>(millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30 2006	2005	September 30 2006	2005
Operating activities				
Net income	167	181	509	206
Adjust for non-cash items:				
Depreciation and amortization <i>(Note 4)</i>	148	181	504	566
Accretion on fixed asset removal and nuclear waste management liabilities <i>(Note 8)</i>	125	119	375	358
Earnings on nuclear fixed asset removal and nuclear waste management funds <i>(Note 8)</i>	(82)	(96)	(274)	(279)
Pension cost	54	31	163	87
Other post employment benefits and supplementary pension plans <i>(Note 10)</i>	67	49	194	140
Future income taxes	4	37	56	15
Transition rate option contracts	-	(9)	(13)	(27)
Provision for restructuring	-	6	-	6
Mark-to-market on energy contracts	(4)	21	(21)	25
Provision for used nuclear fuel	7	8	23	21
Impairment of long-lived assets	-	-	-	265
Regulatory assets and liabilities	-	-	19	-
Extraordinary item	-	-	-	74
Other	2	48	4	48
	488	576	1,539	1,505
Contributions to nuclear fixed asset removal and nuclear waste management funds	(113)	(113)	(340)	(340)
Expenditures on fixed asset removal and nuclear waste management	(42)	(23)	(112)	(62)
Reimbursement of expenditures on nuclear fixed asset removal and nuclear waste management	3	8	14	18
Contributions to pension fund	(65)	(84)	(195)	(162)
Expenditures on other post employment benefits and supplementary pension plans	(18)	(15)	(49)	(48)
Revenue limit rebate <i>(Note 14)</i>	(63)	-	(802)	-
Market Power Mitigation Agreement rebate	-	(245)	-	(851)
Expenditures on restructuring <i>(Note 13)</i>	(1)	(8)	(7)	(17)
Net changes to other long-term assets and liabilities	(25)	(31)	(82)	(60)
Changes in non-cash working capital balances <i>(Note 16)</i>	143	317	340	772
Cash flow provided by operating activities	307	382	306	755
Investing activities				
Investment in regulatory assets <i>(Note 5)</i>	(1)	(60)	(13)	(251)
Investment in fixed assets <i>(Notes 4 and 15)</i>	(188)	(114)	(422)	(353)
Acquisition of short-term investments	-	(67)	-	(67)
Net proceeds from purchase of long-term investments	(2)	(2)	-	(3)
Cash flow (used in) investing activities	(191)	(243)	(435)	(674)
Financing activities				
Issuance of long-term debt <i>(Note 7)</i>	-	-	-	495
Repayment of long-term debt <i>(Note 7)</i>	(301)	(1)	(604)	(3)
Net decrease in short-term notes <i>(Note 6)</i>	-	-	-	(26)
Cash flow (used in) provided by financing activities	(301)	(1)	(604)	466
Net (decrease) increase in cash and cash equivalents	(185)	138	(733)	547
Cash and cash equivalents, beginning of period	360	411	908	2
Cash and cash equivalents, end of period	175	549	175	549

See accompanying notes to the interim consolidated financial statements

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at <i>(millions of dollars)</i>	September 30 2006	December 31 2005
Assets		
Current assets		
Cash and cash equivalents	175	908
Accounts receivable <i>(Note 3)</i>	252	538
Future income taxes <i>(Note 9)</i>	12	18
Fuel inventory	617	581
Materials and supplies	111	115
	<u>1,167</u>	<u>2,160</u>
Fixed assets <i>(Note 4)</i>		
Property, plant and equipment	15,560	15,172
Less: accumulated depreciation	4,227	3,760
	<u>11,333</u>	<u>11,412</u>
Other long-term assets		
Deferred pension asset	695	663
Nuclear fixed asset removal and nuclear waste management funds <i>(Note 8)</i>	7,388	6,788
Long-term materials and supplies	317	273
Regulatory assets <i>(Note 5)</i>	257	266
Long-term accounts receivable and other assets	63	61
	<u>8,720</u>	<u>8,051</u>
	<u>21,220</u>	<u>21,623</u>

See accompanying notes to the interim consolidated financial statements

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at <i>(millions of dollars)</i>	September 30 2006	December 31 2005
Liabilities		
Current liabilities		
Accounts payable and accrued charges <i>(Note 13)</i>	769	958
Dividend payable	128	-
Revenue limit rebate payable <i>(Note 14)</i>	85	739
Long-term debt due within one year <i>(Note 7)</i>	606	806
Deferred revenue due within one year	12	12
Income and capital taxes payable	167	81
	<u>1,767</u>	<u>2,596</u>
Long-term debt <i>(Note 7)</i>	<u>2,685</u>	<u>3,089</u>
Other long-term liabilities		
Fixed asset removal and nuclear waste management <i>(Note 8)</i>	9,049	8,759
Other post employment benefits and supplementary pension plans	1,357	1,212
Long-term accounts payable and accrued charges	159	183
Deferred revenue	135	144
Future income taxes <i>(Note 9)</i>	291	241
Regulatory liabilities <i>(Note 5)</i>	9	12
	<u>11,000</u>	<u>10,551</u>
Shareholder's equity		
Common shares	5,126	5,126
Retained earnings	642	261
	<u>5,768</u>	<u>5,387</u>
	<u>21,220</u>	<u>21,623</u>

Commitments and Contingencies (Notes 1, 4, 6, 7, 8, 11, and 12)

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005 (UNAUDITED)

1. BASIS OF PRESENTATION

These interim consolidated financial statements were prepared following the same accounting policies and methods as in the most recent annual consolidated financial statements, except as discussed in Note 2 to these interim consolidated financial statements. These interim financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2005.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Certain of the 2005 comparative amounts have been reclassified from financial statements previously presented to conform to the 2006 financial statement presentation.

The consolidated financial statements include the accounts of Ontario Power Generation Inc. ("OPG" or the "Company") and its subsidiaries. OPG accounts for its interests in jointly controlled entities using the proportionate consolidation method. All significant intercompany transactions have been eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rate Regulated Accounting

In December 2004, the *Electricity Restructuring Act, 2004* received royal assent. A regulation made pursuant to that statute provides that OPG receives regulated prices beginning April 1, 2005, for most of OPG's baseload hydroelectric facilities and all of its nuclear facilities. This includes electricity generated by Sir Adam Beck 1, 2 and Pump generating station, DeCew Falls 1 and 2, and R.H. Saunders hydroelectric facilities, the Pickering A and B, and Darlington nuclear generating stations.

OPG's regulated prices were determined by the Province of Ontario (the "Province") based on total projected production and costs of operation, plus the cost of capital including an average five per cent return on equity. The initial prices took effect April 1, 2005, and are expected to remain in effect until at least March 31, 2008, at which time it is anticipated that the Ontario Energy Board ("OEB") will establish new regulated prices. If there are changes to the fundamental assumptions on which these regulated prices were developed, the Province may amend these initial prices.

The OEB is a self-funding Crown corporation. Its mandate and authority come from the *Ontario Energy Board Act, 1998*, the *Electricity Act, 1998*, and a number of other provincial statutes. The OEB is an independent, quasi-judicial tribunal that reports to the Legislature of the Province through the Minister of Energy. It regulates the Province's natural gas and electricity industries and carries out its regulatory functions through public hearings and other more informal processes such as consultations.

Accounting standards recognize that rate regulation can create economic benefits and obligations, which are reported in the consolidated financial statements as regulatory assets and liabilities. When the regulation provides assurance that incurred costs will be recovered in the future, then OPG may defer those costs and report them as a regulatory asset. If current recovery is provided for costs expected to be incurred in the future, then OPG reports a regulatory liability. Also, if the regulation provides for lesser or greater than planned revenue to be received or returned by OPG through future rates, then OPG recognizes and reports a regulatory asset or liability, respectively. The measurement of such regulatory assets and liabilities are subject to certain estimates and assumptions, including assumptions made in the interpretation of the regulation. See Note 5 and Note 9 to the interim consolidated financial statements for additional disclosures required under rate regulated accounting.

Long-Term Portfolio Investments

Long-term portfolio investments, other than investments owned by the Company's wholly owned subsidiary OPG Ventures Inc. ("OPGV"), are stated at amortized cost and include the nuclear fixed asset removal and nuclear waste management funds. Gains and losses on long-term investments are recognized when investments are sold. When a decline in the value of investments occurs, which is considered to be other than temporary, a provision for loss is established.

Investments owned by OPGV are recorded at fair value, and changes to the fair value of the investments are included in revenue in the period in which the change occurs. The fair values of these investments are estimated based on readily available market information or using estimation techniques based on historical performance.

Income Taxes

OPG follows the liability method of accounting for income taxes of 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. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period the change is substantively enacted. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is established. Commencing April 1, 2005, with the introduction of rate regulation, OPG accounts 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 in the regulated rates charged to future customers.

Changes in Accounting Policies and Estimates

Depreciation of Long-Lived Assets

The accounting estimates related to the depreciation of long-lived assets require significant management judgment to assess the appropriate useful lives of OPG's long-lived assets, including consideration of various technological and other factors.

Effective January 1, 2006, following the completion of a review of the life limiting components of the Pickering B nuclear generating station, OPG revised and extended, for the purpose of calculating depreciation, the estimated remaining service life of the Pickering B nuclear generating station to 2014 from 2009.

The Province has accepted the advice of the Independent Electricity System Operator ("IESO") in their June 2006 report that indicates a need for 2,500 to 3,000 MW of additional capacity to maintain system reliability. Therefore, further delays will be necessary in the Province's plan to replace coal-fired generation by 2009. As a result of these delays, effective July 1, 2006, OPG extended the life for all of the coal-fired generating stations, for purposes of calculating depreciation, to December 31, 2012. The

extension will reduce depreciation expense by \$31 million over the remainder of 2006, \$126 million in 2007, and \$46 million in 2008. From 2009 to 2012, the depreciation expense will increase by \$59 million in each year. OPG will reassess the service life of the coal-fired stations upon release of the Integrated Power System Plan, and subsequent approval by the OEB. Any change to the estimated service life of the coal-fired generating stations, for purposes of calculating depreciation, could have a material impact on OPG's consolidated financial statements.

Reportable Segments

Effective April 1, 2005, the output from most of OPG's baseload hydroelectric facilities and all of its nuclear facilities became rate regulated. OPG continues to receive the spot market price for the output from its remaining hydroelectric, fossil-fuelled and wind generating stations, subject to a revenue limit on the majority of this output. With the introduction of rate regulation, OPG revised its reportable business segments to separately reflect the regulated and unregulated aspects of its business. Since the second quarter of 2005, OPG reported its business segments as Regulated – Nuclear, Regulated – Hydroelectric, and Unregulated Generation. Commencing in the first quarter of 2006, OPG separated the Unregulated Generation business segment into two reportable segments, identified as Unregulated – Fossil-Fuelled and Unregulated – Hydroelectric, as a result of changes in the management structure of these segments. Results for the comparative periods have been reclassified to reflect the revised disclosure.

Future Accounting Changes

In 2005, the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards: Handbook Section 1530, Comprehensive Income; Handbook Section 3855, Financial Instruments – Recognition and Measurement; and Handbook Section 3865, Hedges. These standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

These standards will be effective for OPG beginning in 2007. OPG is in the process of assessing the impact of these standards on its consolidated financial statements. The impact of implementing these new standards on OPG's consolidated financial statements is not yet determinable as it will be dependent on outstanding positions and their fair values at the time of transition. The following provides further information on each of the three new accounting standards as they relate to OPG.

Comprehensive Income

As a result of adopting these standards, a new category, accumulated other comprehensive income, will be added to shareholder's equity in the consolidated balance sheets. Major components for this category will include unrealized gains and losses on financial assets classified as available-for-sale, changes in the fair value of the effective portion of cash flow hedging instruments, and unrealized foreign currency translation amounts, net of hedging, arising from self-sustaining foreign operations. These amounts will be recorded in the statement of other comprehensive income until the criteria for recognition in the consolidated statement of income are met.

Financial Instruments – Recognition and Measurement

Under the new standard, for accounting purposes, financial assets will be classified as one of the following: held-to-maturity, loans and receivables, held-for-trading or available-for-sale, and financial liabilities will be classified as held-for-trading or other than held-for-trading. Financial assets and liabilities held-for-trading will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale instruments will be measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits designation of any financial instrument as held-for-trading upon initial recognition. All derivatives, including embedded derivatives that must be separately accounted for, generally must be classified as held-for-trading and recorded at fair value in the consolidated balance sheets.

Hedges

This new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting is to be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recognized in net income. This change in fair value of the hedged item, to the extent that the hedging relationship is effective, is offset by changes in the fair value of the derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in other comprehensive income. The ineffective portion will be recognized in net income. The amounts recognized in accumulated other comprehensive income will be reclassified to net income in the periods in which net income is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, foreign exchange gains and losses on the hedging instruments will be recognized in other comprehensive income.

3. SALE OF ACCOUNTS RECEIVABLE

On October 1, 2003, the Company signed an agreement to sell an undivided co-ownership interest in its current and future accounts receivable (the "receivables") to an independent trust. The Company also retains an undivided co-ownership interest in the receivables sold to the trust. Under the agreement, OPG continues to service the receivables. The transfer provides the trust with ownership of a share of the payments generated by the receivables, computed on a monthly basis. The trust's recourse to the Company is generally limited to its income earned on the receivables. In December 2005, the Company extended this agreement to August 2009.

OPG reflected the initial transfer to the trust of the co-ownership interest, and subsequent transfers required by the revolving nature of the securitization, as sales in accordance with CICA Accounting Guideline 12, *Transfer of Receivables*. In accordance with this Guideline, the proceeds of each sale to the trust were deemed to be the cash received from the trust net of the undivided co-ownership interest retained by the Company. For the three months ended September 30, 2006, the Company has recognized pre-tax charges of \$4 million (three months ended September 30, 2005 – \$2 million) on such sales at an average cost of funds of 4.6 per cent (three months ended September 30, 2005 – 3.0 per cent). For the nine months ended September 30, 2006, the Company has recognized pre-tax charges of \$10 million (nine months ended September 30, 2005 – \$7 million) on such sales at an average cost of funds of 4.4 per cent (nine months ended September 30, 2005 – 2.9 per cent). As at September 30, 2006, OPG had sold receivables of \$300 million (December 31, 2005 – \$300 million) from its total portfolio of \$373 million (December 31, 2005 – \$668 million).

4. FIXED ASSETS

Depreciation and amortization expense for the three and nine months ended September 30, 2006 and 2005 consists of the following:

<i>(millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30 2006	September 30 2005	September 30 2006	September 30 2005
Depreciation and amortization	146	180	500	562
Nuclear waste management costs	2	1	4	4
	148	181	504	566

Interest capitalized to construction in progress at 6.0 per cent during the three and nine months ended September 30, 2006 (three and nine months ended September 30, 2005 – 6.0 per cent) was \$5 million

and \$13 million respectively (three and nine months ended September 30, 2005 – \$7 million and \$24 million).

Impairment of Long-Lived Assets

The accounting estimates related to asset impairment require significant management judgment to identify factors such as short and long-term forecasts for future sales prices, the supply of electricity in Ontario, inflation, fuel prices, and station lives. The amount of the future cash flow that OPG will ultimately realize with respect to these assets could differ materially from the carrying values recorded in the consolidated financial statements.

Pickering A Nuclear Generating Station Units 2 and 3

OPG completed, in the second quarter of 2005, an assessment of the cost, schedule and risks related to the return to service of Units 2 and 3 at the Pickering A nuclear generating station. The assessment considered results from inspection programs with respect to feeder pipe and steam generator degradation mechanisms, and potential degradation of the calandria vault components, all of which could impact the future capability factor, operating costs and the life of the units. Upon consideration of the scope of the refurbishment work, the costs and the risks related to the return to service of these two units, OPG determined that the return to service of these two units was not justified on a commercial basis even though technically feasible. OPG recorded an impairment loss of \$63 million in the second quarter of 2005 related to the carrying amount of these two units including construction in progress.

Lennox Generating Station

As a result of the Government's "Request for Information/Request for Proposal for 2,500 MW of New Clean Generation and Demand Side Management Projects" released in September 2004 and the related contractual arrangements, future wholesale electricity market revenue is expected to be lower than previously anticipated. As a relatively high variable cost generating station, the Lennox generating station will not be able to recover its fixed operating costs and its carrying value from the wholesale electricity market in the future. Given these factors, OPG initiated discussions with the Province, with the expectation of entering into a contractual arrangement for the recovery of the annual fixed operating costs and the carrying value of the Lennox generating station. In March 2005, the Province advised OPG that it would not support an arrangement that would allow for the recovery of the carrying value of the Lennox generating station. As a result, OPG recorded an impairment loss of \$202 million in the first quarter of 2005.

In March 2006, the OEB issued a decision approving a reliability must-run ("RMR") contract between OPG and the Independent Electricity System Operator ("IESO") for the Lennox generating station, for the period October 1, 2005 to September 30, 2006. Reliability must-run contracts are designed to ensure that generating stations remain available to maintain the reliability of the electricity system. In its decision, the OEB found it appropriate for OPG to recover the fixed and variable operating costs of the Lennox generating station that are not recovered through market revenues. As a result of the decision, OPG recorded \$14 million in revenue in the third quarter of 2006 (nine months ended September 30, 2006 - \$58 million). The RMR contract is a cost-based contract that provides for regular payments, which are subject to adjustments for actual costs. OPG negotiated a similar contract with the IESO for the period October 1, 2006 to September 30, 2007. An application seeking OEB approval for this new RMR contract was filed in August 2006. The matter is before the OEB.

5. REGULATORY ASSETS AND LIABILITIES

The changes in the regulatory assets and liabilities for the nine months ended September 30, 2006 are as follows:

<i>(millions of dollars)</i>	Pickering A Return to Service Costs	Ancillary Service Revenue Variance	Hydro- electric Production Variance	Other
Regulatory assets (liabilities), beginning of the period	261	5	(4)	(8)
Increase (decrease) during the period	13	(7)	8	1
Amortization during the period	(21)	-	-	-
Regulatory assets (liabilities), end of the period	253	(2)	4	(7)

The regulatory assets and liabilities as at September 30, 2006 and December 31, 2005 are as follows:

<i>(millions of dollars)</i>	September 30 2006	December 31 2005
Regulatory assets		
Pickering A generating station return to service costs	253	261
Ancillary service revenue variance	-	5
Hydroelectric production variance	4	-
Total regulatory assets	257	266
Regulatory liabilities		
Ancillary service revenue variance	2	-
Hydroelectric production variance	-	4
Other	7	8
Total regulatory liabilities	9	12

Pickering A Return to Service Costs

Effective January 1, 2005, in accordance with a regulation made under the *Electricity Restructuring Act, 2004*, OPG was required to establish a deferral account in connection with non-capital costs that are associated with the return to service of units at the Pickering A nuclear generating station. As a result, the change in accounting was prospectively adopted on January 1, 2005, with no retroactive adoption. As at September 30, 2006, the deferral account was \$253 million, consisting of non-capital costs of \$232 million relating to Unit 1, \$19 million relating to Units 2 and 3, \$20 million of general return to service costs, and interest of \$7 million. The accumulated amortization as of September 30, 2006 was \$25 million.

As at December 31, 2005, the deferral account was \$261 million, consisting of non-capital costs of \$228 million relating to Unit 1, \$19 million relating to Units 2 and 3, \$11 million of general return to service costs, and interest of \$7 million. The accumulated amortization as of December 31, 2005 was \$4 million.

Under the regulation, the OEB is directed to ensure that OPG recovers any balance in the deferral account on a straight-line basis over a period not to exceed 15 years.

Variance Accounts

Effective April 1, 2005, in accordance with a regulation made under the *Electricity Restructuring Act, 2004*, OPG was directed to establish variance accounts for costs incurred on or after April 1, 2005 that are associated with differences in hydroelectric production due to differences between forecast and actual water conditions, changes in nuclear electricity production due to unforeseen changes to the law or to unforeseen technological changes, changes to revenues assumed for ancillary revenues from the regulated facilities, acts of God (including severe weather events), and transmission outages and transmission restrictions. OPG recorded a reduction in revenue during the nine months ended September 30, 2006 of \$7 million, reflecting ancillary services revenue that was favourable compared to that forecasted for 2006. OPG recorded revenue during the nine months ended September 30, 2006 of \$8 million reflecting water conditions that were unfavourable compared to those forecasted for 2006. The OEB is directed by the regulation to ensure recovery to the extent that the OEB is satisfied that the costs recorded in the account were prudently incurred and accurately recorded. Any balances approved by the OEB will be amortized over a period not to exceed three years. The amortization will commence after OPG receives a rate order from the OEB.

The other regulatory liability consists of a portion of non-regulated revenue earned by OPG's regulated assets, which will result in a reduction of future regulated rates to be established by the OEB.

Had OPG not accounted for the variances as a regulatory asset and liability, revenue for the nine months ended September 30, 2006 would have been lower by \$1 million.

6. SHORT-TERM CREDIT FACILITIES

OPG's \$1 billion revolving committed bank credit facility is divided into two tranches – a \$500 million 364-day term tranche maturing May 22, 2007, and a \$500 million three-year term tranche maturing May 22, 2009. The total credit facility will be used primarily as support for notes issued under OPG's commercial paper program. As of September 30, 2006 and December 31, 2005, OPG had no commercial paper or other outstanding borrowing under this facility.

OPG also maintains \$26 million (December 31, 2005 – \$26 million) in short-term uncommitted overdraft facilities as well as \$240 million (December 31, 2005 – \$215 million) of short-term uncommitted credit facilities, which support the issuance of Letters of Credit. OPG uses Letters of Credit to support the supplementary pension plans and is required to post Letters of Credit as collateral with Local Distribution Companies ("LDCs") as prescribed by the OEB's Retail Settlement Code. At September 30, 2006, there was a total of \$175 million (December 31, 2005 – \$157 million) of Letters of Credit issued, which included \$159 million relating to the supplementary pension plans (December 31, 2005 – \$138 million) and \$14 million (December 31, 2005 – \$ nil) relating to the construction of the Portlands Energy Centre.

7. LONG-TERM DEBT

Long-term debt consists of the following:

<i>(millions of dollars)</i>	September 30 2006	December 31 2005
Notes payable to the Ontario Electricity Financial Corporation	3,095	3,695
Share of non-recourse limited partnership debt	196	200
	3,291	3,895
Less: due within one year		
Notes payable to the Ontario Electricity Financial Corporation	600	800
Share of limited partnership debt	6	6
	606	806
Long-term debt	2,685	3,089

Holders of the senior debt are entitled to receive, in full, amounts owing in respect of the senior debt before holders of the subordinated debt are entitled to receive any payments. The Ontario Electricity Financial Corporation ("OEFC") currently holds all of OPG's outstanding senior and subordinated notes.

Interest paid during the three months ended September 30, 2006 was \$109 million (three months ended September 30, 2005 – \$114 million), of which \$105 million relates to interest paid on long-term debt (three months ended September 30, 2005 – \$112 million). Interest paid during the nine months ended September 30, 2006 was \$235 million (nine months ended September 30, 2005 – \$226 million), of which \$223 million relates to interest paid on long-term debt (nine months ended September 30, 2005 – \$216 million). Interest on the notes payable to OEFC is paid in the first and third quarter of the year.

8. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT

The liabilities for fixed asset removal and nuclear waste management on a present value basis consist of the following:

<i>(millions of dollars)</i>	September 30 2006	December 31 2005
Liability for nuclear used fuel management	5,129	4,940
Liability for nuclear decommissioning and low and intermediate level waste management	3,731	3,627
Liability for non-nuclear fixed asset removal	189	192
Fixed asset removal and nuclear waste management liabilities	9,049	8,759

The change in the fixed asset removal and nuclear waste management liability for the nine months ended September 30, 2006 and the year ended December 31, 2005 are as follows:

<i>(millions of dollars)</i>	September 30 2006	December 31 2005
Liabilities, beginning of period	8,759	8,339
Increase in liabilities due to accretion	375	476
Increase in liabilities due to nuclear used fuel and nuclear waste management variable expenses	27	34
Liabilities settled by expenditures on waste management	(112)	(90)
Liabilities, end of period	9,049	8,759

OPG recognizes asset retirement obligations for fixed asset removal and nuclear waste management, discounted for the time value of money. OPG has estimated both the amount and timing of future cash expenditures based on current plans for fixed asset removal and nuclear waste management. The liabilities are initially recorded at their estimated fair value, which is based on a discounted value of the expected costs to be paid.

OPG has commenced the process to review and update the estimate of costs to complete under the ONFA Reference Plan, and is targeting for an updated approved Reference Plan (the 2006 Reference Plan) to be in place in 2006. The updated Reference Plan will likely result in a significant increase in OPG's liability for nuclear waste management and decommissioning, and a corresponding increase in the carrying value of the nuclear generating stations to which this liability relates.

Ontario Nuclear Funds Agreement

OPG sets aside and invests funds in segregated custodian accounts specifically for discharging its nuclear fixed asset removal and nuclear waste management liabilities. The nuclear fixed asset removal and nuclear waste management funds as at September 30, 2006 and December 31, 2005, consist of the following:

<i>(millions of dollars)</i>	Amortized Cost Basis		Fair Value	
	September 30 2006	December 31 2005	September 30 2006	December 31 2005
Decommissioning Fund	4,290	4,106	4,804	4,583
Due to Province – Decommissioning Fund	(21)	(7)	(535)	(484)
	4,269	4,099	4,269	4,099
Used Fuel Fund ¹	3,165	2,693	3,506	2,995
Due (to) from Province – Used Fuel Fund	(46)	(4)	(387)	(306)
	3,119	2,689	3,119	2,689
	7,388	6,788	7,388	6,788

¹ The Ontario NFWA Trust represents \$1,087 million as at September 30, 2006 (December 31, 2005 – \$1,003 million) of the Used Fuel Fund on an amortized cost basis.

9. INCOME TAXES

The following table summarizes the difference in the balance sheet amounts under the taxes payable method used by the Company to account for income taxes compared to what would have been reported had OPG applied the liability method for the regulated business as at September 30, 2006 and December 31, 2005:

<i>(millions of dollars)</i>	September 30, 2006		December 31, 2005	
	As Stated	Liability Method	As Stated	Liability Method
Future income tax assets – current	12	32	18	38
Long-term future income tax liabilities	(291)	(436)	(241)	(344)

The following table summarizes the difference in the income statement amounts under the method used by the Company to account for income taxes compared to what would have been reported had OPG applied the liability method for the regulated business for the three and nine months ended September 30, 2006 and 2005:

<i>(millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30 2006	September 30 2005	September 30 2006	September 30 2005
As Stated:				
Extraordinary item	-	-	-	74
Future income tax expense	4	37	56	15
Liability Method:				
Future income tax expense	28	94	98	125

The amount of cash income taxes paid during the three months ended September 30, 2006 was \$4 million (three months ended September 30, 2005 – \$6 million). For the nine months ended September 30, 2006, cash income taxes paid were \$18 million (nine months ended September 30, 2005 – \$15 million).

During the three months ended June 30, 2005, OPG recorded a one-time extraordinary loss of \$74 million as a result of the adoption of rate regulated accounting for income taxes related to the rate regulated business segments.

The Company has revised its future income tax assets and liabilities to reflect the lower federal income tax rates recently enacted.

OPG has taken certain filing positions for corporate income and capital taxes that may be challenged on audit and possibly disallowed and result in a significant increase in the tax obligation upon reassessment. There is still uncertainty around the amount of the tax provision, and Management is not able to determine the impact of that uncertainty on the consolidated financial statements.

10. BENEFIT PLANS

The post employment benefit programs include pension, group life insurance, health care and long-term disability benefits. Pension and other post employment benefit (“OPEB”) obligations are impacted by factors including interest rates, adjustments arising from plan amendments, changes in assumptions and experience gains or losses. The 2006 costs are based on a measurement of the pension and OPEB obligations and the pension fund assets, as at December 31, 2005.

Total benefit costs for the three and nine months ended September 30, 2006 and 2005 are as follows:

<i>(millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30 2006	September 30 2005	September 30 2006	September 30 2005
Registered pension plan	54	31	163	87
Supplementary pension plans	4	4	11	13
OPEB	63	45	183	127

11. FINANCIAL INSTRUMENTS

Contracts for all trading transactions are carried on the consolidated balance sheet as assets or liabilities at fair value, with changes in fair value recorded in trading revenue as gains or losses.

Fair values of derivative instruments have been estimated by reference to quoted market prices for actual or similar instruments where available. Where quoted market prices are not available, OPG considers various factors to estimate forward prices, including market prices and price volatility in neighbouring electricity markets, market prices for fuel, and other factors.

Forward pricing information is inherently uncertain so that fair values of the derivative instruments may not accurately represent the cost to enter into these positions. To address the impact of some of this uncertainty on trading positions, OPG established liquidity reserves against the mark-to-market gains or losses of these positions. During the three months ended September 30, 2006, the liquidity reserve increased trading revenue by \$3 million (three months ended September 30, 2005 – increased trading revenue by \$16 million). During the nine months ended September 30, 2006, the liquidity reserves reduced trading revenue by \$2 million (nine months ended September 30, 2005 – increased trading revenue by \$23 million).

Derivative Instruments Used for Hedging Purposes

The following table provides the estimated fair value of derivative instruments designated as hedges. The majority of OPG's derivative instruments are treated as hedges, with gains or losses recognized upon settlement when the underlying transactions occur. OPG holds financial commodity derivatives primarily to hedge the commodity price exposure associated with changes in the price of electricity.

<i>(millions of dollars except where noted)</i>	Notional Quantity September 30, 2006	Terms	Fair Value	Notional Quantity December 31, 2005	Terms	Fair Value
Gain (loss)						
Electricity derivative instruments	4.6TWh	1-4 yrs	35	4.1 TWh	1-2 yrs	(125)
Foreign exchange derivative instruments	U.S. \$5	Oct/06	-	U.S. \$15	Jan/06	-
Floating to fixed interest rate hedge	46	1-12 yrs	3	47	1-13 yrs	3
Forward start interest rate hedges	660	1-14 yrs	(15)	400	1-15 yrs	(7)

Foreign exchange derivative instruments are used to hedge the exposure to anticipated U.S. dollar denominated purchases. The weighted average fixed exchange rate for contracts outstanding at September 30, 2006 was U.S. \$0.90 (December 31, 2005 – U.S. \$0.87) for every Canadian dollar.

One of the Company's joint ventures is exposed to changes in interest rates. The joint venture entered into an interest rate swap to manage the risk arising from fluctuations in interest rates by swapping short-term floating interest rate with a fixed rate of 5.33 per cent. OPG's proportionate interest in the swap is 50 per cent and is accounted for as a hedge.

OPG entered into a number of forward start interest rate swap agreements to hedge against the effect of future interest rate movement based on the anticipated future borrowing requirement for the Niagara Tunnel project. These transactions are accounted for as hedges.

Derivative Instruments Not Used for Hedging Purposes

The carrying amount (fair value) of derivative instruments not designated for hedging purposes is as follows:

<i>(millions of dollars except where noted)</i>	Notional Quantity September 30, 2006	Fair Value	Notional Quantity December 31, 2005	Fair Value
Foreign exchange derivative	-	-	U.S. \$3	-
Commodity derivative instruments				
Assets	5.8TWh	28	3.3 TWh	13
Liabilities	1.8TWh	(27)	1.1 TWh	(37)
Liquidity reserve		1 (5)		(24) (3)
Total		(4)		(27)

Foreign exchange derivative instruments that were not designated as hedges had a weighted average exchange rate of U.S. \$0.85 as at December 31, 2005.

12. COMMITMENTS AND CONTINGENCIES

Litigation

Various legal proceedings are pending against OPG or its subsidiaries covering a wide range of matters that arise in the ordinary course of its business activities.

In July 2004, OPG and two individual OPG employees were each charged with criminal negligence causing death and criminal negligence causing bodily harm in relation to a 2002 drowning accident at Barrett Chute. Further to a recent summary application by all three, OPG was acquitted of all charges on November 14, 2006. The two employees remain defendants.

Certain First Nations have commenced actions for interference with reserve and traditional land rights. The claims by some of these First Nations total approximately \$50 million and claims by others are for unspecified amounts.

On August 9, 2006, a Notice of Action and Statement of Claim in the amount of \$500 million (the "Claim") was served on OPG and Bruce Power L.P. by British Energy Limited and British Energy International Holdings Limited ("British Energy"), claiming that OPG is liable to them for breach of contract and negligence. OPG leased the Bruce nuclear generating stations to Bruce Power L.P. in 2001. British Energy was an investor in Bruce Power L.P. In 2003, British Energy sold its interest in Bruce Power L.P. to a group of investors (the "Purchasers"). The Purchasers are claiming that British Energy is liable to them with respect to this purchase transaction. Their claim is currently the subject of an arbitration proceeding (the "Arbitration"). British Energy is therefore suing OPG in order to preserve any similar claim it may have against OPG pursuant to the 2001 lease transaction. British Energy has indicated that it does not require OPG to actively defend the Claim at this point in time as British Energy is defending the Arbitration commenced by the Purchasers. The Arbitration may narrow or eliminate the claims or damages British Energy has, so as to narrow or eliminate the need to continue the Claim against OPG. British Energy has reserved the right to require OPG to defend the Claim prior to the conclusion of the Arbitration should British Energy at some point believe there is some advantage of doing so.

Each of these matters is subject to various uncertainties. Some of these matters may be resolved unfavourably with respect to OPG and could have a significant effect on OPG's financial position. Management has provided for contingencies that are determined to be likely and are reasonably measurable.

Environmental

OPG was required to assume certain environmental obligations from Ontario Hydro. A provision of \$76 million was established as at April 1, 1999 for such obligations. During the nine months ended September 30, 2006, expenditures of \$3 million (nine months ended September 30, 2005 – \$1 million) were recorded against the provision. As at September 30, 2006, the remaining provision was \$53 million (December 31, 2005 – \$56 million).

Current operations are subject to regulation with respect to air, soil and water quality and other environmental matters by federal, provincial and local authorities. The cost of obligations associated with current operations is provided for on an ongoing basis. Management believes it has made adequate provision in its consolidated financial statements to meet OPG's current environmental obligations.

Guarantees

As part of normal business, OPG and certain of its subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees, standby Letters of Credit and surety bonds.

Other

OPG entered into a partnership with TransCanada Energy Ltd. ("TransCanada"), called Portlands Energy Centre L.P. ("PEC"), to pursue the development of a 550 MW gas-fired, combined cycle station on the site of the former R.L. Hearn generating station, near downtown Toronto. PEC signed a 20 year Accelerated Clean Energy Supply ("ACES") contract with the OPA during the third quarter of 2006. PEC has also entered into an engineer-procure-construct ("EPC") contract to construct the facility. A significant proportion of expenditures on the project of \$730 million will be made under the EPC contract. OPG provided third party financial guarantees in support of the Portlands Energy Centre project totaling \$63 million.

13. RESTRUCTURING

The change in the restructuring liability for termination benefits for the nine months ended September 30, 2006 and the year ended December 31, 2005 are as follows:

<i>(millions of dollars)</i>	September 30 2006	December 31 2005
Liability, beginning of period	12	20
Restructuring charges	-	10
Payments	(7)	(18)
Liability, end of period	5	12

14. REVENUE LIMIT REBATE

Eighty-five per cent of the generation output from OPG's unregulated generation assets, excluding the Lennox generating station and forward sales as of January 1, 2005, is subject to a revenue limit. The output from a generating unit where there has been a fuel conversion and the incremental output from a generating station where there has been a refurbishment or expansion of these assets is also excluded from the output covered by the revenue limit. In addition, until the Transition – Generation Corporation Designated Rate Options ("TRO") expired on April 30, 2006, volumes sold under such options were also excluded from the revenue limit rebate. This revenue limit, which was originally established for a period of 13 months ending April 30, 2006, was subsequently extended for an additional three years. Starting May 1, 2006, the revenue limit decreased to 4.6¢/kWh from the previous limit of 4.7¢/kWh. On May 1, 2007, the revenue limit will return to 4.7¢/kWh and increase to 4.8¢/kWh effective May 1, 2008. In addition, beginning May 1, 2006, volumes sold under a Pilot Auction administered by the Ontario Power Authority ("OPA") are subject to a revenue limit that is 0.5¢/kWh higher than the revenue limit applicable to OPG's other generating assets. Furthermore, the Pilot Auction revenue limit will increase by 0.1¢/kWh on May 1, 2007 and again on May 1, 2008. Revenues above these limits are returned to the IESO for the benefit of consumers.

The change in the revenue limit rebate liability for the nine months ended September 30, 2006 and the year ended December 31, 2005 are as follows:

<i>(millions of dollars)</i>	September 30 2006	December 31 2005
Liability, beginning of the year	739	-
Increase to provision during the period	148	739
Payments made during the period	(802)	-
Liability, end of period	85	739

15. BUSINESS SEGMENTS

Effective April 1, 2005, the output from most of OPG's baseload hydroelectric facilities and all of its nuclear facilities became rate regulated. With the introduction of rate regulation, OPG revised its reportable business segments to separately reflect the regulated and unregulated aspects of its business. In the first quarter of 2006, OPG separated the Unregulated Generation business segment into two reportable segments identified as Unregulated – Fossil-Fuelled and Unregulated – Hydroelectric, as a result of changes in the management structure of these segments. Results for the comparative periods have been reclassified to reflect the revised disclosure.

Operations, maintenance and administration ("OM&A") expenses of the generation business segments include a service fee for the use of certain property, plant and equipment of the Other category. The total service fee allocation is recorded as a reduction to the Other category's OM&A expenses. For the three months ended September 30, 2006, the service fee allocation was \$7 million for Regulated – Nuclear, \$1 million for Regulated – Hydroelectric, \$1 million for Unregulated – Hydroelectric and \$2 million for Unregulated – Fossil-Fuelled, with a corresponding reduction in OM&A expenses of \$11 million for the Other category. For the nine months ended September 30, 2006, the service fee was \$19 million for Regulated – Nuclear, \$2 million for Regulated – Hydroelectric, \$3 million for Unregulated – Hydroelectric and \$6 million for Unregulated – Fossil-Fuelled, with a reduction in expenses of \$30 million for the Other category. Results of the comparative periods have been reclassified to reflect the service fee.

Segment Income for Three Months Ended September 30, 2006	Regulated		Unregulated			Total
	Nuclear	Hydro-electric	Hydro-electric	Fossil-Fuelled	Other	
<i>(millions of dollars)</i>						
Revenue before revenue limit rebate	722	175	133	422	42	1,494
Revenue limit rebate	-	-	(16)	(43)	-	(59)
	722	175	117	379	42	1,435
Fuel expense	34	62	15	199	-	310
Gross margin	688	113	102	180	42	1,125
Operations, maintenance and administration	446	26	47	115	-	634
Depreciation and amortization	85	16	17	17	13	148
Accretion on fixed asset removal and nuclear waste management liabilities	123	-	-	2	-	125
Earnings on nuclear fixed asset removal and nuclear waste management funds	(82)	-	-	-	-	(82)
Property and capital taxes	15	6	4	7	3	35
Income before interest, income taxes and extraordinary item	101	65	34	39	26	265

Segment Income (Loss) for Three Months Ended September 30, 2005 <i>(millions of dollars)</i>	Regulated		Unregulated			Total
	Nuclear	Hydro-electric	Hydro-electric	Fossil-Fuelled	Other	
Revenue before revenue limit rebate	662	202	189	853	1	1,907
Revenue limit rebate	-	-	(71)	(265)	-	(336)
	662	202	118	588	1	1,571
Fuel expense	31	64	12	277	-	384
Gross margin	631	138	106	311	1	1,187
Operations, maintenance and administration	457	20	37	107	6	627
Depreciation and amortization	88	17	14	47	15	181
Accretion on fixed asset removal and nuclear waste management liabilities	117	-	-	2	-	119
Earnings on nuclear fixed asset removal and nuclear waste management funds	(96)	-	-	-	-	(96)
Property and capital taxes	-	5	4	6	11	26
Restructuring	-	-	-	4	2	6
Income (Loss) before interest, income taxes and extraordinary item	65	96	51	145	(33)	324

Segment Income for Nine Months Ended September 30, 2006 <i>(millions of dollars)</i>	Regulated		Unregulated			Total
	Nuclear	Hydro-electric	Hydro-electric	Fossil-Fuelled	Other	
Revenue before revenue limit rebate	2,067	514	587	1,150	118	4,436
Revenue limit rebate	-	-	(42)	(106)	-	(148)
	2,067	514	545	1,044	118	4,288
Fuel expense	93	174	60	504	-	831
Gross margin	1,974	340	485	540	118	3,457
Operations, maintenance and administration	1,399	70	128	375	(5)	1,967
Depreciation and amortization	254	49	49	113	39	504
Accretion on fixed asset removal and nuclear waste management liabilities	368	-	-	7	-	375
Earnings on nuclear fixed asset removal and nuclear waste management funds	(274)	-	-	-	-	(274)
Property and capital taxes	34	14	11	15	8	82
Income before interest, income taxes and extraordinary item	193	207	297	30	76	803

Segment (Loss) Income for Nine Months Ended September 30, 2005 <i>(millions of dollars)</i>	Regulated		Unregulated			Total
	Nuclear	Hydro-electric	Hydro-electric	Fossil-Fuelled	Other	
Revenue before revenue limit and Market Power Mitigation Agreement rebates	1,942	674	699	1,828	48	5,191
Revenue limit rebate	-	-	(122)	(355)	-	(477)
Market Power Mitigation Agreement rebate	(160)	(65)	(58)	(129)	-	(412)
	1,782	609	519	1,344	48	4,302
Fuel expense	85	186	54	658	-	983
Gross margin	1,697	423	465	686	48	3,319
Operations, maintenance and administration	1,324	56	101	326	23	1,830
Depreciation and amortization	267	51	47	158	43	566
Accretion on fixed asset removal and nuclear waste management liabilities	351	-	-	7	-	358
Earnings on nuclear fixed asset removal and nuclear waste management funds	(279)	-	-	-	-	(279)
Property and capital taxes	21	14	11	15	3	64
Restructuring	-	-	-	4	2	6
(Loss) income before impairment of long-lived assets	13	302	306	176	(23)	774
Impairment of long-lived assets	63	-	-	202	-	265
(Loss) income before interest, income taxes and extraordinary item	(50)	302	306	(26)	(23)	509

<i>(millions of dollars)</i>	Regulated Nuclear	Hydro- electric	Unregulated Hydro- electric	Fossil- Fuelled	Other	Total
Selected Balance Sheet Information						
As at September 30, 2006						
Segment property, plant and equipment, net	3,025	4,128	3,076	466	638	11,333
As at December 31, 2005						
Segment property, plant and equipment, net	3,156	4,054	3,076	531	595	11,412
Selected Cash Flow Information						
Three months ended September 30, 2006	40	51	24	19	54	188
Investment in fixed assets						
Three months ended September 30, 2005	54	29	12	11	8	114
Investment in fixed assets						
Nine months ended September 30, 2006	118	121	50	47	86	422
Investment in fixed assets						
Nine months ended September 30, 2005	214	66	27	32	14	353
Investment in fixed assets						

16. CHANGES IN NON-CASH WORKING CAPITAL BALANCES

<i>(millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Accounts receivable	37	(34)	308	(85)
Fuel inventory	12	(10)	(36)	63
Materials and supplies	(4)	(2)	1	(28)
Revenue limit rebate payable	59	336	148	477
Market Power Mitigation Agreement rebate payable	-	-	-	412
Accounts payable and accrued charges	(11)	(28)	(167)	(133)
Income and capital taxes payable	50	55	86	66
	143	317	340	772

17. SEASONAL OPERATIONS

OPG's quarterly results are impacted by changes in demand 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. Regulated prices for the baseload hydroelectric and nuclear facilities, the revenue limit related to the generation from OPG's other generating assets and OPG's hedging strategies significantly reduced the impact of seasonal price fluctuations on the results of operations.