

# INDEPENDENT AUDITORS' REPORT

To the Management of  
**Ontario Power Generation Inc.**

We have audited the accompanying schedule of regulatory balances of **Ontario Power Generation Inc.** as at December 31, 2010 [the "Schedule"]. The Schedule has been prepared by management to present the balances in the variance and deferral accounts authorized for **Ontario Power Generation Inc.** by the decisions and orders of the Ontario Energy Board and *Ontario Regulation 53/05* pursuant to the *Ontario Energy Board Act, 1998* using the basis of accounting described in note 1 to the Schedule.

## **Management's responsibility for the schedule of regulatory balances**

Management is responsible for the preparation and fair presentation of this Schedule in accordance with the basis of accounting described in note 1 to the Schedule; this includes determining that this basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the Schedule presents fairly, in all material respects, the balances in the variance and deferral accounts authorized for **Ontario Power Generation Inc.** by the decisions and orders of the Ontario Energy Board and *Ontario Regulation 53/05* pursuant to the *Ontario Energy Board Act, 1998* using the basis of accounting described in note 1 to the Schedule.

### **Basis of accounting**

Without modifying our opinion, we draw attention to note 1 to the Schedule, which describes the basis of accounting. The Schedule is prepared solely for the use of **Ontario Power Generation Inc.** and for filing with the Ontario Energy Board. As a result, the Schedule may not be suitable for another purpose.

### **Restriction on distribution**

Our auditors' report is intended solely for **Ontario Power Generation Inc.** and for filing with the Ontario Energy Board and should not be used for any other purpose.

Toronto, Canada,  
February 4, 2011.

*Ernst + Young LLP*

Chartered Accountants  
Licensed Public Accountants