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August 17, 2009

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Kirsten Walli
Board Secretary
Ontario Energy Board
27th floor – 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms Walli,

Ontario Power Generation ("OPG")
Application for an Accounting Order Regarding Variance and Deferral Accounts
Board File No.: EB-2009-0174
Our File No.: 339583-000049

The purpose of this letter is to bring to the Board's attention some recently announced information which we submit is relevant to the issue of whether OPG should be directed to provide a response to CME Interrogatory #1.

OPG reported its 2009 Second Quarter Financial Results on August 14, 2009. A copy of the News Release reporting these results is attached. The second paragraph of the News Release states:

> *"Net income for the second quarter of 2009 was favourably impacted by the recognition of a regulatory asset related to a tax loss variance account authorized by the Ontario Energy Board ("OEB") effective April 1, 2008, and higher earnings from the Nuclear Funds. The favourable net income impacts were $141 million and $193 million, respectively."*

We view these very significant net income impacts as a strong indicator that OPG is probably forecasting a significant revenue deficiency for 2010. This recent information, we submit, supports the issuance of a direction that OPG be required to provide a response to CME Interrogatory #1.

Yours very truly,

Peter C.P. Thompson, Q.C.
PCT\slc
enclosure
c. Barbara Reuber (OPG)
Intervenors EB-2009-0174
Paul Clipsham (CME)
OTT01\3797841\1

August 14, 2009

ONTARIO POWER GENERATION REPORTS 2009 SECOND QUARTER FINANCIAL RESULTS

[Toronto]: Ontario Power Generation Inc. ("OPG" or the "Company") today reported its financial and operating results for the three and six months ended June 30, 2009. Net income for the second quarter of 2009 was $306 million compared to net income of $99 million for the same period in 2008. Net income for the six months ended June 30, 2009 was $297 million compared to $261 million for the same period in 2008.

Net income for the second quarter of 2009 was favourably impacted by the recognition of a regulatory asset related to a tax loss variance account authorized by the Ontario Energy Board ("OEB") effective April 1, 2008, and higher earnings from the Nuclear Funds. The favourable net income impacts were $141 million and $193 million, respectively.

"In the second quarter, OPG's operating and financial results continued to be affected by reduced electricity demand in Ontario and lower spot market electricity prices. In light of these conditions, we have intensified our efforts on prudent financial operations by instituting cost constraint measures and pursuing further cost reduction opportunities" said President and CEO Tom Mitchell.

Total electricity generated in the second quarter of 2009 of 20.9 terawatt hours ("TWh") was 19 percent lower than second quarter 2008 production of 25.9 TWh, primarily a result of lower electricity production from the fossil-fuelled and nuclear stations. Fossil-fuelled generation decreased to 1.8 TWh from 5.5 TWh in the same quarter in 2008. This decrease was primarily due to lower electricity demand in Ontario and an increase in electricity production from other Ontario generators. Nuclear production decreased by 0.9 TWh primarily as a result of a successful planned vacuum building outage at the Darlington nuclear generating station which required a shutdown of all four units. This decrease in generation at the Darlington station was partially offset by an increase in production at the Pickering stations. For the six months ended June 30, 2009, total production from OPG's generating stations was 46.5 TWh compared to 55.3 TWh for the same period in 2008. This decrease primarily reflects lower fossil production of 6.4 TWh.

Capability factors at the Pickering A and B stations improved significantly during the second quarter in comparison to the second quarter of 2008, while the Darlington station experienced a decrease in its capability factor as a result of the planned vacuum building outage. The reliability of the hydroelectric stations improved during the second quarter and on a year-to-date basis compared with 2008, primarily as a result of strong equipment performance, and deferral and re-scheduling of planned outages to increase availability during periods of high water levels. The reliability of the fossil-fuelled stations also improved during the second quarter and on a year-to-date basis compared with 2008, consistent with OPG's operating strategy to limit the number of coal-fired units offered into the electricity market.

Segmented Financial Results

OPG's income before interest and income taxes was $354 million in the second quarter of 2009 compared to $130 million for the three months ended June 30, 2008.

Income before interest and income taxes from OPG's electricity generating segments was $191 million in the second quarter of 2009 compared to $172 million for the three months ended June 30, 2008. Gross margin increased primarily due to the recognition of a regulatory asset related to the tax loss variance account as a result of a 2009 OEB decision and the corresponding increase in revenue, and higher prices received for production from OPG's regulated stations. This increase was partially offset by lower prices received for production from OPG's unregulated stations, lower fossil-fuelled and nuclear generation, and higher fuel prices and fuel related costs. The unfavourable impact of lower generation, lower electricity sales prices, and higher fuel related costs at OPG's fossil-fuelled stations, was largely offset by revenues related to a contingency support agreement established with the Ontario Electricity Financial Corporation to provide for the continued reliability and availability of OPG's Nanticoke and Lambton generating stations.

Income before interest and income taxes from OPG's Regulated – Nuclear Waste Management segment was $143 million in the second quarter of 2009 compared to a loss before interest and taxes of $43 million for the three months ended June 30, 2008, an improvement of $186 million. Earnings from the Nuclear Funds, before the impact of a variance account approved by the OEB to capture the differences between actual and forecast revenues and costs related to the nuclear generating stations on lease to Bruce Power, were $451 million for the second quarter of 2009, compared to $108 million in the same quarter of 2008, an increase of $343 million. This increase in the earnings was primarily due to favourable returns from the Decommissioning Fund due to improvements in trading levels of global financial markets. The earnings from the Nuclear Funds were affected by the establishment of the Bruce variance account, effective April 1, 2008, for the portion of the earnings from the Nuclear Funds related to the nuclear generating stations on lease to Bruce Power. OPG recorded a reduction of $150 million in this variance account related to the Nuclear Funds during the second quarter of 2009, which reduced the reported earnings from the Nuclear Funds.

OPG's income before interest and income taxes was $463 million for the six months ended June 30, 2009 compared to $324 million for the six months ended June 30, 2008.

Income before interest and income taxes from OPG's electricity generating segments was $434 million for the six months ended June 30, 2009 compared to $553 million for the same period in 2008. Gross margin decreased primarily as a result of lower prices received for production from OPG's unregulated stations, lower fossil and nuclear generation, and higher fuel prices and fuel related costs. These unfavourable impacts were partially offset by the recognition of a regulatory asset as a result of the OEB's decision and the corresponding increase in revenue, higher prices received for production from OPG's regulated stations, and revenues related to the contingency support agreement for the Nanticoke and Lambton generating stations.

Income before interest and income taxes for the six months ended June 30, 2009 also decreased compared to 2008 as a result of higher OM&A expenses due to an increase in planned outage and maintenance activities.

For the six months ended June 30, 2009, there was a loss before interest and income taxes of $21 million in the Regulated – Nuclear Waste Management segment compared to a loss of $228 million for the same period in 2008. This improvement was primarily due to favourable returns from the Decommissioning Fund due to improvements in trading levels of global financial markets.

Generation Development

OPG is undertaking a number of generation development projects aimed at significantly contributing to Ontario's long-term electricity supply requirements. The status of these projects is as follows:

Nuclear

- On June 29, 2009, the Government of Ontario suspended the competitive Request for Proposal ("RFP") process to procure two new nuclear reactors planned for the Darlington site. In the announcement, the Government indicated that the competitive RFP process did not provide Ontario with a suitable option at this time. OPG is continuing with two initiatives that were underway – the environmental assessment process and obtaining a site preparation licence.

- During the April 15 to May 25, 2009 period, all four units at the Darlington station were taken out of service for the planned vacuum building outage, which is a requirement every twelve years. Critical inspection and testing associated with key components in the vacuum building was performed to ensure its continued availability. During the outage, other work, including reactor feeder inspections and replacement, pressure tube inspections, turbine-generator maintenance, and valve and electrical maintenance was also completed. The inspections confirmed the excellent physical condition of the containment building. The vacuum building outage was successfully completed and three of the four units were returned to service in May. The fourth unit was returned to service in July as part of a scheduled outage.

Hydroelectric

- With respect to the Niagara tunnel project, at June 30, 2009, the tunnel boring machine had advanced to 4,568 metres, which represents 45 percent of the tunnel length. Progress of the tunnel boring machine has improved following realignment of the tunnel to reduce overbreak and minimize the remaining excavation in the Queenston shale formation. The installation of the tunnel concrete lining is progressing well and is ahead of the revised schedule. OPG and the contractor renegotiated the design-build contract with a revised target cost and schedule. The target cost and schedule take into account the difficult rock conditions encountered and the concurrent tunnel excavation and liner installation work required for completion of the tunnel. The contract includes incentives and disincentives related to achieving the target cost and schedule. The original project cost was estimated at $985 million with a scheduled completion of

June 2010. The revised project cost estimate is $1.6 billion and the revised schedule completion date is December 2013.

- OPG entered into a partnership agreement with the Lac Seul First Nation ("LSFN") regarding the 12.5 MW Lac Seul generating station. In July 2009, OPG transferred ownership of the station to the partnership. OPG has a 75 percent interest in the partnership, while the LSFN have a 25 percent interest.

- Project financing was completed for the Upper Mattagami and Hound Chute development projects in May 2009. Senior Notes totaling $200 million were issued by the UMH Energy Partnership, a general partnership between OPG and UMH Energy Inc., a wholly-owned subsidiary of OPG. In the second quarter of 2008, OPG entered into a $100 million five-year revolving committed bank credit facility in support of this project. The total project cost is estimated to be $300 million.

- The development plan to increase the generating capacity of four hydroelectric generating stations on the Lower Mattagami River from 483 MW to 933 MW is proceeding, and is expected to be finalized in the fourth quarter of 2009. A comprehensive study process must be followed under Canadian Environment Assessment Agency regulations. The Federal Environmental Assessment Comprehensive Study Report will be issued for comment in the third quarter of 2009. OPG engaged in consultation with Aboriginal communities regarding the project. A comprehensive agreement has been negotiated with a local First Nations that resolves grievances attributed to the construction and subsequent operation and maintenance of OPG facilities in the area. The new agreement will also provide the First Nation with an ability to purchase up to a 25 percent equity interest in the project.

Natural Gas

- The Portlands Energy Centre ("PEC") is a 550 MW high-efficiency, combined cycle, natural gas generation plant designed to meet downtown Toronto's need for electricity. PEC is a limited partnership between OPG and TransCanada Energy Ltd. PEC was declared in-service in a combined cycle mode in April 2009, earlier than the contractual in-service date of June 2009.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars – except where noted)	**2009**	2008	**2009**	2008
Earnings				
Revenue after revenue limit rebate	**1,397**	1,385	**2,878**	2,948
Fuel expense	**220**	277	**481**	581
Gross margin	**1,177**	1,108	**2,397**	2,367
Operations, maintenance and administration expense	**762**	750	**1,504**	1,441
Depreciation and amortization	**185**	160	**363**	335
Accretion on fixed asset removal and nuclear waste management liabilities	**159**	152	**318**	287
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(301)**	(108)	**(295)**	(57)
Other net expenses	**18**	24	**44**	37
Income before interest and income taxes	**354**	130	**463**	324
Net interest expense	**43**	39	**82**	79
Income tax expenses (recoveries)	**5**	(8)	**84**	(16)
Net income	**306**	99	**297**	261
Cash flow				
Cash flow (used in) provided by operating activities	**(183)**	151	**(142)**	396
Income (loss) before interest and income taxes				
Generating segments	**191**	172	**434**	553
Nuclear Waste Management segment	**143**	(43)	**(21)**	(228)
Other segment	**20**	1	**50**	(1)
Total income before interest and income taxes	**354**	130	**463**	324

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars – except where noted)	**2009**	2008	**2009**	2008
Electricity Generation (TWh)				
Regulated – Nuclear	**9.2**	10.1	**21.5**	23.4
Regulated – Hydroelectric	**4.9**	4.9	**9.6**	9.5
Unregulated – Hydroelectric	**5.0**	5.4	**9.3**	9.9
Unregulated – Fossil-Fuelled	**1.8**	5.5	**6.1**	12.5
Total electricity generation	**20.9**	25.9	**46.5**	55.3
Average electricity sales price (¢/kWh)				
Regulated – Nuclear	**5.5**	4.9	**5.5**	4.9
Regulated – Hydroelectric	**3.9**	3.6	**3.7**	3.6
Unregulated – Hydroelectric	**2.6**	4.7	**3.4**	4.7
Unregulated – Fossil-Fuelled	**3.2**	5.0	**4.3**	4.9
OPG average sales price	**4.2**	4.6	**4.6**	4.7
Nuclear unit capability factor (percent)				
Darlington	**52.5**	80.7	**76.1**	89.8
Pickering A	**72.2**	63.3	**57.4**	70.5
Pickering B	**81.4**	57.3	**83.2**	71.9
Equivalent forced outage rate (percent)				
Unregulated – Fossil-Fuelled	**8.4**	10.4	**10.4**	13.1
Availability (percent)				
Regulated – Hydroelectric	**93.7**	93.2	**94.0**	93.4
Unregulated– Hydroelectric	**97.5**	97.6	**96.5**	96.6

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 consolidated financial statements and Management's Discussion and Analysis as at and for the three and six months ended June 30, 2009, can be accessed on OPG's Web site (www.opg.com), the Canadian Securities Administrators' Web site (www.sedar.com), or can be requested from the Company.

For further information, please contact: Investor Relations 416-592-6700
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