

**SCHEDULE OF REGULATORY BALANCES  
AS AT DECEMBER 31, 2010**

The *Ontario Energy Board Act, 1998*, and specifically *Ontario Regulation 53/05*, provides that effective April 1, 2005, Ontario Power Generation Inc. ("OPG") receives regulated prices for most of its baseload hydroelectric electricity generation and all of its nuclear generation. The regulation set the regulated prices that OPG received for this generation up to April 1, 2008. Beginning April 1, 2008, OPG's regulated prices for this generation are determined by the Ontario Energy Board ("OEB").

The OEB's decisions and orders issued during 2008 and 2009 and *Ontario Regulation 53/05* authorized OPG to establish certain variance and deferral accounts. The balances in these variance and deferral accounts are calculated in accordance with the OEB's decisions and orders and *Ontario Regulation 53/05*. The balances in these accounts are recognized by OPG as regulatory assets and liabilities in its consolidated financial statements in accordance with Canadian generally accepted accounting principles as disclosed in the summary of significant accounting policies in the notes to the consolidated financial statements of OPG as at and for the year ended December 31, 2009.

During the year ended December 31, 2010, OPG recoded additions to the variance and deferral accounts authorized by the OEB's decisions, including those authorized pursuant to *Ontario Regulation 53/05*, and amortized the approved regulatory balances based on recovery periods established by the OEB. OPG recorded interest on outstanding regulatory balances at the interest rate prescribed by the OEB, which fluctuated in the range of 0.55 percent to 1.20 percent per annum during the year ended December 31, 2010.

The regulatory assets representing the balances in the variance and deferral accounts authorized by the OEB, including those authorized pursuant to *Ontario Regulation 53/05*, recorded by OPG as at December 31, 2010 were as follows:

| <i>(millions of dollars)</i>                                       | <b>2010</b> |
|--|-------------|
| Regulatory assets  |             |
| Bruce Lease Net Revenues Variance Account                          | <b>250</b>  |
| Tax Loss Variance Account – Nuclear                                | <b>414</b>  |
| Tax Loss Variance Account – Hydroelectric                          | <b>78</b>   |
| Pickering A Return to Service Deferral Account                     | <b>33</b>   |
| Nuclear Liabilities Deferral Account                               | <b>39</b>   |
| Nuclear Deferral and Variance Over/Under Recovery Variance Account | <b>21</b>   |
| Nuclear Interim Period Shortfall Variance Account                  | <b>7</b>    |
| Nuclear Fuel Cost Variance Account                                 | <b>6</b>    |
| Ancillary Services Net Revenue Variance Account – Nuclear          | -           |
| Transmission Outages and Restrictions Variance Account             | -           |
| <b>Total regulatory assets</b>                                     | <b>848</b>  |

The regulatory liabilities representing the balances in the variance and deferral accounts authorized by the OEB, including those authorized pursuant to *Ontario Regulation 53/05*, recorded by OPG as at December 31, 2010 were as follows:

| <i>(millions of dollars)</i>   | <b>2010</b> |
|--|-------------|
| Regulatory liabilities   |             |
| Nuclear Development Variance Account                                     | <b>111</b>  |
| Hydroelectric Water Conditions Variance Account                          | <b>70</b>   |
| Income and Other Taxes Variance Account – Nuclear                        | <b>32</b>   |
| Income and Other Taxes Variance Account – Hydroelectric                  | <b>8</b>    |
| Ancillary Services Net Revenue Variance Account – Hydroelectric          | <b>9</b>    |
| Capacity Refurbishment Variance Account                                  | <b>8</b>    |
| Hydroelectric Deferral and Variance Over/Under Recovery Variance Account | <b>8</b>    |
| Hydroelectric Interim Period Shortfall Variance Account                  | <b>2</b>    |
| <b>Total regulatory liabilities</b>                                      | <b>248</b>  |

This schedule of regulatory balances has been prepared solely for the use of filing with the OEB, and is considered by OPG's management to be a fair and reasonable representation of the balances in the variance and deferral accounts authorized by the OEB, including those authorized pursuant to *Ontario Regulation 53/05*. The balances in the variance and deferral accounts have been determined in accordance with the basis of accounting described in Note 1 to this schedule of regulatory balances.

On behalf of Ontario Power Generation Inc.:

[Original signed by]

**Donn W. J. Hanbidge**  
*Chief Financial Officer*

**NOTE TO THE SCHEDULE OF REGULATORY BALANCES  
AS AT DECEMBER 31, 2010**

**1. Basis of Accounting**

OPG records regulatory assets and liabilities in accordance with Canadian generally accepted accounting principles. Canadian accounting standards recognize that rate regulation can create economic benefits and obligations that are required by the regulator to be obtained from, or settled, with the ratepayers. When a company assesses that there is sufficient assurance that incurred expenses will be recovered in the future, those expenses may be deferred and reported as a regulatory asset. When a regulator provides recovery through current rates for expenses that are not incurred then a regulatory liability is reported. The measurement of regulatory assets and liabilities is subject to certain estimates and assumptions, including assumptions made in the interpretation of *Ontario Regulation 53/05* pursuant to the *Ontario Energy Board Act, 1998* and the decisions of the OEB. These estimates and assumptions are reviewed as part of the OEB's regulatory process.

The schedule of regulatory balances presents the regulatory assets and liabilities of OPG as at December 31, 2010, which represent the balances in the variance and deferral accounts authorized by the decisions and orders of the OEB and *Ontario Regulation 53/05* pursuant to the *Ontario Energy Board Act, 1998*.

The schedule of regulatory balances includes all of the regulatory assets and liabilities recognized by OPG in accordance with Canadian generally accepted accounting principles with the exception of the regulatory assets and liabilities related to future income taxes required to be recognized pursuant to Section 3465, *Income Taxes*, of the Canadian Institute of Chartered Accountants' Handbook.