

**SCHEDULE OF SELECT ASSETS AND LIABILITIES OF
OPG'S NEWLY REGULATED HYDROELECTRIC FACILITIES
AS AT DECEMBER 31, 2013**

The *Ontario Energy Board Act, 1998* and *Ontario Regulation 53/05* provide that, effective April 1, 2008, Ontario Power Generation Inc. (OPG) receives regulated prices for 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 the Pickering and Darlington nuclear facilities (collectively, the Prescribed Facilities). The regulated prices are established by the Ontario Energy Board (OEB). In November 2013, *Ontario Regulation 53/05* was amended to prescribe 48 additional hydroelectric facilities owned and operated by OPG for rate regulation by the OEB effective July 1, 2014 (the Newly Regulated Hydroelectric Facilities). In its September 2013 application to the OEB for new regulated prices under case number EB-2013-0321, OPG submitted proposed regulated prices for the Newly Regulated Hydroelectric Facilities effective July 1, 2014.

Ontario Regulation 53/05 requires the OEB to accept the values for the assets and liabilities of the Newly Regulated Hydroelectric Facilities as set out in OPG's most recently audited financial statements that were approved by OPG's Board of Directors before the making of the OEB's first order establishing regulated prices for these facilities. This requirement includes values relating to the income tax effects of timing differences. As of the date of this schedule, the most recently audited financial statements of OPG approved by its Board of Directors are the audited consolidated financial statements as at and for the year ended December 31, 2013 prepared in accordance with United States generally accepted accounting principles (US GAAP).

In Exhibit L, Tab 2.1, Schedule 6 ED-003 under OEB case number EB-2013-0321, OPG identified certain assets and liabilities of the Newly Regulated Hydroelectric Facilities as at December 31, 2013, the values for which the OEB is required to accept pursuant to *Ontario Regulation 53/05*. These values, which were determined through specific identification and allocation of the corresponding assets and liabilities reported in OPG's audited consolidated financial statements as at and for the year ended December 31, 2013, are as follows:

As at December 31 (millions of dollars)	2013
Assets (Note 1)	
Property, plant and equipment in-service	3,264
Less: accumulated depreciation	739
Property, plant and equipment in-service, net	2,525
Construction in progress	57
Intangible assets in-service	2
Less: accumulated amortization	2
Intangible assets in-service, net	-
Development in progress	-
Materials and supplies:	
Short-term	-
Long-term	1
Liabilities (Note 1)	
Short-term debt (Note 2)	-
Long-term debt (including amount due within one year) (Note 2)	621
Pension liabilities (Note 3)	194
Other post-employment benefit liabilities (including current portion) (Note 3)	149
Long-term accrued charges	■
Deferred income taxes (Note 4)	181

See accompanying notes to the schedule

This schedule of select assets and liabilities of the Newly Regulated Hydroelectric Facilities has been prepared solely for the use of OPG's management and for filing with the OEB, and is considered by OPG's management to be a fair and reasonable representation of the values of the identified assets and liabilities of the Newly Regulated Hydroelectric Facilities, which were included in OPG's most recently audited financial statements approved by its Board of Directors, as of the date of this schedule, and are required to be accepted by the OEB in making its first order establishing regulated prices for these facilities. These asset and liability balances have been determined in accordance with the basis of accounting described in Note 1 to this schedule.

On behalf of Ontario Power Generation Inc.

[Original signed by]

Robin Heard
Interim Chief Financial Officer

May 20, 2014

See accompanying notes to the schedule

**NOTES TO THE SCHEDULE OF SELECT ASSETS AND LIABILITIES OF
OPG'S NEWLY REGULATED HYDROELECTRIC FACILITIES
AS AT DECEMBER 31, 2013**

1. BASIS OF ACCOUNTING AND PRESENTATION

The schedule of select assets and liabilities of OPG's Newly Regulated Hydroelectric Facilities and accompanying notes as at December 31, 2013 (the Schedule) present the assets and liabilities of OPG's hydroelectric facilities, prescribed for rate regulation by the OEB effective July 1, 2014 pursuant to the amended *Ontario Regulation 53/05*, that were identified by OPG in Exhibit L, Tab 2.1, Schedule 6 ED-003 under OEB case number EB-2013-0321 as those required by *Ontario Regulation 53/05* to be accepted by the OEB in making its first order establishing regulated prices for these facilities. These assets and liabilities were determined as at December 31, 2013 in accordance with US GAAP. All dollar amounts are presented in Canadian dollars.

The assets and liabilities presented in the Schedule were reflected in OPG's audited consolidated financial statements as at and for the year ended December 31, 2013. These asset and liability balances were determined using the methodology applied in determining the corresponding balances included in OPG's consolidated financial statements and reflect a specific identification and allocation of these corresponding balances to the Newly Regulated Hydroelectric Facilities. OPG's consolidated financial statements as at and for the year ended December 31, 2013 were prepared in accordance with US GAAP and the rules and regulations of the United States Securities and Exchange Commission for annual financial statements. Those consolidated financial statements have been filed with the OEB under case number EB-2013-0321 and the Ontario Securities Commission. A summary of significant accounting policies used in preparing those consolidated financial statements and therefore the applicable balances presented in the Schedule is found in Note 3 to those consolidated financial statements.

The assets and liabilities presented in the Schedule were derived using the same direct assignment and allocation methods as those used to derive the corresponding balances of the Prescribed Facilities presented in the audited consolidated financial statements of OPG's Prescribed Facilities as at and for the year ended December 31, 2012. The consolidated financial statements of OPG's Prescribed Facilities were prepared in accordance with US GAAP and filed with the OEB under case number EB-2013-0321.

The balances for property, plant and equipment, construction in progress, intangible assets, development in progress, and materials and supplies presented in the Schedule represent a direct assignment of OPG's respective balances to the Newly Regulated Hydroelectric Facilities. The majority of the long-term accrued charges balance also represents a direct assignment of OPG's corresponding balance to the Newly Regulated Hydroelectric Facilities, based on the nature of the underlying items. The long-term accrued charges attributed to the Newly Regulated Hydroelectric Facilities include liabilities for certain environmental and other obligations. OPG's environmental liabilities are discussed in Note 15 to its audited consolidated financial statements as at and for the year ended December 31, 2013. Disclosures related to OPG's commitments and contingencies are found in Notes 5, 6, 9, 11, 12, 13 and 15 to the audited consolidated financial statements of OPG as at and for the year ended December 31, 2013.

The long-term debt balance presented in the Schedule represents an allocation of OPG's non-project specific long-term debt as at December 31, 2013 using the methodology approved in the OEB's March 2011 decision and April 2011 order under case number EB-2010-0008 (the 2011 OEB Decision) and reflected in OPG's September 2013 application for new regulated prices under case number EB-2013-0321, as discussed in Note 2 of the Schedule.

The pension and other post employment benefits (OPEB) liabilities presented in the Schedule were determined as an allocation of the respective amounts in OPG's audited consolidated financial statements as at and for the year ended December 31, 2013, as discussed in Note 3 of the Schedule. The deferred income tax liabilities were determined on the basis of the timing differences between the accounting and tax bases of the assets and liabilities presented in the Schedule, as discussed in Note 4.

2. SHORT-TERM AND LONG-TERM DEBT

All of OPG's short-term debt as at December 31, 2013 was project specific. None of this project specific debt was incurred to finance the assets of the Newly Regulated Hydroelectric Facilities and, as such, no short-term debt was attributed to these facilities.

The long-term debt balance presented in the Schedule represents the portion of OPG's total long-term debt allocated to the Newly Regulated Hydroelectric Facilities using the methodology approved for the Prescribed Facilities in the 2011 OEB Decision. Under this methodology, the non-project specific long-term debt is allocated primarily in proportion to the net property, plant and equipment and intangible asset balances, excluding those financed by project specific debt. The application of this methodology using OPG's 2013 actual financial information resulted in an allocation of 25.23% of OPG's non-project specific long-term debt as at December 31, 2013 to the Newly Regulated Hydroelectric Facilities. None of OPG's project specific long-term debt as at December 31, 2013 was attributable to the Newly Regulated Hydroelectric Facilities.

Disclosure related to OPG's short-term and long-term debt is found in Notes 6, 7 and 15 to OPG's audited consolidated financial statements as at and for the year ended December 31, 2013.

3. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

OPG does not maintain separate pension and OPEB plans for the Newly Regulated Hydroelectric Facilities. As a result, the liabilities for pensions and OPEB were determined using an allocation of the portion of the total pension and OPEB liabilities reported in OPG's audited consolidated financial statements as at and for the year ended December 31, 2013 that was attributed to OPG's unregulated hydroelectric operations inclusive of the Newly Regulated Hydroelectric Facilities. The allocation to the Newly Regulated Hydroelectric Facilities is a portion of amounts attributed to the unregulated hydroelectric operations and was performed primarily using a combination of the number of regular employees and labour costs associated with these facilities in relation to those of the total unregulated hydroelectric operations. The distribution of these labour costs is considered to be representative of an estimated distribution of full-time equivalent employees.

The portion of pension and OPEB liabilities attributed to OPG's unregulated hydroelectric operations inclusive of the Newly Regulated Hydroelectric Facilities as at December 31, 2013 was determined using a combination of specific identification and allocation of the respective amounts in OPG's audited consolidated financial statements as at and for the year ended December 31, 2013, as outlined below for each of the components of these liabilities.

A portion of accrued assets and liabilities for pensions and OPEB recognized in OPG's previous consolidated financial statements prepared in accordance with Canadian GAAP was allocated to the Prescribed Facilities and each of OPG's unregulated business segments as of April 1, 2005, the effective date of the regulated prices established by the Province of Ontario for the Prescribed Facilities generation. The unregulated business segments included a segment that reported the results of OPG's unregulated hydroelectric operations inclusive of the Newly Regulated Hydroelectric Facilities. The allocation of OPG's accrued assets and liabilities for pensions and OPEB as at April 1, 2005 was determined on the basis of the number of regular OPG employees associated with each of OPG's regulated and unregulated business segments.

The changes in the pension and OPEB liabilities for the unregulated hydroelectric operations subsequent to April 1, 2005 were determined by attributing to these operations a portion of OPG's recognized post employment benefit costs, pension fund contributions, and expenditures on OPEB and supplementary pension plans during each period. Post employment benefit plan costs recognized by OPG were attributed to the unregulated hydroelectric operations using direct assignment primarily on the basis of labour costs incurred by the employees associated with these operations inclusive of the Newly Regulated Hydroelectric Facilities. The post employment benefit plan costs associated with OPG's corporate support services were allocated to the unregulated hydroelectric operations as part of the allocation of corporate support services costs, consistent with the methodology outlined in an independent cost allocation study the results of which were reflected in the regulated prices established by the 2011 OEB Decision.

The allocation of OPG's pension fund contributions and expenditures on OPEB and supplementary pension plans to the unregulated hydroelectric operations inclusive of the Newly Regulated Hydroelectric Facilities was determined in proportion to the benefit costs for the respective periods since April 1, 2005.

Unamortized actuarial gains or losses and past service costs are also reported as part of OPG's pension and OPEB liabilities determined in accordance with US GAAP. The portion of OPG's liabilities representing these unamortized amounts as at December 31, 2013 was allocated to the unregulated hydroelectric operations inclusive of the Newly Regulated Hydroelectric Facilities in proportion to the respective benefit costs for the year then ended.

Separate assumptions are not made to derive pension and OPEB obligations for OPG's total unregulated hydroelectric operations inclusive of the Newly Regulated Hydroelectric Facilities or the Newly Regulated Hydroelectric Facilities themselves. The assumptions used to derive OPG's total pension and OPEB obligations as well as additional disclosures related to OPG's pension and OPEB plans are found in Note 11 to OPG's audited consolidated financial statements as at and for the year ended December 31, 2013.

4. DEFERRED INCOME TAXES

OPG follows the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are determined based on differences between the accounting and tax bases of assets and liabilities. Deferred amounts are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The deferred income tax liabilities of the Newly Regulated Hydroelectric Facilities were determined by comparing the accounting and tax bases of the assets and liabilities presented in the Schedule and applying an income tax rate of 25 per cent to the resulting timing differences. This income tax rate represents the enacted tax rate that will be in effect when these timing differences are expected to reverse.

The following table summarizes the components of the deferred income taxes for the Newly Regulated Hydroelectric Facilities as at December 31, 2013:

As at December 31, 2013				
(millions of dollars)	Accounting Basis	Tax Basis	Timing Difference	Deferred Income Tax Asset (Liability)
Assets				
Property, plant and equipment in-service, net	2,525	1,391	(1,123) ¹	(281)
Construction in progress	57	57	-	-
Intangible assets in-service, net	-	-	-	-
Development in progress	-	-	-	-
Materials and supplies	1	1	-	-
Liabilities				
Short-term debt	-	-	-	-
Long-term debt (including amount due within one year)	621	621	-	-
Pension liabilities	194	-	(194)	49
Other post-employment benefit liabilities (including current portion)	149	-	(149)	37
Long-term accrued charges				14
Net assets (liabilities)				(181)

¹Excludes net property, plant and equipment of \$11M not eligible for Capital Cost Allowance (i.e. land)

INDEPENDENT AUDITORS' REPORT

To the Management of
Ontario Power Generation Inc.

We have audited the accompanying schedule of select assets and liabilities of the hydroelectric facilities of **Ontario Power Generation Inc.** ["OPG"] prescribed for rate regulation by the Ontario Energy Board effective July 1, 2014 under *Ontario Regulation 53/05* [the "Newly Regulated Hydroelectric Facilities"] and any accompanying notes prepared by OPG as at December 31, 2013 [the "Schedule"].

Management's responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with United States generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of a 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 an 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 risk 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the Schedule presents fairly, in all material respects, the balances of select assets and liabilities of the Newly Regulated Hydroelectric Facilities of **Ontario Power Generation Inc.** as at December 31, 2013 in accordance with United States generally accepted accounting principles.

Restriction on distribution and use

The Schedule is prepared solely for the use of management of **Ontario Power Generation Inc.** and for filing with the Ontario Energy Board. Our report is intended solely for the management of **Ontario Power Generation Inc.** and for filing with the Ontario Energy Board and should not be used for any other purpose.

Toronto, Canada,
May 20, 2014.

Ernst & Young LLP [signed]
Chartered Accountants
Licensed Public Accountants