

2000 third quarter report



ONTARIO POWER GENERATION INC.

ONTARIO **POWER**
GENERATION

THE COMPANY

Ontario Power Generation Inc. is one of the largest electricity generators in North America with 69 hydroelectric, 6 fossil and 5 nuclear generating stations. As of September 30, 2000, total generating capacity of these stations was approximately 30,900 MW, consisting of 7,300 MW of hydroelectric generation capacity, 9,700 MW of fossil generation capacity and 13,900 MW of nuclear generation capacity, of which 5,100 MW is currently laid up. The Company's principal business is the generation and sale of electricity in the Ontario wholesale market and in the interconnected markets of Quebec, Manitoba and the U.S. northeast and midwest.

The Company was incorporated on December 1, 1998 under the *Business Corporations Act* (Ontario). As part of the reorganization of Ontario Hydro under the *Electricity Act, 1998* and the related restructuring of the electricity industry in Ontario, the Company purchased and assumed certain assets, liabilities, employees, rights and obligations of the electricity generation business of Ontario Hydro (the "Acquired Business") on April 1, 1999 and commenced operations on that date.

HIGHLIGHTS - THIRD QUARTER 2000 OPERATING RESULTS

(millions of dollars unless otherwise stated)	Nine Months Ended September 30, 2000	Three Months Ended September 30	
		2000	1999
Revenues	\$4,452	\$1,568	\$1,578
Net income	\$543	\$198	\$186
Operating cash flow	\$1,019	\$213	\$290
Electricity sales volume (TWh)	103.7	35.2	35.5

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MESSAGE FROM THE PRESIDENT AND CEO

Ontario Power Generation Inc. (OPG) continued to prepare during the third quarter 2000 for the anticipated 2001 opening of the provincial electricity market, and also for enhanced activity in the broader North American marketplace. Strong financial results, significant environmental initiatives including continued progress in returning Pickering A nuclear generating station to service, and facility decontrol developments comprised the most important events of this reporting period.

Net income for the nine months ended September 30, 2000 was \$543 million from revenues of \$4,452 million. Total electricity sales in Ontario and interconnected markets were 103.7 TWh. Cash flow from operating activities was \$1,019 million.

Net income for the third quarter 2000 was \$198 million from revenues of \$1,568 million compared to net income of \$186 million from revenues of \$1,578 million for the same period in 1999. Total volume of electricity sales in Ontario and the interconnected markets during the third quarter of 2000 was 35.2 TWh compared to 35.5 TWh for the same period last year.

In September, we significantly reinforced our commitment to environmental leadership by announcing plans to install Selective Catalytic Reduction (SCR) equipment on two units at our Nanticoke generating station, near Simcoe, and on two units at our Lambton generating station near Sarnia. The new emission reduction technology will be installed between 2002 and 2004 and will further decrease our nitrogen oxide (NO_x) emissions by 12,000 tonnes a year. We also announced that the remaining two of the four operating units at our Lakeview generating station in Mississauga would be equipped with low NO_x burners, enabling that facility's total NO_x emissions to be reduced by about 2000 tonnes a year. These investments, which total more than \$250 million over a three-year period, add significantly to the more than \$1 billion already spent on anti-pollution technologies since the mid-1980s by OPG and our predecessor, Ontario Hydro.

Another noteworthy environmental achievement during the third quarter was the ISO 14001 Environmental Management System certification of OPG's small hydro division. All nuclear, fossil and hydroelectric generating stations are now certified in compliance with this international standard, which embeds continual environmental performance improvement in our planning, operations and reporting.

In addition, OPG announced that it would double its current offering of 125 megawatts of "green power" by 2003, and double it again by 2005. We also began planting 1.6 million native trees and shrubs to help offset carbon dioxide and reduce global warming - part of a five-year project.

We continued to make progress in returning our Pickering A nuclear generating station to service. This includes our participation in a federal Environmental Assessment (EA) process to determine the effect that Pickering A's return to service will have on the environment. In October, the Canadian Nuclear Safety Commission (CNSC) held the first of two public hearing sessions on the EA report. In December, the Commission will hear OPG's presentation in support of the EA. Nuclear generating stations provide an important source of electricity that have no acid gas or smog-producing emissions.

The Market Power Mitigation framework between Ontario Power Generation and the Ontario Government commits the company to a staged decontrol of a portion of its electricity generation. In keeping with this, we announced in July an agreement with Bruce Power L.P., a subsidiary of British Energy plc, to operate the Bruce nuclear station under a long-term lease arrangement. We are working closely with Bruce Power and our unions to ensure the smooth and timely transition of the facility and its employees.

OPG remains focused on preparing for the opening of Ontario's electricity market next year. During the quarter, we continued to develop and implement infrastructure components needed to operate in a deregulated environment. In September, we officially opened our new, state-of-the-art trading floor at our Toronto Corporate Head Office, adding further technological support to the four decades of experience our employees have in trading in interconnected markets. Also in September, OPG was granted a five-year Electricity Retailer Licence from the Ontario Energy Board, a significant step towards competing in the marketplace.

On balance, this was a productive and successful quarter for Ontario Power Generation. Our financial performance was strong. We continued to strengthen our environmental commitment and enhance the value of our generating assets. We made important strides in preparing for market opening. We also continued to help make the communities where we operate better places in which people can live and work.



Ron Osborne
President and CEO

ONTARIO POWER GENERATION INC. THIRD QUARTER 2000 OPERATING RESULTS

Analysis of Third Quarter 2000 Operations

The following discussion and analysis provides a comparison of the operating results for the nine months ended September 30, 2000 to pro forma operating results for the same period in 1999. As well, an analysis is provided for the three months ended September 30, 2000 compared to the prior year.

Pro forma operating results for the nine-month period have been provided to enhance the comparability of results for the current and prior year, given the significant differences in the business and regulatory environments, as well as the significant change in the Company's capital structure which occurred effective April 1, 1999. The 1999 pro forma statement of income reflects the operations of the Acquired Business for the three months ended March 31, 1999 and the Company's actual operating results for the six months ended September 30, 1999. The basis of preparation of the pro forma statement of income is provided below.

(millions of dollars unless otherwise stated)

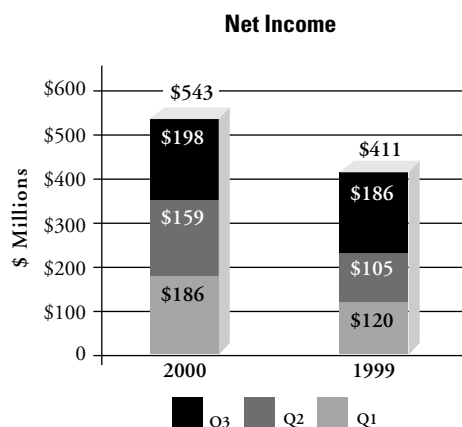
	Nine Months Ended September 30	
	2000	Pro forma ⁽¹⁾ 1999
Revenues	\$ 4,452	\$ 4,413
Operating expenses		
Operation, maintenance and administration	1,564	1,666
Fuel	899	885
Power purchased	87	136
Depreciation and amortization	566	574
Property and capital taxes	281	275
	<u>3,397</u>	<u>3,536</u>
Operating income	1,055	877
Interest expense	<u>107</u>	<u>133</u>
Income before income taxes	948	744
Income taxes	<u>405</u>	<u>333</u>
Net income	<u>\$ 543</u>	<u>\$ 411</u>
Earnings per common share (\$ per common share)	<u>\$ 2.12</u>	<u>\$ 1.60</u>
Common shares outstanding (millions)	<u>256.3</u>	<u>256.3</u>
Electricity Sales Volume (TWh)	<u>103.7</u>	<u>103.1</u>

(1) The pro forma statement of income reflects the results as if the purchase of net assets had occurred on January 1, 1999 and includes the acquisition-related adjustments such as the allocation of the purchase price to the acquired assets and liabilities. The pro forma adjustments to the historical results of the Acquired Business for the three months ended March 31, 1999 include the following:

- Revenue was based on a consistent rate of 4¢/kWh, thereby requiring a reduction in revenue of \$327 million for the three months ended March 31, 1999.
- The valuation of fixed assets at fair value from net book value reduced depreciation and amortization by \$193 million for the three months ended March 31, 1999.
- A decrease in long-term debt and lower interest rates due to a new capital structure for the Company resulted in interest expense being reduced by \$515 million for the three months ended March 31, 1999.
- Income taxes of \$96 million and property and capital taxes of \$92 million were recognized for the three months ended March 31, 1999 as the Company is now responsible for making payments in lieu of taxes to Ontario Electricity Financial Corporation.

The pro forma results are not necessarily indicative of the results that would have occurred had the transactions occurred on the relevant dates, because of the significant changes in the business and regulatory environments, financing and other factors.

Net Income



Net income for the nine months ended September 30, 2000 was \$543 million compared with the pro forma net income of \$411 million for the same period in 1999, an increase of 32%. Significant factors contributing to higher earnings included a lower pension expense related to higher returns on pension fund assets, an increase in the electricity sales in Ontario and a reduction in average electricity generation costs and power purchases.

Net income for the three months ended September 30, 2000 was \$198 million compared with \$186 million for the same period in 1999, an increase of 6%. The major factors contributing to this increase in earnings included a lower pension expense and lower net interest expense, partially offset by a decrease in interconnected sales and higher fuel costs compared to last year.

Revenues

Total revenues increased by \$39 million to \$4,452 million for the nine months ended September 30, 2000 compared to pro forma revenues of \$4,413 million for the same period in 1999. Total revenues consist of Ontario energy revenues, interconnected sales and other non-energy based revenues.

Total revenues for the three months ended September 30, 2000 were \$1,568 million compared to revenues of \$1,578 million for the same period in 1999.

Ontario Energy Revenues

Ontario energy revenues were \$4,168 million for the first nine months of 2000 compared with pro forma revenues of \$4,110 million for the same period in 1999. The increase in revenue was due primarily to increased economic activity which contributed to higher demand from municipal and industrial customers, partially offset by the impact of warmer winter weather and cooler summer weather which reduced the demand for heating and air conditioning compared to last year. The volume of electricity sold in Ontario for the first nine months of 2000 increased by 1.2 TWh to 100.8 TWh compared with 1999 sales of 99.6 TWh for the same period. On a weather-normalized basis, electricity sales were 102.0 TWh in 2000 compared to 98.9 TWh in 1999.

Ontario energy revenues were \$1,423 million for the three months ended September 30, 2000 compared with \$1,420 million for the same period in 1999. An increase in electricity sales related to economic growth in the province was largely offset by the impact of cooler weather conditions experienced in 2000 compared to the same period in 1999. Total volume of electricity sales in Ontario for the third quarter was 33.9 TWh compared with 33.8 TWh for the same period in 1999. On a weather-normalized basis, electricity sales were 34.2 TWh during the third quarter compared with 32.8 TWh in 1999.

Interconnected Sales

Revenues from interconnected markets during the first nine months of 2000 were \$207 million compared with pro forma revenues of \$212 million in 1999, a decrease of 2%. The reduction in revenues was primarily due to a decrease in electricity sales volume from 3.5 TWh in 1999 to 2.9 TWh in 2000, partially offset by higher spot market prices and an increase in option premium revenues. Interconnected sales for the third quarter of 2000 decreased by \$14 million or 11% to \$118 million compared to \$132 million during the same period in 1999 due primarily to lower volumes.

Other Revenue

Non-energy revenues during the first nine months of 2000 declined by \$14 million to \$77 million compared with pro forma revenues of \$91 million for the same period in 1999. The decrease was due largely to a reduction in the sale of services to other successor companies of Ontario Hydro, partially offset by an increase in foreign exchange gains recognized in 2000. Non-energy revenues during the third quarter of 2000 were \$27 million compared with \$26 million for the same period in 1999.

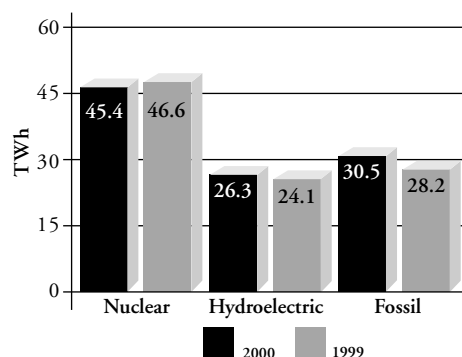
Operating Expenses

Operation, Maintenance and Administration expenses

Operation, maintenance and administration (OM&A) expenses were \$1,564 million for the nine months ended September 30, 2000 compared with \$1,666 million on a pro forma basis for the same period in 1999, a decrease of \$102 million or 6%. The decrease in OM&A expenses in 2000 was primarily due to a lower pension expense related to higher returns on pension fund assets and lower costs resulting from the completion of the Year 2000 computer systems remediation efforts. The impact of those factors was partially offset by higher employee-related costs resulting from the renegotiation of collective agreements and an increase in activity related to the Pickering A return to service project in 2000 compared to the same period in 1999. OM&A expenses were \$539 million during the third quarter of 2000 compared with \$559 million for the same period in 1999, a decrease of \$20 million or 4%. The factors contributing to this decrease were similar to those impacting the nine-month period.

The reduction in pension expense for the nine-month and three-month periods ended September 30, 2000 compared to the same periods last year was \$127 million and \$51 million, respectively.

**Production by Generation Source
for the Nine Months ended September 30**



Fuel Expense and Production Volumes

Fuel expense for the first nine months of 2000 was \$899 million compared to pro forma fuel expense of \$885 million for the same period in 1999, an increase of \$14 million. Higher fuel costs were a result of an increase in production to 102.2 TWh from 98.9 TWh in 1999 and an increase in higher cost fossil production relative to other sources of generation, partially offset by the impact of lower coal prices. The above factors also contributed to the increase in fuel expense to \$334 million during the third quarter of 2000 compared to \$316 million for the same period in 1999.

Power Purchased

Power purchased during the first nine months of 2000 was \$87 million compared with \$136 million for the same period in 1999. The decrease of \$49 million was mainly due to a reduction in power purchases from U.S. sources resulting from the Company's increased production of electricity. Power purchased during the third quarter of 2000 was \$43 million compared to \$45 million for the same period in 1999. This nominal change was due to a decrease in the volume of power purchased from U.S. sources, partially offset by higher spot market prices in the U.S. market.

Interest Expense

The net interest expense decreased by \$26 million to \$107 million for the first nine months of 2000 compared to the pro forma interest expense of \$133 million for the same period in 1999. While interest costs incurred on debt remained constant, the net interest expense decreased due to higher returns on short-term investments in 2000. This same factor also contributed to the decrease in interest expense during the third quarter of 2000 to \$34 million from \$43 million for the same period in 1999.

Liquidity and Capital Resources

Cash flow from operating activities for the nine months ended September 30, 2000 was \$1,019 million. Cash and short-term investments increased by \$484 million to \$727 million as at September 30, 2000 from \$243 million at December 31, 1999.

Capital expenditures for the nine months ended September 30, 2000 were \$372 million. The Company continues to invest in fixed assets to improve operating efficiencies, and maintain and improve service, reliability, safety and environmental performance. Capital expenditures include the investment in the Pickering A station return to service project and the Company's preparation for open market access. During the nine months ended September 30, 2000, the Company contributed \$287 million, including principal and earnings growth for the period, to the nuclear waste management and asset removal fund.

The Company paid dividends of \$163 million during the nine months ended September 30, 2000. The dividends included an amount required to achieve a 35% pay-out of earnings for 1999.

In June, the Company obtained investment-grade credit ratings of A for its long-term debt from both Canadian Bond Rating Service (CBRS) and Dominion Bond Rating Service (DBRS) and A-1 and R-1(low) for its commercial paper from CBRS and DBRS respectively.

In October, the Company announced a commercial paper (CP) program. Under the CP program, the Company has the authority to issue short-term promissory notes up to a maximum outstanding principal amount of \$600 million in Canadian currency, or the equivalent thereof in United States currency. Notes issued under the CP program are secured by lines of credit that the Company maintains with its bankers.

Business Activities

Leasing of Bruce Nuclear Generating Stations

In July 2000, the Company entered into an agreement to lease its Bruce A and Bruce B generating stations to Bruce Power L.P., an entity controlled by British Energy plc. The agreement is a major initial step in the Company's plans for meeting the requirement to reduce generating capacity within 10 years of open market access to no more than 35% of the generating capacity available to the province. Bruce Power has applied to the Canadian Nuclear Safety Commission and Ontario Energy Board for licences, which are required to complete the transaction. Other transition matters required to complete the transaction in 2001 are well underway.

Labour Negotiations

During the first quarter of 2000, the Company reached an agreement with its largest labour union, the Power Workers' Union. The new two-year agreement was effective April 1, 2000 and includes wage escalation and pension enhancements for members. As well, provisions related to the mobility of labour are included within this agreement to allow the Company to facilitate decontrol of its generating capacity.

In June, the Company and The Society of Energy Professionals negotiated an early renewal of their various collective agreements, subject to ratification. Most of these agreements were ratified during the third quarter 2000.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(millions of dollars except earnings per share)

	Nine Months Ended September 30 2000	Three Months Ended September 30	
	2000	2000	1999
Revenues	\$ 4,452	\$ 1,568	\$ 1,578
Operating expenses			
Operation, maintenance and administration	1,564	539	559
Fuel	899	334	316
Power purchased	87	43	45
Depreciation and amortization	566	179	190
Property and capital taxes	281	93	91
	<u>3,397</u>	<u>1,188</u>	<u>1,201</u>
Operating income	1,055	380	377
Interest expense	<u>107</u>	<u>34</u>	<u>43</u>
Income before income taxes	948	346	334
Income taxes (notes 2 and 3)			
Current	208	76	149
Future	<u>197</u>	<u>72</u>	<u>(1)</u>
	<u>405</u>	<u>148</u>	<u>148</u>
Net income	<u>\$ 543</u>	<u>\$ 198</u>	<u>\$ 186</u>
Earnings per common share	<u>\$ 2.12</u>	<u>\$ 0.77</u>	<u>\$ 0.73</u>
Common shares outstanding (millions)	<u>256.3</u>	<u>256.3</u>	<u>256.3</u>

see accompanying notes to financial statements

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (UNAUDITED)

(millions of dollars)

	Nine Months Ended September 30 2000
Retained earnings, beginning of period	\$ 291
Net income	543
Dividends	<u>(163)</u>
Retained earnings, end of period	<u>\$ 671</u>

see accompanying notes to financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(millions of dollars)

	Nine Months Ended September 30 2000	Three Months Ended September 30	
		2000	1999
Operating activities			
Net income	\$ 543	\$ 198	\$ 186
Adjust for non-cash items:			
Depreciation and amortization	566	179	190
Deferred pension asset	(99)	(33)	19
Other post employment benefits	48	18	19
Future income taxes	234	109	(1)
Nuclear waste management	20	7	5
Other	32	11	8
	<u>1,344</u>	<u>489</u>	<u>426</u>
Nuclear waste management and asset removal fund	(287)	(97)	(105)
Expenditures on nuclear waste provisions	(27)	(10)	(7)
Changes to other long-term assets and liabilities	(59)	(10)	20
Non-cash working capital changes	48	(159)	(44)
	<u>48</u>	<u>(159)</u>	<u>(44)</u>
Cash flow from operating activities	1,019	213	290
Investing activities			
Expenditures for property, plant and equipment	(372)	(138)	(133)
	<u>(372)</u>	<u>(138)</u>	<u>(133)</u>
Cash flow before financing activities	647	75	157
Financing activities			
Dividends on common shares	(163)	(42)	(17)
	<u>(163)</u>	<u>(42)</u>	<u>(17)</u>
Increase in cash and cash equivalents during period	484	33	140
Cash and cash equivalents, beginning of period	243	694	120
	<u>243</u>	<u>694</u>	<u>120</u>
Cash and cash equivalents, end of period	\$ 727	\$ 727	\$ 260
	<u>\$ 727</u>	<u>\$ 727</u>	<u>\$ 260</u>

see accompanying notes to financial statements

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(millions of dollars)

	September 30 2000	December 31 1999
ASSETS		
Current assets		
Cash and cash equivalents	\$ 727	\$ 243
Accounts receivable	729	930
Fuel	331	424
Materials and supplies	230	201
	<u>2,017</u>	<u>1,798</u>
Fixed assets		
Property, plant and equipment	13,624	13,285
Less: accumulated depreciation	769	383
	<u>12,855</u>	<u>12,902</u>
Other assets		
Deferred pension asset	615	516
Nuclear waste management and asset removal fund	654	367
Long-term accounts receivable and other assets	44	27
	<u>1,313</u>	<u>910</u>
	<u>\$ 16,185</u>	<u>\$ 15,610</u>

see accompanying notes to financial statements

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(millions of dollars)

	September 30 2000	December 31 1999
	<u> </u>	<u> </u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges	\$ 910	\$ 1,145
Long-term debt due within one year	204	4
	<u>1,114</u>	<u>1,149</u>
Long-term debt	<u>3,220</u>	<u>3,422</u>
Other liabilities		
Nuclear waste management and asset removal	4,425	4,235
Other post employment benefits	1,007	959
Long-term accounts payable and accrued charges	313	353
Future income taxes liability (note 2)	309	75
	<u>6,054</u>	<u>5,622</u>
Shareholder's equity		
Common shares	5,126	5,126
Retained earnings	671	291
	<u>5,797</u>	<u>5,417</u>
	<u>\$ 16,185</u>	<u>\$ 15,610</u>

see accompanying notes to financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 (UNAUDITED)

1. Basis of Preparation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. These statements should be read in conjunction with the Company's December 31, 1999 audited consolidated financial statements.

The Company was incorporated on December 1, 1998 under the *Business Corporations Act* (Ontario). As part of the reorganization of Ontario Hydro under the *Electricity Act, 1998* and the related restructuring of the electricity industry in Ontario, the Company purchased and assumed certain assets, liabilities, employees, rights and obligations of the electricity generation business of Ontario Hydro (the "Acquired Business") on April 1, 1999 and commenced operations on that date. The purchase of the Acquired Business was recorded at the exchange amount of \$8,526 million. The aggregate value of the net assets was allocated to assets and liabilities based on their estimated fair values.

Cumulative comparative amounts for the nine months ended September 30, 1999 have not been included in the quarterly consolidated financial statements. The financial position and operating results of the Company differ significantly from those of the Acquired Business prior to April 1, 1999 because of changes in the capital structure, regulatory environment and other factors.

2. Accounting Change - Income Taxes

Effective January 1, 2000, the Company changed its method of accounting for income taxes from the deferral method to the liability method of tax allocation, as required by The Canadian Institute of Chartered Accountants' Handbook Section 3465, *Accounting for Income Taxes*. Under the liability method, future income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and amounts used for income tax purposes. The deferral method uses an income statement approach and records deferred taxes using current tax rates with no adjustment for subsequent tax rate changes. The cumulative effect as at January 1, 2000 of adopting these recommendations was not material. Therefore, prior year financial statements have not been restated. For comparative 1999 periods, the deferred income tax component of income tax expense is disclosed in the financial statements as future income taxes.

3. Payment in Lieu of Taxes

The Company is responsible under the *Electricity Act, 1998* for making payments in lieu of taxes to Ontario Electricity Financial Corporation. These payments are calculated in accordance with the *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario), and are modified by regulations made under the *Electricity Act, 1998*.

The Company is also required to make payments in lieu of property and school taxes on its generating assets. The amount is equal to the difference between the amount it would be required to pay if the assets were privately owned and the amount of such taxes that the Company actually pays on those assets.

4. Seasonal Operations

The Company's quarterly results are impacted by changes in demand resulting from variations in seasonal weather conditions. Historically, the Company'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.

5. Contingencies and Commitments

Request for Judicial Review

In May 1999, an application was commenced by the Inverhuron & District Ratepayers Association (IDRA) in the Federal Court Trial Division, requesting judicial review of the decisions of the federal Minister of the Environment, the Minister of Fisheries and Oceans and the Canadian Nuclear Safety Commission (CNSC, formerly the Atomic Energy Control Board) with regard to the Bruce used fuel dry storage facility. The goal of the application was to overturn the decisions pursuant to the *Canadian Environmental Assessment Act* that would allow the project to proceed, and to have the project referred to a review panel or mediator.

In May 2000, the Federal Court Trial Division refused the application to subject the decision of the Ministers to judicial review. The IDRA has appealed the Court's decision. Until the Appeal Court renders its decision, the Company is unable to ascertain the impact of this application on its business, results of operations, financial condition or prospects. The Bruce used fuel storage facility is required within the next 2 to 3 years to allow for the continued generation of nuclear power at the Bruce Nuclear site, given the remaining vacant storage available for used fuel bundles.

6. Leasing of Bruce Nuclear Generating Stations

On July 11, 2000, the Company entered into an agreement to lease its Bruce A and Bruce B nuclear generating facilities to Bruce Power L.P. as part of the Company's decontrol commitment whereby it is required to reduce its share of generating capacity available to the province. Bruce Power is an entity controlled by British Energy plc. The operating lease will have an initial lease term of approximately 18 years and will include options to extend the lease for up to 25 years. The completion of the transaction, which is expected to take place in 2001, is subject to usual closing conditions, including obtaining the necessary licences from the CNSC and the Ontario Energy Board.

The lease agreement requires an initial payment of \$625 million, payable in three installments. This includes \$400 million subject to closing adjustments, payable to the Company on closing and \$225 million payable in two equal installments of \$112.5 million, no later than 4 and 6 years from the date the transaction is completed. Bruce Power will also make annual lease payments during the initial lease term that will consist of both fixed and variable payments. In aggregate, the initial payment and annual lease payments to the Company are estimated at \$3.1 billion. The Company will continue to be responsible for nuclear waste and decommissioning liabilities at the Bruce site.

7. Comparative Figures

Certain of the 1999 comparative figures have been reclassified to conform with the 2000 financial statement presentation.

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