

May 22, 2015

OPG REPORTS 2015 FIRST QUARTER FINANCIAL RESULTS

Strong nuclear fleet performance and higher earnings from nuclear funds result in quarterly income of \$234 million

[Toronto]: – Ontario Power Generation Inc. (OPG or Company) today reported its financial and operating results for the three months ended Mar. 31, 2015. Net income attributable to the Shareholder for the first quarter of 2015 was \$234 million compared to \$242 million for the same quarter in 2014.

Tom Mitchell, President and CEO said, “The strong performance of our nuclear units benefited everyone in Ontario by producing clean power reliably at moderate cost. The four units at Darlington showed their reliability by operating at 97.8 per cent of their capacity. Refurbishment would extend the life of these high performing units.”

Mr. Mitchell added, “Together, the ten units at Darlington and Pickering increased their output by 5 per cent in the first quarter this year, compared to last year. Overall, OPG received an average of 6.2 cents per kilowatt hour for its power, continuing our record of holding down the overall prices paid by consumers.”

Last year, first quarter income was \$8 million higher because unusually cold weather resulted in higher than normal market prices. OPG benefited from these prices particularly for production from 48 of its hydroelectric stations, which used to receive market electricity prices. As of November 2014, these stations started to receive regulated prices, which will provide the Company with a more stable income profile.

Business Segment, Generating, and Operating Performance

OPG's income before interest and income taxes from the electricity generation business segments was \$337 million in the first quarter of 2015 compared to \$346 million in the same quarter of 2014. The impact of higher than typical market prices during the first quarter of 2014 for the 48 hydroelectric stations that received market prices was largely offset by the impact of new regulated prices for all of OPG's regulated facilities effective November 1, 2014 and income from all six new units of the Lower Mattagami River project that were placed in-service in 2014.

The nuclear waste management business segment recorded income before interest and income taxes of \$9 million in the first quarter of 2015, compared to a loss before interest and income taxes of \$34 million in the same quarter of 2014. The improvement was primarily due to earnings on the Decommissioning Segregated Fund.

The decrease in income before interest and income taxes of \$42 million for the Services, Trading, and other Non-Generation business segment was primarily a result of lower trading margins for electricity sold to neighbouring energy markets during the first quarter of 2015, compared to the same quarter in 2014.

Total electricity generated during the three months ended March 31, 2015 was 21.3 terawatt hours (TWh) compared to 20.5 TWh for the same quarter in 2014. The increase was mainly due to higher nuclear generation as a result of fewer outage days at the Pickering nuclear station and excellent performance at the Darlington nuclear station.

The capability factor at the Darlington nuclear station was 97.8 per cent in the first quarter of 2015 compared to 96.0 per cent for the same quarter in 2014. This improvement reflected a decrease in planned outage days in anticipation of a Vacuum Building Outage scheduled later in 2015 as well as a reduction in unplanned outage days. The capability factor at the Pickering nuclear station improved to 72.9 per cent from 66.6 per cent in the first quarter of 2014, primarily as a result of a decrease in both planned and unplanned outage days. The availability of OPG's hydroelectric generating stations remained at high levels. The significant increase in thermal Equivalent Forced Outage Rate during the first quarter of 2015, was primarily a result of major repairs at the Lennox GS.

Generation Development

OPG is undertaking a number of generation development and refurbishment projects to support Ontario's long-term electricity supply requirements and operate a generation portfolio that is essentially free of greenhouse gases and smog-causing emissions. Significant developments to date are as follows:

Darlington Refurbishment project

- The Darlington Refurbishment project is currently in the definition phase which is scheduled to be completed in 2015. The final budget and schedule for the refurbishment of the four units at the Darlington station are on track to be completed in 2015. The project's execution phase is scheduled to begin in 2016. Life-to-date capital expenditures were \$1,617 million as at Mar. 31, 2015.
- There are a number of definition phase projects underway that are required to be completed in advance of the project's execution phase. These pre-requisite projects are tracking on plan in order to support the start of execution of the first unit's refurbishment in 2016.

Peter Sutherland Sr. GS (formally the New Post Creek project)

- In March 2015, OPG's Board of Directors approved a project to construct a new 28 MW generating station – Peter Sutherland Sr. GS on the New Post Creek near its outlet to the Abitibi River, with a planned in-service date in the first half of 2018 and an approved budget of \$300 million. The station will be constructed through a partnership between OPG and Coral Rapids L.P., a wholly owned subsidiary of the Taykwa Tagamou Nation. OPG and the Independent Electricity System Operator have agreed to the terms for an energy supply agreement. The agreement is expected to be finalized by mid-2015.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three Months Ended March 31	
(millions of dollars – except where noted)	2015	2014
Revenue	1,355	1,387
Fuel expense	157	149
Gross margin	1,198	1,238
Operations, maintenance and administration	665	670
Depreciation and amortization	196	181
Accretion on fixed asset removal and nuclear waste management liabilities	224	196
Earnings on nuclear funds - (a reduction to expenses)	(231)	(160)
Income from investments subject to significant influence	(11)	(13)
Other net expenses	13	14
Income before interest and income taxes	342	350
Net interest expense	47	12
Income tax expense	56	95
Net income	239	243
Net income attributable to the Shareholder	234	242
Net income attributable to non-controlling interest ¹	5	1
Income (loss) before interest and income taxes		
Electricity generation business segments	337	346
Regulated – Nuclear Waste Management	9	(34)
Services, Trading, and Other Non-Generation	(4)	38
Total income before interest and income taxes	342	350
Cash flow		
Cash flow provided by operating activities	455	428
Electricity generation (TWh)		
Regulated – Nuclear Generation	12.2	11.6
Regulated – Hydroelectric		
Existing regulated hydroelectric stations	4.7	4.8
Hydroelectric stations prescribed for rate regulation beginning in 2014	3.5	3.3
Contracted Generation Portfolio ²	0.9	0.8
Total electricity generation	21.3	20.5
Average revenue (¢/kWh)		
Average revenue for OPG ³	6.2	6.2
Average revenue for all electricity generators, excluding OPG ⁴	9.4	10.1
Nuclear unit capability factor (per cent)		
Darlington GS	97.8	96.0
Pickering GS	72.9	66.6
Availability (per cent)		
Regulated – Hydroelectric	91.5	92.4
Contracted Generation Portfolio – Hydroelectric	97.8	96.0
Equivalent forced outage rate		
Contracted Generation Portfolio – Thermal	22.9	3.0
Return on common equity for the twelve months ended March 31, 2015 and December 31, 2014 (per cent) ⁵	8.2	8.5
Funds from operations interest coverage for the twelve months ended March 31, 2015 and December 31, 2014 (times) ⁵	3.0	2.8

¹ Relates to the 25 per cent interest of a corporation wholly owned by the Moose Cree First Nation in the Lower Mattagami Limited Partnership.

² Includes OPG's share of generation volume from its 50 per cent ownership interests in the Portlands Energy Centre (PEC) and Brighton Beach.

³ Average revenue for OPG is comprised of revenues from regulated prices established by the OEB, market based revenues, and revenues from energy supply agreements. Average revenue for OPG excludes OPG's share of revenues and generation from PEC and Brighton Beach. The 2014 average revenue for OPG also excludes the revenue from the cost recovery agreement for costs related to the Nanticoke GS and Lambton GS which were shut down in 2013.

⁴ Average revenue for other electricity generators is comprised of hourly Ontario demand multiplied by the hourly Ontario electricity price (HOEP), plus total global adjustment payments, plus the sum of hourly net exports multiplied by the HOEP, less OPG's generation revenue.

⁵ "Return on common equity" and "Funds from operations interest coverage" are non-GAAP financial measures and do not have any standardized meaning prescribed by US GAAP. Additional information about these measures is provided in OPG's Management's Discussion and Analysis for the period ended Mar. 31, 2015, under the heading, *Supplementary Non-GAAP Financial Measures*.

Ontario Power Generation Inc.'s unaudited interim consolidated financial statements and Management's Discussion and Analysis as at and for the three months ended Mar. 31, 2015, 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
	1-866-592-6700
	Investor.relations@opg.com
Media Relations	416-592-4008
	1-877-592-4008

ONTARIO POWER GENERATION INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
2015 FIRST QUARTER REPORT

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ONTARIO POWER GENERATION INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes of Ontario Power Generation Inc. (OPG or Company) as at and for the three months ended March 31, 2015. OPG's unaudited interim consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (US GAAP) and are presented in Canadian dollars.

For a complete description of OPG's corporate strategies, risk management, corporate governance, related party transactions, and the effect of critical accounting policies and estimates on OPG's results of operations and financial condition, this MD&A should also be read in conjunction with OPG's audited consolidated financial statements, accompanying notes, and the MD&A as at and for the year ended December 31, 2014.

As required by *Ontario Regulation 395/11*, as amended, a regulation under the *Financial Administration Act* (Ontario), OPG adopted US GAAP for the presentation of its consolidated financial statements, effective January 1, 2012. In 2014, the Ontario Securities Commission approved an exemption which allows OPG to apply US GAAP up to January 1, 2019. The term of the exemption is subject to certain conditions, which may result in the expiry of the exemption prior to January 1, 2019. For details, refer to the heading, *Exemptive Relief for Reporting under US GAAP*, in the section *Changes in Accounting Policies and Estimates* in OPG's 2014 annual MD&A. This MD&A is dated May 20, 2015.

FORWARD-LOOKING STATEMENTS

The MD&A contains forward-looking statements that reflect OPG's current views regarding certain future events and circumstances. Any statement contained in this document that is not current or historical is a forward-looking statement. OPG generally uses words such as "anticipate", "believe", "foresee", "forecast", "estimate", "expect", "schedule", "intend", "plan", "project", "seek", "target", "goal", "strategy", "may", "will", "should", "could" and other similar words and expressions to indicate forward-looking statements. The absence of any such word or expression does not indicate that a statement is not forward-looking.

All forward-looking statements involve inherent assumptions, risks and uncertainties, including those set out under the section *Risk Management*. All forward-looking statements could be inaccurate to a material degree. In particular, forward-looking statements may contain assumptions such as those relating to OPG's fuel costs and availability, generating station performance, cost of fixed asset removal and nuclear waste management, performance of investment funds, repurposing of generating stations, refurbishment of existing facilities, development and construction of new facilities, pension and other post-employment benefit (OPEB) obligations, income taxes, electricity spot market prices, proposed new legislation, the ongoing evolution of the Ontario electricity industry, environmental and other regulatory requirements, health, safety and environmental developments, business continuity events, the weather, and the impact of regulatory decisions by the Ontario Energy Board (OEB). Accordingly, undue reliance should not be placed on any forward-looking statement. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Except as required by applicable securities laws, OPG does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise.

THE COMPANY

OPG is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario. OPG was established under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (the Province or the Shareholder).

As at March 31, 2015, OPG's electricity generation portfolio had an in-service capacity of 17,059 megawatts (MW). OPG operates two nuclear generating stations, three thermal generating stations, 65 hydroelectric generating stations, and two wind power turbines. In addition, OPG and TransCanada Energy Ltd. co-own the 550 MW Portlands Energy Centre (PEC) gas-fired combined cycle generating station (GS). OPG and ATCO Power Canada Ltd. co-own the 560 MW Brighton Beach (Brighton Beach) gas-fired combined cycle GS. OPG's 50 percent share of the in-service capacity and generation volume of these co-owned facilities is included in the contracted generation portfolio statistics set out in this report. The income of the co-owned facilities is accounted for using the equity method of accounting, and OPG's share of income is presented in Income from investments subject to significant influence under the Contracted Generation Portfolio segment.

OPG also owns two other nuclear generating stations, which are leased on a long-term basis to Bruce Power L.P. (Bruce Power). Income from these leased stations is included in revenue under the Regulated – Nuclear Generation segment. The leased stations are not included in the generation portfolio statistics set out in this report. A description of OPG's segments is provided in OPG's 2014 annual MD&A in the section, *Business Segments*.

The in-service generating capacity by business segment as at March 31, 2015 and December 31, 2014 was as follows:

(MW)	As at	
	March 31 2015	December 31 2014
Regulated – Nuclear Generation	6,606	6,606
Regulated – Hydroelectric	6,426	6,426
Contracted Generation Portfolio ¹	4,027	4,027
Total	17,059	17,059

¹ Includes OPG's share of in-service generating capacity of 275 MW for PEC and 280 MW for Brighton Beach.

HIGHLIGHTS

Overview of Results

This section provides an overview of OPG's unaudited interim consolidated operating results. Significant factors which contributed to OPG's results during the three months ended March 31, 2015, compared to the same period in 2014, are discussed below.

<i>(millions of dollars – except where noted)</i>	Three Months Ended March 31	
	2015	2014
Revenue	1,355	1,387
Fuel expense	157	149
Gross margin	1,198	1,238
Operations, maintenance and administration	665	670
Depreciation and amortization	196	181
Accretion on fixed asset removal and nuclear waste management liabilities	224	196
Earnings on nuclear fixed asset removal and nuclear waste management funds	(231)	(160)
Income from investments subject to significant influence	(11)	(13)
Property taxes	13	11
Restructuring	-	2
	856	887
Income before other loss, interest, and income taxes	342	351
Other loss	-	1
Income before interest and income taxes	342	350
Net interest expense	47	12
Income before income taxes	295	338
Income tax expense	56	95
Net income	239	243
Net income attributable to the Shareholder	234	242
Net income attributable to non-controlling interest ¹	5	1
<i>Electricity production (TWh) ²</i>	21.3	20.5
<i>Cash flow provided by operating activities</i>	455	428

¹ Relates to the 25 percent interest of the Amisk-oo-Skow Finance Corporation, a corporation wholly owned by the Moose Cree First Nation, in the Lower Mattagami Limited Partnership.

² Includes OPG's share of generation volume from its 50 percent ownership interests in PEC and Brighton Beach.

Net income attributable to the Shareholder decreased by \$8 million during the first quarter of 2015, compared to the same quarter in 2014. Income before interest and income taxes also decreased by \$8 million as compared to the first quarter of 2014. The following summarizes the significant items which contributed to the variance:

Significant factors that reduced income before interest and income taxes:

- Decrease in revenue of \$123 million as a result of higher average sales prices due to the unseasonably cold conditions during the first quarter of 2014 for the 48 hydroelectric stations prescribed for rate regulation beginning in 2014, which began to receive OEB-authorized regulated prices in November 2014. Prior to November 2014, the price for generation from these stations was based on the electricity spot market price.

- Higher accretion expense of \$28 million primarily as a result of deferring higher amounts in regulatory accounts during the first quarter of 2014. These amounts were deferred because they were not included in the regulatory prices in effect prior to November 1, 2014
- Lower earnings from the Services, Trading, and Other Non-Generation segment of \$42 million, primarily due to higher trading margins during the first quarter of 2014 as a result of the unseasonably cold winter.

Significant factors that increased income before interest and income taxes:

- Higher nuclear gross margin of \$87 million primarily due to an increase in the OEB approved base regulated price, effective November 1, 2014, and an increase in generation volume of 0.6 terawatt hours (TWh)
- Higher earnings on the nuclear fixed asset removal and nuclear waste management funds of \$71 million, net of the impact of the Bruce Lease Net Revenues Variance Account
- Higher earnings of \$23 million from the Contracted Generation Portfolio segment primarily as a result of all six new units of the Lower Mattagami River project and the converted Atikokan GS being placed in-service throughout 2014.

Net interest expense increased by \$35 million during the first quarter of 2015, compared to the same quarter in 2014, primarily due to the cessation of interest capitalization for the Lower Mattagami River project, as the units were declared in-service during 2014. The increase in interest expense was also due to amounts related to the Niagara Tunnel that are no longer being deferred in 2015 in the Capacity Refurbishment Variance Account, as the regulated prices effective November 1, 2014 reflect the impact of the Niagara Tunnel.

Segment Results

The following table summarizes OPG's income before interest and income taxes by business segment. A detailed discussion of OPG's performance by reportable segment is included in the section, *Discussion of Operating Results by Business Segment*.

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2015	2014
<i>Income (loss) before interest and income taxes</i>		
Regulated – Nuclear Generation	87	-
Regulated – Hydroelectric	188	307
Contracted Generation Portfolio	62	39
Total electricity generation business segments	337	346
Regulated – Nuclear Waste Management	9	(34)
Services, Trading, and Other Non-Generation	(4)	38
	342	350

Income before interest and income taxes from the electricity generation business segments decreased by \$9 million in the first quarter of 2015, compared to the same quarter in 2014. The decrease was primarily a result of high electricity spot market prices during the first quarter of 2014, due to the unseasonably cold winter, received for production from the hydroelectric stations prescribed for rate regulation beginning in 2014. This decrease was partially offset by the impact of higher regulated prices for OPG's nuclear generation and existing regulated hydroelectric facilities during the first quarter of 2015. The decrease in income was also partially offset by income from the six new units of the Lower Mattagami River project, which were placed in-service throughout 2014.

The improved earnings for the Regulated – Nuclear Waste Management business segment of \$43 million resulted primarily from higher earnings on the Decommissioning Segregated Fund (Decommissioning Fund), partially offset by higher accretion expense.

The decrease in income before interest and income taxes of \$42 million for the Services, Trading, and Other Non-Generation business segment was primarily a result of lower trading margins for electricity sold to neighbouring energy markets during the first quarter of 2015, compared to the same quarter in 2014.

Electricity Generation

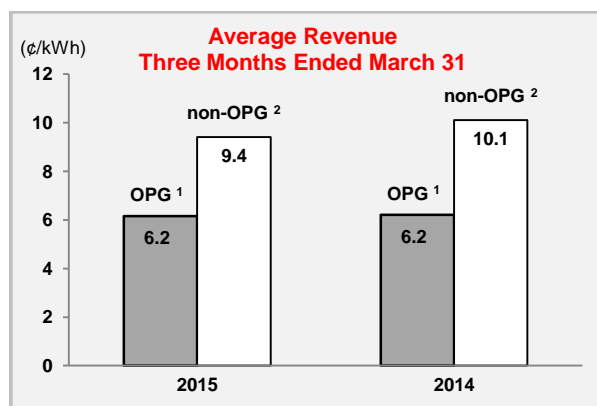
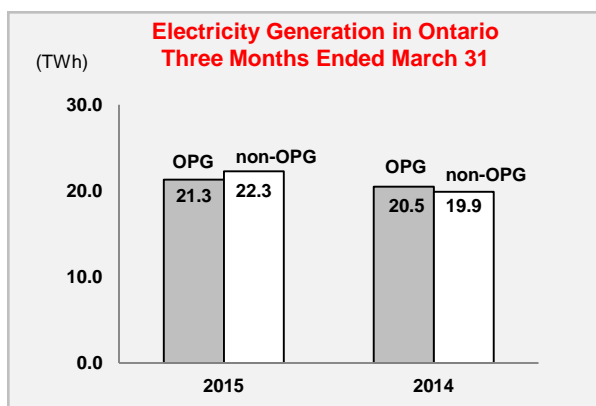
Electricity generation was as follows:

(TWh)	Three Months Ended March 31	
	2015	2014
Regulated – Nuclear Generation	12.2	11.6
Regulated – Hydroelectric		
Existing regulated hydroelectric generating stations	4.7	4.8
Hydroelectric generating stations prescribed for rate regulation beginning in 2014	3.5	3.3
Contracted Generation Portfolio ¹	0.9	0.8
Total OPG electricity generation	21.3	20.5
Total electricity generation by all other generators in Ontario	22.3	19.9

¹ Includes OPG's share of generation volume from its 50 percent ownership interests in PEC and Brighton Beach.

Higher nuclear generation of 0.6 TWh during the first quarter of 2015, compared to the same quarter in 2014, was primarily due to fewer outage days at the Pickering GS. Higher generation of 0.2 TWh from OPG's hydroelectric generating stations prescribed for rate regulation beginning in 2014 was primarily due to higher water flows on several river systems in Southwestern Ontario.

OPG's operating results are affected by changes in electricity demand resulting from variations in seasonal weather conditions and changes in economic conditions. Ontario's primary demand was 38.2 TWh during the first quarter of 2015, down slightly from 38.4 TWh during the same quarter of 2014. Baseload supply surplus to Ontario demand continued to increase in 2015 as a result of lower primary demand combined with increased baseload generation mainly from new wind and solar capacity. The surplus to the Ontario market is managed by the Independent Electricity System Operator (IESO), mainly through generation reductions at hydroelectric stations, nuclear stations, and grid-connected renewable resources. Generation reductions at hydroelectric stations for surplus baseload generation (SBG) management will often result in spilling of water. Dispatching hydroelectric units down to reduce production is the first measure that the IESO uses to manage SBG. The financial impact of forgone production due to SBG conditions at OPG's regulated hydroelectric stations is offset by a regulatory variance account authorized by the OEB. During the first quarter of 2015, OPG lost 0.3 TWh of hydroelectric generation due to SBG conditions compared to 0.1 TWh during the same period in 2014.



¹ Average revenue for OPG is comprised of revenues from regulated prices established by the OEB, market based revenues, and revenues from Energy Supply Agreements (ESAs). Average revenue for OPG excludes OPG's share of revenues and generation from PEC and Brighton Beach. The 2014 average revenue for OPG also excludes the revenue from the cost recovery agreement for costs related to the Nanticoke GS and Lambton GS which were shut down in 2013.

² Average revenue for other electricity generators is comprised of hourly Ontario demand multiplied by the Hourly Ontario Energy Price (HOEP), plus total global adjustment payments, plus the sum of hourly net exports multiplied by the HOEP, less OPG's generation revenue.

Average Revenue and Average Sales Prices

OPG's average revenue reflects the average sales prices for all of its electricity generation segments. The majority of OPG's generation is from the Regulated – Nuclear Generation and Regulated – Hydroelectric segments. The regulated prices authorized by the OEB for electricity generated from the nuclear and regulated hydroelectric generating stations operated by OPG are discussed in OPG's 2014 annual MD&A in the section *Revenue Mechanisms for Regulated and Unregulated Generation*.

The average sales price for the Regulated – Nuclear Generation segment during the first quarter of 2015 was 6.0 ¢/kWh, compared to 5.5 ¢/kWh during the same quarter in 2014. The increase was primarily due to a higher OEB approved base regulated price, effective November 1, 2014. The increase was partially offset by a lower rate rider during 2015 related to the recovery of previously approved variance and deferral account balances.

The average sales price for the Regulated – Hydroelectric segment during the first quarter of 2015 was 4.5 ¢/kWh, compared to 5.6 ¢/kWh during the same quarter in 2014. The decrease was primarily due to lower prices received during the first quarter of 2015, compared to the same quarter in 2014, for the production from the 48 hydroelectric stations which were prescribed for rate regulation beginning in 2014. Prior to the OEB's order establishing regulated prices for these stations effective November 1, 2014, the revenue for generation from these stations was based on the Ontario electricity spot market price. The average sales price for these stations during the first quarter of 2015 was 4.4 ¢/kWh, compared to 7.9 ¢/kWh during the same quarter in 2014. The decrease in the overall Regulated – Hydroelectric segment price was partially offset by the higher base regulated price received during the first quarter of 2015, compared to the same quarter in 2014, for production from the existing regulated hydroelectric stations. The average sales price for these stations during the first quarter of 2015 was 4.7 ¢/kWh, compared to 4.0 ¢/kWh during the same quarter in 2014. The increase was due to a higher OEB-approved base regulated price, effective November 1, 2014, and a higher rate rider effective January 1, 2015.

Cash Flow from Operations

Cash flow provided by operating activities for the three months ended March 31, 2015 was \$455 million, compared to \$428 million for the three months ended March 31, 2014. This increase was primarily due to higher cash receipts for generation revenue and lower operations, maintenance and administration (OM&A) expenses. The increase was partially offset by income tax installments paid, and higher contributions to the pension fund reflecting the higher minimum contribution requirements, as a result of the actuarial valuation of the OPG registered pension plan filed with the Financial Services Commission of Ontario in mid-2014.

Funds from Operations Interest Coverage

Funds from Operations (FFO) Interest Coverage is an indicator of OPG's ability to meet interest obligations from operating cash flows. FFO Interest Coverage is measured over a 12-month period. FFO Interest Coverage for the 12 months ended March 31, 2015 was 3.0 times and 2.8 times for the 12 months ended December 31, 2014. The increase in FFO Interest Coverage was primarily due to lower adjusted interest expense resulting from an increase in the expected return on pension plan assets in 2015. The increase in the expected return was mainly due to the strong performance of the pension plan assets in 2014.

Return on Common Equity

Return on Common Equity (ROE) is an indicator of OPG's performance consistent with its objectives to operate on a financially sustainable basis and to maintain value for the Shareholder. ROE is measured over a 12-month period.

ROE was 8.2 percent for the 12 months ended March 31, 2015 and 8.5 percent for December 31, 2014. ROE decreased for the period due to lower net income attributable to the Shareholder. ROE, excluding the extraordinary gain of \$243 million recognized in 2014 related to the 48 hydroelectric facilities prescribed for rate regulation beginning in 2014, was 5.7 percent for the twelve month period ended March 31, 2015, which represented a decrease over the 2014 ROE of 6.0 percent.

FFO Interest Coverage and ROE are not measurements in accordance with US GAAP and should not be considered as alternative measures to net income, cash flows from operating activities, or any other measure of performance under US GAAP. OPG believes that these non-GAAP financial measures are effective indicators of performance and are consistent with its corporate strategy to operate on a financially sustainable basis. The definition and calculation of FFO Interest Coverage and ROE can be found under the section, *Supplementary Non-GAAP Financial Measures*.

Recent Developments

Power Workers' Union Collective Agreement

The Power Workers' Union (PWU) represents approximately 5,500 OPG employees or approximately 58 percent of OPG's regular workforce. The governing collective agreement between OPG and the PWU expired on March 31, 2015. On April 13, 2015, the parties reached a tentative agreement for the renewal of the collective agreement. The tentative agreement is subject to ratification by the PWU membership. The ratification process is expected to be concluded by the end of May 2015.

CORE BUSINESS AND STRATEGY

OPG's mandate is to reliably and cost-effectively produce electricity from its diversified portfolio of generating assets, while operating in a safe, open, and environmentally responsible manner. The following sections provide an update to OPG's disclosures related to operational excellence, project excellence, and financial sustainability. A detailed discussion of OPG's three corporate strategies is included in the 2014 annual MD&A under the headings *Operational Excellence*, *Project Excellence*, and *Financial Sustainability*.

Operational Excellence

OPG is committed to excellence in the areas of generation, safety and the environment. Operational excellence at OPG's nuclear, hydroelectric, and thermal generating facilities is accomplished by generating electricity in a safe, reliable, and cost-effective manner.

Nuclear Generating Assets

Operational excellence at OPG's nuclear generating facilities is defined as safely and reliably generating cost-effective electricity. The four cornerstones of OPG's nuclear operations are safety, reliability, human performance, and value for money. Employee, environmental, and nuclear safety are overriding priorities.

OPG continues to make investments to improve the performance of the Pickering GS through to 2020, with a focus on implementing equipment modifications and fuel handling reliability improvements, reducing equipment maintenance backlogs, and completing critical and high priority work.

Planning activities continued to progress during the first quarter of 2015 in preparation for the Vacuum Building Outage scheduled to be performed at the Darlington GS in the latter half of 2015.

In December 2013, OPG submitted a licence renewal application to the Canadian Nuclear Safety Commission (CNSC) for the Darlington GS that would span the planned refurbishment period. The hearing dates for the licence renewal application have been scheduled for August and November 2015. The existing licence for the Darlington GS station expires on December 31, 2015.

During 2015, OPG is hosting two World Association of Nuclear Operator peer evaluations for the Pickering GS and for OPG's support functions. The Pickering GS review will focus on the safe and reliable operations of the station while the support functions review will focus on how these functions support the stations in their day-to-day operations. These evaluations will be led by an international panel of industry experts.

Generation and reliability at the nuclear generating stations during the first quarter of 2015 are discussed under the heading *Regulated – Nuclear Generation Segment* in the section *Discussion of Operating Results by Business Segment*.

Hydroelectric Generating Assets

OPG's hydroelectric stations that are prescribed for rate regulation by the OEB are included in the Regulated – Hydroelectric segment. Hydroelectric generating stations that are not subject to rate regulation by the OEB are included in the Contracted Generation Portfolio segment. A description of these reportable business segments is included under the heading *OPG's Reporting Structure* in OPG's 2014 annual MD&A.

OPG continues to evaluate and implement plans to increase capacity, maintain performance, and extend the operating life of its hydroelectric generating assets. These plans are expected to be accomplished through refurbishment or replacement of existing turbine generators, transformers, and controls. During the first quarter of 2015, OPG continued work on the rehabilitation of Sir Adam Beck Pump GS Unit 5, Lower Notch GS, Manitou Falls GS, and Des Joachims GS. In addition, OPG completed a runner replacement and unit upgrade on Aguasabon GS Unit 2 in January 2015. Other hydroelectric generation development projects are discussed under the heading *Project Excellence*.

Thermal Generating Assets

OPG's biomass and oil/gas fuelled generating stations are included in the Contracted Generation Portfolio segment. These stations operate as peaking facilities, depending on electricity demand. Ontario is the first jurisdiction in North America to fully eliminate coal as a source of electricity generation.

Thermal assets that are no longer available to generate electricity are included in the Services, Trading, and Other Non-Generation business segment once the assets are removed from service. With the end of coal-fired generation at the Nanticoke GS and the Lambton GS in 2013, OPG continues to preserve the option to convert these stations to natural gas and/or biomass in the future. The costs of the activities required to preserve this option are reflected in the Services, Trading, and Other Non-Generation business segment. OPG is seeking recovery of ongoing costs to preserve the option to convert the units. If cost recovery is not authorized, OPG will consider all options regarding the

future of these stations, including full closure and decommissioning. The decision to continue to incur preservation costs will be revisited in the first half of 2015.

Environmental Performance

During the first quarter of 2015, OPG's facilities continued to demonstrate good environmental performance against targets and there were no significant environmental events. In January 2015, OPG completed the conversion of Thunder Bay GS from coal to advanced biomass fuel. Biomass is a renewable fuel and, compared to traditional fossil fuels, is recognized as having lower greenhouse gas emissions.

In the second quarter of 2015, the Government of Ontario announced its intention to implement a cap-and-trade system to regulate greenhouse gas (GHG) emissions. No details of the program structure have been announced to date. With OPG's low GHG emitting fleet, the program is not expected to have a material adverse economic impact on the company. OPG continues to monitor developments in this area.

There were no significant changes to environmental legislation affecting the Company in the first quarter of 2015. Disclosures relating to environmental policies and procedures, and environmental risks are provided in the 2014 annual MD&A.

Project Excellence

OPG is pursuing several generation development projects to support Ontario's long-term electricity supply requirements. OPG's major projects include the refurbishment of the Darlington GS, new hydroelectric generation and plant expansions, and the repository for the management and storage of low and intermediate level waste (L&ILW). The status updates for OPG's current major projects as at March 31, 2015 are outlined below.

Project <i>(millions of dollars)</i>	Capital expenditures		Approved budget	Planned in-service date	Status
	Year-to-date	Life-to-date			
Darlington Refurbishment	155	1,617			The final budget and schedule for the refurbishment of the four units are expected to be completed in 2015. See update below.
Lower Mattagami	33	2,402	2,600	June 2015	All six new units were placed in-service by December 2014 ahead of schedule and under budget. Project closure activities are continuing.
Deep Geologic Repository for L&ILW ¹	2 ¹	181 ¹			The environmental assessment is in progress. See update below.
Peter Sutherland Sr. GS	4	16	300	First half of 2018	The budget was approved during the first quarter of 2015 and contract terms for the ESA have been established. See update below.

¹ Expenditures are funded by the nuclear fixed asset removal and nuclear waste management liabilities.

Darlington Refurbishment

The Darlington Refurbishment project is a multi-phase program comprised of the following five major sub-projects:

- Retube and Feeder Replacement
- Turbines and Generators
- Defueling and Fuel Handling
- Steam Generators
- Balance of Plant.

The definition phase of the project is well underway and is on track to be completed in 2015. The definition phase involves project planning, engineering, and design and construction of pre-requisite projects, development of reactor tooling, and construction of a reactor training facility including a full-scale reactor mock-up. In 2016, OPG expects to commence the first unit outage and execution of the refurbishment activities.

In November 2014, OPG's Board of Directors approved the funding for the remainder of the refurbishment's definition phase. This request included funding for 2015 deliverables and reconfirmed the total project cost estimate at less than \$10 billion in 2013 dollars, excluding capitalized interest and escalation. The final budget and schedule for the four-unit refurbishment are on track to be completed and presented to OPG's Board of Directors for approval during the fourth quarter of 2015. Once approved, the budget and schedule are expected to be submitted for Shareholder concurrence.

There are a number of pre-requisite projects, including construction of facilities, infrastructure upgrades, and installation of safety enhancements, currently underway at the Darlington GS, to be completed in advance of the execution phase of the project. These pre-requisite projects are tracking on plan to support the execution of the first unit's refurbishment commencing in 2016. OPG previously established a revised plan for the Heavy Water Storage and Drum Handling Facility to mitigate the construction complexities and schedule risks, including contingency plans to prevent any potential impacts on the Darlington refurbishment project schedule. Construction activities continued during the first quarter of 2015, and the facility is expected to be operational in advance of the required date.

The Retube and Feeder Replacement project is the largest sub-project of the Darlington Refurbishment project and represents a majority of the critical path schedule. Manufacturing of the initial reactor tool set for the Retube and Feeder Replacement project is now complete, and the second Retube Tooling Platform was received at the reactor training facility in January 2015. Tool performance testing at the reactor training facility is progressing as planned and results to date have been positive.

Deep Geologic Repository for L&ILW

In 2012, the CNSC and the Canadian Environmental Assessment Agency appointed a three-member Joint Review Panel (JRP) for OPG's Deep Geologic Repository (DGR) for L&ILW. The JRP examined the environmental effects of the proposed DGR to meet the requirements of the *Canadian Environmental Assessment Act*. On May 6, 2015, the JRP submitted its report and recommendations on the Environmental Assessment (EA) to the federal Minister of Environment regarding the DGR for L&ILW. The report concluded that, given mitigation, there is unlikely to be significant environmental impact from the project and recommended that the federal Minister approve the EA for OPG's DGR for L&ILW. The report further suggests that the project should be implemented expeditiously. The Minister's decision on the EA is expected within 120 days from the report submission by the JRP.

Thunder Bay Conversion

In June 2014, OPG and the IESO executed a 5-year Thunder Bay Biomass ESA for the conversion of one unit at the Thunder Bay GS to advanced biomass fuel. OPG completed the conversion of the unit and declared it in commercial operation in January 2015. The converted unit has an in-service capacity of 153 MW. The conversion of the unit was completed ahead of schedule and under the approved budget of \$7 million. The converted unit is able to provide dispatchable and renewable electricity when required to meet electricity demand.

Peter Sutherland Sr. GS (formerly the New Post Creek project)

In March 2015, OPG's Board of Directors approved the project to construct a new 28 MW station called Peter Sutherland Sr. GS on the New Post Creek, near its outlet to the Abitibi River, with a planned in-service date in the first half of 2018 and an approved budget of \$300 million. During the first quarter of 2015, OPG and the IESO also agreed to the terms for an ESA. The ESA is expected to be finalized by mid-2015. The station will be constructed through a partnership between OPG and Coral Rapids L.P., a wholly owned subsidiary of the Taykwa Tagamou Nation. Under the partnership agreement, Coral Rapids L.P. may acquire up to a 33 percent interest in the partnership.

Financial Sustainability

As a commercial enterprise, OPG's financial priority is to achieve a consistent level of financial performance that will ensure its long-term financial sustainability and maintain the value of its assets for its Shareholder – the Province of Ontario.

Inherent in this priority are three objectives:

- enhancing profitability by increasing revenue
- improving efficiency and reducing costs
- ensuring a strong financial position that enables OPG to finance its operations and generation development projects.

Revenue Growth

Regulated Assets

Electricity produced from the regulated facilities receives regulated prices determined by the OEB. OPG's objectives with respect to its regulated operations are to clearly demonstrate that the costs for these operations are prudently incurred and should be fully recovered, and to earn an appropriate return on the investment in these assets.

In December 2014, OPG filed an application with the OEB requesting approval to recover \$1.8 billion, representing the December 31, 2014 balances in most of the authorized regulatory variance and deferral accounts, through new rate riders beginning on July 1, 2015. In April 2015, OPG commenced settlement discussions with intervenors that are ongoing.

In 2015, OPG plans to apply to the OEB for new regulated prices for production from its regulated hydroelectric facilities, effective in 2016, and is evaluating its plans for filing an application for the nuclear operations. The OEB's expectation is that these prices would be determined on the basis of an incentive regulation ratemaking methodology for the hydroelectric operations, and a longer term, multi-year forecast cost of service ratemaking approach with custom incentive regulation features for the nuclear operations. Incentive regulation generally involves de-coupling of regulated prices from a regulated entity's actual costs. Starting in December 2014, OPG held several meetings with stakeholders to discuss the details of these ratemaking methodologies as they apply to OPG's regulated operations.

In December 2014, OPG filed a motion asking the OEB to review and vary the parts of its decision establishing new regulated prices effective November 1, 2014 related to the disallowance of certain Niagara Tunnel project

expenditures, and the application of the 2013 regulatory tax loss to reduce the 2014/2015 revenue requirement. The hearing on the motion was held in March 2015. The OEB's decision on OPG's motion is expected in the second quarter of 2015.

In May 2015, the OEB announced the beginning of a consultation process on regulatory mechanisms for cost recovery of pensions and other post employment benefits for rate-regulated utilities in the electricity and natural gas sectors. OPG expects to provide a response to the OEB's request for information.

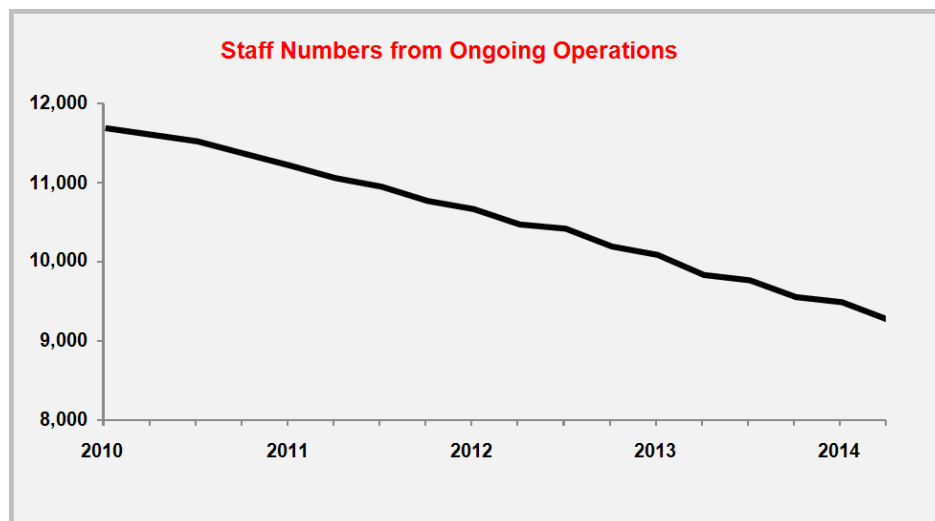
Assets under Contracts

OPG has negotiated ESAs for most of its unregulated hydroelectric and thermal facilities, and will continue to pursue ESAs for new development projects. The three months ended March 31, 2015 marked the first full quarter that all of the new units of the Lower Mattagami River project were in commercial operation. After the in-service of the last unit in December 2014, all assets of the Lower Mattagami project now receive payments under a hydroelectric ESA. In addition, in March 2015, OPG and the IESO agreed to terms on a contract for the new 28 MW Peter Sutherland Sr. GS to be constructed on the New Post Creek. This ESA is expected to be finalized by mid-2015.

Improving Efficiency and Reducing Costs

OPG remains focused on reducing costs by aggressively pursuing efficiency and productivity improvements. On January 1, 2015, OPG successfully implemented the Enterprise System Consolidation Project (ESCP), which integrated enterprise systems that support plant operations, purchasing, payments, and time reporting to increase efficiencies. New processes were established and continue to capitalize on the benefits of the integrated systems.

From January 1, 2011 to December 31, 2014, OPG reduced headcount from ongoing operations by approximately 2,200. During the first quarter of 2015, OPG further reduced staff from ongoing operations by approximately 220. From January 1, 2011 to March 31, 2015, OPG has realized cumulative savings of approximately \$640 million through headcount reductions.



Strengthening Financial Position

In addition to its initiatives to increase revenue, achieve efficiencies, and reduce costs, OPG also employs the following four strategies to strengthen its financial position. The following are updates to the strategies since the 2014 annual MD&A:

- **Ensuring sufficient liquidity:** During the first quarter of 2015, cash flow provided by operating activities increased to \$455 million, compared to \$428 million for the same quarter in 2014. In 2015, OPG renewed and extended its \$1 billion bank credit facility to May 2020.
- **Maintaining an investment grade credit rating:** In March 2015, DBRS Ltd. re-affirmed the long-term credit rating on OPG's debt at A (low), and the commercial paper rating at R-1 (low). All ratings from DBRS Ltd. have a stable outlook.
- **Ensuring that generation development projects are economic and provide for cost recovery and an appropriate return:** During the first quarter of 2015, OPG continued to negotiate ESAs for new development projects as discussed under the heading *Project Excellence* in the section, *Core Business and Strategy*.
- **Evaluating financial performance:** OPG continuously evaluates its financial performance using key financial metrics. For further details, refer to the ROE and FFO Interest Coverage disclosure under the heading, *Supplementary Non-GAAP Financial Measures*.

DISCUSSION OF OPERATING RESULTS BY BUSINESS SEGMENT

Regulated – Nuclear Generation Segment

(millions of dollars)	Three Months Ended March 31	
	2015	2014
Regulated generation sales	734	638
Variance accounts	41	(92)
Other	38	162
Total revenue	813	708
Fuel expense	80	76
Variance and deferral accounts	(2)	(16)
Total fuel expense	78	60
Gross margin	735	648
Operations, maintenance and administration	527	511
Depreciation and amortization	114	130
Property taxes	7	7
Income before interest and income taxes	87	-

The increase in income before interest and income taxes of \$87 million during the first quarter of 2015, compared to the same period in 2014, was primarily due to a higher OEB approved base regulated price effective November 1, 2014, and an increase in generation. The increase in earnings was partially offset by an increase in OM&A primarily as a result of higher pension and OPEB expenses after taking into account the impact of corresponding regulatory variance and deferral accounts.

The revenue impact of the lower rate rider for 2015 was largely offset by a corresponding decrease in amortization expense related to regulatory balances.

The decrease in other revenue was primarily due to the increase in the fair value of the derivative liability embedded in the terms of the Bruce Power lease agreement (Bruce Lease). The changes in the fair value of this derivative are

reported as other revenue, with a corresponding change in the regulatory asset related to the Bruce Lease Net Revenues Variance Account. As such, there was no income impact related to the change in the fair value of the derivative liability.

The Unit Capability Factors for the Darlington and Pickering generating stations and the nuclear Total Generating Cost (TGC) per MWh are as follows:

	Three Months Ended March 31	
	2015	2014
Unit Capability Factor (%)		
Darlington GS	97.8	96.0
Pickering GS	72.9	66.6
Nuclear TGC per MWh (\$/MWh)	52.36	51.67

The higher Unit Capability Factor of 97.8 percent at the Darlington GS for the three months ended March 31, 2015 reflected excellent performance and fewer planned and unplanned outage days. The increase in the Unit Capability Factor at the Pickering GS was due to a decrease in outage days. Improvements in reliability primarily associated with fuel handling equipment contributed to the improved results at the Pickering GS.

The increase in nuclear TGC per MWh during the first quarter of 2015, compared to the same period in 2014, was primarily due to higher capital costs and OM&A expenses, partially offset by higher generation.

Regulated – Nuclear Waste Management Segment

	Three Months Ended March 31	
<i>(millions of dollars)</i>	2015	2014
Revenue	32	29
Operations, maintenance and administration	34	31
Accretion on nuclear fixed asset removal and nuclear waste management liabilities	220	192
Earnings on nuclear fixed asset removal and nuclear waste management funds	(231)	(160)
Income (loss) before interest and income taxes	9	(34)

Higher earnings on the Decommissioning Fund, net of the impact of the Bruce Lease Net Revenues Variance Account, resulted in the improved segment earnings during the quarter, compared to the same quarter in 2014. The improved earnings were primarily due to strong fund performance during the first quarter of 2015 resulting in the Decommissioning Fund becoming over 120 percent funded during the first quarter of 2015. Under the Ontario Nuclear Funds Agreement (ONFA), if there is a surplus in the Decommissioning Fund such that the liabilities, as defined by the most recently approved ONFA Reference Plan, are 120 percent funded, OPG may direct up to 50 percent of the surplus over 120 percent as a contribution to the Used Fuel Segregated Fund (Used Fuel Fund), with the Ontario Electricity Financial Corporation (OEFC) entitled to a distribution of an equal amount. As a result, OPG recognizes 50 percent of the excess greater than 120 percent in income. The increased earnings in the segment were partially offset by higher accretion expense.

Regulated – Hydroelectric Segment

(millions of dollars)	Three Months Ended March 31	
	2015	2014
Regulated generation sales ¹	373	189
Spot market sales	-	260
Variance accounts	(13)	1
Other	34	46
Total revenue	394	496
Fuel expense	69	69
Variance accounts	2	2
Total fuel expense	71	71
Gross margin	323	425
Operations, maintenance and administration	75	76
Depreciation and amortization	60	41
Income before other loss, interest, and income taxes	188	308
Other loss	-	1
Income before interest and income taxes	188	307

¹ During the three months ended March 31, the Regulated – Hydroelectric segment generation sales included incentive payments of \$9 million in 2015 and \$7 million in 2014 related to the OEB-approved hydroelectric incentive mechanism. The mechanism provides a pricing incentive to OPG to shift hydroelectric production from lower market price periods to higher market price periods, reducing the overall costs to ratepayers.

The decrease in income before interest and income taxes during the first quarter of 2015, compared to the same quarter in 2014, was largely due to a decrease in revenue as a result of higher average sales prices during the first quarter of 2014 from the 48 hydroelectric stations that began receiving regulated prices in November 2014. The average price of 7.9 ¢/kWh received for these stations during the first quarter of 2014 was a result of high electricity spot market prices, which these facilities received prior to November 2014, due to an unseasonably cold winter in 2014. This was lower than the regulated price of 4.2 ¢/kWh received for these 48 hydroelectric stations in the first quarter of 2015. The decrease in income was partially offset by an increase in the OEB-approved base regulated price for the existing hydroelectric facilities, effective November 1, 2014. The revenue impact of a higher rider approved by the OEB effective January 1, 2015, was largely offset by a corresponding increase in amortization expense related to regulatory balances.

The Regulated – Hydroelectric availability and OM&A expense per MWh are as follows:

	Three Months Ended March 31	
	2015	2014
Hydroelectric Availability (%)	91.5	92.4
Hydroelectric OM&A expense per MWh (\$/MWh)	9.1	9.4

The hydroelectric availability during the first quarter of 2015 decreased due to an increase in outage days as a result of unplanned repairs and maintenance.

The hydroelectric OM&A expense per MWh for the three months ended March 31, 2015 was comparable to the same quarter in 2014.

Contracted Generation Portfolio Segment

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2015	2014
Revenue	123	93
Fuel expense	7	16
Gross margin	116	77
Operations, maintenance and administration	44	43
Depreciation and amortization	17	5
Accretion on fixed asset removal liabilities	2	2
Property taxes	2	1
Income from investments subject to significant influence	(11)	(13)
Income before interest and income taxes	62	39

Income before interest and income taxes increased by \$23 million for the three months ended March 31, 2015, compared to the same period in 2014. The increase was primarily due to higher revenue in the first quarter of 2015 from all six new units of the Lower Mattagami River project and the Atikokan GS, which were placed in-service throughout 2014. The higher revenue was partially offset by lower revenue from the Lennox GS primarily as a result of higher average sales prices during the first quarter of 2014 due to the unseasonably cold conditions.

The hydroelectric availability, hydroelectric OM&A expense per MWh, and the thermal Equivalent Forced Outage Rate (EFOR) for the Contracted Generation Portfolio segment are as follows:

	Three Months Ended March 31	
	2015	2014
Hydroelectric Availability (%)	97.8	96.0
Hydroelectric OM&A expense per MWh (\$/MWh)	23.3	24.0
Thermal EFOR (%)	22.9	3.0

The hydroelectric availability during the first quarter of 2015 increased due to a decrease in planned outage days.

The hydroelectric OM&A expense per MWh for the three months ended March 31, was comparable to the same quarter in 2014.

The increase in thermal EFOR during the first quarter of 2015, compared to the same quarter in 2014, was primarily a result of major repairs at the Lennox GS.

Services, Trading, and Other Non-Generation Segment

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2015	2014
Revenue	24	89
Fuel expense	1	2
Gross margin	23	87
Operations, maintenance and administration	16	37
Depreciation and amortization	5	5
Accretion on fixed asset removal liabilities	2	2
Property taxes	4	3
Restructuring	-	2
(Loss) income before interest and income taxes	(4)	38

Segment earnings decreased by \$42 million during the first quarter of 2015, compared to the same quarter in 2014. The decrease in earnings is partially a result of a decrease in trading revenue for electricity sold to neighbouring energy markets. An unseasonably cold winter in 2014 resulted in the higher trading revenues in the first quarter of 2014.

Revenue also decreased as a result of the expiry of the cost recovery agreement with the OEFC for Nanticoke GS and Lambton GS, which was largely offset by a decrease in OM&A for these stations due to a reduction in personnel costs. OPG is seeking recovery of the ongoing preservation costs for Nanticoke GS and Lambton GS which continued to be incurred during the first quarter of 2015. If recovery is not allowed, OPG will consider all options regarding the future of these stations, including full site closure and decommissioning. The decision to continue to incur preservation costs will be revisited in the first half of 2015.

Income Taxes

Income tax expense for the three months ended March 31, 2015 was \$56 million compared to \$95 million for the same period in 2014. The decrease in income tax expense was primarily due to a net increase in regulatory asset balances recorded in the first quarter of 2015 related to income taxes. The decrease in income tax expense was also due to lower income during the first quarter of 2015.

LIQUIDITY AND CAPITAL RESOURCES

OPG's primary sources of liquidity and capital are funds generated from operations, bank financing, credit facilities provided by the OEFC, and capital market financing. These sources are used for multiple purposes including: to invest in plants and technologies; to fund obligations such as contributions to the pension fund and the Used Fuel Fund and the Decommissioning Fund (together the Nuclear Funds); to make payments under the OPEB plans; and to service and repay long-term debt.

Changes in cash and cash equivalents for the three months ended March 31, 2015 and 2014 are as follows:

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2015	2014
Cash and cash equivalents, beginning of period	610	562
Cash flow provided by operating activities	455	428
Cash flow used in investing activities	(276)	(385)
Cash flow (used in) provided by financing activities	(255)	150
Net (decrease) increase	(76)	193
Cash and cash equivalents, end of period	534	755

For a discussion regarding cash flow provided by operating activities and FFO Interest Coverage, refer to the discussion under the *Highlights* section.

Investing Activities

Cash flow used in investing activities during the first quarter of 2015 decreased by \$109 million compared to the same quarter in 2014. This decrease was primarily due to lower capital expenditures for the Lower Mattagami River project and thermal conversion projects.

OPG's forecasted capital expenditures for 2015 are approximately \$1.6 billion, which includes amounts for the Darlington Refurbishment project, hydroelectric development, and sustaining capital investments.

Financing Activities

Cash flow used in financing activities during the three months ended March 31, 2015 was \$255 million, compared to cash flow provided of \$150 million for the same period in 2014. Cash flow used in financing activities was higher than in the first quarter of the prior year due to a repayment of long-term debt of \$300 million and a reduction in net short term notes issued of \$100 million.

OPG maintains a \$1 billion revolving committed bank credit facility, which is divided into two \$500 million multi-year term tranches. In the second quarter of 2015, OPG renewed and extended both tranches to May 2020. As at March 31, 2015, there were no outstanding borrowings under the bank credit facility.

As at March 31, 2015, OPG also maintained \$25 million of short-term, uncommitted overdraft facilities, and a further \$390 million of short-term, uncommitted credit facilities, which support the issuance of the Letters of Credit. OPG uses Letters of Credit to support its supplementary pension plans and for other general corporate purposes. As at March 31, 2015, a total of \$336 million of Letters of Credit had been issued. This included \$310 million for the supplementary pension plans, \$25 million for general corporate purposes, and \$1 million related to the operation of the PEC.

The Company has an agreement to sell an undivided co-ownership interest in its current and future accounts receivable to an independent trust. In September 2014, the maximum amount of co-ownership interest that can be sold under this agreement was reduced to \$150 million and the expiry date was extended from November 30, 2014 to November 30, 2016. As at March 31, 2015, there were Letters of Credit outstanding under this agreement of \$150 million (December 31, 2014 – \$150 million), which were issued in support of OPG's supplementary pension plan.

The Lower Mattagami Energy Limited Partnership maintains a \$600 million bank credit facility to support the funding requirements, including the commercial paper program of the Lower Mattagami River project. The facility consists of two \$300 million multi-year term tranches. The first and second tranche mature in August 2019 and August 2015,

respectively. As at March 31, 2015, there was \$50 million of commercial paper outstanding under the commercial paper program. In 2011, OPG executed a \$700 million credit facility with the OEFC in support of the Lower Mattagami River project. As at March 31, 2015, there were no outstanding borrowings under this credit facility. This credit facility expires in June 2016.

During 2014, UMH Energy Partnership entered into an \$8 million of short-term, uncommitted overdraft facility and \$16 million of irrevocable, standby letters of credit facilities in support of its operations. As at March 31, 2015, a total of \$14 million of Letters of Credit had been issued under this facility.

In 2014, OPG entered into an \$800 million general corporate credit facility agreement with the OEFC in support of its financing requirements for 2015 and 2016. As at March 31, 2015, there were no outstanding borrowings under this credit facility. This credit facility expires on December 31, 2016.

BALANCE SHEET HIGHLIGHTS

The following section provides highlights of OPG's unaudited interim consolidated financial position using selected balance sheet data:

<i>(millions of dollars)</i>	As At	
	March 31 2015	December 31 2014
Property, plant and equipment - net	17,707	17,593
The increase was primarily due to capital expenditures on the Darlington Refurbishment project and the Lower Mattagami project. The increase was partially offset by depreciation.		
Nuclear fixed asset removal and nuclear waste management funds <i>(current and non-current portions)</i>	14,666	14,379
The increase was primarily due to earnings on the Nuclear Funds, and contributions to the Used Fuel Fund, partially offset by reimbursements of expenditures on nuclear fixed asset removal and nuclear waste management.		
Fixed asset removal and nuclear waste management liabilities	17,240	17,028
The increase was primarily a result of accretion expense, partially offset by expenditures on nuclear fixed asset removal and waste management activities.		
Long-term accounts payable and accrued charges	566	529
The increase was primarily due to an increase of in the fair value of the derivative liability embedded in the Bruce Lease.		

Off-Balance Sheet Arrangements

In the normal course of operations, OPG engages in a variety of transactions that, under US GAAP, are either not recorded in the Company's interim consolidated financial statements or are recorded in the Company's interim consolidated financial statements using amounts that differ from the full contract amounts. Principal off-balance sheet activities that OPG undertakes include guarantees, which provide financial or performance assurance to third-parties on behalf of certain subsidiaries, and long-term fixed price contracts.

CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

OPG's significant accounting policies are outlined in Note 3 to the audited consolidated financial statements as at and for the year ended December 31, 2014. A discussion of recent accounting pronouncements is included in OPG's interim consolidated financial statements for the first quarter of 2015 under the heading *Changes in Accounting Policies and Estimates*. Disclosure regarding OPG's critical accounting policies is included in OPG's 2014 annual MD&A.

RISK MANAGEMENT

The following discussion provides an update of OPG's risk management activities since the date of OPG's 2014 annual MD&A. As such, this risk management disclosure should be read in conjunction with the *Risk Management* section included in the annual MD&A.

Operational Risks

Risks Associated with Major Development Projects

The risks associated with the cost, schedule, and technical aspects of the major development projects could adversely impact OPG's financial performance and its corporate reputation.

Darlington Refurbishment

OPG is responsible for the management of the Darlington Refurbishment project, including the project's budget and schedule, and continues to systematically manage all of the risks associated with the project through robust risk management practices. A large proportion of the costs to perform the refurbishment work will be paid to contractors and suppliers, including vendors that will engineer, procure, and construct components of the project. In mitigating its overall financial risk, OPG utilizes a contracting strategy that aims to share the risk with key vendors in a cost effective manner, where appropriate.

There are financial and reputational risk exposures for OPG if actual costs exceed the estimates. To mitigate this risk, work is underway to further refine the project scope and to ensure that costs are rigorously estimated in keeping with best practices.

A final budget and schedule for the four-unit refurbishment are expected to be completed and presented to OPG's Board of Directors for approval during the fourth quarter of 2015.

Financial Risks

Commodity Markets

Changes in the market price of fuels used to produce electricity can adversely impact OPG's earnings and cash flow from operations.

To manage the risk of unpredictable increases in the price of fuels, the Company has fuel hedging programs, which include using fixed price and indexed contracts.

The percentages hedged of OPG's fuel requirements are shown in the following table. These amounts are based on yearly forecasts of generation and supply mix, and as such, are subject to change as these forecasts are updated.

	2015 ¹	2016	2017
Estimated fuel requirements hedged ²	70%	78%	68%

¹ Includes forecast for the remainder of the year.

² Represents the approximate portion of megawatt-hours of expected generation production (and year-end inventory targets) from each type of facility (nuclear and thermal) for which OPG has entered into contractual arrangements or obligations in order to secure the price of fuel. Excess fuel inventories in a given year are attributed to the next year for the purpose of measuring hedge ratios.

Trading

OPG's financial performance can be affected by its trading activities.

OPG's trading operations are closely monitored and total exposures are measured and reported to senior management on a daily basis. One of the metrics used to measure the financial risk of this trading activity is Value at Risk (VaR). VaR is defined as a probabilistic maximum potential future loss expressed in monetary terms for a portfolio based on normal market conditions over a set period of time. For the first quarter of 2015, the VaR utilization ranged between \$0.4 million and \$1.5 million (first quarter of 2014 – between \$0.7 million and \$4.2 million).

Credit

Deterioration in counterparty credit and non-performance by suppliers and contractors can adversely impact OPG's earnings and cash flows from operations.

OPG manages its exposure to various suppliers or counterparties by evaluating their financial condition and negotiating appropriate collateral or other forms of security. OPG's credit exposure relating to energy markets transactions as at March 31, 2015 was \$431 million, including \$405 million to the IESO. Over 95 percent of the remaining \$26 million exposure is related to investment grade counterparties.

Regulatory and Legislative Risks

OPG is subject to extensive federal and provincial legislation and regulations that have an impact on OPG's operations and financial position.

Nuclear Regulatory Requirements

An aging nuclear fleet or changes in technical codes, regulations or laws may increase the risk of additional nuclear regulatory requirements.

In January 2014, the federal government introduced Bill C-22 which contains a new *Nuclear Liability and Compensation Act* (the Act) that will increase OPG's nuclear liability limit from \$75 million to an initial \$650 million, with successive annual increases to \$750 million, \$850 million, and \$1 billion. The bill received Royal Assent during the first quarter of 2015. The Act is expected to come into effect by 2016. OPG is assessing the impact of the increased liability limit on its insurance premiums.

Enterprise-Wide Risks

People and Culture

OPG's financial position could be affected if skilled human resources are not available or aligned with its operations.

As of December 31, 2014, approximately 90 percent of OPG's regular labour force was represented by a union. In addition to the regular workforce, construction work is performed through 19 craft unions with established bargaining rights on OPG facilities. A majority of the collective agreements with the craft unions expired on April 30, 2015 and

the negotiations to renew these agreements are underway. In the event of a labour disruption by any of the craft unions, OPG could face financial and reputational impacts. OPG has contingency plans in place to minimize the impact.

The Society of Energy Professionals (The Society) represents approximately 2,900 OPG employees or approximately 31 percent of OPG's regular workforce. The Company's current collective agreement with The Society was established through an arbitration award issued on April 8, 2013. This agreement has a three-year term, which expires on December 31, 2015. The Society filed a Judicial Review Application in 2013 to the Superior Court of Ontario in the matter of the arbitration award. The case was heard at the Divisional Court of Ontario and a ruling was issued in 2014 dismissing The Society's application. In December 2014, The Society filed a motion for leave to appeal the Divisional Court ruling. The motion was dismissed by the Court of Appeal in March 2015.

The negotiations for a new agreement with The Society are expected to commence in 2015. The parties do not have the right to strike or lock-out. If the parties are unable to reach an agreement, the terms of the new collective agreement would be decided through interest mediation/arbitration.

In April 2015, the PWU and OPG reached a tentative agreement for the renewal of the collective agreement, which expired on March 31, 2015. The tentative agreement is subject to ratification by the PWU membership, which is expected to be concluded by the end of May 2015.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Effective January 1, 2015, OPG completed the ESCP implementation which integrated enterprise systems that support plant operations, purchasing, payments, and time reporting to simplify use, increase efficiencies, and streamline business processes across the organization. Changes to OPG's internal controls over financial reporting (ICOFR) resulting from the ESCP implementation have been documented and considered in the evaluation of design effectiveness of ICOFR as at March 31, 2015 as part of the Chief Executive Officer and Chief Financial Officer certification process.

There have been no other changes in the Company's policies, procedures and other processes comprising its ICOFR that have materially affected, or are reasonably likely to materially affect, the Company's ICOFR.

QUARTERLY FINANCIAL HIGHLIGHTS

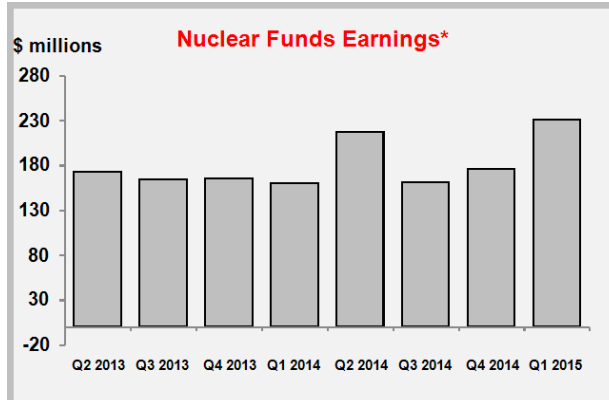
The following tables set out selected financial information from OPG's unaudited interim consolidated financial statements for each of the eight most recently completed quarters.

<i>(millions of dollars - except where noted)</i> (unaudited)	March 31 2015	December 31 2014	September 30 2014	June 30 2014
Revenue	1,355	1,318	1,160	1,098
Income before extraordinary item attributable to the Shareholder	234	86	118	115
Income before extraordinary item attributable to non-controlling interest	5	4	1	1
Income before extraordinary item	239	90	119	116
Net income attributable to the Shareholder	234	86	361	115
Net income attributable to non-controlling interest	5	4	1	1
Net income	239	90	362	116
Per share, attributable to the Shareholder (dollars)				
Income before extraordinary item	\$0.91	\$0.34	\$0.46	\$0.45
Net income	\$0.91	\$0.34	\$1.41	\$0.45

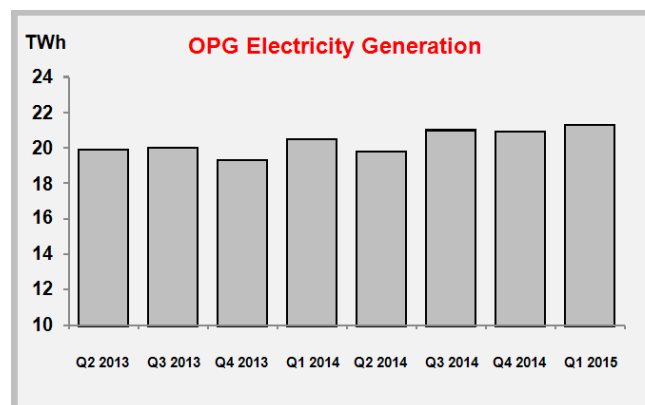
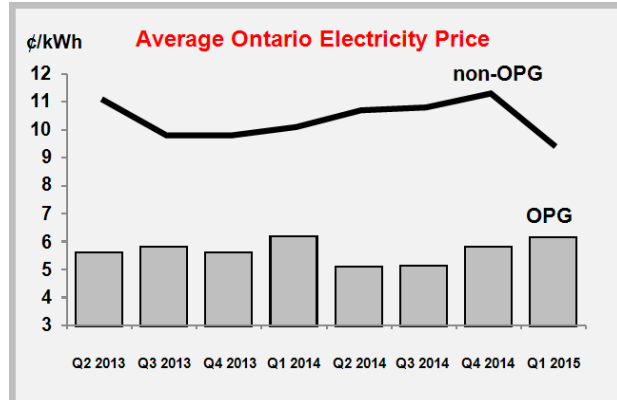
<i>(millions of dollars - except where noted)</i> (unaudited)	March 31 2014	December 31 2013	September 30 2013	June 30 2013
Revenue	1,387	1,174	1,244	1,190
Net income attributable to the Shareholder	242	4	30	73
Net income per common share (dollars)	\$0.94	\$0.02	\$0.12	\$0.28

Trends

OPG's quarterly results are affected by changes in demand primarily resulting from variations in seasonal weather conditions. Historically, OPG's revenues are higher in the first quarter of a fiscal year, as a result of winter heating demands, and in the third quarter due to air conditioning and cooling demands.



*net of regulatory variance account



Additional items which affected net income in certain quarters above are described in OPG's 2014 annual MD&A under the heading, *Quarterly Financial Highlights*.

SUPPLEMENTARY NON-GAAP FINANCIAL MEASURES

In addition to providing net income in accordance with US GAAP, certain non-GAAP financial measures are also presented in OPG's MD&A and unaudited interim consolidated financial statements. These non-GAAP measures do not have any standardized meaning prescribed by US GAAP and, therefore, may not be comparable to similar measures presented by other issuers. OPG utilizes these measures to make operating decisions and assess performance. Readers of the MD&A, unaudited interim consolidated financial statements and the notes thereto may utilize these measures in assessing the Company's financial performance from ongoing operations. The Company believes that these indicators are important since they provide additional information about OPG's performance, facilitate comparison of results over different periods, and present a measure consistent with the corporate strategy to operate on a financially sustainable basis. These non-GAAP financial measures have not been presented as an alternative to net income in accordance with US GAAP, but as an indicator of operating performance.

The definitions of the non-GAAP financial measures are as follows:

(1) **ROE** is defined as net income attributable to the Shareholder divided by average equity attributable to the Province excluding AOCI, for the period. ROE is measured over a 12-month period.

(2) **FFO Interest Coverage** is defined as FFO before interest divided by Adjusted Interest Expense. FFO before interest is defined as cash flow provided by operating activities adjusted for interest paid, interest capitalized to fixed and intangible assets, and changes to non-cash working capital balances for the period. Adjusted Interest Expense includes net interest expense plus interest income, interest capitalized to fixed and intangible assets, interest related to regulatory assets and liabilities, and interest on pension and OPEB projected benefit obligations less expected return on pension plan assets for the period.

FFO Interest Coverage is measured over a period of twelve months and is calculated as follows:

	For the twelve months ended	
	March 31 2015	December 31 2014
<i>(millions of dollars – except where noted)</i>		
FFO before interest		
Cash flow provided by operating activities	1,460	1,433
Add: Interest paid	273	273
Less: Interest capitalized to fixed and intangible assets	(123)	(135)
Add: Changes to non-cash working capital balances	(265)	(212)
FFO before interest	1,345	1,359
Adjusted interest expense		
Net interest expense	115	80
Add: Interest income	10	10
Add: Interest capitalized to fixed and intangible assets	123	135
Add: Interest related to regulatory assets and liabilities	52	75
Add: Interest on pension and OPEB projected benefit obligation less expected return on pension plan assets	146	179
Adjusted Interest Expense	446	479
FFO Interest Coverage (times)	3.0	2.8

(3) **Gross margin** is defined as revenue less fuel expense.

(4) **Earnings** are defined as net income.

Additional information about OPG, including its annual MD&A, and audited annual consolidated financial statements as at and for the year ended December 31, 2014 and notes thereto can be found on SEDAR at www.sedar.com.

For further information, please contact:

Investor Relations

416-592-6700

1-866-592-6700

investor.relations@opg.com

Media Relations

416-592-4008

1-877-592-4008

www.opg.com

www.sedar.com

ONTARIO POWER GENERATION INC.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
MARCH 31, 2015



INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Three Months Ended March 31		
<i>(millions of dollars except where noted)</i>		
	2015	2014
Revenue (Note 12)	1,355	1,387
Fuel expense (Note 12)	157	149
Gross margin (Note 12)	1,198	1,238
Expenses (Note 12)		
Operations, maintenance and administration	665	670
Depreciation and amortization	196	181
Accretion on fixed asset removal and nuclear waste management liabilities	224	196
Earnings on nuclear fixed asset removal and nuclear waste management funds	(231)	(160)
Property taxes	13	11
Income from investments subject to significant influence	(11)	(13)
Restructuring	-	2
	856	887
Income before other loss, interest, and income taxes	342	351
Other loss	-	1
Income before interest and income taxes	342	350
Net interest expense (Note 5)	47	12
Income before income taxes	295	338
Income tax expense	56	95
Net income	239	243
Net income attributable to the Shareholder	234	242
Net income attributable to non-controlling interests	5	1
Basic and diluted net income per common share (dollars)	0.91	0.94
Common shares outstanding (millions)	256.3	256.3

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Three Months Ended March 31		
<i>(millions of dollars)</i>		
	2015	2014
Net income	239	243
Other comprehensive income, net of income taxes <i>(Note 7)</i>		
Net gain (loss) on derivatives designated as cash flow hedges ¹	1	(1)
Reclassification to income of losses from cash flow hedges ²	3	3
Reclassification to income of amounts related to pension and other post-employment benefits ³	5	9
Other comprehensive income for the period	9	11
Comprehensive income	248	254
Comprehensive income attributable to the Shareholder	243	253
Comprehensive income attributable to non-controlling interests	5	1

¹ Net of income tax expenses of nil and income tax recoveries of \$1 million for the three months ended March 31, 2015 and 2014, respectively.

² Net of income tax expenses of \$1 million and nil for the three months ended March 31, 2015 and 2014.

³ Net of income tax expenses of \$1 million and \$4 million for the three months ended March 31, 2015 and 2014, respectively.

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Three Months Ended March 31 <i>(millions of dollars)</i>	2015	2014
Operating activities		
Net income	239	243
Adjust for non-cash items:		
Depreciation and amortization	196	181
Accretion on fixed asset removal and nuclear waste management liabilities	224	196
Earnings on nuclear fixed asset removal and nuclear waste management funds	(231)	(160)
Pension and other post-employment benefit costs <i>(Note 8)</i>	120	116
Deferred income taxes and other accrued charges	(3)	45
Mark-to-market on derivative instruments	42	(98)
Provision for used nuclear fuel and low and intermediate level waste	31	27
Regulatory assets and liabilities	(28)	46
Provision for materials and supplies	7	5
Other	(8)	(2)
	589	599
Contributions to nuclear fixed asset removal and nuclear waste management funds	(35)	(34)
Expenditures on fixed asset removal and nuclear waste management	(46)	(46)
Reimbursement of expenditures on nuclear fixed asset removal and nuclear waste management	22	24
Contributions to pension funds and expenditures on other post-employment benefits and supplementary pension plans	(122)	(104)
Expenditures on restructuring	(4)	(2)
Net changes to other long-term assets and liabilities	18	11
Net changes to non-cash working capital balances <i>(Note 13)</i>	33	(20)
Cash flow provided by operating activities	455	428
Investing activities		
Investment in property, plant and equipment and intangible assets	(276)	(385)
Cash flow used in investing activities	(276)	(385)
Financing activities		
Repayment of long-term debt	(300)	-
Distribution paid to non-controlling interests	(5)	-
Issuance of short-term notes	990	522
Repayment of short-term notes	(940)	(372)
Cash flow (used in) provided by financing activities	(255)	150
Net (decrease) increase in cash and cash equivalents	(76)	193
Cash and cash equivalents, beginning of period	610	562
Cash and cash equivalents, end of period	534	755

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at <i>(millions of dollars)</i>	March 31 2015	December 31 2014
Assets		
Current assets		
Cash and cash equivalents	534	610
Receivables from related parties	426	482
Other accounts receivable and prepaid expenses	150	136
Nuclear fixed asset removal and nuclear waste management funds	17	25
Fuel inventory	324	334
Materials and supplies	89	94
Regulatory assets <i>(Note 3)</i>	125	167
Deferred income taxes	20	8
	1,685	1,856
Property, plant and equipment	26,123	25,859
Less: accumulated depreciation	8,416	8,266
	17,707	17,593
Intangible assets	442	432
Less: accumulated amortization	359	356
	83	76
Other assets		
Nuclear fixed asset removal and nuclear waste management funds	14,649	14,354
Long-term materials and supplies	338	338
Regulatory assets <i>(Note 3)</i>	7,043	7,024
Investments subject to significant influence <i>(Note 14)</i>	348	348
Other long-term assets	59	64
	22,437	22,128
	41,912	41,653

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at <i>(millions of dollars)</i>	March 31 2015	December 31 2014
Liabilities		
Current liabilities		
Accounts payable and accrued charges	1,096	1,151
Deferred revenue due within one year	12	12
Long-term debt due within one year <i>(Note 4)</i>	203	503
Short-term debt <i>(Note 5)</i>	50	-
Regulatory liabilities <i>(Note 3)</i>	4	5
Income tax payable	54	24
	1,419	1,695
Long-term debt <i>(Note 4)</i>	5,227	5,227
Other liabilities		
Fixed asset removal and nuclear waste management liabilities <i>(Note 6)</i>	17,240	17,028
Pension liabilities	3,535	3,570
Other post-retirement benefit liabilities	3,076	3,050
Long-term accounts payable and accrued charges	566	529
Deferred revenue	221	212
Deferred income taxes	854	836
Regulatory liabilities <i>(Note 3)</i>	64	39
	25,556	25,264
Equity		
Common shares ¹	5,126	5,126
Retained earnings	4,930	4,696
Accumulated other comprehensive loss <i>(Note 7)</i>	(487)	(496)
Equity attributable to the Shareholder	9,569	9,326
Equity attributable to non-controlling interests	141	141
Total Equity	9,710	9,467
	41,912	41,653

¹ 256,300,010 common shares outstanding at a stated value of \$5,126 million as at March 31, 2015 and December 31, 2014.

Commitments and Contingencies *(Notes 4, 10 and 11)*

See accompanying notes to the interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Three Months Ended March 31 <i>(millions of dollars)</i>	2015	2014
Common shares	5,126	5,126
Retained earnings		
Balance at beginning of period	4,696	3,892
Net income attributable to the Shareholder	234	242
Balance at end of period	4,930	4,134
Accumulated other comprehensive loss, net of income taxes		
Balance at beginning of period	(496)	(684)
Other comprehensive income	9	11
Balance at end of period	(487)	(673)
Equity attributable to the Shareholder	9,569	8,587
Equity attributable to non-controlling interests		
Balance at beginning of period	141	-
Capital contribution from non-controlling interests	-	27
Distribution to non-controlling interests	(5)	-
Net income attributable to non-controlling interests	5	1
Balance at end of period	141	28
Total equity	9,710	8,615

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015 and 2014

1. BASIS OF PRESENTATION

These interim consolidated financial statements for the three months ended March 31, 2015 and 2014 include the accounts of Ontario Power Generation Inc. (OPG or Company) and its subsidiaries. The Company consolidates its interest in entities over which it is able to exercise control and attributes the results to its sole shareholder, the Province of Ontario (Province). Interests owned by other parties are reflected as non-controlling interests. These interim consolidated financial statements have been prepared and presented in accordance with United States generally accepted accounting principles (US GAAP) and the rules and regulations of the United States Securities and Exchange Commission for interim financial statements. These interim consolidated statements do not contain all of the disclosures required by US GAAP for annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2014. All dollar amounts are presented in Canadian dollars.

Certain of the 2014 comparative amounts have been reclassified from financial statements previously presented to conform to the 2015 interim consolidated financial statement presentation.

Use of Management Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the interim consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Management evaluates the Company's estimates on an ongoing basis based on historical experience, current conditions and assumptions believed to be reasonable at the time the assumption is made, with any adjustments recognized in income in the period incurred. Significant estimates are included in the determination of pension and other post-employment benefits (OPEB), asset retirement obligations, income taxes (including deferred income taxes), contingencies, regulatory assets and liabilities, valuation of derivative instruments, depreciation and amortization, and inventories. Actual results may differ significantly from these estimates.

Seasonal Operations

OPG's quarterly results are affected by changes in demand primarily resulting from variations in seasonal weather conditions. Historically, OPG's revenues are higher in the first quarter of a fiscal year as a result of winter heating demands, and in the third quarter due to air conditioning and cooling demands. Regulated prices for most of OPG's hydroelectric facilities and all of the nuclear facilities that OPG operates, and energy supply agreements for OPG's unregulated facilities reduce the impact of seasonal price fluctuations on the results of operations.

2. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance, including industry-specific guidance, under US GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. In April 2015, the FASB tentatively decided to defer the effective date of the new revenue standard for public entities reporting under US GAAP from 2017 to 2018. As such, the standard is expected to be applicable to OPG for its 2018 fiscal year, including interim periods. OPG is currently assessing the impact of this new standard on its consolidated financial statements.

3. REGULATORY ASSETS AND LIABILITIES

The regulatory assets and liabilities recorded as at March 31, 2015 and December 31, 2014 are as follows:

<i>(millions of dollars)</i>	March 31 2015	December 31 2014
Regulatory assets		
<i>Variance and deferral accounts as authorized by the Ontario Energy Board (OEB)</i>		
Pension and OPEB Cost Variance Account (Note 8)	939	939
Bruce Lease Net Revenues Variance Account	316	315
Nuclear Liability Deferral Account	286	286
Capacity Refurbishment Variance Account	159	190
Pension & OPEB Cash Versus Accrual Differential Deferral Account (Note 8)	103	36
Hydroelectric Surplus Baseload Generation Variance Account	69	67
Other variance and deferral accounts	131	134
	2,003	1,967
Pension and OPEB Regulatory Asset (Note 8)	4,288	4,363
Deferred Income Taxes	877	861
Total regulatory assets	7,168	7,191
Less: current portion	125	167
Non-current regulatory assets	7,043	7,024
Regulatory liabilities		
<i>Variance and deferral accounts as authorized by the OEB</i>		
Other variance and deferral accounts	68	44
Total regulatory liabilities	68	44
Less: current portion	4	5
Non-current regulatory liabilities	64	39

As at March 31, 2015 and December 31, 2014, regulatory assets for other variance and deferral accounts included the Nuclear Deferral and Variance Over/Under Recovery Variance Account, the Nuclear Development Variance Account, the Pension & OPEB Cash Payment Variance Account, and other variance accounts authorized by the OEB. As at March 31, 2015 and December 31, 2014, regulatory liabilities for other variance and deferral accounts

included the Ancillary Services Net Revenue Variance Account, the Hydroelectric Water Conditions Variance Account, the Income and Other Taxes Variance Account, and other variance accounts authorized by the OEB.

4. LONG-TERM DEBT

Long-term debt consists of the following:

<i>(millions of dollars)</i>	March 31 2015	December 31 2014
Notes payable to the Ontario Electricity Financial Corporation (OEFC)	3,665	3,965
UMH Energy Partnership debt	190	190
Lower Mattagami Energy Limited Partnership debt	1,575	1,575
	5,430	5,730
Less: due within one year	203	503
Long-term debt	5,227	5,227

During the first quarter of 2015, \$300 million of long-term debt was repaid (March 31, 2014 – nil).

5. SHORT-TERM DEBT AND NET INTEREST EXPENSE

OPG maintains a \$1 billion revolving committed bank credit facility, which is divided into two \$500 million multi-year term tranches. In the second quarter of 2015, OPG renewed and extended both tranches to May 2020. As at March 31, 2015, there were no outstanding borrowings under the bank credit facility.

Lower Mattagami Energy Limited Partnership maintains a \$600 million bank credit facility to support the funding requirements of the Lower Mattagami River project, including the commercial paper program. The facility consists of two \$300 million multi-year term tranches. The first tranche matures in August 2019 while the second tranche matures in August 2015. As at March 31, 2015, there was \$50 million of commercial paper outstanding under the commercial paper program (December 31, 2014 – nil).

The following table summarizes net interest expense:

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2015	2014
Interest on long-term debt	72	72
Interest on short-term debt	1	1
Interest income	(3)	(3)
Interest capitalized to property, plant and equipment and intangible assets	(23)	(35)
Interest related to regulatory assets and liabilities ¹	-	(23)
Net interest expense	47	12

¹ Includes interest to recognize the cost of financing related to regulatory assets and liabilities, as authorized by the OEB, and interest deferred in the regulatory assets for the Capacity Refurbishment Variance Account and the Bruce Lease Net Revenues Variance Account.

6. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT LIABILITIES

The liabilities for fixed asset removal and nuclear waste management on a present value basis as at March 31, 2015 and December 31, 2014 consist of the following:

<i>(millions of dollars)</i>	March 31 2015	December 31 2014
Liability for nuclear used fuel management	10,597	10,459
Liability for nuclear decommissioning and low and intermediate level waste management	6,274	6,204
Liability for non-nuclear fixed asset removal	369	365
Fixed asset removal and nuclear waste management liabilities	17,240	17,028

7. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in the balance of each component of accumulated other comprehensive loss (AOCL), net of income taxes, are as follows:

<i>(millions of dollars)</i>	Three Months Ended March 31, 2015		
	Unrealized Gains and Losses on Cash Flow Hedges ¹	Pension and OPEB ¹	Total ¹
AOCL, beginning of period	(117)	(379)	(496)
Net gain on cash flow hedges	1	-	1
Amounts reclassified from AOCL	3	5	8
Other comprehensive income for the period	4	5	9
AOCL, end of period	(113)	(374)	(487)

¹ All amounts are net of income taxes.

<i>(millions of dollars)</i>	Three Months Ended March 31, 2014		
	Unrealized Gains and Losses on Cash Flow Hedges ¹	Pension and OPEB ¹	Total ¹
AOCL, beginning of period	(129)	(555)	(684)
Net loss from cash flow hedges	(1)	-	(1)
Amounts reclassified from AOCL	3	9	12
Other comprehensive income for the period	2	9	11
AOCL, end of period	(127)	(546)	(673)

¹ All amounts are net of income taxes.

The significant amounts reclassified out of each component of AOCL, net of income taxes, during the three months ended March 31, 2015 and 2014 are as follows:

<i>(millions of dollars)</i>	Amount Reclassified from AOCL		Statement of Income Line Item
	2015	2014	
Amortization of losses from cash flow hedges Losses	3	3	Net interest expense
Amortization of amounts related to pension and OPEB Actuarial loss	5	9	See (1) below
Total reclassifications for the period	8	12	

¹ These AOCL components are included in the computation of pension and OPEB costs (see Note 8 for additional details).

8. PENSION AND OPEB

OPG's total benefit costs for the three months ended March 31, 2015 and 2014 are as follows:

<i>(millions of dollars)</i>	Registered Pension Plans		Supplementary Pension Plans		OPEB	
	2015	2014	2015	2014	2015	2014
<i>Components of Cost Recognized</i>						
Current service costs	80	59	2	2	18	16
Interest on projected benefit obligation	157	165	3	4	32	34
Expected return on plan assets, net of expenses	(179)	(157)	-	-	-	-
Amortization of net actuarial loss ¹	73	65	1	1	7	2
Cost recognized ²	131	132	6	7	57	52

¹ The amortization of net actuarial loss is recognized as an increase to other comprehensive income. This increase in the first quarter of 2015 was partially offset by a decrease in the Pension and OPEB Regulatory Asset of \$75 million (three months ended March 31, 2014 – \$55 million).

² These pension and OPEB costs for the three months ended March 31, 2015 exclude the reduction of costs resulting from the recognition of additions to the regulatory assets for the Pension and OPEB Cost Variance Account, the Pension & OPEB Cash Versus Accrual Differential Deferral Account and the Pension & OPEB Cash Payment Variance Account of nil, \$67 million, and \$7 million, respectively (three months ended March 31, 2014 – \$75 million, nil, and nil, respectively).

An actuarial valuation of the OPG registered pension plan was completed as of January 1, 2014 and was filed with the Financial Services Commission of Ontario in June 2014.

9. RISK MANAGEMENT AND DERIVATIVES

OPG is exposed to risks related to changes in market interest rates on debt expected to be issued in the future and movements in foreign currency that affect its assets, liabilities, and forecasted transactions. Select derivative instruments are used to manage such risks. Derivatives are used as hedging instruments, as well as for trading purposes.

Interest rate risk is the risk that the value of assets and liabilities can change due to movements in related interest rates. Interest rate risk for OPG arises with the need to refinance existing debt and/or undertake new financing. The management of these risks is undertaken by using derivatives to hedge the exposure in accordance with corporate risk management policies. OPG periodically uses interest rate swap agreements to mitigate elements of interest rate risk exposure associated with anticipated financing.

The conditional reduction to revenue in the future, embedded in the terms of the Bruce Power lease agreement (Bruce Lease), is treated as a derivative. Assumptions related to future electricity prices impact the valuation of the derivative liability embedded in the Bruce Lease.

OPG's foreign exchange exposure is primarily attributable to United States (US) dollar denominated transactions such as the purchase of fuels. OPG enters into foreign exchange derivatives and agreements with major financial institutions, when necessary, in order to manage the Company's exposure to foreign currency movements.

The majority of OPG's revenues are derived from sales through the Independent Electricity System Operator (IESO) administered spot market. Although the credit exposure to the IESO represents a significant portion of OPG's accounts receivable, the Company's management accepts this risk due to the IESO's primary role in the Ontario electricity market. The remaining receivables exposure is to a diverse group of generally high quality counterparties. OPG's allowance for doubtful accounts as at March 31, 2015 was less than \$1 million.

The following is a summary of OPG's derivative instruments:

<i>(millions of dollars except where noted)</i>	Notional Quantity	Terms	Fair Value	Balance Sheet Line Item
As at March 31, 2015				
Derivative embedded in the Bruce Lease	n/a	5 years	(341)	Long-term accounts payable and accrued charges
Other derivative instruments	various	various	7	Various
Total derivatives			(334)	

<i>(millions of dollars except where noted)</i>	Notional Quantity	Terms	Fair Value	Balance Sheet Line Item
As at December 31, 2014				
Derivative embedded in the Bruce Lease	n/a	5 years	(302)	Long-term accounts payable and accrued charges
Other derivative instruments	various	various	11	Various
Total derivatives			(291)	

Existing net losses of \$20 million deferred in AOCL as at March 31, 2015 are expected to be reclassified to net income within the next 12 months.

10. FAIR VALUE MEASUREMENTS

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by OPG is the current bid price. These instruments are included in Level 1 and are comprised primarily of equity investments and fund investments.

For financial instruments which do not have quoted market prices directly available, fair values are estimated using forward price curves developed from observable market prices or rates. The estimate of fair value may include the

use of valuation techniques or models, based wherever possible on assumptions supported by observable market prices or rates prevailing at the dates of the interim consolidated balance sheets. This is the case for over-the-counter derivatives and securities, which include energy commodity derivatives, foreign exchange derivatives, interest rate swap derivatives, and fund investments. Pooled fund investments are valued at the unit values supplied by the pooled fund administrators. The unit values represent the underlying net assets at fair values, determined using closing market prices. Valuation models use general assumptions and market data and therefore do not reflect the specific risks and other factors that would affect a particular instrument's fair value. The methodologies used for calculating the fair value adjustments are reviewed on an ongoing basis to ensure that they remain appropriate. If all significant inputs required to measure an instrument at fair value are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques were used to value these instruments. Significant Level 3 inputs include recent comparable transactions, comparable benchmark information, bid/ask spread of similar transactions, and other relevant factors.

The Company is required to determine the fair value of all its financial instruments. The following is a summary of OPG's financial instruments as at March 31, 2015 and December 31, 2014:

<i>(millions of dollars)</i>	Fair Value		Carrying Value ¹		Balance Sheet Line Item
	2015	2014	2015	2014	
Nuclear Funds - Decommissioning Fund and Used Fuel Fund (includes current portion) ²	14,666	14,379	14,666	14,379	Nuclear fixed asset removal and nuclear waste management funds
Payable related to cash flow hedges	(61)	(63)	(61)	(63)	Long-term accounts payable and accrued charges
Derivative embedded in the Bruce Lease	(341)	(302)	(341)	(302)	Long-term accounts payable and accrued charges
Long-term debt (includes current portion)	(6,259)	(6,326)	(5,430)	(5,730)	Long-term debt
Other financial instruments	14	19	14	19	Various

¹ The carrying values of other financial instruments included in cash and cash equivalents, receivables from related parties, other accounts receivable and accounts payable and accrued charges approximate their fair value due to the immediate or short-term maturity of these financial instruments.

² The fund values are net of amounts due to Province of \$1,400 million (December 31, 2014 – \$1,100 million) for the Decommissioning Fund and \$2,008 million (December 31, 2014 – \$1,429 million) for the Used Fuel Fund.

The fair value of long-term debt instruments is determined based on a conventional pricing model, which is a function of future cash flows, the current market yield curve and term to maturity. These inputs are considered Level 2 inputs.

The following tables present financial assets and liabilities measured at fair value in accordance with the fair value hierarchy as at March 31, 2015 and December 31, 2014:

<i>(millions of dollars)</i>	March 31, 2015			Total
	Level 1	Level 2	Level 3	
Assets				
Decommissioning Fund	3,190	2,842	426	6,458
Used Fuel Fund	668	7,458	82	8,208
Other financial instruments	1	4	14	19
Total	3,859	10,304	522	14,685
Liabilities				
Derivative embedded in the Bruce Lease	-	-	(341)	(341)
Other financial instruments	(2)	(3)	-	(5)
Total	(2)	(3)	(341)	(346)
Net assets	3,857	10,301	181	14,339

<i>(millions of dollars)</i>	December 31, 2014			Total
	Level 1	Level 2	Level 3	
Assets				
Decommissioning Fund	3,069	2,787	390	6,246
Used Fuel Fund	617	7,444	72	8,133
Other financial instruments	4	5	16	25
Total	3,690	10,236	478	14,404
Liabilities				
Derivative embedded in the Bruce Lease	-	-	(302)	(302)
Other financial instruments	(3)	(3)	-	(6)
Total	(3)	(3)	(302)	(308)
Net assets	3,687	10,233	176	14,096

During the three months ended March 31, 2015, there were no transfers between Level 1, Level 2 and Level 3.

The following tables present the changes in OPG's assets and liabilities measured at fair value based on Level 3:

<i>(millions of dollars)</i>	For the three months ended March 31, 2015			
	Decom- missioning Fund	Used Fuel Fund	Derivative Embedded in the Bruce Lease ¹	Other financial instruments
Opening balance, January 1, 2015	390	72	(302)	16
Unrealized gains included in earnings on nuclear fixed asset removal and nuclear waste management funds ¹	19	4	-	-
Unrealized losses included in revenue	-	-	(39)	(4)
Realized losses included in revenue	-	-	-	(5)
Purchases	30	6	-	7
Settlements	(13)	-	-	-
Closing balance, March 31, 2015	426	82	(341)	14

¹ Total gains (losses) exclude the impact of regulatory assets and liabilities.

Derivative Embedded in the Bruce Lease

Due to a significant unobservable input used in the pricing model of the Bruce Lease embedded derivative, the measurement of the liability is classified within Level 3.

The following table presents the quantitative information about the Level 3 fair value measurement of the Bruce Lease embedded derivative as at March 31, 2015:

<i>(millions of dollars except where noted)</i>	Fair Value	Valuation Technique	Unobservable Input	Range
Derivative embedded in the Bruce Lease	(341)	Option model	Risk Premium ¹	0% - 30%

¹ Represents the range of premiums used in the valuation analysis that OPG has determined market participants would use when pricing the derivative.

The term related to the derivative embedded in the Bruce Lease is based on the remaining service lives, for accounting purposes, for certain units of the Bruce generating stations. OPG's exposure to changes in the fair value of the Bruce Lease embedded derivative is mitigated as part of the OEB regulatory process, since the revenue from the lease of the Bruce generating stations is included in the determination of regulated prices and is subject to the Bruce Lease Net Revenues Variance Account. As such, the income statement impact as a result of changes in the fair value of the derivative liability is offset by the income statement impact of the Bruce Lease Net Revenues Variance Account.

Nuclear Funds

Nuclear Funds investments classified as Level 3 consist of real estate and infrastructure investments within the alternative investment portfolio. The fair value of the investments within the Nuclear Funds' alternative investment portfolio is determined using appropriate valuation techniques, such as recent arm's length market transactions, reference to current fair values of other instruments that are substantially the same, discounted cash flow analyses, third-party independent appraisals, valuation multiples, or other valuation methods. Any control, size, liquidity or other discount premiums on the investments are considered in the determination of fair value.

The process of valuing investments for which no published market price exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments. The values may also differ from the prices at which the investments may be sold.

The following are the classes of investments within the Nuclear Funds that are reported on the basis of net asset value as at March 31, 2015:

<i>(millions of dollars except where noted)</i>	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Infrastructure	628	236	n/a	n/a
Real Estate	510	256	n/a	n/a
Pooled Funds				
Short-term Investments	27	n/a	Daily	1 - 5 Days
Fixed Income	615	n/a	Daily	1 - 5 Days
Equity	748	n/a	Daily	1 - 5 Days
Total	2,528	492		

The fair value of the above investments is classified as either Level 2 or Level 3.

Infrastructure

This class includes investments in funds that have investment objective to generate a combination of long-term capital appreciation and current income generally through investments such as energy, transportation, and utilities.

The fair values of investments in this class have been estimated using the Nuclear Funds' ownership interest in partners' capital and/or underlying investments held by subsidiaries of an infrastructure fund.

The investments in the respective infrastructure funds are not redeemable. However, the Nuclear Funds may transfer any of its partnership interests/shares to another party, as stipulated in the partnership agreements and/or shareholders' agreements. Distributions from each infrastructure fund will be received based on the operations of the underlying investments and/or as the underlying investments of the infrastructure funds are liquidated. It is not possible to estimate when the underlying assets of the infrastructure funds will be liquidated. However, the infrastructure funds have a maturity end period ranging from 2019 to 2025.

Real Estate

This class includes investment in institutional-grade real estate property located in Canada. The investment objective is to provide a stable level of income with the opportunity for long-term capital appreciation.

The fair values of the investments in this class have been estimated using the net asset value of the Nuclear Funds' ownership interest in these investments.

The partnership investments are not redeemable. However, the Nuclear Funds may transfer any of their partnership interests to another party, as stipulated in the partnership agreement, with prior written consent of the other limited partners. For investments in private real estate corporations, shares may be redeemed through a pre-established redemption process. It is not possible to estimate when the underlying assets in this class will be liquidated.

Pooled Funds

This class represents investments in pooled funds, which primarily include a diversified portfolio of fixed income securities, issued mainly by Canadian corporations and diversified portfolios of emerging market listed equity and fixed income securities. The investment objective of the pooled funds is to achieve capital appreciation and income through professionally managed portfolios.

The fair value of the investments in this class has been estimated using the net asset value per share of the investments.

There are no significant restrictions on the ability to sell investments in this class.

11. COMMITMENTS AND CONTINGENCIES

Litigation

Various legal proceedings are pending against OPG or its subsidiaries covering a wide range of matters that arise in the ordinary course of its business activities.

On August 9, 2006, a Notice of Action and Statement of Claim filed with the Ontario Superior Court of Justice in the amount of \$500 million was served against OPG and Bruce Power L.P. by British Energy Limited and British Energy International Holdings Limited (together British Energy). The action is for contribution and indemnity of any amounts British Energy was liable for in an arbitration against it by some of the owners of Bruce Power L.P. regarding an alleged breach of British Energy's representations and warranties to the claimants when they purchased British Energy's interest in Bruce Power L.P. (the Arbitration). Both the action and the Arbitration relate to corrosion of a steam generator unit discovered after OPG leased the Bruce nuclear generating stations to Bruce Power L.P.

In 2012, the arbitrator found that British Energy was liable to the claimants for some of the damages they claimed. The final settlement amount was valued by British Energy at \$71 million. In September 2014, British Energy amended its Statement of Claim (Amended Claim) to reduce the claim amount to \$100 million to reflect that the purchasers of British Energy's interest in Bruce Power L.P. did not receive the full damages they originally claimed in the Arbitration. British Energy also added an allegation to its Amended Claim that OPG breached a covenant to maintain the steam generator between the time of the initial agreement to lease and the effective date of the lease in accordance with "Good Utility Practices". OPG has initiated the inspection of various documents referenced in the amended Statement of Claim prior to preparing its Statement of Defence.

Certain First Nations have commenced actions against OPG for interference with their respective reserve and traditional land rights. As well, OPG has been brought into certain actions by the First Nations against other parties as a third party defendant.

Each of these matters is subject to various uncertainties. Some of these matters may be resolved unfavourably. While it is not possible to determine the ultimate outcome of the various pending actions, it is the Company's belief that their resolution is not likely to have a material adverse impact on its financial position.

Environmental

Current operations are subject to regulation with respect to emissions to air, water, and land as well as other environmental matters by federal, provincial, and local authorities. The cost of obligations associated with current operations is provided for on an ongoing basis. Management believes it has made adequate provision in its interim consolidated financial statements to meet certain other environmental obligations. As at March 31, 2015, OPG's environmental liabilities were \$15 million (December 31, 2014 – \$15 million).

Guarantees

The Company and its joint venture partners have jointly guaranteed the financial performance of jointly owned entities related primarily to the payment of liabilities. As at March 31, 2015, the total amount of guarantees OPG provided to these entities was \$80 million. OPG may terminate some of these guarantees within a short time frame by providing written notice to the counterparties at any time. Other guarantees have terms ending between 2019 and 2029. As at March 31, 2015, the potential impact of the fair value of these guarantees to income has been estimated to be negligible and OPG does not expect to make any payments associated with these guarantees.

Contractual and Commercial Commitments

The Company's contractual obligations and other significant commercial commitments as at March 31, 2015 are as follows:

<i>(millions of dollars)</i>	2015	2016	2017	2018	2019	Thereafter	Total
Contractual obligations:							
Fuel supply agreements	137	176	169	153	50	130	815
Contributions under the Ontario Nuclear Funds Agreement (ONFA) ¹	108	150	163	193	288	2,418	3,320
Pension contributions to the OPG registered pension plan ²	271	370	-	-	-	-	641
Long-term debt repayment	203	273	1,103	398	368	3,085	5,430
Interest on long-term debt	181	249	230	174	155	1,986	2,975
Unconditional purchase obligations	73	8	-	-	-	-	81
Operating lease obligations	16	14	14	13	11	60	128
Commitments related to Darlington Refurbishment ³	268	-	-	-	-	-	268
Operating licence	22	23	23	18	19	-	105
Accounts payable	258	-	-	-	-	-	258
Other	72	19	14	5	60	9	179
	1,609	1,282	1,716	954	951	7,688	14,200
Significant commercial commitments:							
Lower Mattagami	78	-	-	-	-	-	78
Peter Sutherland Sr. GS	97	87	41	-	-	-	225
Total	1,784	1,369	1,757	954	951	7,688	14,503

¹ Contributions under the ONFA are based on the 2012 ONFA Reference Plan contribution schedule approved in 2012.

² The pension contributions include ongoing funding requirements and additional funding requirements towards the deficit, in accordance with the actuarial valuation of the OPG registered pension plan as at January 1, 2014. The next actuarial valuation of the OPG registered pension plan must have an effective date no later than January 1, 2017. The pension contributions are affected by various factors including market performance, changes in actuarial assumptions, plan experience, changes in the pension regulatory environment, and the timing of funding valuations. Funding requirements after 2017 for the OPG registered pension plan are excluded due to significant variability in the assumptions required to project the timing of future cash flows. The amount of OPG's additional voluntary contribution, if any, is revisited from time to time.

³ Represents estimated currently committed costs to close the project, including demobilization of project staff and cancellation of existing contracts and material orders.

Peter Sutherland Sr. GS

In March 2015, OPG's Board of Directors approved the project to construct a new 28 MW station called Peter Sutherland Sr. GS on the New Post Creek, near its outlet to the Abitibi River, with a planned in-service date in the first half of 2018. During the first quarter of 2015, OPG and the IESO also agreed to the terms for an Energy Supply Agreement. The station will be constructed through a partnership between OPG and Coral Rapids L.P., a wholly owned subsidiary of the Taykwa Tagamou Nation. Under the partnership agreement, Coral Rapids L.P. may acquire up to 33 percent interest in the partnership.

12. BUSINESS SEGMENTS

Segment Income (Loss) for the Three Months Ended March 31, 2015 <i>(millions of dollars)</i>	Regulated			Unregulated			Total
	Nuclear Generation	Nuclear Waste Manage- ment	Hydro- electric	Contracted Generation Portfolio	Services, Trading, and other Non- Generation	Elimination	
Revenue	813	32	394	123	24	(31)	1,355
Fuel expense	78	-	71	7	1	-	157
Gross margin	735	32	323	116	23	(31)	1,198
Operations, maintenance and administration	527	34	75	44	16	(31)	665
Depreciation and amortization	114	-	60	17	5	-	196
Accretion on fixed asset removal and nuclear waste management liabilities	-	220	-	2	2	-	224
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(231)	-	-	-	-	(231)
Property taxes	7	-	-	2	4	-	13
Income from investments subject to significant influence	-	-	-	(11)	-	-	(11)
Income (loss) before interest and income taxes	87	9	188	62	(4)	-	342

Segment (Loss) Income for the Three Months Ended March 31, 2014 <i>(millions of dollars)</i>	Regulated			Unregulated			Total
	Nuclear Generation	Nuclear Waste Manage- ment	Hydro- electric	Contracted Generation Portfolio	Services, Trading, and other Non- Generation	Elimination	
Revenue	708	29	496	93	89	(28)	1,387
Fuel expense	60	-	71	16	2	-	149
Gross margin	648	29	425	77	87	(28)	1,238
Operations, maintenance and administration	511	31	76	43	37	(28)	670
Depreciation and amortization	130	-	41	5	5	-	181
Accretion on fixed asset removal and nuclear waste management liabilities	-	192	-	2	2	-	196
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(160)	-	-	-	-	(160)
Property taxes	7	-	-	1	3	-	11
Income from investments subject to significant influence	-	-	-	(13)	-	-	(13)
Restructuring	-	-	-	-	2	-	2
Other loss	-	-	1	-	-	-	1
(Loss) income before interest and income taxes	-	(34)	307	39	38	-	350

13. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2015	2014
Receivables from related parties	56	(21)
Other accounts receivable and prepaid expenses	(20)	(23)
Fuel inventory	10	29
Income taxes payable/recoverable	30	84
Materials and supplies	5	4
Accounts payable and accrued charges	(48)	(93)
	33	(20)

14. INVESTMENTS SUBJECT TO SIGNIFICANT INFLUENCE

Investments subject to significant influence consist of OPG's 50 percent ownership interest in the jointly controlled entities of the Portlands Energy Centre (PEC) gas-fired combined cycle generating station and the Brighton Beach (Brighton Beach) gas-fired combined cycle generating station, which are accounted for using the equity method. Details of the balances as at March 31, 2015 and December 31, 2014 are as follows:

<i>(millions of dollars)</i>	2015	2014
PEC		
Current assets	17	15
Long-term assets	282	287
Current liabilities	(6)	(5)
Long-term liabilities	(4)	(4)
Brighton Beach		
Current assets	10	6
Long-term assets	183	186
Current liabilities	(14)	(13)
Long-term debt	(114)	(118)
Other long-term liabilities	(6)	(6)
Investments subject to significant influence	348	348