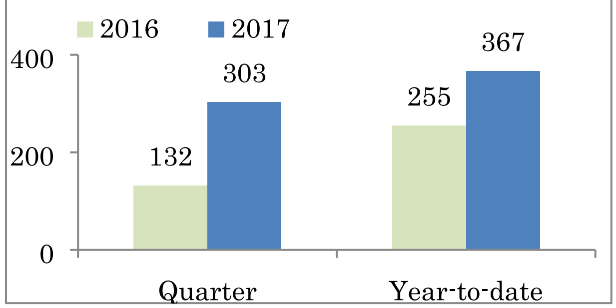
OPG Q2-2017 Results

Financials

Net income attributable to the province was $303M, an increase of $171M compared to Q2-2016.

Factors Impacting Net Income
↑ Higher earnings of $381 million from the Services, Trading, and Other Non-Generation segment, primarily from pre-tax gain on sale of OPG's head office. A gain on sale of $283 million, net of tax effects of $95 million, was recognized in net income.
↓ Lower earnings from nuclear base regulated price of $72 million, partially offset by a decrease in nuclear fuel expense of $11 million, reflecting lower generation of 1.3 TWh from Regulated - Nuclear Generation segment (primarily from Darlington refurbishment) and existing base regulated prices OEB set in 2014.
↓ Lower earnings on Nuclear Segregated Funds of $31 million, primarily due to lower earnings on the Used Fuel Segregated Fund.
↓ Higher depreciation and amortization expense of $11 million (excluding balances in regulatory accounts) primarily due to new assets in the Regulated - Nuclear Generation segment.

Net Income attributable to province *($ million)*



Income Taxes:

- Income tax expense for Q2 was $97 million, compared to $6 million for the same period in 2016, an increase primarily due to higher income before taxes, a lower change in reserves from the resolution of uncertainties, and a higher amount of tax expense deferred in regulatory assets in 2017.

Financing & Investing Activities:

Financial Indicators	Q2 2017	Q2 2016
Cash flow from Operations	$143M	$348M
Cash flow from Investing	$58M	$(586)M
FFO*	4.5x	5.1x
ROE*	5.0%	4.2%

*FFO Adjusted Interest Coverage and ROE Excluding AOCI, calculated over the last 12 month period and compared to 12 months ending last calendar year (December 31, 2016).

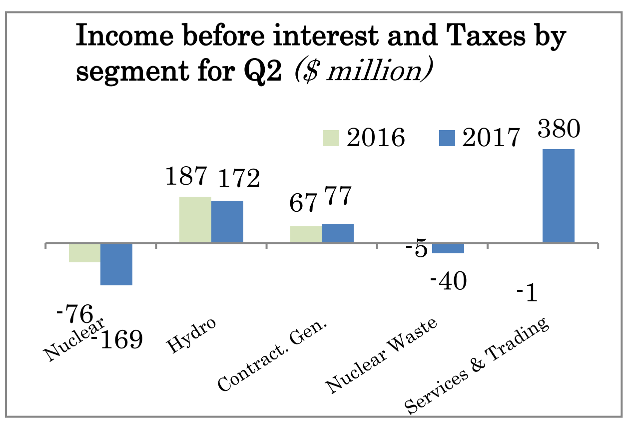
- Decrease in cash flow provided by operating activities was expected and primarily reflects lower nuclear generation (primarily due to Darlington refurbishment) and the expiry of the OEB-authorized rate riders for nuclear and regulated hydro generation at end of 2016.
- Decrease in cash flow used in investing activities was primarily due to the receipt of proceeds from OPG's head office sale and the purchase of 9M Hydro one common shares, partially offset by higher expenditures on Darlington Refurbishment in 2017.
- FFO Interest Coverage decreased due to lower cash flow provided by operating activities, partially offset by the impact of a lower adjusted interest expense due to a decrease in the excess of interest on pension and OPEB projected benefit obligations over expected return on assets.
- ROE increased primarily due to higher net income attributable to the Shareholder, which reflected the gain on sale of OPG's head office, partly offset by lower earnings from a decrease in nuclear generation (primarily due to Darlington refurbishment) without a corresponding increase in the nuclear base regulated price, as expected.

Long Term Debt:

- OPG maintains a $1 billion revolving committed bank credit facility, which is divided into two $500 million multi-year term tranches expiring in May 2022.
- In June 2016, OPG entered into a $700 million general corporate credit facility agreement with the OEFC, expiring December 2017 and has $300 million outstanding. In August 2017, the credit facility was increased to $2,350 million, expiring in December 2018 [TBC].

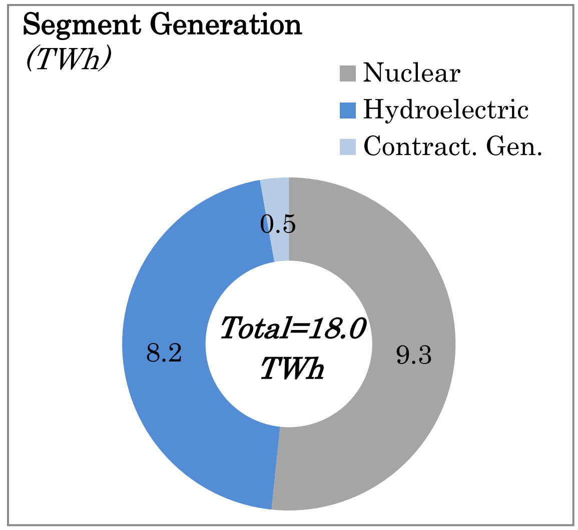
Debt	Total	Issued Q2
Notes payable to OEFC	$3,385 M	$100M
UMH Energy Partnership Debt	$182M	-
Lower Mattagami Energy Partnership (LME)	$1,795 M	-
PSS Generating Station Limited Partnership	$245M	-

Segmented Results/Operations

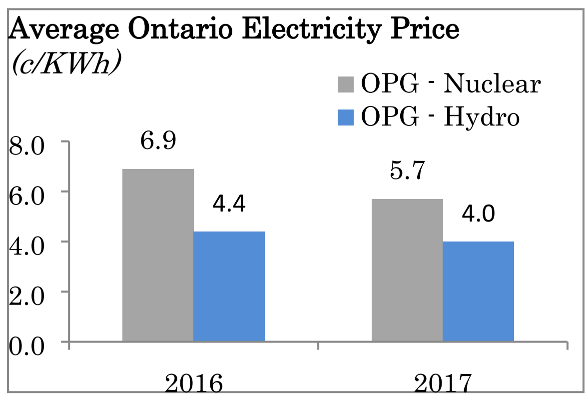


The chart below summarizes changes in OPG's segmented performance from Q2 2017:

Segment	Reason for change
Nuclear	Decrease in earnings was expected and primarily due to reduced revenue from nuclear base price, partly offset by lower fuel expenses.
Hydro	Decrease in earnings was primarily from income impact of OEB-approved variance accounts and lower hydroelectric incentive mechanism payments.
Contracted generation	Increase in earnings mainly resulted from revenues from Peter Sutherland Sr. GS that was placed in-service in Q1, higher revenues from Lennox GS primarily due to increased production to support electricity system requirements, and lower OM&A.
Nuclear Waste	Decrease in earnings was primarily due to lower earnings from the Nuclear Segregated Funds
Services & Trading	Increase in earnings mainly reflected the gain on sale of OPG's head office.



OPG remains Ontario's low cost generator; receiving rates lower than non-OPG averages. The following shows average OPG electricity prices over Q2, 2017 & 2016:



Capital Projects

Darlington Refurbishment:

- In October 2016, OPG commenced the refurbishment of the first unit, Unit 2, as planned. Once refurbished, Unit 2 is scheduled to be returned to service in the first quarter of 2020, at which time capital expenditures of approximately $4.8 billion are planned to be placed in service. This includes expenditures incurred during the definition and planning phase of the project.

- A number of pre-requisite projects in support of the execution phase, including construction of facilities, infrastructure upgrades and installation of safety enhancements, have been completed. Completion of the Heavy Water Storage and Drum Handling Facility has been delayed due to challenges with construction as OPG suspended the project in Q2 to reassess its approach to the project while remediation measures are in progress. As the facility is not on the Darlington Refurbishment project's critical path, OPG does not expect delays with the overall project.
- In addition to refurbishment activities for Unit 2, OPG is continuing planning activities for the refurbishment of the second unit, Unit 3, and is entering into associated commitments to procure major components that require long lead times. As of June 30, 2017, $51 million has been invested in planning activities related to Unit 3.

Deep Geologic Repository (DGR) for Low and Intermediate Level Waste (L&ILW)

- In February 2016, the federal Minister of Environment and Climate Change requested additional information on certain aspects of the environmental assessment (EA) for OPG's proposed L&ILW DGR, including information related to alternate project locations. OPG has responded and on June 26, 2017, the Canadian Environmental Assessment Agency (CEAA) notified OPG that it had sufficient information for the next step of the EA process, advising that a draft report and updated terms and conditions will be prepared for public review.
- The Western Waste Management Facility (WWMF) located at the Bruce generating stations' site remains OPG's preferred solution for the safe long-term management of the L&ILW.
- An EA Decision Statement by the Minister is expected in Q4 2017, and if it supports licensing, a number of conditions will need to be met before construction begins. In addition, OPG continues its engagement with the Saugeen Ojibway Nations toward securing community support for the L&ILW DGR. The project is expected to be in-service about six to seven years from start of construction.

Ranney Falls Hydroelectric GS:

- During Q2, OPG continued construction work of a 10 MW single-unit powerhouse on the existing Ranney Falls GS site, as part of the Regulated – Hydroelectric segment.
- The project's expected in-service date is in the fourth quarter of 2019, with a budget of $77 million. The project is tracking on schedule and budget.

Nanticoke Solar Facility:

- The project to construct a 44 MW solar facility at OPG's Nanticoke GS site and adjacent lands under a IESO LRP contract, through Nanticoke Solar LP, a partnership between OPG and a subsidiary of the Six Nations of Grand River Development Corporation, is planned to begin as early as Q4.
- During Q2, the partnership continued work to obtain approvals and permits required to enable the commencement of construction, and progressed procurement activities for equipment and for engineering and construction services. The facility is expected to be completed in Q1 2019.

Capital Project	Costs to date ($M)
Darlington Refurbishment	3,793
DGR	200
Peter Sutherland Sr. GS	268
Ranney Falls GS	12
Nanticoke Solar	2
Total	4,275

Recent Updates

OEB Report on Regulatory Treatment of Pension and OPEB Costs:

- On May 18, 2017, the OEB issued its report on the guiding principles and the policy for recovery mechanisms of pension and OPEB costs. This report established accrual basis as the default rate-setting method.
- This outcome reduces OPG's risk related to the recovery of actual pension and OPEB accrual costs and the recovery of the balance in the Pension & OPEB Cash Versus Accrual Differential Deferral Account.

Ontario's Fair Hydro Plan:

- On March 2, 2017, the Province announced Ontario's Fair Hydro Plan (the Fair Hydro Plan) aimed at reducing electricity bills for all residential consumers in the province on average by 25 percent. As part of the Fair Hydro Plan, the Province has proposed refinancing a portion of the Global Adjustment (GA) costs over a longer time period for Regulated Price Plan and other eligible customers.
- *The Ontario Fair Hydro Plan Act, 2017* received Royal Assent on June 1, 2017 and regulations under this Act came into force in June

and early July. The regulations clarify aspects of the structure and programs that are required for OPG, appointed as the Financial Services Manager of the Fair Hydro Plan, to refinance a portion of the Global Adjustment through a financing entity.

- The form of the financing entity to be established by OPG is being determined, and the specific operating protocol between the IESO, OPG and the financing entity and the requirements for financing the Fair Hydro Plan are being negotiated. OPG continues to prepare for financing activities of the financing entity that are expected to commence in 2017.

Shareholder Declarations and Shareholder Resolutions to Sell Certain Non-Core Real Estate Properties

- In December 2015, OPG received a Shareholder Declaration and a Shareholder Resolution requiring OPG to sell its head office premises and associated parking facility located at 700 University Avenue and 40 Murray Street in Toronto, Ontario.
- The sale was completed in April 2017 and a gain on sale of $283 million, which is net of tax effects of $95 million, was recognized in net income upon completion of the transaction. The pre-tax gain on sale was recorded as Other gain in the interim consolidated statement of income in the Service, Trading and Other Non-Generation segment.
- OPG is required to transfer proceeds from this disposition, net of prescribed deductions under the Act, into the Province's Consolidated Revenue Fund, which OPG expects will be largely consistent with the after-tax gain and is working with the Ontario Ministry of Finance to finalize the amount.
- In June 2016, OPG received a Shareholder Declaration and a Shareholder Resolution to sell the former Lakeview GS site located in Mississauga. The sale process was initiated in June 2017. Approximately one-third of the site is to be transferred to the City of Mississauga, by the purchaser, for parkland, institutional, and cultural uses.