



OPG Asset Acquisition Growth Considerations

August 15, 2017

ONTARIO**POWER**
GENERATION



Executive Summary

- OPG has an immediate opportunity to acquire a 1,005 MW combined cycle gas plant and a 76 MW solar portfolio
- As a generation company based in Ontario, these assets are squarely aligned with OPG's strategic direction
- Assets will be integrated into OPG's RGPM business unit and align well geographically
- Economic returns are attractive and contribute to Shareholder return expectations
- Repatriation of asset ownership for benefit of Ontario taxpayers
- OPG's ability to mitigate transactional and operational risks is strong



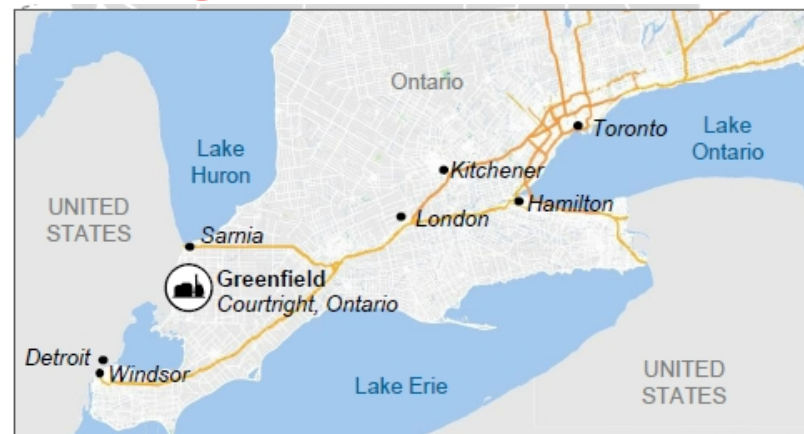
Active Acquisition Opportunity: Greenfield Energy Centre

Facility Overview

Capacity	1,005 MW
Commercial Operations Date	October 16, 2008
Ownership	Mitsui (50%) / Calpine (50%)
Fuel Type / Technology	Natural Gas / CCGT
O&M Management	EthosEnergy
Energy Management	Emera Energy
Long-Term Service Provider	Siemens
Plant Employees	27 full-time employees (19 PWU union)

Financial Return Expectations

	Greenfield Energy Centre	OPG (2016)	% Increase
Return on Equity	11.1%	4.2%	N/A
EBITDA (full yr)	\$84M	\$1,998M	4.2%
Net Income (full yr)	\$42M	\$453M	9.3%



Opportunity Overview

- Rare opportunity to own 100% of a combined-cycle natural gas-fired plant in Ontario
- Long operating track record with experienced third-party operator
- CES Contract with IESO has a remaining term of ~11 years
- Long remaining useful life of 30+ years; the need for natural gas capacity is expected to continue due to nuclear refurbishment, increasing demand and the need to support renewable generation
- Upside available for OPG to capitalize on post-contract market reform uncertainty

Financial Highlights

- Valuation range of \$750-\$850M with projected returns adding meaningfully to OPG's financial profile and exceeding those achieved by OPG's current operations



Active Acquisition Opportunities: TransCanada Solar Portfolio

Facility Overview

Capacity	76 MW
Locations	8 locations in Eastern and Northeastern Ontario
Commercial Operations Date	November 2012 to October 2014
Contract Term Remaining	16.3 years (average)
Weighted Average Energy Price	\$443/MWh
Financing	Unlevered

Financial Return Expectations

	TransCanada Solar	OPG (2016)	% Increase
Return on Equity	8.8%	4.2%	N/A
EBITDA (Full year)	\$51M	\$1,998M	2.6%
Net Income (Full year)	\$15M	\$453M	3.3%



Financial Highlights

- Valuation range of \$500-\$600M with projected returns adding meaningfully to OPG's financial profile and exceeding those achieved by OPG's current operations
- Upside available for OPG to capitalize on post-contract market reform uncertainty



Financing the Acquisitions

- Aggregate value of \$1,250M - \$1,450M can be financed with a combination of project level debt and equity
 - Solid PPA terms support up to 75% project level debt
 - Residual equity to be balance sheet financed
- Acquisitions will not negatively impact OPG's credit rating
 - FFO-to-debt ratio for acquisitions well above the minimum requirement
- Acquisitions provide accretive returns and an immediate positive impact to EBITDA and net income
 - OPG is targeting a blended after-tax equity IRR above 10%



Financial Benefits to the Shareholder

- Acquisition of the assets by OPG will reduce borrowing requirements under the Fair Hydro Plan (FHP)
 - Incremental cash flows of approximately \$370 million to the Shareholder over the 10 year borrowing period
 - Shareholder benefits from tax payments that would otherwise go to the federal government
- Opportunity exists to restructure the TransCanada Solar PPAs over the full 35 year asset life
 - Results in immediate reduction of contract price by over 20%
 - Savings to the IESO of over \$110 million during the first 10 years could be used to offset FHP borrowings
- Restructuring of Greenfield IESO contract can lock in a 40 year asset life
 - Provides alternative mechanism to current capacity market path for ensuring resource adequacy
 - Contract extension at a 10% discount to current rates still allows OPG to earn a reasonable return



RGPM Integration

Map of OPG Generation Stations

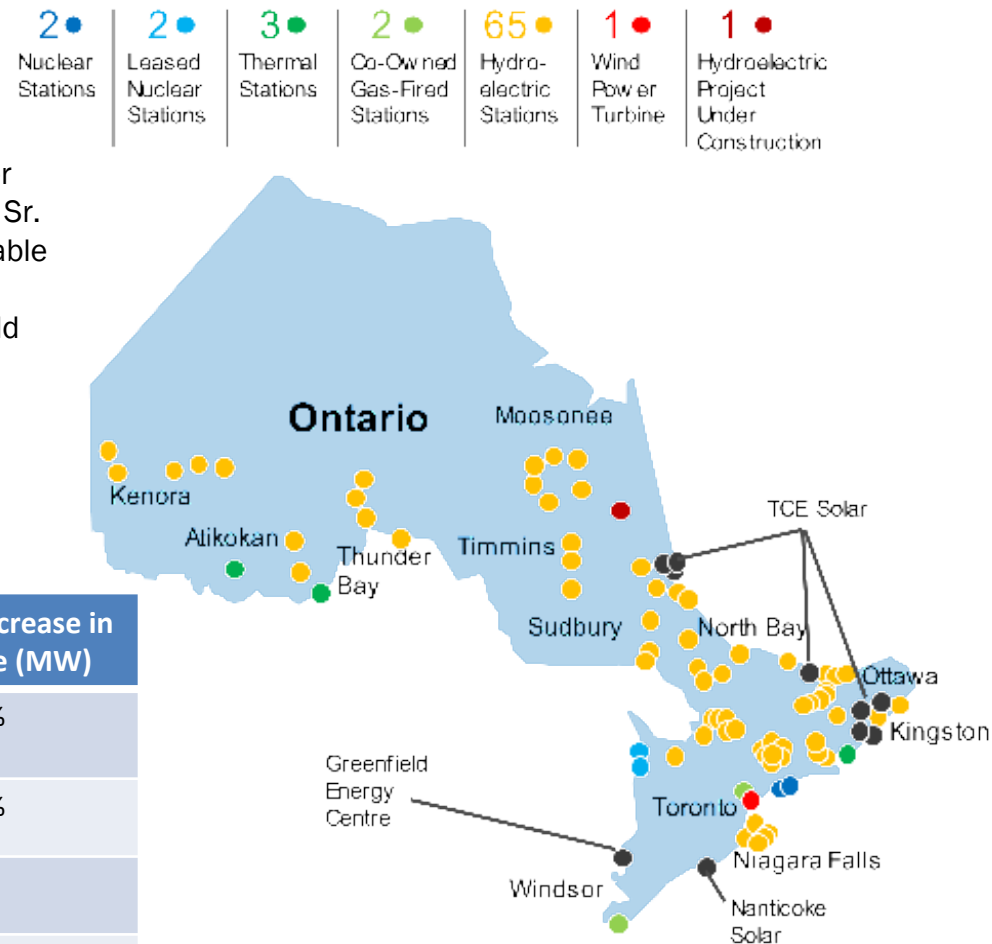
Integration

- Technology and geography allows for a straightforward integration into OPG's RGPM business unit
- With major organic growth projects such as Lower Mattagami (\$2.6B, 440 MW) & Peter Sutherland Sr. (\$300M, 28 MW) complete, RGPM has considerable established organizational capacity to effectively integrate potential acquisitions such as Greenfield and TransCanada Solar

Scale Benefits

- Both proposed acquisitions contribute toward achieving meaningful scale in each generation technology

OPG Generation	Actual	Proposed Acquisition	Total	% Increase in Scale (MW)
Combined Cycle Gas	565 MW	1,005 MW	1,570 MW	178%
Solar	44 MW	76 MW	120 MW	173%
All OPG	16,205 MW	1,081 MW	17,286 MW	6.7%
All OPG Post-Pickering	13,890 MW	1,081 MW	14,971 MW	7.8%





Risk Mitigation

Organizational Focus	Brand Management – GHG Emissions
• Acquisitions Process: Managed centrally through Corporate Business Development and Strategy • Financing: Managed by OPG Treasury (a separate group is being established to operate the Fair Hydro Trust) • Operations: Integrated by RGPM	• GHG-free electricity production is not impacted in the near term and manageable in the longer term • For 2018 and 2019, OPG's proportion of GHG-free electricity production will reduce from ~99% to ~98% • Post 2025, following Pickering closure and completion of Darlington Refurbishment , OPG's proportion of GHG-free electricity production will reduce from ~95% to ~90%
Future Shareholder Actions	Brand Management – Electricity Price
• Action to re-price solar contract to market would not, on its own, impair OPG's credit rating • However, the Shareholder must be made aware that such an action would signal an unfavourable precedent for government intervention in OPG's business that would likely impair OPG's credit rating and curtail its ability to participate in the Fair Hydro Plan	• Notwithstanding the high PPA value of \$443/MWh for the TC Solar contract, OPG's position as a low cost generator will not be discernibly impacted by these potential acquisitions • Proposed acquisitions increase OPG's overall average price of generation increases by only approximately 0.1cents/kWh



Timing of Transactions

- Sellers for both acquisition opportunities have stated their intention to close the transactions by December 2017. Binding bids need to be submitted by mid to late September to facilitate this.
- Due diligence work is underway. External resource commitments and spending have begun for independent engineering reviews, site visits, investment banker valuation and financial modelling etc.
- Board approvals will be required in early to mid September to support commitments to binding bids.