OPG Q3-2017 Results

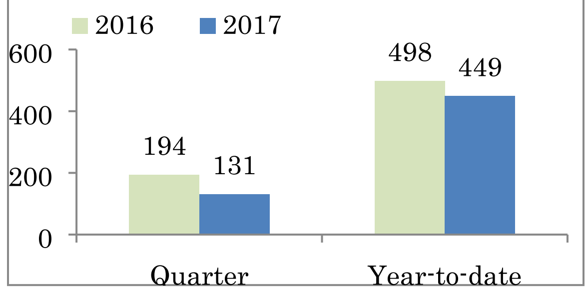
Financials

Net income attributable to the province was $131M, a decrease of $63M compared to Q3-2016.

Factors Impacting Net Income

- Higher earnings of $390 million from the Services, Trading, and Other Non-Generation segment, primarily from pre-tax gain on sale of OPG's head office premises and associated parking facility. A gain on sale of $283 million, net of tax effects of $95 million, was recognized in net income in Q2 2017.
- Lower earnings from nuclear base regulated price of $24 million, largely reflecting lower generation of 0.4 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 $52 million, primarily due to lower earnings on the Used Fuel Segregated Fund.
- Higher depreciation and amortization expense of $16 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 Q3 was $19 million, compared to $22 million for the same period in 2016, a decrease primarily due to lower income before taxes, and a higher change in reserves from the resolution of uncertainties, partially offset by a lower amount of tax expense deferred in regulatory assets in 2017.

Financing & Investing Activities:

Financial Indicators	Q3 2017	Q3 2016
Cash flow from Operations	$485M	$530M
Cash flow from Investing	$(463) M	$(390)M
FFO*	4.2x	5.1x
ROE*	4.4%	4.2%

*FFO Adjusted Interest Coverage and ROE Excluding AOCI, calculated over the last 12 month period ending September 30, 2017 and compared to 12 months ending last calendar year (December 31, 2016).

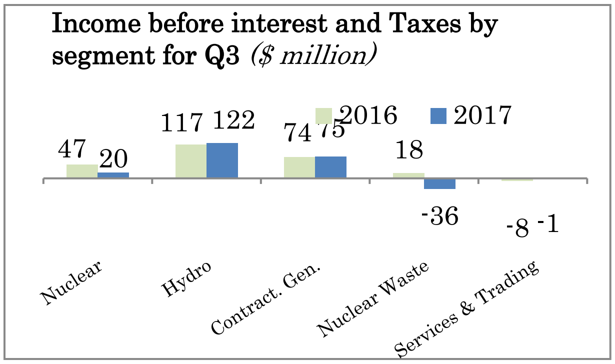
- Decrease in cash flow provided by operating activities was expected and primarily reflects lower nuclear generation (primarily due to Darlington refurbishment) and the expiry of the OEB-authorized rate riders for nuclear and regulated hydro generation at end of 2016.
- Increase in cash flow used in investing activities was primarily due to higher expenditures on Darlington Refurbishment in Q3-2017.
- 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 and associated parking facility, 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.
- At the end of Q3 there was $160 million of commercial paper outstanding under OPG's commercial paper program.
- In June 2016, OPG entered into a $700 million general corporate credit facility agreement with the OEFC, expiring December 2017. In Q3-2017, the credit facility was increased to $2,350 million, expiring in December 2018.

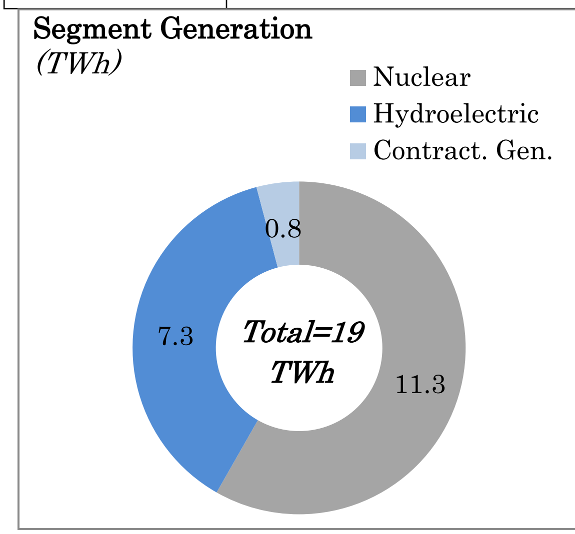
Debt	Total	Issued Q3
Notes payable to OEFC	$3,245 M	$500M
UMH Energy Partnership Debt	$182M	-
Lower Mattagami Energy Partnership (LME)	$1,795 M	-
PSS Generating Station Limited Partnership	$245M	-

Segmented Results/Operations

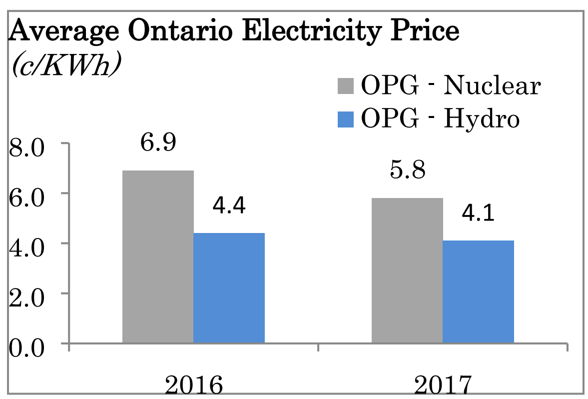


The chart below summarizes changes in OPG's segmented performance from Q3 2017:

Segment	Reason for change
Nuclear	Decrease in earnings was expected and primarily due to reduced revenue from nuclear base regulated price, partly offset by lower fuel expenses.
Hydro	Increase in earnings resulted from a decrease in OM&A expenses, primarily due to the timing of repairs and maintenance work in 2017.
Contracted generation	Increase in earnings mainly resulted from revenues from Peter Sutherland Sr. GS that was placed in-service in Q1 and lower OM&A expenses, partially offset by lower Atikokan GS revenue.
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 and associated parking facility.



OPG remains Ontario's low cost generator; receiving rates lower than non-OPG averages. The following shows average OPG electricity prices over Q3, 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.
- The setup of specialized tooling and equipment needed for the removal of reactor components was completed in Q3. Disassembly of reactor components commenced in August 2017.
- 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 (HWSF) 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. This also will not impact the overall project budget of $12.8 billion, as the HWSF is not included in this total figure.
- 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 September 30, 2017, $70 million has been invested in planning activities related to Unit 3.

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

- In December 2016, at the request of the federal Minister of Environment and Climate Change Canada (ECCC), OPG submitted 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.

- On August 21, 2017, the Minister of ECCC requested OPG update its analysis on potential effects of the project on the Saugeen Ojibway Nations' (SON) physical and cultural heritage. OPG continues to engage with SON toward securing community support for the L&ILW DGR, and will notify CEAA when it has determined the timeline for developing a response.. The project is expected to be in-service about six to seven years from the start of construction.

Ranney Falls Hydroelectric GS:

- During Q3, 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 Q1 2018.
- During Q3, 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	4,109
DGR	202
Peter Sutherland Sr. GS	274
Ranney Falls GS	20
Nanticoke Solar	2
Total	4,607

Recent Updates

OEB Report on Regulatory Treatment of Pension and OPEB Costs:

- On September 14, 2017, the OEB issued its final 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 and the establishment of a variance account to record asymmetric carrying charges in favor of ratepayers on the differences between the accrual costs recovered and cash payments made by a utility for pension and OPEB plans. The report confirmed OPG would become subject to the carrying charges on the differences between accrual costs and cash payments going back to November 1, 2014. 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.

- The account has a balance of $552 million as of September 30, 2017, and is recognized as a regulatory asset on OPG's balance sheet.

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.
- OPG continues to prepare for its financing activities as the Financial Services Manager – the Fair Hydro Trust – for the Fair Hydro Plan.
- In October 2017, Ontario Regulation 206/17 General was amended to establish details of the recovery mechanism for the monthly carrying costs incurred by the Trust from June 1, 2017 to July 31, 2021 payable by the IESO to the Trust.
- A plan to allow for the creation and issuance of Class A shares to be issued to the Province for tis equity investment through OPG in the Fair Hydro Plan is in progress. The province is expected to provide 44 percent of total funding requirement related to the deferred Global Adjustment costs, which OPG will invest as subordinate debt into the Trust.
- OPG is expected to provide five percent of the total funding requirement of the Trust related to the deferred Global Adjustment costs. In October 2017, OPG issued $500 million of senior notes payable under a short form base shelf prospectus, some of which will be used to fund OPG's subordinate debt investment in the Trust. The notes bear a coupon interest rate of 3.32 percent and an effective rate of 3.43 percent, payable semi-annually until maturity on October 4, 2027.
- The first set of transactions of the Trust are expected to take place in Q4 of 2017.

Canadian Nuclear safety Commission Safety Rating for the Darlington GS and the Pickering GS

- On September 8, 2017, the CNSC issued and executive summary of its 2016 annual report, which gave both the Darlington GS and the Pickering GS the highest possible safety rating of "Full Satisfactory."
- Darlington GS achieved this rating for the eighth consecutive year, and Pickering received this rating for the second consecutive year.