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Nov. 9, 2017

OPG REPORTS 2017 THIRD QUARTER FINANCIAL RESULTS

Darlington Refurbishment Project Remains on Time and on Budget at One-Year Mark

Toronto: – Ontario Power Generation Inc. (OPG or Company) today reported net income attributable to the Shareholder of \$131 million for the third quarter of 2017, compared to \$194 million for the same period in 2016.

“The Company’s focus continues to be on ensuring the success of the Darlington Refurbishment Project. Just after the one year mark of work on Darlington’s Unit 2, Canada’s largest clean energy project remains on time and on budget,” said Jeff Lyash, OPG President and CEO. “This is a ten year mega-project that will extend the life of the Darlington nuclear plant by 30 years, boosting Ontario’s GDP by \$90 billion and creating more than 14,000 new jobs per year over the station’s life.”

Lyash went on to say, “I am also pleased with the performance of our Pickering Nuclear plant, which has so far generated 2.1 terawatt hours of electricity more than last year. We are applying for a licence to extend the operation of the station until 2024. This will ensure a reliable, clean source of low cost power during the Darlington Refurbishment project and avoid 17 million tonnes of carbon emissions.”

“The successful performance of our assets is built around a strong safety culture. This quarter, the Canadian Nuclear Safety Commission has once again given Pickering and Darlington the highest possible safety ratings,” Lyash added. “Darlington has now achieved this rating for eight consecutive years and Pickering has achieved the highest possible safety rating for the second year in a row.”

“Additionally, OPG successfully completed its first public debt issuance in October, raising \$500 million for our general corporate needs and to fund OPG’s investment in Ontario’s Fair Hydro Plan,” said Lyash. “This will provide OPG with financial flexibility and further our ability to invest in our projects to the benefit of customers and stakeholders.”

The results for the third quarter continued to be impacted by the expected year-over-year decline in generation revenue, reflecting lower nuclear electricity generation due to the refurbishment outage for Unit 2 at the Darlington Generating Station (GS) without the resetting of base regulated prices, largely offset by higher generation from the Pickering GS and the regulated hydroelectric generating stations. The lower generation revenue was partially offset by lower operations, maintenance and administration (OM&A) expenses across all business segments.

Commented [TS(1)]: Can OPG provide the underlying assumptions – is it avoided natural gas over multiple years?

OPG provides electricity at a price that is 40 per cent less than other generators and is the only electricity generator in Ontario that has its prices set through a public hearing process by the Ontario Energy Board (OEB). Earlier in 2017, OPG completed the public hearing process for its current application with the OEB that will set prices for the Company's nuclear and most of its hydroelectric generation for the next five years, with a proposed effective date of January 1, 2017. The OEB is expected to make a decision on the rate application prior to the end of the year. In the meantime, OPG is operating under base regulated prices that were set in 2014 and do not reflect this year's reduced nuclear electricity generation, which is primarily due to the Darlington Refurbishment. As in earlier quarters this year, the continuation of these prices has negatively affected revenue and net income in the third quarter of 2017. The outcome of the current rate application and the effective date of the new regulated prices are expected to affect OPG's revenue and net income for the fourth quarter of 2017.

Net income attributable to the Shareholder was \$498 million for the nine months ended September 30, 2017, compared to \$449 million for the same period in 2016. The sale of OPG's head office building and parking facility, and the associated one-time gain recorded in the second quarter of 2017, offset the year-to-date reduction in generation revenue and was the main driver of the increase in net income for the nine months ended September 30, 2017, compared to the same period in 2016.

Lower earnings on the nuclear fixed asset removal and nuclear waste management segregated funds of \$52 million during the third quarter of 2017 and \$41 million during the nine months ended September 30, 2017, compared to the corresponding periods in 2016, also contributed to the year-over-year change in net income.

Generation and Operating Performance

Electricity generated during the three months ended September 30, 2017 was 19.4 terawatt hours (TWh), compared to 19.5 TWh for the same quarter in 2016. Total electricity generated during the nine months ended September 30, 2017 decreased to 56.0 TWh from 59.9 TWh for the same period in 2016. The decrease in electricity generation reflected the expected lower generation from the Darlington GS and lower generation from the contracted plants. The quarter-over-quarter decrease was largely offset by higher generation from the Pickering GS, primarily due to fewer outage days, and higher hydroelectric generation from the regulated stations.

Regulated – Nuclear Generation Segment

Lower nuclear generation of 0.4 TWh and 4.0 TWh during the three and nine month periods ended September 30, 2017, was primarily due to the removal from service of Unit 2 at the Darlington GS for the duration of the unit's refurbishment that began in October 2016 and is expected to continue until early 2020. Offsetting the reduction in generation from the Darlington GS was an increase in generation of 0.9 TWh and 2.1 TWh from the strong performance of the Pickering GS during the three and nine month periods ended September 30, 2017, respectively.

For the three months ended September 30, 2017, the unit capability factor at the Darlington GS for operating units was 96.2 per cent, compared to 89.6 per cent for the same quarter in 2016. The increase is primarily due to a lower number of planned outage days during the third quarter of 2017. For the nine months ended September 30, 2017, the unit capability factor at the Darlington GS was 82.1 per cent,

compared to 87.6 per cent for the same period in 2016. The decrease was primarily a result of a higher number of planned outage days at the station in the first half of 2017, largely driven by constraints related to the transition of the station toward refurbishment.

At the Pickering GS, the unit capability factor increased to 88.7 per cent and 83.8 per cent for the three and nine month periods ended September 30, 2017, respectively, compared to 77.3 and 73.8 per cent for the same periods in 2016, primarily due to outage optimization, favourable unit conditions and execution of planned outage work resulting in a lower number of unplanned and planned outage days at the station in 2017.

Regulated – Hydroelectric Segment

Higher generation from the regulated hydroelectric stations of 0.4 TWh and 0.7 TWh during the three and nine month periods ended September 30, 2017, was due to higher water flows, primarily on the eastern Ontario river systems.

The availability of 87.6 per cent at these stations in the third quarter of 2017 was higher than 84.1 per cent for the same quarter in 2016, primarily due to a higher number of planned outages in 2016 as a result of the reservoir refurbishment of the Sir Adam Beck Pump generating station undertaken between April 2016 and February 2017. For the nine months ended September 30, 2017, the availability of the stations marginally decreased to 89.0 per cent, from 89.8 per cent for the same period in 2016. The marginal decrease in the availability was primarily due to a higher number of unplanned outage days at the Northwestern Ontario and Niagara region hydroelectric stations, partially offset by higher availability from the Sir Adam Beck Pump GS.

Contracted Generation Portfolio Segment

Lower generation from the Contracted Generation Portfolio 0.1 TWh and 0.6 TWh during the three and nine month periods ended September 30, 2017, was mainly due to lower generation from the segment's hydroelectric plants.

The availability of these hydroelectric stations for the three months ended September 30, 2017 was 66.1 per cent, compared to 68.2 per cent for the same quarter in 2017. The stations' availability for the nine months ended September 30, 2017 was 76.9 per cent, compared to 79.6 per cent for the same period in 2016. The decrease in the availability was primarily due to an increase in the number of planned outage days at the Lower Mattagami River hydroelectric generating stations.

Total Generating Cost

The Enterprise Total Generating Cost per megawatt hour (MWh) for the three months ended September 30, 2017 was \$46.65, compared to \$50.72 for the same quarter in 2016. The decrease was mainly due to lower OM&A expenses before the impact of regulatory variance and deferral accounts and higher hydroelectric generation adjusted for surplus baseload generation reflecting higher water flows. The Enterprise Total Generating Cost per MWh for the nine months ended September 30, 2017 was \$47.77, compared to \$46.74 for the same period in 2016. The increase was expected and mainly a result of lower electricity generation due to the Unit 2 refurbishment outage at the Darlington GS. The increase in Enterprise Total Generating Cost was largely offset

by lower OM&A expenses before the impact of regulatory variance and deferral accounts and higher hydroelectric generation adjusted for surplus baseload generation reflecting higher water flows.

If Unit 2 at the Darlington GS was not currently undergoing refurbishment and had continued to operate in a manner consistent with the performance of the remaining units at the Darlington GS, adjusted for generation constraints on these units related to the transition of the station toward refurbishment, the Enterprise Total Generating Cost would have been approximately \$4 per MWh lower for the three and nine months ended September 30, 2017. This sensitivity was calculated using the estimated incremental electricity generation and associated fuel cost that are expected to have resulted in the absence of the refurbishment.

Generation Development

OPG is undertaking a number of generation development and life extension projects in support of Ontario's electricity planning initiatives. Significant developments during the third quarter of 2017 were as follows:

Darlington Refurbishment

The Darlington Refurbishment project is expected to extend the operating life of the four-unit Darlington GS by approximately 30 years. In October 2016, OPG commenced the refurbishment of the first unit, Unit 2, as part of the project. The de-fuelling and islanding of the reactor was completed in the first half of 2017. The Re-tube Tooling Platform for hosting the tooling for the removal, inspection, and installation activities and the setup of specialized tooling and equipment needed for the removal and replacement of the reactor components were completed in the third quarter of 2017. The disassembly of reactor components began in August 2017, with the removal of all 960 feeder tubes completed safely in September 2017. This was followed by the severing of pressure tubes, with the severing of bellows and the removal of end fittings expected to commence thereafter and through the end of 2017.

With the Re-tube Waste Processing Building becoming available for use in November 2017, 17 out of 18 pre-requisite projects in support of the refurbishment execution have been completed. The completion of the Heavy Water Storage and Drum Handling Facility, which has been delayed due to challenges with construction, will resume in the fourth quarter of 2017. The cost of the pre-requisite projects is included in the overall budget for the refurbishment of \$12.8 billion.

The overall project continues to track on schedule and on budget. Unit 2 is scheduled to be returned to service, after a 40-month refurbishment outage, 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 overall project. Life-to-date capital expenditures were approximately \$4.1 billion as at September 30, 2017.

In addition to the execution of 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 the refurbishment of the second unit.

Ranney Falls Hydroelectric GS

During the third quarter of 2017, OPG continued construction work for a 10 MW single-unit powerhouse on the existing Ranney Falls GS site, as part of the Regulated – Hydroelectric segment. The new unit will replace an existing unit that reached its end of life in 2014. The existing forebay structure demolition has been completed and the upstream cofferdam has been constructed ahead of schedule. Construction continues on the expanded forebay, powerhouse and spillway. 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 on budget.

Nanticoke Solar Facility

The construction of a 44 MW solar facility at OPG's Nanticoke GS site and adjacent lands under a Large Renewable Procurement contract with the IESO, through Nanticoke Solar LP, a partnership between OPG and a subsidiary of the Six Nations of Grand River Development Corporation, is planned to commence in the first quarter of 2018. During the third quarter of 2017, 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 the first quarter of 2019.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of dollars – except where noted)	2017	2016	2017	2016
Revenue	1,217	1,400	3,539	4,265
Fuel expense	185	187	518	541
Gross margin	1,032	1,213	3,021	3,724
Operations, maintenance and administration	635	666	2,054	2,061
Depreciation and amortization	178	313	517	941
Accretion on fixed asset removal and nuclear waste management liabilities	235	232	709	696
Earnings on Nuclear Segregated Funds - (a reduction to expenses)	(196)	(248)	(579)	(620)
Income from investments subject to significant influence	(11)	(11)	(29)	(28)
Other net expenses (gains)	11	13	(350)	12
Income before interest and income taxes	180	248	699	662
Net interest expense	21	28	56	92
Income tax expense	19	22	128	109
Net income	140	198	515	461
Net income attributable to the Shareholder	131	194	498	449
Net income attributable to non-controlling interest ¹	9	4	17	12
Income before interest and income taxes				
Electricity generation business segments	217	238	436	736
Regulated – Nuclear Waste Management	(36)	18	(123)	(70)
Services, Trading, and Other Non-Generation	(1)	(8)	386	(4)
Total income before interest and income taxes	180	248	699	662
Cash flow				
Cash flow provided by operating activities	485	530	698	1,211
Electricity generation (TWh)				
Regulated – Nuclear Generation	11.3	11.7	30.6	34.6
Regulated – Hydroelectric	7.3	6.9	23.5	22.8
Contracted Generation Portfolio ²	0.8	0.9	1.9	2.5
Total electricity generation	19.4	19.5	56.0	59.9
Nuclear unit capability factor (per cent) ³				
Darlington Nuclear GS	96.2	89.6	82.1	87.6
Pickering Nuclear GS	88.7	77.3	83.8	73.8
Availability (per cent)				
Regulated – Hydroelectric	87.6	84.1	89.0	89.8
Contracted Generation Portfolio – hydroelectric stations	66.1	68.2	76.9	79.6
Equivalent forced outage rate				
Contracted Generation Portfolio – thermal stations	2.6	2.1	6.0	1.3
Enterprise Total Generating Cost per MWh (\$/MWh) ⁴	46.65	50.72	47.77	46.74
Return on Equity Excluding Accumulated Other Comprehensive Income (ROE Excluding AOCI) for the twelve months ended September 30, 2017 and December 31, 2016 (%) ⁴			4.4	4.2
Funds from Operations (FFO) Adjusted Interest Coverage for the twelve months ended September 30, 2017 and December 31, 2016 (times) ⁴			4.2	5.1

¹ Relates to the 25 per cent interest of the Amisk-oo-Skow Finance Corporation, a corporation wholly owned by the Moose Cree First Nation, in the Lower Mattagami Limited Partnership, the 33 per cent interest of Coral Rapids Power Corporation, a corporation wholly owned by the Taykwa Tagamou Nation, in the PSS Generating Station Limited Partnership, and the 10 per cent interest of a corporation wholly owned by the Six Nations of Grand River Development Corporation in the Nanticoke Solar LP.

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

³ Nuclear unit capability factor excludes unit(s) during the period in which they are undergoing refurbishment. Unit 2 of the Darlington GS is excluded from the measure effective October 15, 2016, when the unit was taken offline for refurbishment.

⁴ Enterprise Total Generating Cost per MWh, ROE Excluding AOCI, and FFO Adjusted Interest Coverage are non-GAAP financial measures and do not have any standardized meaning prescribed by US GAAP. Additional information about the non-GAAP measures is provided in OPG's Management's Discussion and Analysis for the three and nine months ended September 30, 2017, in the sections *Highlights – FFO Adjusted Interest Coverage*, *Highlights – Return on Common Equity Excluding Accumulated Other Comprehensive Income*, and *Highlights – Enterprise Total Generating Cost per MWh*, as well as *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 and nine month periods ended September 30, 2017 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.

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