Attention: **Bill Pelow, Audit Director, Office of the Auditor General of Ontario**
Cindy Veinot, Assistant Deputy Minister and Provincial Controller, Treasury Board Secretariat
Susan Klein, Assistant Auditor General, Office of the Auditor General of Ontario
Ken Hartwick, Chief Financial Officer and Senior Vice President, Ontario Power Generation Inc.
John Mauti, Vice President, Chief Controller and Accounting Officer, Ontario Power Generation Inc.

Results of the agreed upon audit procedures performed regarding the adjustments from United States Generally Accepted Accounting Principles ("US GAAP") to International Financial Reporting Standards ("IFRS") prepared by Ontario Power Generation Inc. ("OPG" or the "Company") for the purposes of the audit of the consolidated financial statements of the Government of Ontario as at March 31, 2018 and for the 12-month period then ended.

In connection with the audit of the consolidated financial statements of the Government of Ontario as at March 31, 2018 and for the 12-month period then ended, we performed the agreed upon audit procedures ("the Procedures") as set out below regarding the financial reporting of Ontario Power Generation Inc. to the Government of Ontario reflecting adjustments from US GAAP to IFRS for the periods specified in the Procedures. These Procedures were performed for the purposes of the audit of the consolidated financial statements of the Government of Ontario as at March 31, 2018 and for the 12-month period then ended.

Following is a summary of the agreed upon audit procedures and our findings/conclusions:

Procedures and Findings/Conclusions
1) Obtain from OPG the US GAAP to IFRS Reconciliations ("Reconciliations") as identified in Appendix 1, as follows: (a) Balance Sheet as at: i. December 31, 2017 and March 31, 2018 (b) Equity and accumulated other comprehensive income ("AOCI") as at: i. December 31, 2017, March 31, 2017 and March 31, 2018 (c) Net income and changes in equity excluding AOCI for the following periods: i. Year ended December 31, 2017 ii. Three Months ended March 31, 2017 iii. Three Months ended March 31, 2018

(d) Other comprehensive income and changes in AOCI for the following periods:

i. Year ended December 31, 2017
ii. Three Months ended March 31, 2017
iii. Three Months ended March 31, 2018

Findings/Conclusions for procedure 1

(a) We obtained from OPG the US GAAP to IFRS Reconciliations (as identified in Appendix 1) of the consolidated balance sheet as at December 31, 2017 and March 31, 2018.

(b) We obtained from OPG the US GAAP to IFRS Reconciliations (as identified in Appendix 1) of equity and AOCI as at December 31, 2017, March 31, 2017 and March 31, 2018.

(c) We obtained from OPG the US GAAP to IFRS Reconciliations (as identified in Appendix 1) of net income and changes in equity excluding AOCI for the year ended December 31, 2017, for the three-month period ended March 31, 2017 and for the three-month period ended March 31, 2018.

(d) We obtained from OPG the US GAAP to IFRS Reconciliations (as identified in Appendix 1) of other comprehensive income for the year ended December 31, 2017, for the three-month period ended March 31, 2017 and for the three-month period ended March 31, 2018.

2) Obtain the analyses and documentation prepared by OPG supporting each of the adjustments identified in the Reconciliations from procedure 1 related to the Company's nuclear fixed asset removal and nuclear waste management liabilities ("nuclear asset retirement obligation" or "nuclear ARO") and pension and other post-employment benefit ("OPEB") liabilities, the associated deferred tax adjustments, and any additional adjustments identified in the Reconciliations from procedure 1 that exceed the reporting materiality threshold applied to the audit of OPG's publicly issued US GAAP-based consolidated financial statements for the year ended December 31, 2017 of $75 million.

Findings/Conclusions for procedure 2

We obtained the analyses and documentation prepared by OPG supporting each of the adjustments identified in the Reconciliations from procedure 1 related to the Company's nuclear ARO, pension and OPEB liabilities and the associated deferred tax adjustments.

Based on the information supplied by OPG's management and the specified procedures performed as described in this report, no adjustments were identified in excess of the specified threshold of $75 million other than those described in the reconciliations related to the nuclear ARO, pension and OPEB liabilities and associated deferred taxes.

3) Obtain OPG's analysis of Elections under IFRS 1, *First-time Adoption of International Financial Reporting Standards* as at January 1, 2015 for the purposes of preparing the Reconciliations in procedure 1. Ensure that those elections are reflected in the Reconciliations in procedure 1.

Findings/Conclusions for procedure 3

We obtained OPG's analysis of elections under IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1 Elections") as at January 1, 2015 for the purposes of preparing the Reconciliations in procedure 1. We verified that they were applied in preparing the Reconciliations in procedure 1. The following IFRS 1 Elections selected by OPG were reflected in the Reconciliations in procedure 1:

(a) Business combinations;
(b) Leases; and
(c) Decommissioning liabilities included in the cost of property, plant and equipment (the "short-cut method").

No differences were noted in the prior year upon completing this procedure. This procedure is not applicable in the current year given adoption of IFRS and application of IFRS 1 occurred as at January 1, 2015 for purposes of these Procedures.

4) Apply the following procedures to the adjustments identified in procedure 2 related to the nuclear ARO, pension and OPEB liabilities, and associated deferred taxes:

4.1 Trace the reconciliation balances as follows:

(a) US GAAP balances are agreed to OPG's US GAAP consolidated financial statements for the applicable periods; and

(b) IFRS balances are agreed to OPG's IFRS internal working papers for the applicable periods.

Findings/Conclusions for procedure 4.1

(a) We agreed the US GAAP balances in the US GAAP to IFRS Reconciliations in procedure 1 to OPG's US GAAP consolidated financial statements for the periods described in procedure 1.

No differences were noted.

(b) We agreed the IFRS balances in the US GAAP to IFRS Reconciliations in procedure 1 to OPG's internal working papers for the applicable periods described in procedure 1.

No differences were noted.

4.2 Adjustments to the nuclear asset retirement obligation and related adjustments:

(a) Validate that the calculation files and inputs for the IFRS balances correspond to those used by OPG for the calculation of the nuclear ARO for the applicable periods in accordance with US GAAP, as traced back to Ernst & Young's engagement files, except for the IFRS differences noted below.

(b) Validate the removal of certain lifecycle costs from the US GAAP nuclear ARO and US GAAP nuclear asset retirement costs ("ARC") in calculating IFRS nuclear ARO and IFRS nuclear ARC, including:

i. Agreeing nuclear ARO calculations, by cost type, to information obtained directly from the Nuclear Waste Management Organization ("NWMO"); and

ii. Recalculating the ARC balances, by station and cost type, before the IFRS adjustments and agreeing them to total US GAAP nuclear ARC balance, as traced back to Ernst & Young's engagement files. Validate methods and assumptions applied in the measurement of nuclear ARC under IFRS.

(c) Recalculate the discount rate used by OPG in its calculation files for the IFRS nuclear ARO to validate that it represents an average of the 30-year Ontario bond yield over a period of time, as determined using the approach applied by OPG for the purposes of Reconciliations referenced in procedure 1.

(d) Validate that the "short-cut method" under IFRS 1, *First-time Adoption of International Financial Reporting Standards* is used to calculate the discount rate adjustment to nuclear ARC as at January 1, 2015.

(e) Validate the following with respect to the regulatory debits and the regulatory credits under IFRS resulting from the nuclear ARO and nuclear ARC IFRS adjustments:

   i. The regulatory debits and the regulatory credits under IFRS reflect OPG's current regulated rate recovery methodologies approved by the Ontario Energy Board ("OEB"), as consistent with positions taken by the Company in respect of these methodologies for the purposes of its US GAAP consolidated financial statements;

   ii. The IFRS regulatory debits agree to amounts expected to be recovered through OPG's future regulated rates that would have been recognized as expenses under IFRS; and

   iii. The IFRS regulatory credits agree to amounts that have been recovered through OPG's regulated rates but would not yet have been recognized as expenses under IFRS.

(f) Recalculate the IFRS expenses related to the nuclear ARO, including used nuclear fuel and nuclear waste variable expenses, accretion expense, and revaluation resulting from changes in the nuclear ARO discount rate, determined using the methodology in procedure 4.2 (c), for the corresponding periods. Agree variable unit costs to values obtained directly from the NWMO.

(g) Recalculate the IFRS nuclear ARC depreciation expense. Agree estimated station lives used to calculate the IFRS nuclear ARC depreciation expense to those applied in OPG's US GAAP consolidated financial statements, as traced back to Ernst & Young's engagement files.

(h) Recalculate the IFRS nuclear ARC, the IFRS nuclear ARO and related IFRS regulatory debit and regulatory credit balances as at December 31, 2017 as well as the related changes in the statement of operations for the year ended December 31, 2017, using data from procedures 4.2 (a) to 4.2 (g);

(i) Recalculate the IFRS nuclear ARC, the IFRS nuclear ARO and related IFRS regulatory debits and regulatory credits as at March 31, 2017 and March 31, 2018 as well as the related changes in the statements of operations for the three-month periods then ended, using data from procedures 4.2 (a) to 4.2 (g);

(j) Recalculate the differences between the IFRS amounts from procedures 4.2 (h) and 4.2 (i) and the corresponding amounts recognized by OPG in its US GAAP consolidated financial statements for the corresponding periods, and agree those differences to the IFRS adjustments shown in Reconciliations from procedure 1.

Findings/Conclusions for procedure 4.2

(a) We agreed the calculation files and inputs for the IFRS balances in the US GAAP to IFRS Reconciliations described in procedure 1 to those used by OPG for the calculation of the nuclear ARO for the applicable periods described in procedure 1 in accordance with US GAAP as traced back to our engagement files, except for the IFRS differences noted in procedures 4.2 (b) through 4.2 (g) below.

No differences were noted.

(b) i. We agreed the nuclear ARO adjustments for certain lifecycle costs to US GAAP balances, by cost type, to information obtained directly from the OPG Nuclear Liabilities Group, which was previously part of the NWMO.

No differences were noted.

ii. We recalculated the ARC balances, by station and cost type, before the IFRS adjustments and agreed the balances to the total US GAAP nuclear ARC balances, as traced back to our engagement files. We agreed the nuclear ARC adjustments for certain lifecycle costs to US GAAP ARC balances by station and cost type. The methods and assumptions applied by management in the measurement of nuclear ARC under IFRS agree to the methods and assumptions applied by management in the measurement of nuclear ARC under US GAAP except for the removal of certain lifecycle costs from the US GAAP nuclear ARC in calculating the IFRS nuclear ARC.

No differences were noted.

(c) We recalculated the discount rate used by OPG in its calculation files for the IFRS nuclear ARO and confirm that it represents an average of the 30-year Ontario bond yield over a period of time as determined using the approach applied by OPG for the purposes of the Reconciliations as described in procedure 1. We traced the discount rate source data to the 30-year Ontario bond yield per Bloomberg for the applicable periods.

No differences were noted.

(d) This procedure is not applicable in the current year given adoption of IFRS and application of IFRS 1 occurred as at January 1, 2015 for purposes of these Procedures.

(e) i. We validated that the regulatory debits and regulatory credits under IFRS reflect OPG's current regulated rate recovery methodologies approved by the OEB and are consistent with positions taken by the Company in respect of these methodologies for the purposes of its US GAAP consolidated financial statements.

No differences were noted.

ii. We validated that the IFRS regulatory debits agree to amounts that are expected to be recovered through OPG's future regulated rates that would have been recognized as expenses under IFRS.

No differences were noted.

iii. We validated that the IFRS regulatory credits agree to amounts that have been recovered through OPG's regulated rates but would not yet have been recognized as expenses under IFRS.

No differences were noted.

(f) We recalculated the IFRS expenses related to the nuclear ARO, including used nuclear fuel and nuclear waste variable expenses, accretion expense, and revaluation resulting from changes in the nuclear ARO discount rate (if any), determined using the discount rate in procedure 4.2 (c), for the corresponding periods as described in procedure 1. We agreed the variable unit costs to values obtained directly from the OPG Nuclear Liabilities Group, which was previously part of the NWMO.

No differences were noted.

(g) We recalculated the IFRS nuclear ARC depreciation expense. We agreed the estimated station lives used to calculate the IFRS nuclear ARC depreciation expense to those applied in OPG's US GAAP consolidated financial statements, as traced back to our engagement files.

No differences were noted.

(h) We recalculated the IFRS nuclear ARC, the IFRS nuclear ARO and related IFRS regulatory debit and regulatory credit balances as at December 31, 2017 as well as the related changes in the statement of operations for the year ended December 31, 2017 using data from procedures 4.2 (a) to 4.2 (g).

No differences were noted.

(i) We recalculated the IFRS nuclear ARO, the IFRS nuclear ARC and related IFRS regulatory debits and regulatory credits as at March 31, 2017 and March 31, 2018 as well as the related changes in the statements of operations for the three-month periods then ended, using data from procedures 4.2 (a) to 4.2 (g).

No differences were noted.

(j) We recalculated the differences identified between the IFRS amounts derived from procedures 4.2 (h) and 4.2 (i) and the corresponding amounts recognized by OPG in its US GAAP consolidated financial statements for the corresponding periods, and agreed those differences to the IFRS adjustments shown in the Reconciliations as described in procedure 1.

No differences were noted.

4.3 Adjustments to pension and OPEB liabilities and related adjustments:

(a) Obtain confirmation directly from the external actuary of the net benefit liabilities for OPG's pension and OPEB plans and attribution of changes in those liabilities between retained earnings and AOCI, determined in accordance with IFRS, as at:

i. December 31, 2017 and for the year then ended;

ii. March 31, 2017 and for the three-month period then ended; and

iii. March 31, 2018 and for the three-month period then ended.

(b) Validate that the March 31, 2017, December 31, 2017 and March 31, 2018 IFRS adjustments between retained earnings and AOCI include adjustments related to all of the following that apply:

i. actuarial gains and losses;

ii. non-investment administrative costs;

iii. past service costs and credits; and

iv. return on plan assets.

(c) Validate that the assumptions obtained from the external actuary and used to derive the IFRS liabilities in procedure 4.3 (a) correspond to those used by OPG for the calculation of the pension and OPEB liabilities and changes therein as reported in OPG's consolidated financial statements in accordance with US GAAP for the applicable periods, as traced back to Ernst & Young's engagement files, except for IFRS differences.

(d) Trace the IFRS pension and OPEB liabilities and changes therein from procedure 4.3 (a) to the Reconciliations in procedure 1.

(e) Validate the following with respect to the IFRS regulatory debits and the IFRS regulatory credits resulting from the pension and OPEB IFRS adjustments:

i. Regulatory debits and regulatory credits under IFRS reflect OPG's current regulated rate recovery methodologies approved by the OEB, as consistent with positions taken by the Company in respect of these methodologies for the purposes of its US GAAP consolidated financial statements;

ii. The IFRS regulatory debits agree to amounts expected to be recovered through OPG's future regulated rates that would have been recognized as expenses under IFRS; and

iii. The IFRS regulatory credits agree to amounts that would have been recovered through OPG's regulated rates but would not yet have been recognized as expenses under IFRS.

(f) Prior to the application of the optional transfer from AOCI to retained earnings as permitted by IAS 19, *Employee Benefits*, paragraph 122, if any:

i. Recalculate the IFRS pension and OPEB related retained earnings and AOCI balances as at December 31, 2017 as well as the corresponding changes in the statement of operations for the year ended December 31, 2017 using data from procedures 4.3 (a) to 4.3 (e); and

ii. Recalculate the IFRS pension and OPEB related retained earnings and AOCI balances as at March 31, 2017 and March 31, 2018 as well as the corresponding changes in the statements of operations for the three-month periods then ended using data from procedure 4.3 (a) to 4.3 (e).

(g) Validate that the optional transfer permitted by IAS 19, *Employee Benefits*, paragraph 122, if any, between retained earnings and AOCI applied on March 31, 2017, December 31, 2017 and March 31, 2018 and for the periods then ended, for the purposes of the Reconciliations referenced in procedure 1, represents the difference, as of the corresponding date, and the change in the difference, for the period then ended, between the US GAAP and IFRS pension and OPEB related retained earnings balances from procedure 4.3 (f).

(h) Recalculate the differences between the IFRS amounts from procedures 4.3 (a) and 4.3 (g) and the corresponding amounts recognized by OPG in its US GAAP consolidated financial statements, and agree those differences to the IFRS adjustments in the Reconciliations from procedure 1.

Findings/Conclusions for procedure 4.3

(a) We obtained confirmation directly from AON Hewitt Inc. ("AON"), OPG's external actuary, of the net benefit liabilities for OPG's pension and OPEB plans and attribution of changes in those liabilities between retained earnings and AOCI, determined in accordance with IFRS as at December 31, 2017 and for the year then ended and as at March 31, 2017 and for the three-month period then ended. As at March 31, 2018 and for the three-month period then ended, we validated that the change in the net benefit liabilities between retained earnings and AOCI was below the threshold for recording a re-measurement. As such, we agreed the change in the net benefit liabilities to information received by OPG management from AON but did not obtain a confirmation directly from AON as they were not engaged to provide disclosures as at March 31, 2018 and for the three-month period then ended.

No differences were noted.

(b) We validated that the March 31, 2017, December 31, 2017 and March 31, 2018 IFRS adjustments identified between retained earnings and AOCI include adjustments related to actuarial gains and losses, non-investment administrative costs, past service costs and credits and return on plan assets.

No differences were noted.

(c) We validated that the assumptions obtained from AON and used to derive the IFRS liabilities in procedure 4.3 (a) correspond to those used by OPG for the calculation of the pension and OPEB liabilities and changes therein as reported in OPG's consolidated financial statements in accordance with US GAAP for the applicable periods as described in procedure 1, as traced back to our engagement files, except for the IFRS differences.

No differences were noted.

(d) We traced the IFRS pension and OPEB liabilities and changes therein from procedure 4.3 (a) to the Reconciliations in procedure 1.

No differences were noted.

(e) i. We validated that the regulatory debits and regulatory credits under IFRS reflect OPG's current regulated rate recovery methodologies approved by the OEB and are consistent with positions taken by the Company in respect of these methodologies for the purposes of its US GAAP consolidated financial statements.

No differences were noted.

ii. We validated that the IFRS regulatory debits agree to amounts expected to be recovered through OPG's future regulated rates that would have been recognized under IFRS.

No differences were noted.

iii. We validated that the IFRS regulatory credits agree to amounts that have been recovered through OPG's regulated rates but would not yet have been recognized under IFRS.

No differences were noted.

(f) i. We recalculated the IFRS pension and OPEB related retained earnings and AOCI balances as at December 31, 2017 as well as the corresponding changes in the statement of operations for the year ended December 31, 2017 using data from procedures 4.3 (a) to 4.3 (e).

No differences were noted.

ii. We recalculated the IFRS pension and OPEB related retained earnings and AOCI balances as at March 31, 2017 and March 31, 2018 as well as the corresponding changes in the statement of operations for the three-month periods then ended using data from procedures 4.3 (a) to 4.3 (e).

No differences were noted.

(g) We validated that the amounts relating to the optional equity transfer permitted by IAS 19, *Employee Benefits*, paragraph 122 as applied on March 31, 2017, December 31, 2017 and March 31, 2018 represent the difference between the US GAAP and IFRS pension and OPEB related retained earnings balances from procedure 4.3 (f).

No differences were noted.

(h) We recalculated the difference between the IFRS amounts from procedures 4.3 (a) and 4.3 (g) and the corresponding amounts recognized by OPG in its US GAAP consolidated financial statements. We agreed those differences to the IFRS adjustments in the Reconciliations from procedure 1.

No differences were noted.

5) Deferred tax liabilities and related adjustments associated with adjustments from procedures 4.2 and 4.3:

(a) Agree the tax rates used to calculate the deferred tax IFRS adjustments to the tax rates used by OPG in calculating the corresponding deferred tax balances in its US GAAP consolidated financial statements, as traced back to Ernst & Young's engagement files.

(b) Recalculate the deferred tax adjustments related to the IFRS adjustments in procedures 4.2 and 4.3 by applying the tax rates from procedure 5 (a), and agree those differences to the IFRS adjustments in Reconciliations from procedure 1.

(c) Validate the following with respect to the regulatory debits and the regulatory credits under IFRS resulting from the IFRS deferred tax adjustments:

i. the IFRS regulatory debits and the IFRS regulatory credits reflect OPG's current regulated rate recovery methodologies approved by the OEB, as consistent with positions taken by the Company in respect of these methodologies for the purposes of its US GAAP consolidated financial statements;

ii. the IFRS regulatory debits agree to amounts expected to be recovered through OPG's future regulated rates that would have been recognized as corresponding expenses under IFRS; and

iii. the IFRS regulatory credits agree to amounts that would have been recovered through OPG's regulated rates but would not yet have been recognized as corresponding expenses under IFRS.

(d) Recalculate the differences between the IFRS amounts from procedures 5 (b) and 5 (c) and the corresponding amounts recognized by OPG in its US GAAP consolidated financial statements, and agree those differences to the IFRS adjustments in procedure 1.

Findings/Conclusions for procedure 5
(a) We agreed the tax rates used to calculate the deferred tax IFRS adjustments to the tax rates used by OPG in calculating the corresponding deferred tax balances in its US GAAP consolidated financial statements, as traced back to our engagement files. No differences were noted. (b) We recalculated the deferred tax adjustments related to the IFRS adjustments identified in procedures 4.2 and 4.3 by applying the tax rates from procedure 5 (a) and agreed the resulting amount to the IFRS adjustments in the Reconciliations as described in procedure 1. No differences were noted. (c) i. We validated that the regulatory debits and the regulatory credits under IFRS reflect OPG's current regulated rate recovery methodologies approved by the OEB and are consistent with positions taken by the Company in respect of these methodologies for the purposes of its US GAAP consolidated financial statements. No differences were noted. ii. We validated that the IFRS regulatory debits agree to amounts expected to be recovered through OPG's future regulated rates that would have been recognized under IFRS. No differences were noted. iii. We validated that the IFRS regulatory credits agree to amounts that have been recovered through OPG's regulated rates but would not yet have been recognized under IFRS. No differences were noted. (d) We recalculated the differences between the IFRS amounts from procedures 5 (b) and 5 (c) and the corresponding amounts recognized by OPG in its US GAAP consolidated financial statements and agreed those differences to the IFRS adjustments in the Reconciliations as described in procedure 1. No differences were noted.

6) Validate that the IFRS adjustments identified in procedure 2 are consistent with the narrative explanations in Appendix 2 of significant US GAAP to IFRS differences outlined in the notes to the Reconciliations referenced in procedure 1.

Findings/Conclusions for procedure 6

We validated that the IFRS adjustments identified in procedure 2 are consistent with the narrative explanations in Appendix 2 of US GAAP to IFRS differences prepared by OPG for nuclear ARO and pension and other OPEB liabilities that accompanies the Reconciliations in procedure 1.

No differences were noted.

7) Complete the Ernst & Young US GAAP/IFRS Accounting Differences Identifier Tool Checklist to identify any differences between US GAAP and IFRS impacting the Reconciliations referenced in procedure 1 in addition to the adjustments identified in procedure 2 that would be expected to exceed the reporting materiality threshold applied to the audit of OPG’s publicly issued US GAAP-based financial statements for the year ended December 31, 2017 of $75 million.

Ensure that these differences have been considered by OPG for the purposes of the Reconciliations in procedure 1.

Findings/Conclusions for procedure 7

We completed the latest Ernst & Young US GAAP/IFRS Accounting Differences Identifier Tool Checklist dated February 2018 to identify any differences between US GAAP and IFRS in addition to the adjustments identified in procedure 2. We noted that the section “Leases – after the adoption of ASC 842 and IFRS 16” is not applicable, and was not completed for this reason. No differences over the specified threshold of $75 million were identified.

8) Prepare a summary of any uncorrected IFRS misstatements exceeding $15 million identified in connection with procedures 1 to 7.

Findings/Conclusions for procedure 8

There are no uncorrected IFRS misstatements exceeding $15 million identified in connection with procedures 1 to 7.

The Reconciliations in Appendix 1 and the narrative explanations in Appendix 2 have been prepared by Ontario Power Generation Inc. solely for the purpose of the audit of the consolidated financial statements of the Government of Ontario as at and for the 12-month period ended March 31, 2018.

As a result of applying the above procedures, we found no exceptions. However, these procedures do not constitute an audit, and the results of applying the above procedures regarding the adjustments from US GAAP to IFRS prepared by Ontario Power Generation Inc. are to be limited for the purposes intended.

Our report is intended solely for the use of the Auditor General of Ontario, in connection with the audit of the consolidated financial statements of the Government of Ontario as well as the audit of the financial statements of the Ontario Electricity Financial Corporation as at and for the 12-month period ended March 31, 2018 and should not be used by parties other than the Auditor General of Ontario and must not be used for any other purpose.

Yours truly,

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

May 22, 2018

Appendix 1 - US GAAP to IFRS Reconciliations

EQUITY AND AOCI RECONCILIATION - March 31, 2017 Debit (Credit) - in millions of dollars	Total Equity Excl. AOCI	AOCI
US GAAP Balance	(10,867)	283
IFRS Adjustments:		
Nuclear fixed asset removal and nuclear waste management liabilities	848	-
Pension and OPEB liabilities (before IAS 19 Paragraph 122)	1,004	(999)
Tax impact of adjustments (before IAS 19 Paragraph 122)	(18)	16
IAS 19 Paragraph 122 adjustment	(1,004)	1,004
IAS 19 Paragraph 122 adjustment tax impact	18	(18)
Total IFRS adjustments	848	3
IFRS Balance	(10,019)	286

NET INCOME RECONCILIATION AND CHANGE IN NET EQUITY EXCLUDING AOCI For the three months ended March 31, 2017 Debit (Credit) - *in millions of dollars*	
Net Income - US GAAP	(68)
IFRS Adjustments:	
Nuclear fixed asset removal and nuclear waste management liabilities	36
Pension and OPEB liabilities	35
Tax impact of adjustments	-
Total IFRS adjustments	71
Net Income - IFRS	3
Change in Total Equity Excl AOCI - IFRS	
Net income - IFRS	3
IAS 19 Paragraph 122 adjustment	(35)
IAS 19 Paragraph 122 tax adjustment	-
Change in Total Equity Excl AOCI - IFRS	(32)

OTHER COMPREHENSIVE INCOME RECONCILIATION AND CHANGE IN AOCI - For the three months ended March 31, 2017 Debit (Credit) - *in millions of dollars*	
Other Comprehensive Income - US GAAP	(12)
IFRS Adjustments:	
Pension and OPEB liabilities	(30)
Tax impact of adjustments	(2)
Total IFRS adjustments	(32)
Other Comprehensive Income - IFRS	(44)
Change in AOCI - IFRS	
Other comprehensive income - IFRS	(44)
IAS 19 Paragraph 122 adjustment	35
IAS 19 Paragraph 122 tax adjustment	-
Change in AOCI - IFRS	(9)

Appendix 1 - US GAAP to IFRS Reconciliations

BALANCE SHEET RECONCILIATION - As at December 31, 2017

Debit (Credit) - *in millions of dollars*

BALANCE SHEET	US GAAP	IFRS Adjustments	IFRS
Assets			
Cash and cash equivalents	234	-	234
Available-for-sale securities	188	-	188
Accounts receivable	707	-	707
Inventory (fuel, materials and supplies)	767	-	767
Property, plant and equipment	21,322	(38)	21,284
Nuclear fixed asset removal and nuclear waste management funds	16,724	-	16,724
Other assets	7,568	(1,478)	6,090
Intangible assets	133	1,179	1,312
Financing receivable	1,179	(1,179)	-
Total Assets	48,822	(1,516)	47,306
Liabilities			
Accounts payable	(2,218)	-	(2,218)
Deferred revenue	(363)	-	(363)
Long-term debt	(5,921)	-	(5,921)
Fixed asset removal and nuclear waste management liabilities	(20,421)	16	(20,405)
Pension and OPEB liabilities	(6,515)	-	(6,515)
Deferred income taxes	(879)	376	(503)
Other liabilities	(594)	-	(594)
Total Liabilities	(36,911)	392	(36,519)
Equity			
Common shares	(5,126)	-	(5,126)
Class A shares	(519)	-	(519)
Retained earnings	(6,396)	1,124	(5,272)
Accumulated other comprehensive income	295	-	295
Non-controlling interest	(165)	-	(165)
Total Equity	(11,911)	1,124	(10,787)
Total Liabilities and Equity	(48,822)	1,516	(47,306)

Appendix 1 - US GAAP to IFRS Reconciliations

EQUITY AND AOCI RECONCILIATION - December 31, 2017 Debit (Credit) - *in millions of dollars*	Total Equity Excl. AOCI	AOCI
US GAAP Balance	(12,206)	295
IFRS Adjustments:		
Nuclear fixed asset removal and nuclear waste management liabilities	1,124	-
Pension and OPEB liabilities (before IAS 19 Paragraph 122)	1,099	(1,099)
Tax impact of adjustments (before IAS 19 Paragraph 122)	(19)	19
IAS 19 Paragraph 122 adjustment	(1,099)	1,099
IAS 19 Paragraph 122 adjustment tax impact	19	(19)
Total IFRS adjustments	1,124	-
IFRS Balance	(11,082)	295

NET INCOME RECONCILIATION AND CHANGE IN NET EQUITY EXCLUDING AOCI For the year ended December 31, 2017 Debit (Credit) - *in millions of dollars*	
Net Income - US GAAP	(881)
IFRS Adjustments:	
Nuclear fixed asset removal and nuclear waste management liabilities	312
Pension and OPEB liabilities	130
Tax impact of adjustments	(1)
Total IFRS adjustments	441
Net Income - IFRS	(440)
Change in Total Equity Excl AOCI - IFRS	
Change in Total Equity under US GAAP; no IFRS difference	(519)
Net income - IFRS	(440)
IAS 19 Paragraph 122 adjustment	(130)
IAS 19 Paragraph 122 tax adjustment	1
Change in Total Equity Excl AOCI - IFRS	(1,088)

OTHER COMPREHENSIVE INCOME RECONCILIATION AND CHANGE IN AOCI - For the year ended December 31, 2017 Debit (Credit) - *in millions of dollars*	
Other Comprehensive Income - US GAAP	3
IFRS Adjustments:	
Pension and OPEB liabilities	(130)
Tax impact of adjustments	1
Total IFRS adjustments	(129)
Other Comprehensive Income - IFRS	(126)
Change in AOCI - IFRS	
Change in AOCI under US GAAP; no IFRS difference	(3)
Other comprehensive income - IFRS	(126)
IAS 19 Paragraph 122 adjustment	130
IAS 19 Paragraph 122 tax adjustment	(1)
Change in AOCI - IFRS	-

Appendix 1 - US GAAP to IFRS Reconciliations

BALANCE SHEET RECONCILIATION - As at March 31, 2018
Debit (Credit) - *in millions of dollars*

	US GAAP	IFRS Adjustments	IFRS
BALANCE SHEET			
Assets			
Cash and cash equivalents and restricted cash	328	-	328
Equity securities	170	-	170
Accounts receivable	746	-	746
Inventory (fuel, materials and supplies)	747	-	747
Property, plant and equipment	21,515	(59)	21,456
Nuclear fixed asset removal and nuclear waste management funds	16,909	-	16,909
Other assets	7,715	(1,425)	6,290
Intangible assets	136	1,639	1,775
Financing receivable	1,639	(1,639)	-
Total Assets	49,905	(1,484)	48,421
Liabilities			
Accounts payable	(1,894)	-	(1,894)
Deferred revenue	(377)	-	(377)
Long-term debt	(6,613)	-	(6,613)
Fixed asset removal and nuclear waste management liabilities	(20,639)	39	(20,600)
Pension and OPEB liabilities	(6,507)	(92)	(6,599)
Deferred income taxes	(917)	386	(531)
Other liabilities	(593)	-	(593)
Total Liabilities	(37,540)	333	(37,207)
Equity			
Common shares	(5,126)	-	(5,126)
Class A shares	(721)	-	(721)
Retained earnings	(6,632)	1,146	(5,486)
Accumulated other comprehensive income	279	5	284
Non-controlling interest	(165)	-	(165)
Total Equity	(12,365)	1,151	(11,214)
Total Liabilities and Equity	(49,905)	1,484	(48,421)

Appendix 1 - US GAAP to IFRS Reconciliations

EQUITY AND AOCI RECONCILIATION - March 31, 2018 Debit (Credit) - in millions of dollars	Total Equity Excl. AOCI	AOCI
US GAAP Balance	(12,644)	279
IFRS Adjustments:		
Nuclear fixed asset removal and nuclear waste management liabilities	1,146	-
Pension and OPEB liabilities (before IAS 19 Paragraph 122)	1,140	(1,133)
Tax impact of adjustments (before IAS 19 Paragraph 122)	(20)	18
IAS 19 Paragraph 122 adjustment	(1,140)	1,140
IAS 19 Paragraph 122 adjustment tax impact	20	(20)
Total IFRS adjustments	1,146	5
IFRS Balance	(11,498)	284

NET INCOME RECONCILIATION AND CHANGE IN NET EQUITY EXCLUDING AOCI For the three months ended March 31, 2018 Debit (Credit) - in millions of dollars	
Net Income - US GAAP	(539)
IFRS Adjustments:	
Nuclear fixed asset removal and nuclear waste management liabilities	22
Pension and OPEB liabilities	41
Tax impact of adjustments	(1)
Total IFRS adjustments	62
Net Income - IFRS	(477)
Change in Total Equity Excl AOCI - IFRS	
Change in Total Equity under US GAAP; no IFRS difference	97
Net income - IFRS	(477)
IAS 19 Paragraph 122 adjustment	(41)
IAS 19 Paragraph 122 tax adjustment	1
Change in Total Equity Excl AOCI - IFRS	(420)

OTHER COMPREHENSIVE INCOME RECONCILIATION AND CHANGE IN AOCI - For the three months ended March 31, 2018 Debit (Credit) - in millions of dollars	
Other Comprehensive Income - US GAAP	(7)
IFRS Adjustments:	
Pension and OPEB liabilities	(34)
Tax impact of adjustments	(1)
Total IFRS adjustments	(35)
Other Comprehensive Income - IFRS	(42)
Change in AOCI - IFRS	
Change in AOCI under US GAAP; no IFRS difference	(9)
Other comprehensive income - IFRS	(42)
IAS 19 Paragraph 122 adjustment	41
IAS 19 Paragraph 122 tax adjustment	(1)
Change in AOCI - IFRS	(11)

Appendix 2 – IFRS Nuclear Asset Retirement Obligation Narrative

OPG recognizes asset retirement obligations (AROs) for fixed asset removal and nuclear waste management, discounted for the time value of money.

Under US GAAP, the nuclear ARO is initially recorded at the estimated fair value, which is based on a discounted value of the expected costs to be paid. In addition to accretion expense, the liability is increased by the present value of the incremental cost portion for the nuclear waste generated each year, with the corresponding amounts charged to operating expenses. Changes in the liability resulting from changes in assumptions or estimates that impact the amount or timing of the cash flows are recorded as an adjustment to the liability with the resulting change capitalized as part of the carrying amount of nuclear asset retirement cost (ARC). The liability is not remeasured due to changes in discount rates. Periodic revisions to either the timing or amount of the estimate of undiscounted cash flows underlying the liability balance are treated as separate tranches of the liability. Upward revisions to the estimated cash flows are discounted using the current discount rate. Downward revisions to the estimated cash flows are discounted using historical discount rates reflected in the liability.

Under IFRS, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* provides that the provision for a liability should be the best estimate of the expenditure that would be required to settle the obligation as of the balance sheet date. Certain lifecycle costs related to nuclear fixed asset removal and nuclear waste management recognized in OPG's ARO and ARC under legacy Canadian GAAP and US GAAP are not immediately recognized in the ARO and ARC under IFRS and instead are recognized in the ARO at their present value as incremental period expenses over time.

Unlike US GAAP, the ARO is remeasured at each reporting period using a current discount rate under IFRS. The discount rate applied by OPG to measure the nuclear ARO under IFRS reflects the long operating cycle of the nuclear generating assets and related decommissioning and nuclear waste management programs and the maturities of associated commitments, and has been calculated as a simple average of a series of data for the 30-year Ontario bond yield over a period of 15 historical years preceding OPG's fiscal year.

Changes in the liability resulting from changes in underlying assumptions or estimates that impact the amount or timing of the cash flows, as well as from changes in discount rates, are recorded as an adjustment to the liability under IFRS. Changes in the liability result in a change to the related carrying amount of nuclear ARC to the extent the adjustment falls under the scope of IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. Other changes to the liability are recorded in operating expenses under IFRS.

On transition to IFRS, OPG recorded adjustments to remove certain lifecycle costs from the nuclear ARO and related ARC that are recognized as incremental period expenses over time. OPG also remeasured the nuclear ARO using a single current discount rate determined under the approach described above and applied the IFRS 1, *First-time Adoption of IFRS* exemption to estimate the corresponding adjustment to ARC.

OPG recognizes regulatory debits and regulatory credits under IFRS 14, *Regulatory Deferral Accounts* in respect of nuclear ARO costs, at transition and on an ongoing basis, including when there are changes in assumptions and estimates. OPG recognizes regulatory debits to the extent that expenses recognized under IFRS in respect of the nuclear ARO are in excess of those previously recovered through regulated prices established by the Ontario Energy Board for OPG's rate regulated generating facilities, to the extent that these amounts are expected to be included in future revenue through future regulated prices. Regulatory credits are recognized if amounts have been included in revenue through regulated prices in respect of ARO-related expenses that have not yet been recognized under IFRS.

On transition to IFRS, OPG recognized a net increase in deferred income tax assets associated with the adjustments to the nuclear ARO and ARC balances and the regulatory debits and regulatory credits described above. OPG also recognized an offsetting net increase to the regulatory credit balance related to deferred income taxes, to the extent these income taxes that are expected to be reflected in future regulated prices are charged to customers.

Appendix 2 – IFRS Pension and Other Post-Employment Benefits Narrative

OPG's pension and other post-employment benefit programs (OPEB) consist of a contributory defined benefit registered pension plan, a defined benefit supplementary pension plan, and other post-retirement benefits (OPRB) including group life insurance and health care benefits, and long-term disability (LTD) benefits. Pension and OPEB costs and obligations are determined by independent actuaries using management's best estimate assumptions.

Under US GAAP, OPG recognizes and presents on the balance sheet the funded status of its defined benefit plans, which is measured as the difference between the fair value of plan assets and the defined benefit obligation, on a plan-by-plan basis, at OPG's year-end. Pension and OPEB costs include current service costs, interest costs on the obligations, the expected return on pension plan assets, adjustments for plan amendments and adjustments for actuarial gains or losses. Actuarial gains or losses and past service costs or credits arising during the year that are not recognized immediately as components of benefit costs charged to net income are recognized as increases or decreases in other comprehensive income (OCI), net of income taxes. These unamortized amounts are subsequently reclassified out of accumulated other comprehensive income (AOCI) and recognized as amortization components of pension and OPRB costs charged to net income.

Under IFRS, OPG recognizes and presents on the balance sheet the funded status of its defined benefit plans. Actuarial gains or losses are recognized in full in OCI as they arise and are not subsequently reclassified to net income. Under IFRS, pension and OPEB costs charged to net income include current service costs and net interest cost, which is calculated by multiplying the discount rate by the net liability (asset) at the beginning of OPG's fiscal year. Past service costs or credits arising from plan amendments, curtailments and settlements, and administration costs for pension plan assets are recognized through net income immediately as incurred.

On transition to IFRS, OPG applied IAS 19, *Employee Benefits* retrospectively from the Company's inception. OPG recorded transition adjustments between retained earnings and AOCI related to the cumulative differences in the classification of pension and OPEB costs between net income and OCI.

In accordance with IFRS 14, *Regulatory Deferral Accounts,* OPG recognizes an offsetting regulatory debit or regulatory credit for the amount of pension and OPEB costs recorded in net income and other comprehensive income that are expected to be recovered or repaid through future regulated prices established by the Ontario Energy Board for OPG's rate regulated generating stations.

Under the provisions of paragraph 122 of IAS 19, an entity can elect to transfer amounts recognized in OCI in respect of pension and OPEB liabilities (assets) within equity. At the Province's request, OPG made the policy choice to transfer amounts out of OCI to retained earnings such that the after-tax OCI and AOCI amounts related to pension and OPEB liabilities under IFRS would be the same as the after-tax OCI and AOCI amounts under US GAAP, for consolidation reporting to the Province.

Under IFRS, OPG is required to determine the net defined benefit liability (asset) for a pension or OPEB plan with sufficient regularity for significant changes in economic assumptions and fair value of plan assets such that the amounts recognised for OPG's interim reporting periods are consistent with the current best estimate assumptions. As necessary, adjustments to the pension and OPEB liabilities (assets), net of offsetting changes in IFRS 14 regulatory debit or regulatory credit balances, are recorded to OCI for OPG's interim reporting periods. This does not affect pension and OPEB costs for interim periods under IFRS, which are determined based on beginning of OPG's fiscal year information. Under US GAAP, pension and OPEB liabilities (assets) are generally remeasured on an annual basis only.

OPG recognizes deferred income taxes associated with the IFRS adjustments, and to the extent the actual tax adjustment will be included in future regulated prices, regulatory debits and regulatory credits are recognized for accounting purposes.