

[DRAFT]

May 15, 2018

## OPG REPORTS 2018 FIRST QUARTER FINANCIAL RESULTS

### ***Strong results attributable to former Lakeview generating station land sale and continued strong nuclear generation performance***

**[Toronto]:** – Ontario Power Generation Inc. (OPG or Company) today reported net income attributable to the Shareholder of \$535 million for the first quarter of 2018, compared to \$64 million for the same period in 2017, inclusive of a one-time gain of \$205 million related to the sale of the former Lakeview generating station (GS) property. The net proceeds of the Lakeview property sale will be transferred to the Government of Ontario.

“As Ontario’s publically-owned electricity generator, we are pleased to report our strong first quarter results that have resulted in significant net income to our shareholder, the Province of Ontario. We remain focused on continuing to supply Ontario with safe, clean, reliable, and low cost power to help moderate customer’s electricity bills, and are investing in our assets to the benefit of Ontarians for years to come,” said Jeff Lyash, OPG President and CEO. “Canada’s single largest investment in low-cost, clean energy, the refurbishment of the Darlington Nuclear Station, remains on time and on budget due to the hard work and dedication of our employees and partners. Refurbishing this public asset will ensure OPG remains Ontario’s largest provider of low cost electricity for another 30 years while providing clean power that is over 99 per cent free of carbon emissions.”

Lyash continued, “In addition to investing in the Darlington Nuclear Station, OPG has begun the relicensing process to keep the Pickering Nuclear Station operating until 2024. Running Pickering until 2024 will save electricity customers up to \$600 million and benefit Ontario by contributing over \$12 billion to the economy. Pickering remains a safe, efficient and reliable public asset that can continue to supply low-cost electricity for up to 1.5 million homes each day, with almost no carbon emissions.”

“Major contributors to the strong financial results for the quarter include the one-time gain on the sale of OPG’s former Lakeview generating station lands in Mississauga, Ontario in March, the net proceeds of which will be transferred to our shareholder, and the continued strong nuclear generation performance,” added Lyash. “In the same month as the Lakeview sale, a special dividend of \$283 million from the last year’s sale of our head office premises was transferred to the Province.”

The increase in net income in the first quarter of 2018 is also attributable to the impact of new regulated prices for OPG’s nuclear and most of its hydroelectric generation, resulting from the Ontario Energy Board’s (OEB) decision on OPG’s application for

new regulated prices for the 2017-2021 period issued in December 2017.

The OEB issued the final payment amounts order on the application in March 2018, allowing OPG to begin collecting revenues based on the new regulated prices. Taking into account the impact of the OEB's decision, OPG continues to provide electricity at a price that is 40 per cent less than the average of other generators. OPG is the only electricity generator in Ontario that has its prices set through a public hearing process by the OEB.

### **Generating and Operating Performance**

Electricity generated during the three months ended March 31, 2018 increased to 18.8 terawatt hours (TWh) from 18.6 TWh for the same quarter in 2017.

#### *Regulated – Nuclear Generation Segment*

Higher nuclear generation of 0.4 TWh during three months ended March 31, 2018 was primarily due to fewer planned outage days at the Darlington GS.

For the three months ended March 31, 2018, the unit capability factor for the operating units at the Darlington GS was 96.5 per cent, compared to 85.3 per cent for the same quarter in 2017. The increase was primarily due to a lower number of planned outage days at the station.

At the Pickering GS, the unit capability factor decreased to 74.5 per cent for 2018, compared to 78.5 per cent for the same quarter in 2017, primarily due to a higher number of planned outage days in the cyclical maintenance schedule at the station in the first quarter of 2018.

#### *Regulated – Hydroelectric Segment*

Lower generation from the regulated hydroelectric stations of 0.3 TWh during three months ended March 31, 2018 compared to the same quarter in 2017, was primarily due to lower water flows on the northwestern and eastern Ontario river systems.

The availability of 87.3 per cent at these stations in 2018 was lower than 89.5 per cent for the same quarter in 2017. The decrease in the availability was primarily due to a higher number of unplanned outage days at the eastern and northeastern Ontario regions' regulated hydroelectric stations.

#### *Contracted Generation Portfolio Segment*

Generation from the Contracted Generation Portfolio during three months ended March 31, 2018 was comparable to the same quarter in 2017.

The availability of these hydroelectric stations for three months ended March 31, 2018 was 80.1 per cent, compared to 83.6 per cent for the same quarter in 2017. The decrease in the availability was primarily due to a higher number of planned outage days at the Little Long GS on the Lower Mattagami River.

#### *Total Generating Cost*

The Enterprise Total Generating Cost per megawatt hour (MWh) was \$49.84 for the three months ended March 31, 2018, compared to \$47.86 for the same quarter in 2017. The increase was mainly a result of higher OM&A expenses and higher sustaining capital expenditures, partially offset by higher nuclear electricity generation.

## **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 first quarter of 2018 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 early May 2018, OPG completed the removal of the existing reactor components, which included end fittings, pressure tubes, and calandria tubes, signifying the completion of the second major segment of the project. The refurbishment of Unit 2 has transitioned into the third major segment, the installation and reassembly of reactor components. The Darlington Refurbishment project continues to track on schedule and to the \$12.8 billion budget.

In addition to the execution of refurbishment activities on Unit 2, OPG is progressing with planning activities on the refurbishment of Unit 3 and ensuring that lessons learned from the Unit 2 refurbishment are being incorporated. OPG is also entering into commitments to procure major components that require long lead times. Execution of the prerequisite activities for Unit 3 refurbishment have commenced. Unit 3 refurbishment is expected to commence upon the return to service of Unit 2. As of March 31, 2018, \$137 million has been invested in planning and prerequisite activities related to the refurbishment of Unit 3. In February 2018, the Government of Ontario confirmed its commitment to proceed with the refurbishment of Unit 3.

Total life-to-date capital expenditures on the project were approximately \$4.7 billion as at March 31, 2018.

### *Ranney Falls Hydroelectric GS*

In 2017, OPG began construction work on a 10 MW single-unit powerhouse on the existing Ranney Falls GS site. The new unit will replace an existing unit that reached its end of life in 2014. Construction continues in the expanded forebay, powerhouse and spillway area. Fabrication of the sectional gates and two head gates has been completed, with assembly and site delivery in progress. Turbine and generator unit fabrication is also in progress. 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. The Ranney Falls GS is included in the Regulated – Hydroelectric segment.

### *Nanticoke Solar Facility*

The project encompasses the construction of a 44 MW solar facility at OPG's Nanticoke GS site and adjacent lands under a contract with the IESO, through Nanticoke Solar LP, a partnership between OPG and a subsidiary of the Six Nations of Grand River Development Corporation. Significant contracts for equipment and

engineering construction services were executed and site preparation commenced in the first quarter of 2018. The facility is expected to be completed in the first quarter of 2019 **[MONITOR]**, with a budget of \$107 million. The project is included in the Contracted Generation Portfolio segment.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

|                                                                                                                                                                                         | Three Months Ended<br>March 31 |              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------|
| (millions of dollars – except where noted)                                                                                                                                              | 2018                           | 2017         |
| Revenue                                                                                                                                                                                 | 1,407                          | 1,176        |
| Fuel expense                                                                                                                                                                            | 155                            | 155          |
| Operations, maintenance and administration                                                                                                                                              | 722                            | 708          |
| Depreciation and amortization                                                                                                                                                           | 186                            | 167          |
| Other (gains) expenses, net <sup>1</sup>                                                                                                                                                | (227)                          | 47           |
| Income before interest and income taxes                                                                                                                                                 | 571                            | 99           |
| Net interest expense                                                                                                                                                                    | 19                             | 19           |
| Income tax expense                                                                                                                                                                      | 13                             | 12           |
| Net Income                                                                                                                                                                              | 539                            | 68           |
| <b>Net income attributable to the Shareholder</b>                                                                                                                                       | <b>535</b>                     | <b>64</b>    |
| <b>Net income attributable to non-controlling interest <sup>2</sup></b>                                                                                                                 | <b>4</b>                       | <b>4</b>     |
| <b>Income before interest and income taxes</b>                                                                                                                                          |                                |              |
| Electricity generation business segments                                                                                                                                                | 324                            | 139          |
| Regulated – Nuclear Waste Management                                                                                                                                                    | (33)                           | (47)         |
| Fair Hydro Trust                                                                                                                                                                        | 4                              | -            |
| Other                                                                                                                                                                                   | 276                            | 7            |
| Total income before interest and income taxes                                                                                                                                           | 571                            | 99           |
| <b>Cash flow</b>                                                                                                                                                                        |                                |              |
| Cash flow provided by operating activities                                                                                                                                              | 226                            | 168          |
| <b>Electricity generation (TWh)</b>                                                                                                                                                     |                                |              |
| Regulated – Nuclear Generation                                                                                                                                                          | 10.4                           | 10.0         |
| Regulated – Hydroelectric                                                                                                                                                               | 7.7                            | 8.0          |
| Contracted Generation Portfolio <sup>3</sup>                                                                                                                                            | 0.7                            | 0.6          |
| Total electricity generation                                                                                                                                                            | 18.8                           | 18.6         |
| <b>Nuclear unit capability factor (per cent) <sup>4</sup></b>                                                                                                                           |                                |              |
| Darlington Nuclear GS                                                                                                                                                                   | 96.5                           | 85.3         |
| Pickering Nuclear GS                                                                                                                                                                    | 74.5                           | 78.5         |
| <b>Availability (per cent)</b>                                                                                                                                                          |                                |              |
| Regulated – Hydroelectric                                                                                                                                                               | 87.3                           | 89.5         |
| Contracted Generation Portfolio – hydroelectric stations                                                                                                                                | 80.1                           | 83.6         |
| <b>Equivalent forced outage rate</b>                                                                                                                                                    |                                |              |
| Contracted Generation Portfolio – thermal stations                                                                                                                                      | 0.3                            | 1.6          |
| <b>Enterprise Total Generating Cost (TGC) per MWh for the three months ended<br/>March 31, 2018 and March 31, 2017 (\$/MWh) <sup>5</sup></b>                                            | <b>49.84</b>                   | <b>47.86</b> |
| <b>Return on Equity Excluding Accumulated Other Comprehensive Income<br/>(ROE Excluding AOCI) for the twelve months ended March 31, 2018<br/>and December 31, 2017 (%) <sup>5</sup></b> | <b>11.5</b>                    | <b>7.6</b>   |

<sup>1</sup> For the three months ended March 31, 2018, includes the pre-tax gain on sale of the former Lakeview GS site.

<sup>2</sup> 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 (CRP), 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. CRP increased its partnership interest in PSS to 33 per cent in April 2017.

<sup>3</sup> Includes OPG's share of generation volume from its 50 per cent ownership interests in the Portlands Energy Centre and Brighton Beach GS.

<sup>4</sup> 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.

<sup>5</sup> Enterprise TGC per MWh and ROE Excluding AOCI 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 months ended March 31, 2018, in the sections *Highlights – Return on Equity Excluding Accumulated Other Comprehensive Income*, *Highlights – Enterprise Total Generating Cost per MWh*, and *Supplementary Non-GAAP Financial Measures*.

Ontario Power Generation Inc. is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario. Our mission is providing low cost power in a safe, clean, reliable and sustainable manner for the benefit of our customers and shareholder.

Ontario Power Generation Inc.'s unaudited interim financial statements and Management's Discussion and Analysis as at and for the three months ended March 31, 2018 can be accessed on OPG's web site ([www.opg.com](http://www.opg.com)), the Canadian Securities Administrators' web site ([www.sedar.com](http://www.sedar.com)), or can be requested from the Company.

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