ONTARIOPOWER GENERATION

Bernard Lord
Board Chair

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February 12, 2018

The Honourable Glenn Thibeault
Minister of Energy
4th Floor, Hearst Block
900 Bay Street
Toronto, Ontario
M7A 2E1

Sent by email

Dear Minister,

On behalf of the OPG Board of Directors (the Board), I am writing to provide you with OPG's 2018-2021 Business Plan (the Plan) which was approved by the Board at its meeting on February 12, 2018, in fulfillment of our 2015 Memorandum of Agreement.

Highlights of the 2018-2021 Business Plan:

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	Actual 2017	2018	
Net Income Attributable to Shareholder, excl. Fair Hydro Trust *($ millions)*	859	995	Redacted - Commercially Sensitive
Total Return to Shareholder, excl. Fair Hydro Trust *($ millions)*	1,393	1,391	
Return on Equity, excl. Fair Hydro Trust	7.7%	8.5%	
Debt Ratio, excl. Fair Hydro Trust*	34%	36%	
Enterprise Total Generating Cost *($/MWh)*	50.7	54.7	
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OM&A Expenses from Ongoing Operations *($ millions)*	2,819	2,850	
Capital Expenditures *($ millions)*	1,926	2,082	
Total Headcount (Regular and Term Employees)	9,354	9,434	

*Excludes Class A Shares and Fair Hydro Trust Senior Debt

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Total Shareholder Return

$ millions	**2018***
Net Income Attributable to Shareholder	**1,195**
Non Income Tax PILs	
GRC: Payable to OEFC	206
GRC: Payable to MOF	103
GRC: Payable to Niagara Parks Commission	7
Property Tax Payable to OEFC	13
Total Non Income Tax PILs	**330**
Income Tax PILs	**221**
Total Shareholder Return**	**1,746**

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* Includes Gain from Sale of 700 University (EBT $376M; Net Income $283M), and an estimate of the Sale of Lakeview (EBT ~$270M; Net Income ~$200M)

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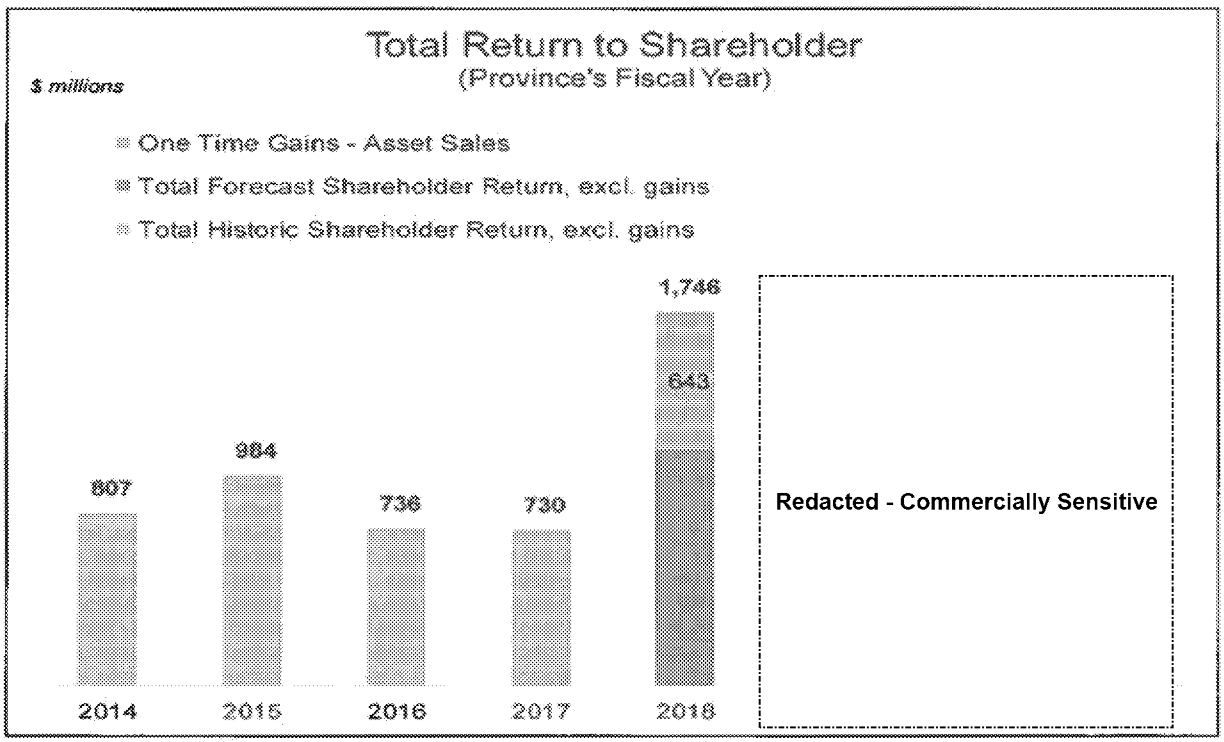

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OPG's 2018-2021 Business Plan

February 12, 2018

ONTARIO POWER GENERATION

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Overview

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The financing of the Fair Hydro Trust impacts OPG's net income and return profiles. In order to evaluate performance plans and results on a comparable basis, additional financial metrics are required within OPG's operations. In the discussion that follows, the following terms are used to describe OPG's financial performance:

- ***Net income*** and ***Total Return on Equity (ROE)*** are based on OPG's consolidated financial performance and corporate capital structure, including the impact of the Fair Hydro Trust;
- ***Operating net income*** and ***Operating ROE*** exclude the impact of the Fair Hydro Trust and exclude the gains on sale of 700 University Ave. property and the Lakeview site and corresponding dividend payments to the Shareholder from net income and corporate capital structure;
- ***Regulated ROE*** is return on OPG's regulated operations calculated using an equity thickness of 45%, as reflected in the deemed capital structure used by the OEB to set OPG's regulated rates.

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2018-2021 Business Plan Summary	Actual 2017	
Net Income Attributable to Shareholder *($ millions)*	860	Redacted - Commercially Sensitive
Operating Net Income Attributable to Shareholder *($ millions)*	576	
Total Return on Equity	7.6%	
Operating Return on Equity	5.3%	
Regulated Return on Equity	Avera	
Debt Ratio, excl. Fair Hydro Trust*	34%	
Enterprise Total Generating Cost *($/MWh)*	50.7	
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OM&A Expenses from Ongoing Operations *($ millions)*	2,819	
Capital Expenditures *($ millions)*	1,926	
Total Headcount (Regular and Term Employees)	9,354	

*Excludes Class A Shares and Fair Hydro Trust Senior Debt

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Social Licence

During the planning period, OPG will focus on building its brand and reinforcing its social licence, with an emphasis on high standards of public trust and transparency, leadership in clean, cost-effective energy generation and innovation, community engagement and Indigenous Relations. OPG will continue to leverage Power with Purpose as the key platform for stakeholder outreach and branding initiatives, and will build on the Company's existing customer engagement activities to more formally incorporate customer engagement into subsequent business plans, as expected by the OEB. OPG will also focus on fostering a diverse, progressive and engaged workforce to enable the Company's future success.

During 2018, OPG will expand the communication of its social licence focus as part of its financial reporting framework, including through external disclosures related to Environment, Sustainability and Governance. Emerging guidance in North America will increase the requirements in this area, bringing public companies in line with more advanced disclosures common in Europe. OPG is well positioned with its virtually emission free generation fleet to move towards a leadership position in this area.

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Financial Strength

In line with the Company's commercial mandate, OPG's objective is to achieve a consistent level of strong financial performance that delivers an appropriate level of return on the Shareholder's investment and positions the Company for future growth. In pursuing commercial objectives, OPG takes into account the impact on Ontario electricity customers by continuously seeking further efficiencies in the Company's cost structure.

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Regulated Rates

The plan reflects the impact of the OEB's decision on OPG's 2017-2021 rate application issued on December 28, 2017. On January 17, 2018, OPG filed a proposed payment amounts order with the OEB implementing the decision's findings in a manner that would result in consistent annual increases of 0.4% or $0.65 on a typical residential customer's monthly bill during the 2017 to 2021 period. The plan reflects this proposal.

For the nuclear operations, the OEB determined the level of costs and return on rate base allowed for recovery as part of each year's revenue requirement, net of an accumulating annual efficiency stretch factor of 0.6%. In the payment amounts order submission, OPG included a rate smoothing proposal based on the allowed revenue requirements and production levels, consistent with O. Reg. 53/05 as amended in March 2017. The objective of rate smoothing is to make the total OPG weighted average payment amounts more stable during the Darlington refurbishment and Pickering closure period by adjusting the nuclear regulated rate within the weighted average payment amount calculation. These adjustments to the nuclear rates determine the annual amounts of nuclear revenue to be recorded in a deferral account for recovery in the post-refurbishment period. Amounts deferred under rate smoothing in a given period are recognized by OPG as income of that period, with the deferral account recorded as a regulatory asset on the balance sheet. Under OPG's proposal, the deferral account balance would reach ~$750 million by the end of 2021, inclusive of interest at approximately 4.5% per annum authorized by the OEB pursuant to the regulation. The regulation requires the total accumulated deferred balance to be recovered over a period of up to 10 years beginning at the end of the Darlington refurbishment project.

For the hydroelectric operations, the OEB's decision approved an inflation-based formula net of a 0.3% efficiency stretch factor to establish rates for each year. The results of the formula for 2017 and 2018 are known based on inflationary inputs published by the OEB for use in incentive regulation formulas, yielding hydroelectric rate increases of 1.4% in 2017 and 0.9% in 2018. The 2019-2021 hydroelectric rates will be set annually before the beginning of each year based on inputs published by the OEB, and are assumed in the plan to increase by 1.0% in 2019 and 1.5% in each of 2020 and 2021.

Approved regulated rates and rate smoothing deferral amounts for the 2017-2021 period will be determined by the OEB's issuance of the final payment amounts order. OPG expects to start receiving revenue under approved new rates in the first half of 2018. In the payment amounts order submission, OPG has proposed to delay the collection of the retrospective revenue shortfall for the period between the June 1, 2017 effective date of the new rates and their implementation date to the three-year period beginning January 1, 2019, in order to mitigate the impact on customer bills in 2018. The retrospective revenue shortfall will be recorded as income in the period to which the revenue shortfall relates. The revenue shortfall recorded in net income in 2017 is ~$480 million.

Consistent with OEB's expectations, the plan assumes an OEB application in 2018 for clearance of deferral and variance account balances recorded over 2016 and 2017 as well as the balance recorded in the pension and OPEB cash-to-accrual deferral account since November 2014. The regulatory treatment of pension and OPEB costs is discussed under the Operational Excellence section.

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Net income contribution from the Fair Hydro Trust increases from $48 million in 2018 to $214 million in 2021, predominantly on account of the spread earned on the Province's equity injections into OPG to fund 44% of the Trust financing requirement. The net income contribution from the Trust is net of interest costs on OPG's debt to fund 5% of the Trust financing requirement. OPG's management fees represent a small fraction of the Trust's net income contribution and range from $1 million to $9 million annually between 2017 and 2021, before taxes.

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Operational Excellence

The plan recognizes that strong core operational and cost performance is foundational to OPG's continued success and longer term strategy. Continuous improvement in performance is expected by the Shareholder, customers and the OEB. In addition to directly affecting output and cost levels, operational and cost performance is a critical driver of rate application outcomes. Benchmarking is a key tool used by the OEB to assess regulated assets' performance as part of rate applications, including as the basis for determining efficiency stretch factors for nuclear and regulated hydroelectric businesses. Continuous improvement in performance and associated benchmarking should support more favourable outcomes of future OEB decisions.

OPG remains focused on improving asset reliability, increasing output and safely generating electricity at a low cost, with performance targets over the planning period set to drive excellence in these areas. The plan builds on OPG's improved performance in a number of areas in 2017, seeking to maximize the value of existing assets and further improve fleet performance during a period of relative regulatory certainty provided by the OEB's 2017-2021 rate decision. This includes implementing initiatives aimed at maximizing generation revenue and improving reliability performance at Pickering based on continued operations to 2024, positioning Darlington for industry-leading operational and cost performance post refurbishment, and maintaining and improving strong reliability and cost effectiveness of the hydroelectric fleet. These initiatives complement an enterprise-wide set of initiatives to improve productivity and realign the Company's cost structure and operating model, discussed under the Operations, Maintenance & Administration Expenses section. In driving these improvements, OPG remains committed to achieving the highest standards of workplace and public safety across its operations and will continue to invest in maintaining and enhancing the safety and security of its generating facilities.

Nuclear Operations

OPG is focused on improving reliability performance and increasing output from the nuclear fleet. This includes initiatives aimed at executing optimized planned outages along with improving equipment reliability, implementing integrated asset management planning, and enhancing maintenance programs. A key driver of improved equipment reliability and station performance is the development and implementation of the Monitoring and Diagnostic Centre. The Centre will facilitate collection and analysis of data to improve early detection of equipment degradation, reduce unplanned maintenance and optimize performance of major components. Improved station performance also will be supported by a greater focus on asset management planning aimed at early identification of project requirements and development of an optimized investment strategy. Maintenance and outage programs over the planning period will continue to focus on improved work planning, preparation and execution.

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OPG benchmarks the costs of the Pickering and Darlington stations against other nuclear stations using indicators that measure performance on a per MWh basis. With a combination of the smaller size Pickering units relative to the majority of industry peers and impacts of moving through refurbishment of the Darlington units, the benchmarking of units on a per MWh basis will continue to pose some challenges in light of the OEB's 2017-2021 regulated rate decision that emphasized benchmarking results. As discussed further in the Operations, Maintenance & Administration Expenses section, the OEB used benchmarking to support a more aggressive efficiency stretch factor in setting OPG's 2017-2021 nuclear regulated rates. In order to achieve an appropriate rate of return and position itself for more favourable future rate application outcomes, OPG will seek to implement commensurate productivity improvements and maximize production output over the business plan period.

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Hydroelectric Operations

OPG continues to focus on increasing the utilization of existing hydroelectric assets through increases in energy output and, where economic, increases in capacity, as well as identifying opportunities for cost efficiencies in line with the incentive regulation model. Operational performance initiatives over the business planning period will aim to increase water to wire efficiency, improve operational flexibility and optimize outage planning to maximize availability and returns during high demand periods, subject to water conditions. **Redacted - Commercially Sensitive**

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OPG is pursuing innovation and technology-based improvements in asset management and equipment maintenance strategies in order to reduce costs and increase reliability of the hydroelectric stations. **Redacted - Commercially Sensitive** **Redacted - Commercially Sensitive** Objectives of the Monitoring and Diagnostic Centre for Renewable Generation operations include developing a common data historian and a data architecture strategy that will optimize asset management, facilitate a move from preventative maintenance to condition-based maintenance and reduce forced outage costs through predictive failure modelling capability. In addition to improving work flow efficiency, digital work management is expected to improve staff engagement in line with OPG's cultural shift.

OPG's hydroelectric operations are regularly benchmarked against peer utilities in North America. Based on 2016 data, 19 out of OPG's 25 large regulated hydroelectric facilities benchmarked in the top two quartiles for unit energy costs. This group of 19 facilities represents 94% of the energy delivered from the regulated hydroelectric fleet. Eighteen out of the 25 large regulated hydroelectric facilities benchmarked in the top two quartiles for availability. The operational and cost improvement initiatives identified in the plan will help support OPG's hydroelectric benchmarking standing. An integrated strategy is being developed in 2018 to assess hydroelectric benchmarking performance, taking into account incentive regulation implications. The operational targets for the Renewable Generation business unit are further detailed in Appendix 5.

Key enterprise level and business unit initiatives that will support achievement of strategic objectives and business plan goals are detailed in Appendix 6.

Safety

OPG is committed to high standards of public and workplace safety and will continue to operate all of its facilities in a safe, secure and reliable manner, while making investments to maintain and enhance the safety of its generating assets. This includes continuing to operate with nuclear safety and waterways safety as overriding priorities by maintaining a strong focus on nuclear safety programs, continuing to invest in nuclear safety systems and dam and other waterway safety upgrades, and further strengthening public awareness regarding water safety.

In the past five years, as a result of lessons learned from the Fukushima accident, OPG has strengthened the nuclear safety program at its stations by installing multiple portable emergency mitigating equipment units, enhancing emergency preparedness and response capability, and improving protocols and procedures in response to potential adverse events. Probabilistic safety assessment results have confirmed that these initiatives have further strengthened the safety of OPG's nuclear plants. Through its annual evaluation of the safety performance of Canada's nuclear plants, the CNSC has concluded that both Pickering and Darlington operate at the highest level of nuclear safety.

OPG continues to demonstrate strong industry leadership with its hydroelectric Dam and Public Safety Program, which encompasses public safety and emergency management over the Company's 241 dams and 66 hydroelectric facilities. The program is considered to be international best practice in a number of areas. **Redacted - Commercially Sensitive**

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OPG has consistently achieved top quartile workplace safety performance compared to the Canadian Electricity Association benchmark and although it did not meet the internal target, 2017 safety performance was the third-best year in the Company's history. OPG will continue to set aggressive but achievable internal targets to drive continuous improvement in safety performance. Achievement of safety goals will be supported through continued branding and integration of the "iCare Enough to Act" initiative aimed at renewing employees' personal commitment to safety, strengthening of an enterprise wide "values-based" safety culture through peer coaching, information sharing and work planning, and a focus on the use of human performance tools such as increased field supervisory oversight, situational awareness, communication, and procedural use and adherence.

Additionally, business unit specific initiatives are being implemented to target improved safety performance over the planning period. Renewable Generation will execute on a broad-based safety improvement plan targeting significant cultural and work program improvements in the safety management system. Objectives include strengthening proactive reporting, enhancing linkage of the embedded health and safety advisors with local senior management, modifying human performance practices based on internal and external benchmarking and reinforcing a culture of personal leadership in safety. In the Nuclear organization, safety programs are being implemented to re-energize the safety culture through communication, recognition, human performance coaching and risk management. Leveraging consistent best quartile performance at both Pickering and Darlington, business plan targets for safety at the nuclear stations have been set to drive further improvement over the previous plan, toward the ultimate goal of zero injuries.

Environment

OPG remains committed to meeting its environmental compliance obligations, including any commitments it makes, with the objective of surpassing these compliance obligations where it makes business sense. In keeping with the business plan, OPG will continue to manage its operations to minimize environmental risks and seek opportunities for environmental leadership. OPG's priorities over the planning period include keeping radiological emissions as low as reasonably achievable, preventing significant environmental events, and implementing a transportation electrification strategy discussed in the Social Licence section as well as initiatives to enhance biodiversity.

In 2017, OPG met or outperformed its targets for spills, environmental infractions, carbon-14 emissions to air and radioactive waste, with no significant environmental events. Performance for tritium emissions to air and water during 2017 remained less than one percent of the regulatory limit. The Company will pursue further improvement in environmental performance through setting of more stringent targets in this plan, including in the area of spills and infractions for Renewable Generation and radioactive waste, infractions and tritium emissions for the nuclear operations.

To maximize the benefits of its biodiversity initiatives, OPG has developed biodiversity management plans that identify priority natural areas, conservation goals, risks and proposed actions. In 2017, OPG's continued efforts to protect and restore habitat, promote biodiversity education and awareness, and help the recovery of species were recognized by the Canadian Electricity Association with the 2017 Sustainable Electricity award for Commitment to Continuous Performance Improvement. OPG will continue to advance its biodiversity efforts during the business plan period.

Production

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OPG's three wholly-owned thermal stations with a total capacity of close to 2,500 MW will continue to provide the electricity system with the flexibility to meet system demand and capacity requirements during the business plan term under their respective energy supply agreements. The current Thunder Bay biomass energy supply agreement expires in January 2020, with agreements for Lennox and Atikokan stations expiring within several years of the business plan period. These assets are unique in their operational flexibility and in the world-leading biomass innovation. The economics of these assets post existing contracts may be impacted by structural changes to Ontario's electricity market being contemplated through the IESO Market Renewal Program. OPG continues to be an active participant in the IESO's Market Renewal engagement process to ensure that the impacts of a redesigned electricity market are understood, the unique flexibility of OPG's assets is appropriately valued and the Company's operations are optimized under the new market rules.

Operations, Maintenance & Administration Expenses

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Pension and OPEB Costs

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The 2017-2021 regulated rates limit the recovery of OPG's pension and OPEB costs to cash amounts, with the difference between accrual and cash amounts continuing to be recorded in an OEB authorized deferral account in place since 2014. In 2017, the OEB issued its final report on the regulatory treatment of pension and OPEB costs, establishing the accrual basis of accounting as the default rate-setting method for regulated utilities in Ontario. As required by the report, OPG will seek the OEB's approval to resume the accrual basis of recovery and begin to collect the balance accumulated in the deferral account, through a deferral and variance account application planned later in 2018. OPG must begin to collect the account balance by November 2019 in order to avoid writing off a portion of the balance against net income as would be required by US GAAP. The deferral account balance stood at ~$600 million at the end of 2017.

Headcount

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Darlington Refurbishment

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Planned Darlington refurbishment in-service amounts are consistent with amounts approved by the OEB in setting the 2017-2021 regulated rates. In particular, the OEB has allowed inclusion of a total of $5.5 billion in Darlington refurbishment in-service additions through 2021, including pre-requisite projects other than the D2O Project. The plan reflects Unit 2 returning to service in February 2020, with Unit 3 refurbishment commencing immediately thereafter and the third unit refurbishment beginning in 2021. Pre-execution expenditures incurred for the Unit 3 refurbishment, including acquisition of long lead-time materials and components, are $93 million as of 2017 year-end, with a further ~$540 million reflected in the plan over 2018 to February 2020.

Sustaining Capital

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OPG remains focused on delivering all projects safely, on time, on budget and with high quality and is committed to executing its capital plan. In 2017, OPG delivered on its capital program commitments with aggregate spending on sustaining capital projects meeting internal targets. To improve consistency of project outcomes across the organization, OPG has implemented common enterprise-wide project governance and a scalable project delivery model, as well as project management system and tools, leveraging industry standards. OPG is also focused on strengthening internal project management capability, with project management proficiency development programs launched in 2017 for existing and new project managers. In 2018, OPG will transition to an enterprise wide Project Management Centre of Excellence that will provide portfolio and project management standards and services for all projects across OPG.

In setting OPG's nuclear regulated rates for 2017-2021, the OEB disallowed certain capital project costs based on an assessment of OPG's performance on the projects, reduced OPG's forecast of 2017-2021 non-Darlington refurbishment capital in-service additions based on an assessment of OPG's ability to deliver on the capital plan, and applied an accumulating annual efficiency stretch factor of 0.6% to reduce revenues earned by OPG from an allowed level of forecast in-service additions. Continuing to execute the capital program as planned and delivering on efforts to improve project performance will support improved outcomes of OEB's future assessments of OPG's capital costs.

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Business Development Capital

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Social Licence

As the largest electricity generator in Ontario with diverse operations across the province, OPG holds itself accountable to the public and its employees, and continues to focus on maintaining public trust and building the Company's brand. OPG works to maintain public trust through community engagement, transparency, corporate citizenship initiatives and Indigenous relations. OPG focuses on building and maintaining its social licence through safe, reliable, environmentally-responsible operations that continue to mitigate Ontario's electricity prices, support climate change initiatives and foster diversity and inclusion in the workplace.

Supporting Decarbonisation and Climate Change Goals

OPG is proud of its transition to a low-carbon electricity generation portfolio and is helping the Province meet its climate change and greenhouse gas reduction commitments. With a generating fleet that is 99% emission-free, OPG avoids over 30 million tonnes of greenhouse gas emissions annually in comparison to a fleet of gas generators. To ensure a supply of clean power for generations to come, OPG's operational and organic growth strategies are focused on innovation, technology, and energy and storage development. This includes maintaining the nuclear portion of OPG's generation portfolio, participating in the development of new nuclear technologies, evaluating and implementing plans to increase hydroelectric generation, and investing in other low-carbon technologies. Through investment in these areas, OPG seeks to support Ontario's climate change goals while building momentum for new business opportunities. OPG's business plan supports Ontario's climate change goals through a transportation electrification strategy, participation in Ontario's cap and trade program, organic expansion of the renewable generating fleet and the supply of safe, reliable and clean power to homes, businesses and industry throughout the province.

The goal of OPG's transportation electrification strategy is to position the Company as a leader in the electrification of Ontario's transportation sector. As part of the strategy, OPG is implementing fleet-wide electric vehicle adoption goals and charging station infrastructure across the Company's work locations, and is assessing vehicle-grid integration and hydrogen applications for the transportation sector. This strategy is intended to leverage OPG's clean, reliable and cost-effective electricity to support action on climate change, create growth opportunities for OPG, and enhance OPG's brand and social licence.

OPG has been a participant in Ontario's cap and trade program since it came into effect on January 1, 2017. This market-based program sets an annual cap for greenhouse gas emissions, with targets becoming more stringent over time. Compliance with these requirements does not have a significant financial cost impact on OPG's business plan given OPG's virtually emission-free generating fleet and the contractual arrangements in place for the greenhouse gas emitting assets in OPG's fleet.

Looking ahead, climate change and the extreme weather associated with it could pose strategic risks for OPG. Longer term changes in precipitation patterns and amounts, water temperatures, and ambient air temperatures can impact the availability and quality of water resources for OPG's operations. These changes could potentially affect electricity production at hydroelectric stations, and cooling water efficiency at nuclear and thermal stations. To date, OPG has not experienced significant impacts attributable to climate change or extreme weather, but the Company is assessing the short and long-term risks and identifying climate change adaptation requirements. OPG continues to participate in climate change adaptation initiatives with municipal and regional governments, the Ontario Ministry of the Environment and Climate Change, the Ontario Ministry of Energy, and Natural Resources Canada. OPG is also monitoring developments in climate science, adaptation activities, and potential changes to policy and regulatory requirements.

New guidance is expected shortly for North American listed public companies that will see a stronger emphasis on climate-related disclosures and reporting requirements as part of the financial reporting framework. Given OPG's commitment to climate change mitigation, the Company will position itself to move toward a leadership position in this area and will increase disclosures in regulatory filings during 2018.

Pursuing Clean Energy Business Development Opportunities

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OPG sees significant socio-economic and commercial potential in the role that nuclear energy can continue to play in a decarbonizing economy. In addition to making significant investments in OPG's existing nuclear fleet to continue to provide Ontario with cost-effective, carbon-free baseload generation, through refurbishment of Darlington and extension of Pickering operations to 2024, OPG plans to strategically participate in the development of potential innovative and advanced nuclear reactor technologies. As Canada's largest nuclear operator with extensive experience, a strong safety record and a commitment to climate change mitigation, OPG is well positioned to be a pan-Canadian driving force in this area. With respect to OPG's existing nuclear operations, it is expected that the refurbished Darlington station will reduce greenhouse gas emissions by an estimated 297 million tonnes over its life, which is the equivalent of removing two million fossil-fuelled cars per year from Ontario's roads.

In addition to being a mainstay of Ontario's baseload electricity supply, OPG's nuclear operations continue to be a source of important isotopes that serve significant needs in society. From the life-saving Cobalt-60 isotope, which sterilizes medical devices and food, to tritium, which can act as a self-powered light source, these innovative nuclear products help millions of people around the world. Isotope production is an example of a good business opportunity for OPG that validates the Company's social licence and Power with Purpose vision.

Partnering with Indigenous Communities

OPG is committed to continuing to build mutually beneficial working relations with Indigenous communities proximate to the Company's current and future operations. The Company believes and takes pride in establishing and maintaining these relationships through dialogue founded in respect and aimed at preserving openness, transparency and trust. These strong partnerships are vital to maintaining OPG's social licence in the communities and are a source of critical competitive advantage while developing clean, renewable power in the province.

Throughout the planning period, OPG will continue to engage proactively with Indigenous communities, people, businesses and organizations through a number of diverse initiatives. This includes pursuing additional generation-related development partnerships, collaborating on capacity building initiatives and projects, and continuing to conduct community outreach efforts. As part of capacity building, OPG will continue to advance its Indigenous Business Engagement initiative that will increase Indigenous access to procurement opportunities, as well as to expand Indigenous recruitment initiatives aimed at increasing employment opportunities, including in the nuclear generation industry. As a member of the Canadian Council of Aboriginal Businesses, OPG is also working towards a new assessment submission in 2018 under the Council's Progressive Aboriginal Relations certification program, with the goal of achieving a Gold certification.

OPG continues its engagement with Indigenous communities regarding the Company's nuclear operations, including collaboration with the Saugeen Ojibway Nation in respect of the proposed L&ILW DGR. OPG has previously committed that the project would not proceed without Saugeen Ojibway Nation's support. OPG is also proactively engaging with Indigenous communities proximate to the Pickering station regarding the station's relicensing and collaborated with the CNSC to ensure access to participant funding in the hearing process.

Expanding the OPG Brand and Creating a Diverse, Progressive Workforce

In support of its strategic direction, OPG continues to expand its branding efforts to reinforce the Company's social licence, increase stakeholder awareness and build a stronger presence amongst the public. Power with Purpose remains the platform for the Company's key outreach and branding initiatives. OPG will continue to use Power with Purpose to emphasize the Company's role as a leader in clean energy generation and innovation, as a cost-effective moderator of electricity prices, and as a driver of economic and community well-being. Additionally, a new "Be the Generation" recruitment campaign to appeal to both prospective and current employees is being developed. Be the Generation aims to present the opportunities to make a difference when working for OPG as a forward-looking company that takes pride in caring about people, the environment, the economy and the future. Likewise, OPG's "Made in Ontario" campaign will continue to capture OPG's efforts to secure a clean energy future for the province.

OPG is focused on building a workforce that is representative of the communities and customers it serves and is committed to provide a diverse and equitable workplace where all employees can realize their full potential with equal access to opportunities. In support of this, OPG has developed a long-term Diversity and Inclusion strategy into 2020, reflected its commitment in the performance contracts of all Company's executives, and strives to hire diverse candidates by reaching out to designated groups and including diversity in succession plans. Leveraging the unique perspectives, talents and experiences of a diverse workforce will enable OPG to grow and compete well into the future.

Moderating Electricity Prices and Contributing to the Economy

The plan reflects the OEB's decision on OPG's 2017-2021 rate application, Redacted - Commercially Sensitive

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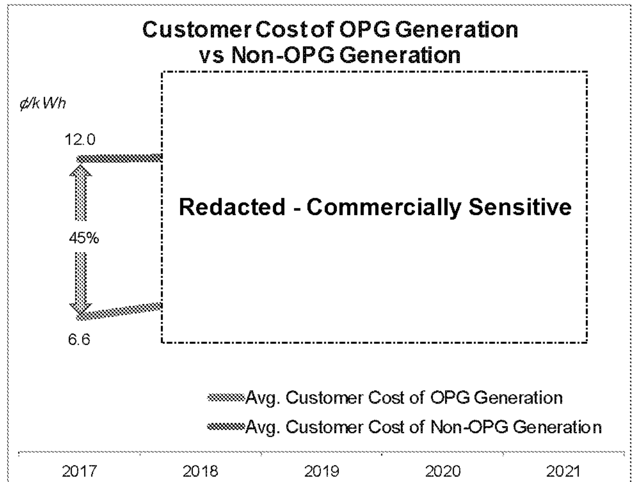

The forecast trajectory of OPG's average cost reflects nuclear regulated rates under rate smoothing proposed in OPG's payment amounts order submission, as well as a forecast of regulated hydroelectric rates under the OEB-approved incentive regulation formula. The increase in the non-OPG cost of electricity in 2019 reflects the terms of the refurbishment agreement between Bruce Power and IESO, whereby Bruce Power begins to receive a higher price commencing one year before the first unit is scheduled to commence refurbishment in 2020.

The average non-OPG cost of electricity trajectory over the business plan term is higher than OPG's forecast in the previous plan. This is primarily due to an updated OPG forecast of wind and solar electricity system costs based on updated non-OPG renewable generation cost information published by the IESO, and a reduction in the annual Ontario grid demand forecast averaging 2.5 TWh. Lower grid demand decreases the need for gas generation that is used to spread the fixed portion of non-OPG generator costs, thereby increasing the average non-OPG cost.

OPG will continue to make a significant contribution to the Ontario economy and job creation, including through the refurbishment and continued operation of the Darlington station and extending the operating life of the Pickering station to 2024. In addition to continuing to powering one in every five homes in Ontario, the Darlington station's refurbishment and subsequent operation are estimated to boost Ontario's Gross Domestic Product by $90 billion and create and sustain over 14,000 jobs annually over the station's life.

Engaging Electricity Consumers

Customer engagement is a priority for OPG, both because of its social license strategic imperative and because of its largely regulated operations. OPG routinely engages customers and opinion leaders through provincial and host community surveys, community liaison groups, focus groups, and ongoing contact with key industry associations. Engagement topics cover areas of critical importance to OPG's business, including safety, reliability and environmental protection. The OEB increasingly expects regulated utilities' business plans to be shaped by customer engagement. The OEB has confirmed that, although OPG does not have a direct transactional relationship with electricity consumers, it expects OPG's business plans to be informed by customer engagement. OPG has committed to more formally incorporate customer engagement into its business planning process over time and will build on its existing customer engagement activities as it prepares subsequent business plans.

APPENDIX 1: KEY PLANNING ASSUMPTIONS

Operational and Project Assumptions

- Refurbishment of Darlington Unit 2 is completed by February 2020, with Unit 3 refurbishment starting immediately after Unit 2 is returned to service and Unit 1 refurbishment starting in 2021. D2O Project is in service in the first half of 2019
- Pickering station operates until 2024. The plan includes additional costs and outage days to enable Pickering operations beyond 2020, in line with the business case approved by the Board
- A station-wide Vacuum Building Outage takes place at Pickering in 2020
- The plan reflects currently approved accounting station service lives for Pickering Units 1 & 4 to 2022, Pickering Units 5-8 to 2024, Darlington to 2052, Bruce Units 1-4 to 2052 and Bruce Units 5-8 to 2061
- Employee termination costs related to the Pickering closure are not included in the plan. Accounting criteria requiring recognition of a liability for these costs are assumed to be met in 2022 at the earliest
- Site preparation and construction licence is received for the proposed L&ILW DGR
- Incremental funding is allocated in the plan for potential initial planning and preparation activities related to the study of new nuclear facilities. The new nuclear Darlington site preparation licence is maintained

Commercially Sensitive

- First Bruce unit refurbishment starts in 2020, as per the Bruce Power refurbishment agreement
- Assumed Ontario grid demand growth rate is approximately 0% on average over the planning period

Financial and Rate Regulation Assumptions

- OEB approves nuclear base rates and rate smoothing deferrals to 2021 as proposed in OPG's January 2018 draft payment amounts order. Hydroelectric base rates increase by 1% in 2019 and by 1.5% in each of 2020 and 2021 under the OEB-approved incentive regulation formula
- OPG's next deferral and variance account application is filed in 2018, with OEB approving clearance of the pension and OPEB cash-to-accrual deferral account as part of the application

Commercially Sensitive

- Acquisitions are not included in the plan as opportunities are evaluated as they arise

Redacted - Commercially Sensitive

- The plan reflects the January 1, 2017 actuarial funding valuation of OPG's registered pension plan as filed with the regulator and assumes a subsequent valuation as of January 1, 2020

Redacted - Commercially Sensitive

- Both OEFC credit facilities and public debt platform are used for long-term corporate debt purposes. Effective interest rate for new OPG debt over the planning period is 5.0%, on average
- The plan reflects OPG's role as the Financial Services Manager of the Fair Hydro Plan, including consolidation of the Fair Hydro Trust. Effective interest rate for Fair Hydro Trust senior debt over the planning period is 4.25%, on average
- OPG continues to prepare its consolidated financial statements and report its financial results in accordance with US GAAP

APPENDIX 2: KEY RISKS

The key risks associated with the 2018-2021 Business Plan are outlined below.

Operational and Project Risks

- Failure to maintain the Darlington refurbishment cost and schedule commitments per the approved project budget and schedule
- Inability to meet the objectives of the first unit refurbishment, resulting in sub-optimal post-refurbishment performance

Commercially Sensitive

- Inability to achieve production targets, including risks associated with unit capability factors, planned nuclear outage performance, nuclear station lifecycle management, and human performance
- Risk of increased operating costs as a result of greater-than-planned deterioration of station components and systems, discovery of unexpected conditions, and/or equipment failures
- Risk of technical challenges in confirming ability to operate Pickering beyond 2020, and/or failure to obtain regulatory assurance from the CNSC in support of the station's continued operations, including inability to renew the operating licence without conditions

Commercially Sensitive

Financial and Rate Regulation Risks

Commercially Sensitive

- Risk of lower than planned returns on nuclear segregated and pension fund assets as a result of market factors, including equity prices, interest rates, inflation and commodity prices, which would lower net income and potentially increase future funding requirements
- Risk of lower discount rates and other changes in assumptions for future pension and OPEB valuations
- Risk of adoption of IFRS for financial reporting purposes due to inability to extend the Ontario Securities Commission exemption that allows OPG to prepare consolidated financial statements under US GAAP. Adoption of IFRS would be expected to cause significant net income volatility compared to US GAAP

APPENDIX 3: Financial and Headcount Plan Information

Key Financial Metrics *(in millions of dollars unless otherwise noted)*	Actual 2017	
Financial Performance Metrics		Redacted - Commercially Sensitive
Net Income Attributable to Shareholder	860	
Operating Net Income Attributable to Shareholder	576	
Earnings Before Tax	1,090	
Total Return on Equity*	7.6%	
Operating Return on Equity*	5.3%	
Debt Ratio, excl. Fair Hydro Trust****	34%	
FFO / Total Debt Ratio, including Fair Hydro Trust Impact *(Minimum threshold of 9%)*	10%	
FFO / Total Debt Ratio, excluding Fair Hydro Trust Impact	10%	
Debt / EBITDA Ratio, including Fair Hydro Trust Impact (times) *(Maximum threshold of 5.5)*	6.8	
Debt / EBITDA Ratio, excluding Fair Hydro Trust Impact (times)	6.4	
Total Debt at Year-End	6,579	
Net Cash from Operations	944	
Total Return to Shareholder, excluding Fair Hydro Trust Earnings***	1,393	
Cost Performance Metrics		
Nuclear Total Generating Cost** *($/MWh)*	70.9	
Hydroelectric Total Generating Cost** *($/MWh)*	23.9	
Enterprise Total Generating Cost** *($/MWh)*	50.7	
OM&A Expenses from Ongoing Operations	2,819	
Darlington Refurbishment Capital Expenditures	1,249	
Darlington Refurbishment In-Service Additions	305	
Capital Expenditures excluding Darlington Refurbishment	677	
In-Service Additions excluding Darlington Refurbishment	968	
Nuclear Waste Redacted - Commercially Sensitive Provision Expenditures	313	

* Calculated using the methodology per OPG's external financial filings

** Total Generating Cost is calculated as: (OM&A expenses from ongoing operations + fuel and Gross Revenue Charge expenses for OPG-operated stations + sustaining capital expenditures)/OPG generation adjusted for surplus baseload generation losses. Sustaining capital expenditures exclude the Little Long Dam Safety project and the Sir Adam Beck 1 GS Water Conveyance System Project. Absent Darlington refurbishment and Pickering VBO, Enterprise TGC would be ~$5/MWh lower on average each year

*** Calculated as: Net Income Attributable to Shareholder + Income Taxes + Gross Revenue Charge + Property Tax PILs

****Excludes Class A Shares and Fair Hydro Trust Senior Debt

Operating Statement - Years Ended December 31 *(in millions of dollars)*	Actual 2017
Electricity Generation Revenues	4,823
Fuel and Gross Revenue Charge	689
Generation Sales Gross Margin	**4,134**
Net Trading Margin	15
Redacted - Commercially Sensitive	
OM&A Expenses (excl. Cost of Goods Sold)	2,806
Depreciation and Amortization	679
Accretion on Nuclear Waste and Other Liabilities	960
Earnings on Nuclear Funds	(801)
Earnings from Fair Hydro Trust	(1)
Property Taxes	40
Restructuring	-
Total Expenses	3,683
Income before Interest and Other Income	**768**
Net Interest Expense	95
Other (Income)/Expense*	(417)
Income before Tax	**1,090**
Income Tax	209
Net Income	**881**
Net Income Attributable to Shareholder	**860**
Net Income Attributable to Non-Controlling Interests	21

Redacted - Commercially Sensitive

Redacted - Commercially Sensitive

Balance Sheet - As at December 31	Actual	
(in millions of dollars)	**2017**	
Assets		
Current assets		
Cash and cash equivalents	234	
Short-term investments	188	
Accounts receivable	515	
Fuel inventory	309	
Materials and supplies	103	
Other current assets	192	
	1,541	
Property, plant and equipment and intangible assets		
Fixed and intangible assets (net)	21,455	
Other assets		
Financing Receivables	1,179	
Nuclear fixed asset removal and nuclear waste management funds	16,724	
Long-term materials and supplies	355	
Regulatory assets (net)*	6,637	
Investments subject to significant influence	309	
Other long-term assets	28	
	25,231	
Total Assets	**48,228**	
Liabilities		
Current liabilities		**Redacted - Commercially Sensitive**
Short-term notes payable	260	
Accounts payable and accrued charges	1,228	
Deferred revenue due within one year	12	
Current income taxes payable	80	
Long-term debt due within one year	398	
	1,978	
Long-term debt	5,921	
Other liabilities		
Fixed asset removal and nuclear waste management liabilities	20,421	
Pension liabilities (non-current)	3,423	
Other post-employment benefit liabilities (non-current)	3,092	
Long-term accounts payable and accrued charges	252	
Deferred revenue	351	
Deferred income taxes	879	
	28,417	
Equity		
Class A shares	519	
Common shares	5,126	
Retained earnings	6,396	
Accumulated other comprehensive loss	(295)	
Equity attributable to non-controlling interests	165	
	11,911	
Total Liabilities and Equity	**48,228**	

* Includes accrued revenues for new regulated rates for the period from June 1, 2017 to the implementation date of the OEB's decision. The accrued balance is assumed to be collected beginning January 1, 2019 over 3 years.

OM&A Expenses by Business Unit	Actual 2017*	Redacted - Commercially Sensitive
(in millions of dollars)		
Nuclear Operations	1,709	
Redacted - Commercially Sensitive		
Total Operations	**2,079**	
Chief Administrative Office	171	
Finance (incl. Chief Information Officer)	255	
People & Culture	84	
Corporate Office (inc. Corporate Affairs)	27	
Total Support Services	**537**	
Total Business Unit Expenditures	**2,616**	
Insurance	36	
Centrally Held Pension and OPEB	95	
Other (incl. Cost of Goods Sold)	73	
Total Ongoing Operations	**2,819**	
OEB Variance and Deferral Account Offsets	(32)	
Darlington Refurbishment Project	36	
Nuclear New Build**	0	
Total OM&A Expenses	**2,824**	

* Actual 2017 amounts have been restated for 2018 organizational changes

** Includes expenditures budgeted by Support Services

Production	Actual	Redacted - Commercially Sensitive
(TWh)	**2017**	
Darlington	*19.3*	
Pickering	*21.4*	
Total Nuclear	40.7	
Regulated Hydroelectric	30.7	
Redacted - Commercially Sensitive		
Total Production (Net of SBG Losses)		
Regulated Hydroelectric SBG Losses	5.2	
Redacted - Commercially Sensitive		
Total SBG Losses		

Headcount by Business Unit**	Actual 2017*
Nuclear	6,176
Renewable Generation	1,453
Other Unregulated Operations	6
Total Operations	**7,635**
Chief Administrative Office	572
Finance (incl. Chief Information Officer)	690
People & Culture	399
Corporate Office (incl. Corporate Affairs)	58
Total Support Services	**1,719**
Total Headcount	**9,354**

Redacted - Commercially Sensitive

* Actual 2017 amounts have been restated for 2018 organizational changes
** Includes Term employees

Provision Expenditures *(in millions of dollars)*	Actual 2017
Nuclear Decommissioning and Nuclear Waste Management Expenditures	
Nuclear Operations*	276
Support Services	14
Total Nuclear Provision Expenditures	**290**
Nanticoke GS Decommissioning	12
Lambton GS Decommissioning	11
Other	-
Redacted - Commercially Sensitive	
Total Provision Expenditures	

Redacted - Commercially Sensitive

* Includes expenditures for the Darlington Refurbishment Project nuclear waste containers

Capital Expenditures *(in millions of dollars)*	Actual 2017	
Sustaining		
Nuclear	357	
Regulated Hydroelectric		
Sir Adam Beck Water Conveyance System Project	3	
Other Projects	118	
Total Regulated Hydroelectric	121	
Redacted - Commercially Sensitive		
Support Services		Redacted - Commercially Sensitive
Information Technology Projects	84	
Other Projects	16	
Total Support Services	100	
Total Sustaining Capital	**615**	
Development Projects*		
Darlington Refurbishment Project***	1,249	
Ranney Falls GS Redevelopment**	25	
Sir Adam Beck Units 1 & 2 Conversion	1	
Nanticoke Solar Project**	6	
Calabogie GS Redevelopment**	2	
Redacted - Commercially Sensitive		
Redacted - Commercially Sensitive		
Total Capital Expenditures	**1,926**	

* While in definition phase, projects are budgeted by Corporate Business Development (within Finance) and, while in execution phase, projects are budgeted by Renewable Generaiton and other Support Services organizations

Redacted - Commercially Sensitive

*** Includes expenditures budgeted by the Nuclear organization and Support Services

Financing and Liquidity Outlook - Years Ended Dec 31 *(in millions of dollars)*		Actual 2017	
Opening Cash Balance		**186**	
Net Operating Cash Inflows before the following:		**1,723**	
Earnings from Fair Hydro Trust (pre-tax)		1	
Interest Paid (excl. Fair Hydro Trust)		(251)	
Nuclear Funds Contribution		-	
Pension Fund Contribution		(212)	
OPEB Payments		(110)	
Internally Funded Nuclear Provision Expenditures		(208)	
Net Cash from Operations		**944**	
Investing Activities			
Sustaining Capital Expenditures		(615)	
Darlington Refurbishment		(1,249)	
Ranney Falls GS Redevelopment		(25)	
Sir Adam Beck Units 1 & 2 Conversion		(1)	
Nanticoke Solar		(6)	
Redacted - Commercially Sensitive			
Capital Expenditures		**(1,926)**	
Pre-tax Proceeds from Sale of 700 University Ave. Property		484	
Pre-tax Proceeds from Sale of Lakeview Site		-	
Acquisition of Fair Hydro Trust Assets		(1,179)	**Redacted - Commercially Sensitive**
Redacted - Commercially Sensitive			
Other		73	
Net Cash Outflow for Investing Activities		**(2,478)**	
Financing Activities			
General Corporate Debt	- *Debt Issuance/Refinancing*	1,301	
	- *Debt Retirement*	(900)	
Private Placement Debt	- *Debt Issuance/Refinancing*	-	
	- *Debt Retirement*	(203)	
Fair Hydro Trust Senior Debt	- *Debt Issuance*	601	
Short-Term Notes	- *Net Issuance (Repayment)*	260	
Issuance of Class A Shares		519	
Dividends Paid		-	
Distribution Paid to Non-Controlling Interests		(15)	
Capital Contribution from Non-Controlling Interest		19	
Net Cash from Financing Activities		**1,582**	
Net Cash Inflow (Outflow) for Period		**48**	
Ending Cash Balance		***234***	
Total OPG Debt		***5,978***	
Fair Hydro Trust Senior Debt		***601***	
Total Consolidated Debt		***6,579***	

Redacted - Commercially Sensitive

APPENDIX 5: RENEWABLE GENERATION FINANCIAL PLAN AND OPERATIONAL TARGETS

Financial Plan

Renewable Generation *(in millions of dollars)*	Actual 2017
OM&A	
Regulated Hydroelectric	193
Redacted - Commercially Sensitive	
Regulated Hydroelectric	42
Redacted - Commercially Sensitive	
Regulated Hydroelectric	235
Redacted - Commercially Sensitive	
Capital	
Little Long Dam Safety Project	-
Sir Adam Beck Water Conveyance System Project	3
Redacted - Commercially Sensitive	
Nanticoke Solar	0
Ranney Falls GS Redevelopment	24
Sir Adam Beck Units 1 & 2 Conversion	0
Redacted - Commercially Sensitive	
Hydroelectric Gross Revenue Charge and Thermal Fuel Expense	
Regulated Hydroelectric (net of SBG losses)**	320
Redacted - Commercially Sensitive	

Redacted - AG Priv.

*Includes an estimated $4M per year, in 2018-2021, for work in support of the Nuclear Organization

** Regulated hydroelectric GRC expenses assuming no SBG losses are: $320M in 2017, $360M in 2018, $359M in 2019, $349M in 2020, $331M in 2021.

Operational Targets

The key 2018-2021 Renewable Generation targets designed to drive continuous performance are set out below.

Renewable Generation	Actual 2017	
All Injury Rate* *(#/200k hrs worked)*	2.05	
Environment *(#)*		
Category C Spills	3	
Environmental Infractions	1	
Capacity *(MW)*	9,928	
Regulated Hydroelectric	6,426	
Contracted Generation (Hydro, Thermal and Solar)	3,500	**Redacted - Commercially Sensitive**
Wind	1.8	
Hydroelectric Availability *(%)*	**86.5%**	
Regulated Hydroelectric	88.3%	
Contracted Generation		
Hydroelectric Equivalent Forced Outage Rate *(%)*	**3.1%**	
Regulated Hydroelectric	3.0%	
Contracted Generation		
Thermal Equivalent Forced Outage Rate (Operating) *(%)*		
Total Hydroelectric Generating Cost per MWh** *($/MWh)*		

* All Injury Rate (AIR) has been replaced in 2018 with the Total Reportable Injury Frequency (TRIF). TRIF includes restricted work injuries which is expected to be minimal and as a result there is no change in targets set for AIR.

Redacted - Commercially Sensitive

Redacted - Commercially Sensitive

Redacted - Commercially Sensitive