Lower Mattagami – Innovative Project Financing

Canadian Electricity Association

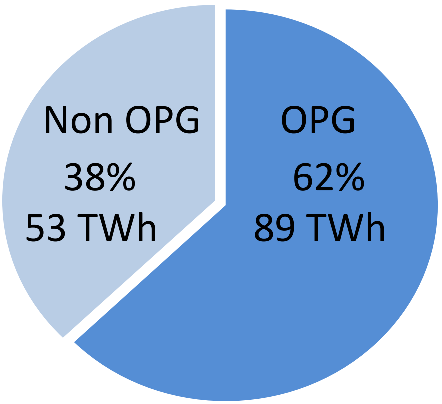
September 21, 2011

ONTARIO POWER GENERATION

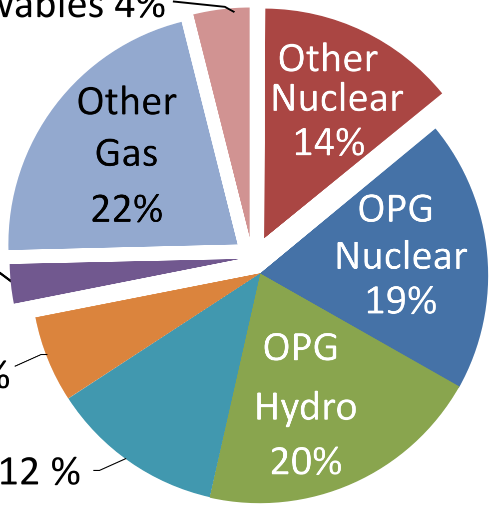
OPG Overview

- OPG is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario
- With a total in-service capacity of ~20,000 MW, OPG is one of the largest power generators in North America
- OPG's generating assets include:
  - 3 nuclear generating stations
  - 5 thermal generating stations
  - 65 hydroelectric generating stations
- OPG also jointly owns Portlands Energy Centre with TransCanada and Brighton Beach gas-fired station with ATCO
- Total revenues of $5.4 billion for FY2010

2010 Ontario Electricity Production[1]



2010 Ontario Capacity[1]



[1] Data sources: 2010 OPG Annual Report & 2010 Ontario market results http://www.ieso.ca

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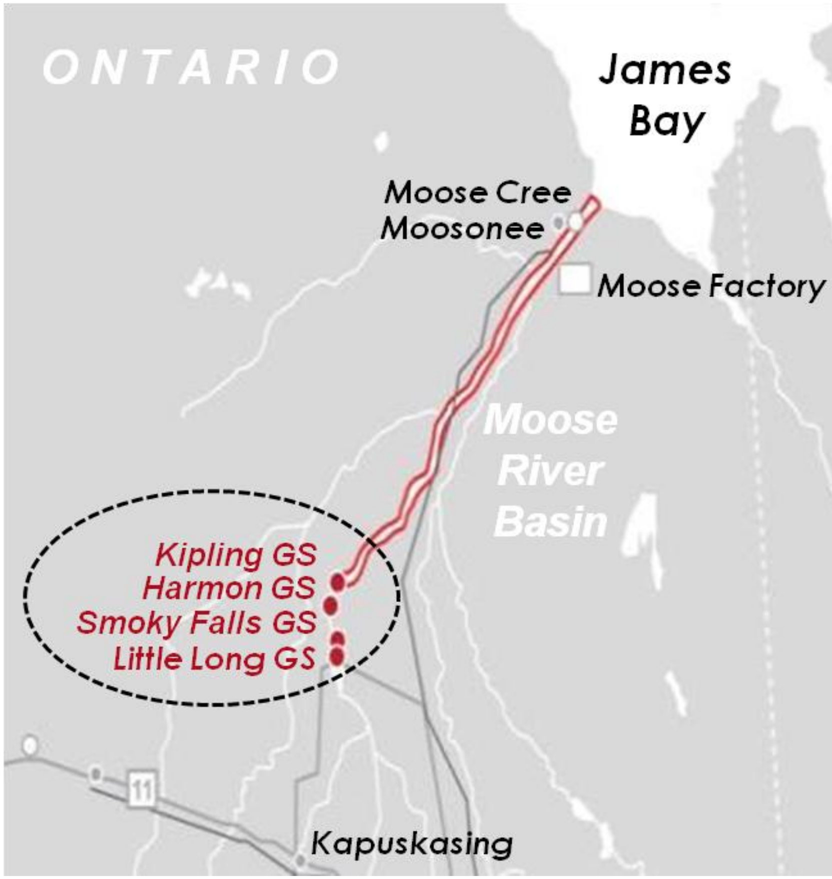
LOWER MATTAGAMI RIVER COMPLEX

LMR Complex



- Currently the Lower Mattagami River (LMR) Complex is composed of four stations on the Mattagami River in north eastern Ontario approximately 70 - 95 km northeast of Kapuskasing, existing capacities are:
  - Little Long (138 MW)
  - Smoky Falls (52 MW)
  - Harmon (142 MW)
  - Kipling (154 MW)
- Construction project includes full replacement of the Smoky Falls station and expansion of the other three generating stations in order to optimize water flow on the River
- Cost of redevelopment is $2.56 billion
- Total asset value ~$2.96 billion following redevelopment (combining both incremental and existing assets)

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LMR Complex

- Total capacity will be 924 MW
  - 438 MW of new, clean, renewable energy at existing sites using river water more efficiently
- Moose Cree First Nation will have the opportunity to invest up to 25% equity partnership in the project
- Hydroelectric Energy Supply Agreement ("HESA") with the Ontario Power Authority ("OPA") provides a Revenue Requirement similar to model used for regulated utilities

Harmon GS Cofferdam

Kipling GS

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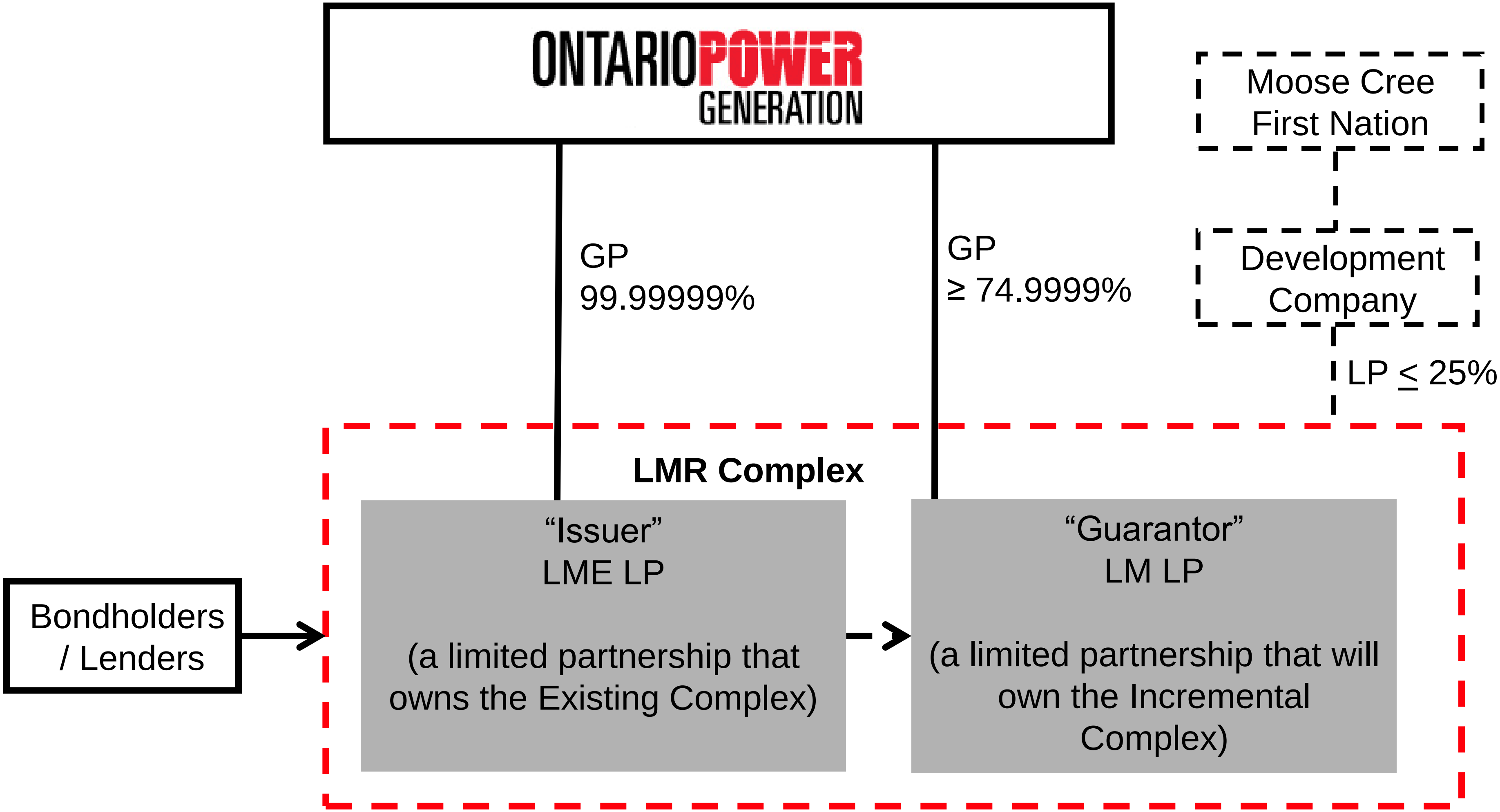
FINANCING

Simplified Legal Structure



LMR Financing Considerations

Traditional Project Financing:

- Bank Financing – full up front commitment
- Bond Takeout – fully amortizing

Challenges specific to LMR Complex:

- 5-year construction
- Debt capacity for $2 B project
- Refinancing risk due to the 50-year term of the HESA

Hybrid Project Financing Plan:

- Repositioned as “utility-like”
- Perpetual asset and “going concern”
- Regulated revenues with merchant upside
- Corporate financing enhanced with project covenants
  - Bonds are secured by Lower Mattagami assets
  - Leverage and DSCR covenants

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LMR Financing Plan

- Project costs will be initially funded through the issuance of commercial paper(“CP”), periodically refinanced in the long term debt market over the construction period
- CP program rated R1-Low was launched in September 2010
- Lower Mattagami Energy Limited Partnership (“LMELP”) received an Issuer Rating of ‘A-high’ from DBRS and ‘A2’ from Moody's
- Senior bonds will be periodically issued in the private placement market, either to repay CP, or used to fund project costs directly
- Bond structured to appeal to the broadest range of institutional investors through issue size, timing, term, repayment profile as well as spreading out refinancing risk for subsequent bond maturities
- Bonds are secured by Lower Mattagami assets and have recourse to OPG until assets are in-service, and recourse release conditions are met

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Capital Markets Platform

- All of LMELP's debt (bank, CP, bonds) will rank pari passu under the Master Trust Indenture, which establishes common security and covenants
- Bonds issued under Supplemental Indentures
- In addition, LMELP may enter into hedging arrangements, also under this common platform
- Prior to entering into the capital markets platform, the following reports were provided:
    - Independent engineer review and comment on the Design Build Agreement
    - Independent Market Consultant to report on electricity prices; as well as supply and demand in Ontario
    - Insurance consultant reporting on the adequacy of insurance with respect to the HESA requirements

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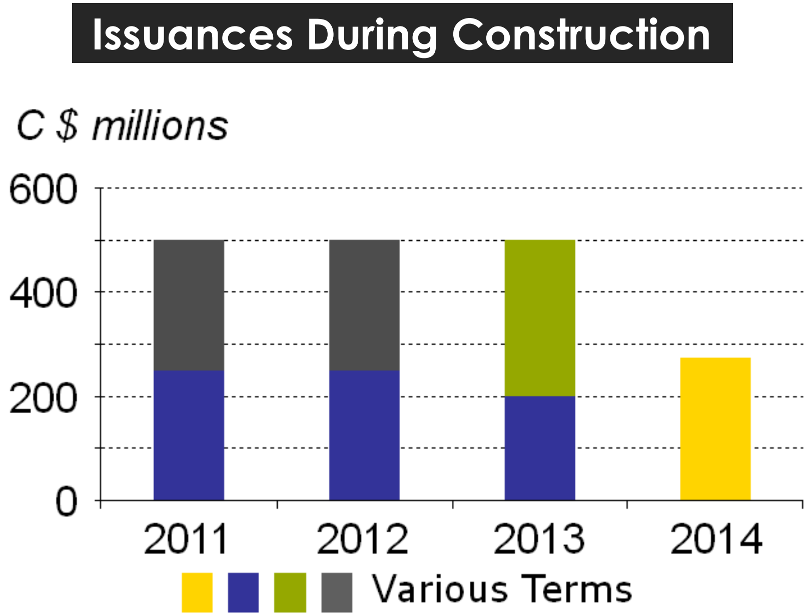
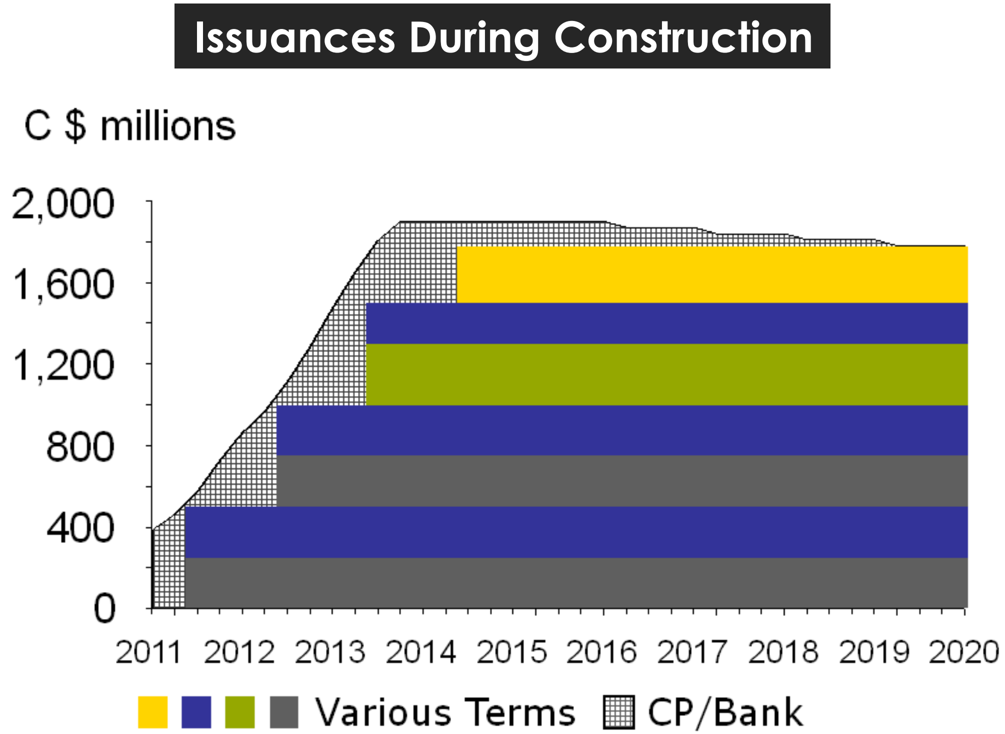
Illustrative Bond Issuances





- LMELP is a Semi-frequent issuer
- Bullet bond portfolio
- Planned principal amortization equivalent to 65% of asset depreciation
- Principal amortization achieved through:
  - Periodic refinancing of certain long-term bonds with CP; and
  - Regular reduction in the amount of CP outstanding

Innovative Financing Elements

- Unique legal structure
- Broad capital markets platform
- Repositioning the financing from traditional project finance to the corporate financing space (going-concern)
  - Reduces upfront commitment and financing fees
  - Access to Commercial Paper market
- Synthetic amortizing bond structure
  - Access to broader institutional investor base
  - More liquidity and lower spreads

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Investment Highlights

- Long-term HESA with highly credit worthy counterparty
- Sponsorship by, and full recourse to, OPG during construction
- Long-life hydroelectric generating power assets
- Robust financial profile
- Strong security/covenant package
- Decreasing risk profile

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Marketing Experience

- CP program well received, with spreads continually tightening on subsequent issuances
- Bonds issued in both 10-year and 30-year terms to appeal to broader investor base and to establish a yield curve
- Inaugural launch was more than 3x oversubscribed, which significantly contributed to spreads narrowing
- Transaction attracted a widespread investor base, >50 large institutional buyers, demonstrating strong liquidity and market appetite for future bond issues