ONTARIO POWER GENERATION

News
from Ontario Power Generation

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OPG REPORTS 2017 SECOND QUARTER FINANCIAL RESULTS

Company Reports Strong Performance at Pickering Nuclear Plant While Continuing to Successfully Execute Darlington Refurbishment Project

Toronto: – Ontario Power Generation Inc. (OPG or Company) today reported net income attributable to the Shareholder of $303 million for the second quarter of 2017, compared to $132 million for the same period in 2016, inclusive of a one-time gain of $283 million on the sale of OPG's head office building and parking facility.

"Our Pickering Nuclear plant continues to demonstrate strong performance this year," said Jeff Lyash, OPG President and CEO. "We're executing outages as planned and generating units continue to produce the clean electricity Ontario homes and businesses rely on in a safe and reliable manner. So far this year, our Pickering plant has produced 1.2 terawatt hours more than last year."

Lyash went on to say, "We're also having strong success with the Darlington Refurbishment Project, which continues to progress on schedule and on budget."

The second quarter's results were impacted by the expected year-over-year decline in generation revenue, reflecting lower nuclear electricity generation due to the refurbishment outage for Unit 2 at the Darlington Generating Station (GS) without the resetting of base regulated prices. The sale of OPG's head office building and parking facility, and the associated one-time gain, offset the earnings impact of the refurbishment outage and was the main driver of the increase in net income for the second quarter of 2017, compared to the same period in 2016.

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

Generating and Operating Performance

Electricity generated during the three months ended June 30, 2017 was 18.0 terawatt hours (TWh), compared to 19.4 TWh for the same quarter in 2016. Total electricity generated during the six months ended June 30, 2017 decreased to 36.6 TWh from 40.4 TWh for the same period in 2016. The decrease in electricity generation reflected lower nuclear generation and lower generation from the contracted plants, partially offset by higher hydroelectric generation from the regulated stations.

Regulated – Nuclear Generation Segment

Lower nuclear generation was primarily due to the removal from service of Unit 2 at the Darlington GS for the duration of the unit's refurbishment that began in October 2016 and is expected to continue until early 2020. Partially offsetting the reduction in generation from the Darlington GS was an increase in generation of 0.9 TWh and 1.2 TWh from the strong performance of the Pickering GS during the three and six month periods ended June 30, 2017, respectively.

For the three months ended June 30, 2017, the unit capability factor at the Darlington GS for operating units was 64.6 per cent, compared to 75.9 per cent for the same quarter in 2016. For the six months ended June 30, 2017, the unit capability factor at the Darlington GS was 74.9 per cent, compared to 86.6 per cent for the same period in 2016. The decrease was primarily a result of a higher number of planned and unplanned outage days at the station in the second quarter of 2017, and a higher number of planned outage days in the first half of 2017 largely driven by constraints related to the transition of the station toward refurbishment.

At the Pickering GS, the unit capability factor increased to 84.2 per cent and 81.4 per cent for the three and six month periods ended June 30, 2017, compared to 71.4 and 72.1 per cent for the same periods in 2016, respectively, primarily due to favourable unit conditions and execution of planned outage work resulting in a lower number of planned outage days at the station in 2017.

Regulated – Hydroelectric Segment

Higher generation from the regulated hydroelectric stations was due to higher water flows, primarily on the eastern Ontario river systems.

The availability of 90.1 per cent at these stations in the second quarter of 2017 was comparable to 90.4 per cent for the same quarter in 2016. For the six months ended June 30, 2017, the availability of the stations decreased to 89.8 per cent, from 92.6 per cent for the same period in 2016. The decrease in the availability was primarily due to a higher number of unplanned outage days.

Contracted Generation Portfolio Segment

Lower generation from the Contracted Generation Portfolio was mainly due to lower generation from the segment's hydroelectric plants.

The availability of these hydroelectric stations for the three months ended June 30, 2017 was 81.4 per cent, compared to 87.0 per cent for the same quarter in 2017. The stations' availability for the six months ended June 30, 2017 was 82.5 per cent,

compared to 85.5 per cent for the same period in 2016. The decrease in the availability was primarily due to an increase in the number of unplanned outage days.

Total Generating Cost

The Enterprise Total Generating Cost per megawatt hour (MWh) for the three months ended June 30, 2017 was $48.72, compared to $48.48 for the same quarter in 2016. The marginal increase was mainly due to the expected reduction in nuclear electricity generation due to the Unit 2 refurbishment outage at the Darlington GS and higher sustaining capital expenditures, largely offset by higher hydroelectric electricity generation, adjusted for surplus baseload generation, and lower operations, maintenance and administration (OM&A) expenses before the impact of regulatory variance and deferral accounts. The Enterprise Total Generating Cost per MWh for the six months ended June 30, 2017 was $48.35, compared to $45.01 for the same period in 2016. The increase was expected and mainly a result of lower electricity generation due to the Unit 2 refurbishment outage at the Darlington GS and higher sustaining capital expenditures, partially offset by lower OM&A expenses before the impact of regulatory variance and deferral accounts.

If Unit 2 at the Darlington GS was not currently undergoing refurbishment and had continued to operate in a manner consistent with the performance of the remaining units at the Darlington GS, adjusted for generation constraints on these units related to the transition of the station toward refurbishment, the Enterprise Total Generating Cost would have been approximately $3 to $4 per MWh lower for the three and six months ended June 30, 2017. This sensitivity was calculated using the estimated incremental electricity generation and associated fuel cost that are expected to have resulted in the absence of the refurbishment.

Generation Development

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

Darlington Refurbishment

The Darlington Refurbishment project is expected to extend the operating life of the station by approximately 30 years. In October 2016, OPG commenced the refurbishment of the first Darlington GS unit, Unit 2, as planned, as part of the Darlington Refurbishment project. The unit was taken offline safely on October 15, 2016 and de-fuelling of the reactor, the first critical refurbishment activity undertaken once the unit is removed from service, was safely completed in January 2017. Islanding of Unit 2, the physical separation of the unit under refurbishment from the three operating units, was completed in April 2017, signifying the completion of the first major segment of the project.

Preparatory work to support the removal of feeder tubes and fuel channel assemblies, including opening of the reactor air lock doors and installation of bulkhead shielding, was completed in the second quarter of 2017 as part of the second segment of the project. The setup of specialized tooling and equipment needed for the removal and replacement of the reactor components is in progress. The Re-tube Tooling Platform, which will host the tooling for the removal, inspection, and installation activities, was

completed in July 2017, and the disassembly of reactor components commenced in August 2017. The overall project continues to track on schedule and budget. Unit 2 is scheduled to be returned to service, after a 40-month refurbishment outage, in the first quarter of 2020, at which time capital expenditures of approximately $4.8 billion are planned to be placed in service. This includes expenditures incurred during the definition and planning phase of the overall project. Life-to-date capital expenditures were approximately $3.8 billion as at June 30, 2017, including expenditures for pre-requisite projects that have been placed in service.

In addition to the execution of refurbishment activities for Unit 2, OPG is continuing planning activities for the refurbishment of the second unit, Unit 3, and is entering into associated commitments to procure major components that require long lead times. As of June 30, 2017, $51 million has been invested in planning activities related to the refurbishment of the second unit. These planning activities are being undertaken in accordance with the refurbishment project schedule.

Ranney Falls Hydroelectric GS

In the second quarter of 2017, OPG continued construction work for a 10 MW single-unit powerhouse on the existing Ranney Falls GS site, as part of the Regulated – Hydroelectric segment. The new unit will replace an existing unit that reached its end of life in 2014. Civil engineering design work and site clearing and mobilization have been completed. Construction is progressing to expand the existing forebay and tailrace channels to accommodate the new powerhouse. 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 budget.

Nanticoke Solar Facility

The project to construct a 44 MW solar facility at OPG's Nanticoke GS site and adjacent lands through a partnership between OPG and a subsidiary of the Six Nations of Grand River Development Corporation is planned to commence as early as in the fourth quarter of 2017. During the second quarter of 2017, the partnership continued work to obtain approvals and permits required to enable the commencement of construction, and progressed procurement activities for equipment and for engineering and construction services. The facility is expected to be completed in the first quarter of 2019.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(millions of dollars – except where noted)	Three Months Ended June 30		Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Revenue	**1,146**	1,387	**2,322**	2,865
Fuel expense	**178**	182	**333**	354
Gross margin	**968**	1,205	**1,989**	2,511
Operations, maintenance and administration	**711**	709	**1,419**	1,395
Depreciation and amortization	**172**	316	**339**	628
Accretion on fixed asset removal and nuclear waste management liabilities	**236**	232	**474**	464
Earnings on Nuclear Segregated Funds - (a reduction to expenses)	**(194)**	(225)	**(383)**	(372)
Income from investments subject to significant influence	**(8)**	(9)	**(18)**	(17)
Other net (gains) expenses	**(369)**	10	**(361)**	(1)
Income before interest and income taxes	**420**	172	**519**	414
Net interest expense	**16**	31	**35**	64
Income tax expense	**97**	6	**109**	87
Net income	**307**	135	**375**	263
Net income attributable to the Shareholder	**303**	132	**367**	255
Net income attributable to non-controlling interest [1]	**4**	3	**8**	8
Income (loss) before interest and income taxes				
Electricity generation business segments	**80**	178	**219**	498
Regulated – Nuclear Waste Management	**(40)**	(5)	**(87)**	(88)
Services, Trading, and Other Non-Generation	**380**	(1)	**387**	4
Total income before interest and income taxes	**420**	172	**519**	414
Cash flow				
Cash flow provided by operating activities	**143**	348	**261**	714
Electricity generation (TWh)				
Regulated – Nuclear Generation	**9.3**	10.6	**19.3**	22.9
Regulated – Hydroelectric	**8.2**	8.0	**16.2**	15.9
Contracted Generation Portfolio [2]	**0.5**	0.8	**1.1**	1.6
Total electricity generation	**18.0**	19.4	**36.6**	40.4
Nuclear unit capability factor (per cent) [3]				
Darlington Nuclear GS	**64.6**	75.9	**74.9**	86.6
Pickering Nuclear GS	**84.2**	71.4	**81.4**	72.1
Availability (per cent)				
Regulated – Hydroelectric	**90.1**	90.4	**89.8**	92.6
Contracted Generation Portfolio – hydroelectric stations	**81.4**	87.0	**82.5**	85.5
Equivalent forced outage rate				
Contracted Generation Portfolio – thermal stations	**2.7**	1.0	**7.8**	1.0
Enterprise Total Generating Cost per MWh ($/MWh) [4]	**48.72**	48.48	**48.35**	45.01
Return on Equity Excluding Accumulated Other Comprehensive Income (ROE Excluding AOCI) for the twelve months ended June 30, 2017 and December 31, 2016 (%) [4]			**5.0**	4.2
Funds from Operations (FFO) Adjusted Interest Coverage for the twelve months ended June 30, 2017 and December 31, 2016 (times) [4]			**4.5**	5.1

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

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

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

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

Ontario Power Generation Inc. 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 consolidated financial statements and Management's Discussion and Analysis as at and for the three and six month periods ended June 30, 2017 can be accessed on OPG's web site (www.opg.com), the Canadian Securities Administrators' web site (www.sedar.com), or can be requested from the Company.

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