



ONTARIO **POWER**
GENERATION

Ontario Power Generation
Second Quarter 2018
Investor Call



With you today...



Jeff Lyash
President and Chief
Executive Officer



Ken Hartwick
Chief Financial
Officer



Disclaimers

GENERAL

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Agenda

- 2018 highlights to date
- Acquisition of Eagle Creek Renewable Energy
- Pickering Licence Decision
- Financial and operational performance
- Darlington Refurbishment
- Green Bond issuance
- Financing update
- Outlook



Half-year Highlights

- Net Income Attributable to Shareholder of \$656M; increase of \$289M compared to same period in previous year
- Completed sale of lands around one time Lakeview generating station site in Mississauga providing gain of \$205M.
- Newly elected Premier of Ontario visits Pickering; confirms Province's commitment to continued operation of Pickering generating station to 2024.
- Collaboration entered into between OPG and BWX Technologies, Inc. making Darlington Nuclear the first commercial nuclear power station worldwide to produce molybdenum-99.
- Raised \$450 million through green bond issuance for use towards OPG hydroelectric projects; first-of-its-kind financing for the Canadian energy sector.
- Darlington refurbishment remains on time and on budget; commenced reassembly of Unit 2 reactor components



Acquisition of Eagle Creek Renewable Energy

- Eagle Creek owns and operates 63 hydropower facilities providing 216 MW of in-service capacity.
- Facilities are located across 13 states, predominantly operating in the New England, Michigan and New York energy markets.
- Eagle Creek also has ownership interests equivalent to approximately 10 MW in thirteen other hydroelectric facilities and two solar facilities in New England.
- Purchase price is US\$298 million, subject to customary working capital and other adjustments on closing.
- Deal expected to close towards the end of 2018, pending U.S. regulatory approval.
- Financed through OPG's public debt program or existing credit facilities.

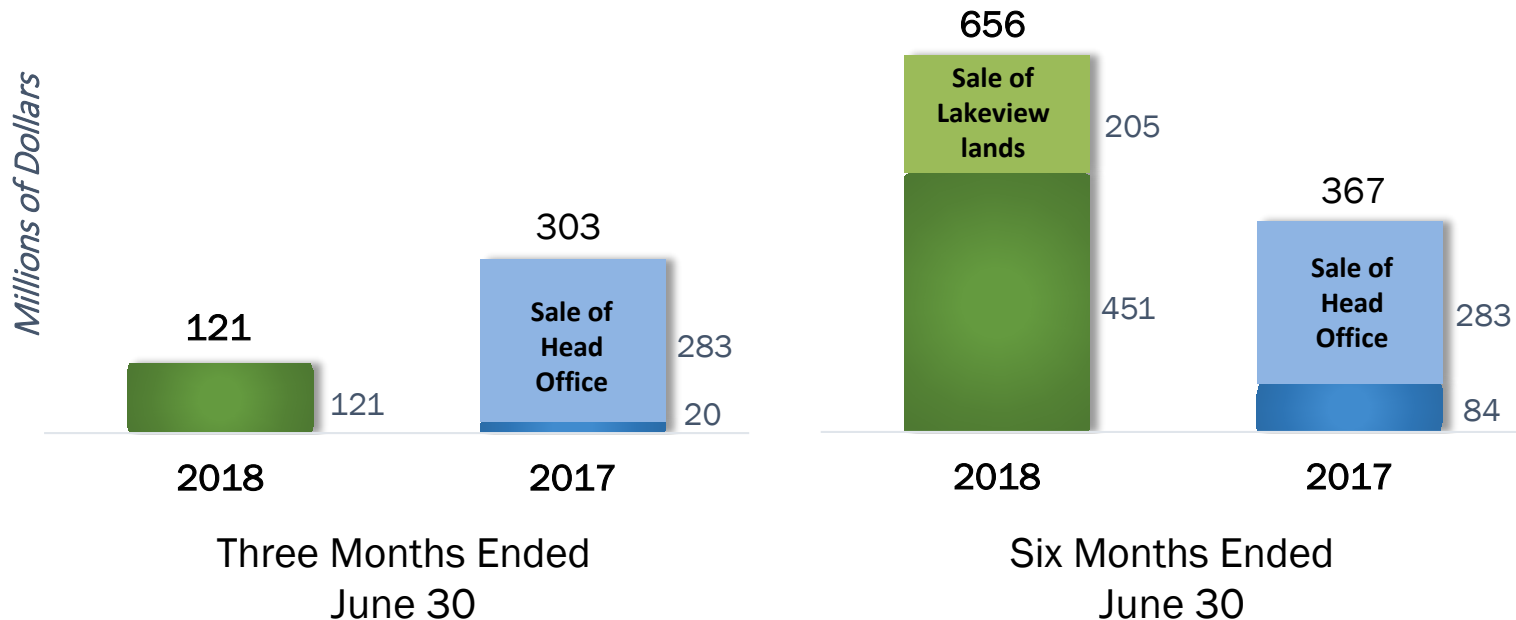


Pickering Licence Decision

- On Wednesday, the Canadian Nuclear Safety Commission (CNSC) announced its decision to grant a 10-year operating licence for OPG's Pickering Nuclear station.
- Valid from September 1, 2018 until August 31, 2028. The station will operate until the end of 2024, followed by safe storage activities, such as removal of fuel and water, between 2024 and 2028.
- OPG will complete a thorough review of the terms of the licence conditions outlined by the Commission and develop action plans to meet their requests.
- Operating Pickering to 2024 will reduce greenhouse gas emissions by an estimated 17 million tonnes, equivalent to removing 3.4 million cars per year from Ontario's roads.
- About 7,500 jobs are maintained in the province through the duration of the license period, factoring in supply chain positions and induced spending.



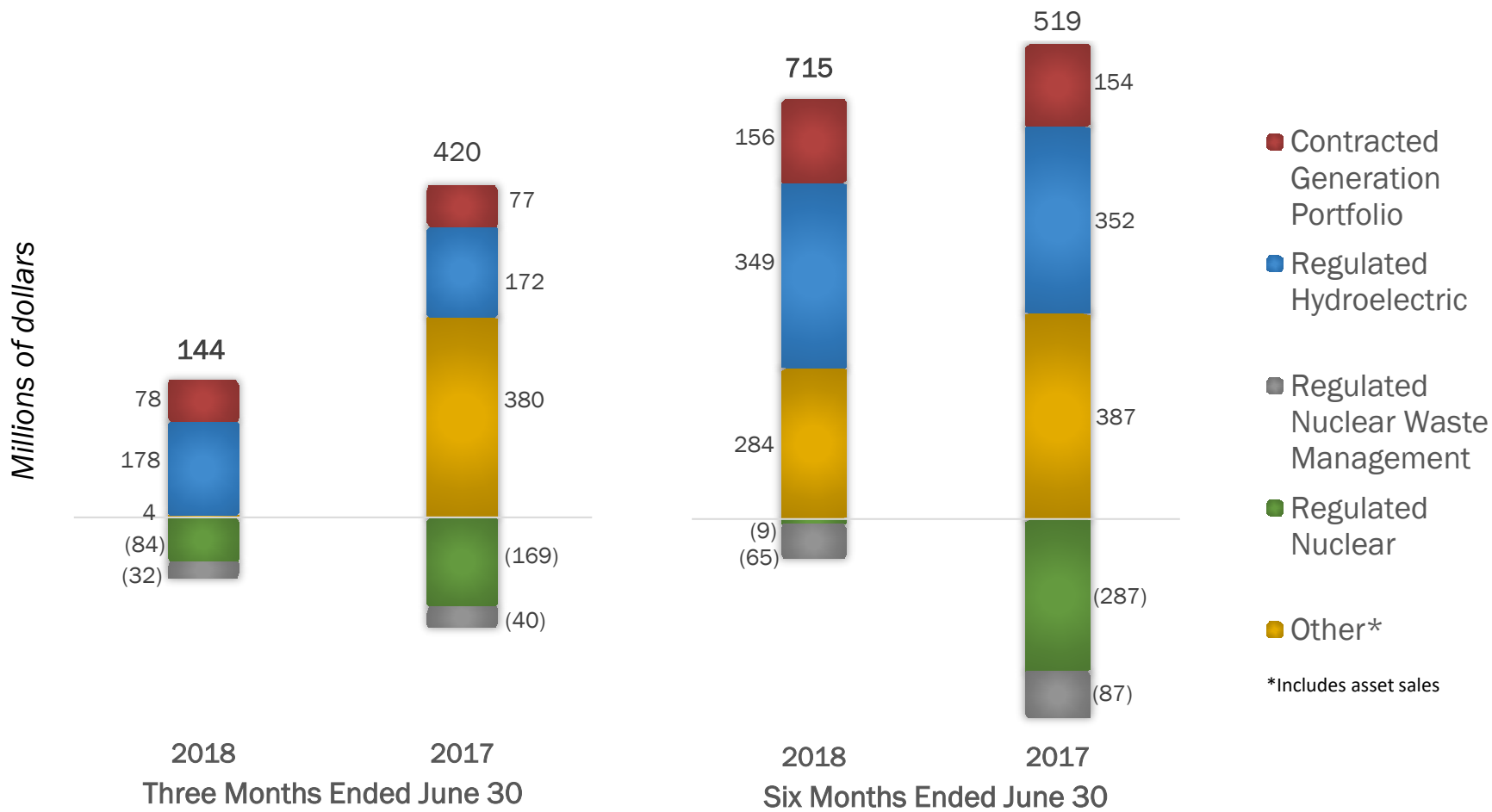
Net Income Attributable to Shareholder



- Recognized \$205 million gain on sale of OPG's former Lakeview generating station site in Q1 2018.
- Higher revenues of approximately \$325 million YTD reflecting impact of new regulated prices for nuclear and majority of hydroelectric generation
- Gain from the sale of OPG's head office premises of \$283 million recognized in the second quarter of 2017; main reason for decrease in quarterly net income.

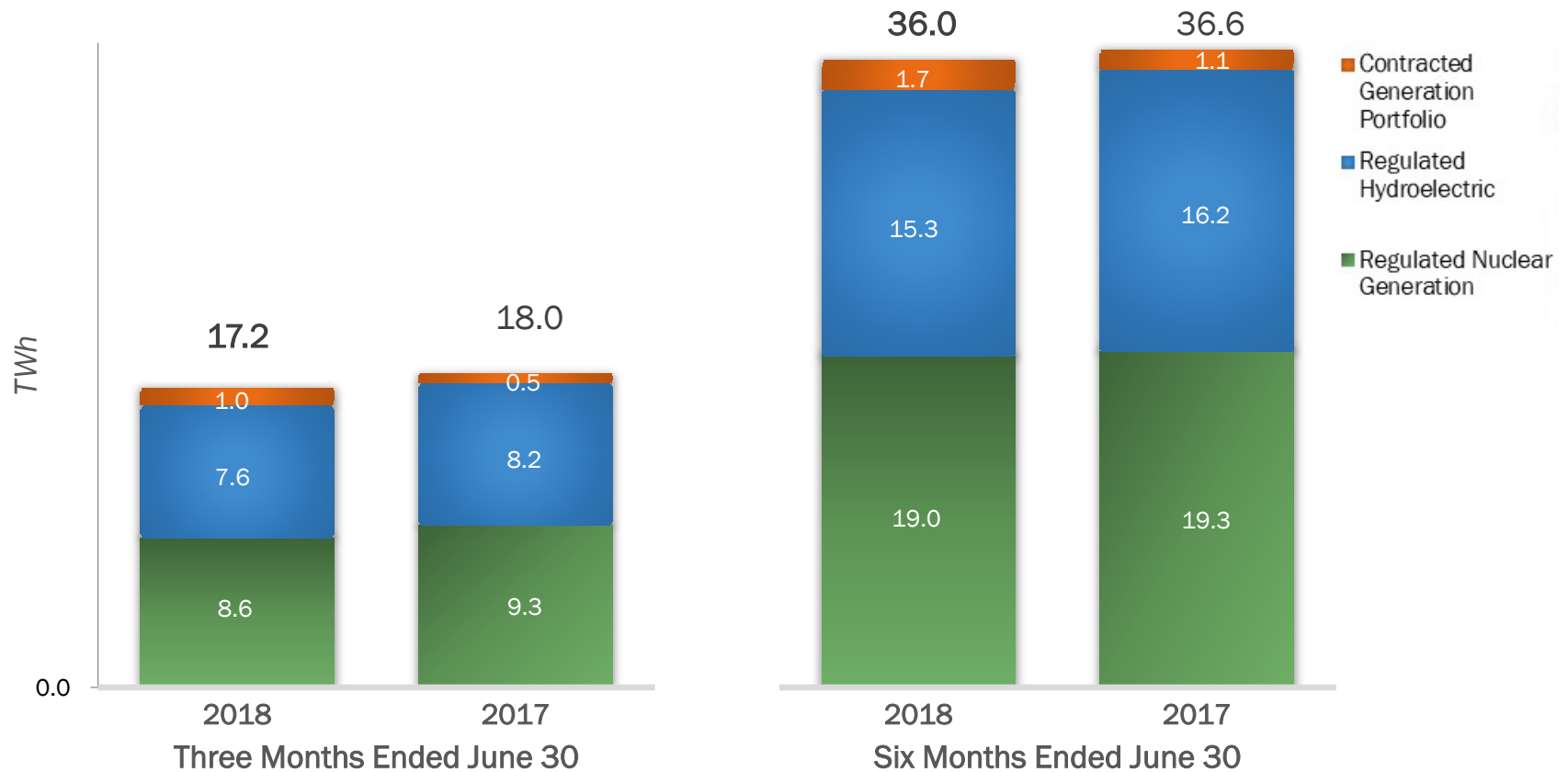


Segment Earnings Before Interest & Tax





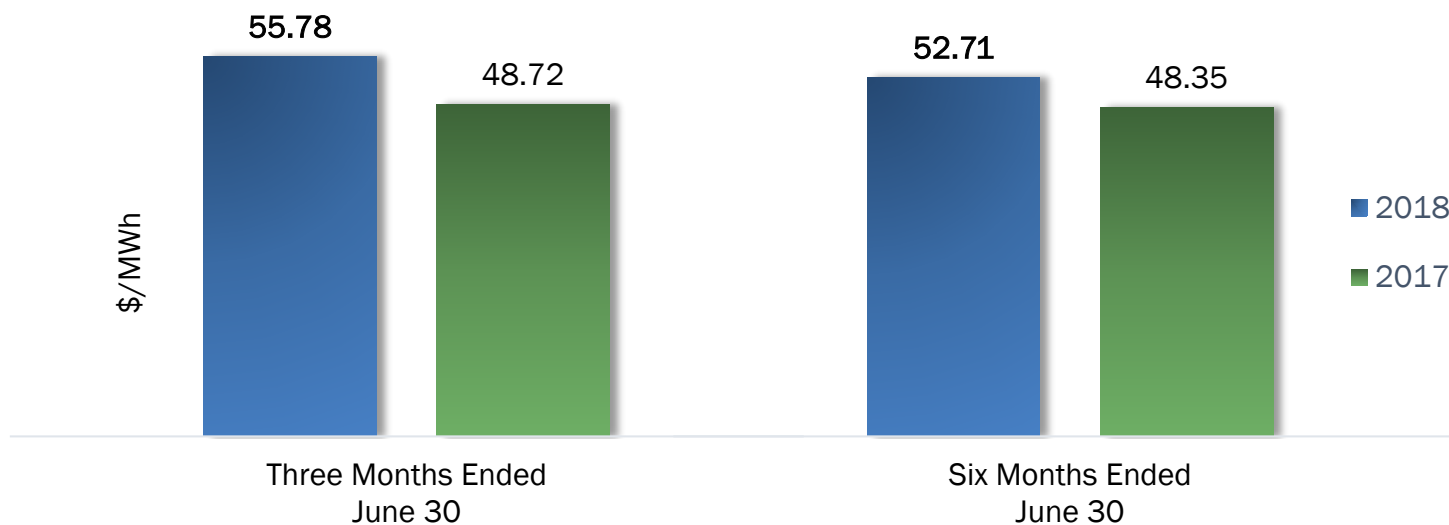
Electricity Generation





Enterprise Total Generation Cost (TGC)

“A measure of how productive our expenditures are in relation to energy generation”

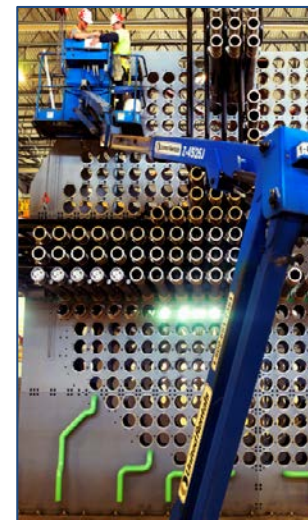


Enterprise TGC is defined as OM&A expenses, fuel expense and capital expenditures incurred during the period, divided by total electricity generation plus electricity generation forgone due to surplus baseload generation conditions during the period. Excludes costs of the Darlington Refurbishment project and other generation development projects and the impact of regulatory variance and deferral accounts.



Darlington Refurbishment

- Canada's largest clean energy project, the Darlington Refurbishment Project, will extend the station's operating life by approximately 30 years. The refurbishment of the first unit, Unit 2, commenced in October 2016 as planned; the unit is scheduled to be returned to service in the first quarter of 2020. The approved budget for the four-unit refurbishment is \$12.8 billion.
- Key activities on the Darlington Refurbishment Project in 2018 to date include the following:
 - Completion of second major segment, removal of existing reactor components;
 - Commenced third major segment, reassembly of reactor;
 - Continued construction activities on Heavy Water Storage and Drum Handling Facility;
 - Commenced planning activities for refurbishment of Unit 3, including ordering of long-lead components.
- The overall project continues to track on schedule and budget.





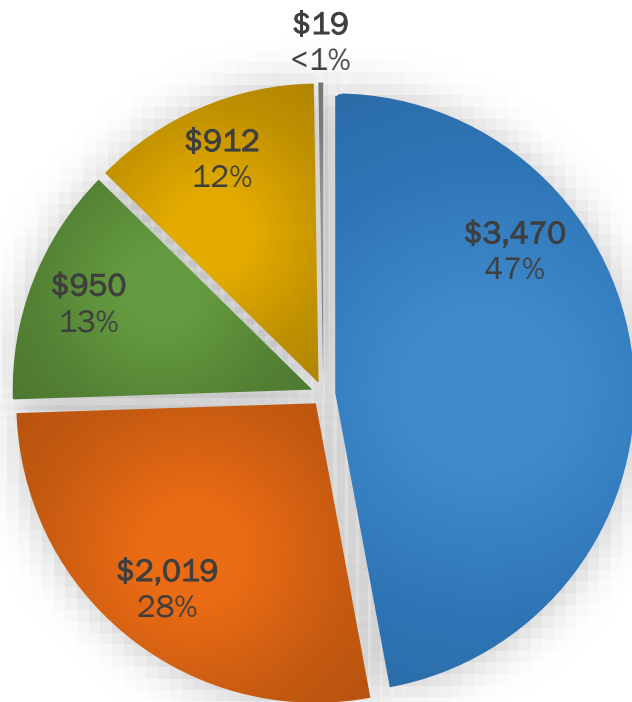
Green Bond issuance

- OPG has established a green bond framework that allows for the use of proceeds to finance projects that offer tangible environmental benefits.
- In June 2018, the Company closed a \$450 million green bond issuance, a first-of-its-kind financing for the Canadian energy sector, at a coupon of 3.838 per cent.
- Net proceeds from the issuance will be used for eligible projects based on OPG's green bond framework. Eligible projects approved for this green financing relate solely to investment in OPG's hydroelectric facilities.
- Received independent opinion from Sustainalytics, a leading provider of corporate environmental, social and governance research, ratings and analysis, affirming OPG's green bond framework as credible and impactful, and it aligns with the four core components of the Green Bond Principles 2017."



Long-Term Debt Profile

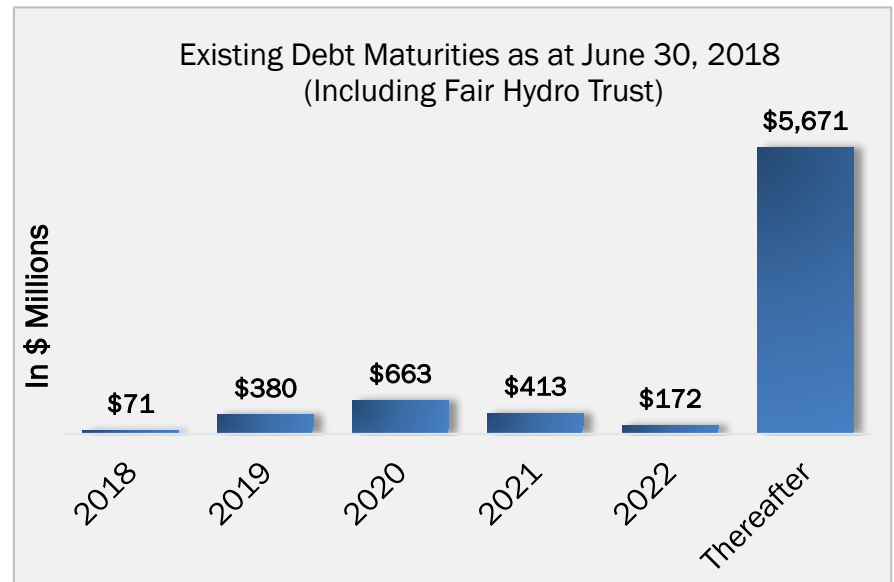
Long-Term Debt (\$M)
June 30, 2018



Total \$7,370

- OEFC
- Medium Term Notes
- Other
- Project Financing
- Fair Hydro Trust

Existing Debt Maturities as at June 30, 2018
(Including Fair Hydro Trust)





Outlook

- **Regulated – Nuclear**
 - Pickering GS to continue to perform well against expectations and execute planned maintenance effectively and efficiently
 - Continue to execute Darlington GS Unit 2 refurbishment safely, on schedule and on budget
- **Regulated – Hydroelectric and Contracted Generation**
 - Continue to generate a relatively stable level of earnings and cash flow
 - Unit availability to remain high, particularly during times of high commercial value
- **Other**
 - In 2018, the full-year effect of the new regulated prices will contribute to an improvement in net income and provides substantial price certainty for regulated segments for 2017 to 2021
 - Cash flow from operating activities will improve as collection continues from the IESO based on new regulated prices as of March 2018
 - Nuclear Segregated Funds to continue to be fully funded – return capped to match growth in liability
 - Continue investment in asset operating performance including IT infrastructure upgrades
 - Closure activities to commence at Thunder Bay following termination of contract with IESO



Q&A