

CORPORATE PARTICIPANTS

Neal Kelly

Director, Media Information and Issues Management

Jeff Lyash

President and Chief Executive Officer

Ken Hartwick

Chief Financial Officer and Senior Vice President - Finance

PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Welcome to the OPG Investor Call. I would now like to turn the meeting over to Neal Kelly. Please go ahead, Mr. Kelly.

Neal Kelly, Director, Media Information and Issues Management

Thank you and welcome to our investor call to discuss Ontario Power Generation's 2018 Second Quarter Financial Results. My name is Neal Kelly. I'm joined today by OPG Chief Executive Officer and President Jeff Lyash; OPG Chief Financial Officer, Ken Hartwick. Mr. Lyash and Mr. Hartwick will present a slide deck that you will be able to follow on your computer if you are logged on to this WebEx. Once the presentation is finished, we will be open to questions from investors. I will facilitate the question-and-answer session and the Operator will provide instructions to investors with questions. Just a reminder, this is an investor call. Media and others are welcome to listen but only investors will be able to ask questions.

Before I turn things over to Jeff, I want to bring to your attention Slide 3, disclaimers for a caution on forward-looking statements and the use of non-GAAP financial measures in this presentation. Note that certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from what is stated. This slide also indicates where to find more information on topics, and what factors could cause actual results to differ materially from those stated. You'll also see a slide for the agenda for today's call.

I will now turn the call over to Mr. Lyash.

Jeff Lyash, President and Chief Executive Officer

Thank you Neal. Good afternoon and thank you all for joining this call to discuss our second quarter results. We're pleased to have this opportunity to update you and to share those results.

In the second quarter, OPG made significant strides financially and operationally, while working to ensure we remain Ontario's low-cost clean power generator. Halfway through 2018, we recorded net income of over \$650 million for our shareholders. That's the Province of Ontario, which includes the sale of the lands around the former Lakeview Generating Station in Mississauga.

We've also continued our solid performance across our nuclear hydroelectric and thermal generating fleet. As one of the largest new zero carbon generators in North America, we continue to produce about half of Ontario's electricity at a cost that is about 40 percent less than other generators.

Outside of these milestones, OPG recently received strong support and a commitment from Ontario's new Premier, Doug Ford, for the continued operation of our Pickering Nuclear Station to 2024.

We also recently entered into an exciting collaboration with BWXT that will see the Darlington Nuclear Station become the first commercial nuclear power plant in the world that produce Molybdenum-99, a critical medical isotope used for lifesaving diagnostic imaging.

At the end of June, OPG closed a first of its kind financing for the Canadian energy sector by raising \$450 million in a green bond issuance. The proceeds of this green bond issuance will be invested in OPG's hydroelectric facilities. And importantly, we remain on budget and on schedule for the Darlington refurbishment, Canada's largest clean energy project, which recently commenced (inaudible) reassembly of Unit 2 reactor.

Looking at Slide 6, before I turn things over to Ken Hartwick, OPG's Chief Financial Officer, I want to update you on an exciting deal that we announced earlier this morning. OPG has entered into a purchase and sale agreement for Power Energy Eagle Creek LLC and Hudson Clean Energy Partners LP to acquire 100 percent of the equity in Eagle Creek Renewable Energy LLC for US\$298 million. Eagle Creek owns 63 small hydroelectric facilities throughout the United States including New England, Michigan and New York and a total capacity of 260 megawatts. Eagle Creek also has

ownership interest equivalent to approximately 10 megawatts in 13 other hydroelectric facilities in New England.

This acquisition represents an opportunity to expand OPG's renewable generation portfolio to new markets outside Ontario and to add additional carbon-free generation that aligns to our strategic goals. With this acquisition, OPG will also continue to build upon Eagle Creek's existing commitment to creating renewable energy that delivers real value to customers across North America.

Financing for the acquisition will be obtained through OPG's public debt program or available credit facilities. This acquisition is subject to final U.S. regulatory approvals and is expected to close toward the end of the year.

In addition, we received some exciting news yesterday from the Canadian Nuclear Safety Commission regarding OPG's Pickering Nuclear Station. The CNSC has granted a 10-year license to OPG's Pickering Nuclear which will be 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, heavy water between 2024 and 2028.

With this decision, OPG is focused on providing the taxpayers of Ontario with continued return (inaudible) important investment. Simply put, Pickering remains a valuable asset for the people of Ontario. It is an asset that is primed to provide clean, safe, and reliable baseload electricity to mitigate capacity uncertainties, lowering overlapping refurbishments of the Darlington and Bruce Nuclear (inaudible).

There are also other equally tangible benefits for the people of Ontario. Operating Pickering until 2024 will reduce greenhouse gas emissions by an estimated 17 billion tonnes, that's equivalent to removing 3.4 billion cars per year from Ontario's roads. It's about 7,500 jobs are maintained in the province through the duration of the licensing period, factoring in supply chain positions and reduce spending.

On behalf of myself and OPG's Board of Directors, we are thrilled with CNSC's decision and Pickering's strong performance. Pickering is safer now than it has ever been. We're proud of the team that got it there and, as a Company we, along with our shareholders, are absolutely committed the continued investment in our plant and on our people. We're committed to ensuring the safe operation of Pickering until 2024, and we're committed to

ensuring that Pickering's last day will be its very best and safest day.

All in all 2018 has been a very successful and eventful year so far for OPG. We remain committed to operating safely and reliably and executing on all our key projects to deliver good value and low-cost electricity to our customers.

I'd like now to turn things over to Ken Hartwick to go over the quarterly results in more detail. Ken?

Ken Hartwick, Chief Financial Officer and Senior Vice President - Finance

Thanks Jeff. For the second quarter of 2018, OPG reported net income attributable to shareholders of \$121 million compared to \$303 million for the same quarter in 2017. It should be noted that the net income for the same period last year included a one-time after-tax gain of \$283 million on the sale of OPG's head office property. Excluding this gain from the head office sale, Q2's net income would be about \$101 million more than the previous quarter. This reflects the favourable impact of new regulated prices for OPG's nuclear and most of its hydroelectric generation.

Looking at the six months ended June 30, OPG has reported a significant increase in net income attributable to shareholders compared to the same halfway period in 2017. As Jeff mentioned, the sale of our lands around our former Lakeview site in Q2 contributed about \$205 million, and we have reported additional revenue of approximately \$325 million year-to-date as a result of new rates approved by the OEB in December 2017.

Moving on to Slide 9, statement of earnings before interest and tax, we can see that earnings from our regulated hydroelectric generation and contracted generation portfolios remain solid both year-to-date and in the most recent quarter. This reflects the stable nature of returns from our hydroelectric assets. The one-time real asset tails have caused a bit of variability in each quarter but our core segment remains strong and growing.

On the regulated nuclear side, our earnings continue to improve year-over-year and are now moving toward profitability. The results to date can be attributed to costs associated with planned maintenance outages, primarily at the Pickering Nuclear Station. These required and expected outages keep Pickering operating safely and reliably and will help support continued operations to 2024. The higher concentration of the year's planned

outage days at Pickering occurred in the second quarter of 2018. We expect nuclear generation will not be as impacted by planned outages in the second half of the year in 2018.

On Slide 10, looking at OPG's electricity generation, our performance has remained steady. Total electricity generated was down slightly at 17.2 terawatt hours this quarter compared to 18 terawatt hours reported in the same quarter in the previous year. On the regulated hydroelectric front, generation was down this quarter compared to last year due to lower water flows on the Northern and Eastern Ontario river systems. Water levels across the province are generally back to normal this year compared to the exceptionally high flows in the first half of 2017 that were caused by the record rainfall and rapid snow melt.

Meanwhile, nuclear electricity generation in the second quarter was lower compared to the same period in 2017 due to the higher concentration of planned outage days at Pickering Nuclear, as I mentioned err. This was all expected and is part of the Station's cyclical maintenance schedule.

Next, we will examine our enterprise total generate cost or TGC, our cost to generate 1 megawatt hour of electric. This is a measure that takes our operating (inaudible) cost, fuel cost and capital expenditures to sustain our existing generation fleet all into account, expressed on a per megawatt hour basis. TGC has gone up in the second quarter. This was primarily due to the decrease in nuclear electricity generation and a decrease in hydro generation as a result of lower water flows. OPG's TGC should level out over the course of the whole year as Pickering's planned outages ramp-up. To the extent that the hydroelectric production varies due to the underlying water conditions, will continue to impact this measure going forward.

On Slide 12, we touch on Darlington refurbishment. We continue to make steady progress and the overall project remains on schedule and on budget. To date, this year, we have completed the second major segment of the project, which was the removal of existing grass (phon) and components in Unit 2. After further cleaning and successful inspections of the reactor vessel itself, it has now started a third major segment reassembly of the reactor. This segment includes the installation of a new fuel channel assembly and supporting component systems and (inaudible) that will extend the life of the reactor for another 30 years. We have a talented team of skilled people executing this precise work over the course of the next several months.

Looking ahead, we also commenced planning for the refurbishment of Unit 3 in the first quarter of 2018 and this has included (inaudible) of long lead components.

In June, OPG successfully closed a \$450 million green bond offering at a coupon rate of 3.8 percent. Financing of this kind was the first for the Canadian energy sector. The unique green bond framework allows for the use of proceeds to finance OPG projects that offer tangible environmental benefits. Net proceeds from the bond issue will be used solely for investment in OPG's hydroelectric facilities, which generate clean renewable electricity.

Some of the proceeds will be used to cover cost associated with the previously completed and ongoing hydroelectric projects, like Peter Sutherland Senior and (inaudible) expansion. OPG's green bond framework was deemed credible and impactful by Sustainalytics, a leading provider of corporate, environmental, social and governance research ratings and analysis.

Looking at OPG's long-term debt profile, the Company continues to diversify the financing base for its funding needs to invest in public debt platforms. The Company is positioned well in terms of liquidity, with a long maturity timeframe on its debt. A significant majority of the Company's debt does not come due for the next five years.

As part of the future decommissioning obligations at our nuclear facilities, OPG segregates funds for the purpose of discharging these obligations as they come due. We have two separate segregated funds. The decommissioning segregated fund is established to fund the future cost of nuclear fuel fixed asset removal and long-term nuclear waste management, and the used fuel segregated fund is established to fund the future cost of nuclear used fuel management. Based on the current funded status of both funds, we are not currently required to make any contributions to either fund. This provides further liquidity to the Company at present to continue to invest in strategic investments.

I'd now like to turn it back to Jeff Lyash to leave you with some closing thoughts.

Jeff Lyash, President and Chief Executive Officer

Thanks Ken. In closing, we're pleased with our operational and financial performance for the second quarter and for the first six months of the year. This quarter, we continue to perform well against expectations and have effectively executed on planned outages at

Pickering Nuclear Station. On the Darlington refurbishment, we continue to make significant progress and the project remained on time and on budget. On the hydroelectric and contracted generation side of the business, production, earnings and cash flow remain stable and unit availability remains high.

I'd like to also mention that in July OPG and the IESO, here in Ontario, determined that operations of our Thunder Bay generating station, which runs on advanced biomass, will end on January 1, 2019, and that's one year earlier than anticipated in the original contract with the IESO. This action will save electricity customers \$40 million and it will avoid \$5 million in cost for OPG. The decision to end this contract early will not affect the contract we have in place for Atikokan Generating Station, which runs through 2024, another biomass facility.

Looking ahead, we expect the full year effect of new regulated prices will lead to an improvement in net income for 2018. We have also executed a large majority of our planned nuclear maintenance outages for the year and so we have confidence the entire generating fleet will meet our reliability expectations for the remainder of the year.

As of today, OPG remains a strong, a solid standing of financial strength, and we continue to make important investments in our operations and offices. We expect this strong performance will continue for the rest of the year.

I'll now turn the call back to Neal Kelly.

Neal Kelly, Director, Media Information and Issues Management

Thanks Jeff. We will begin the question-and-answer session, and I will ask the Operator to run through the process for investors to introduce their questions. Just a reminder, this is an investor call. Media and others are welcome to listen but only investors will be able to ask questions. I'll remind investors to follow the Operator instructions and please identify yourself before asking a question. Operator?

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines. If you have a question and you are using

a speakerphone, please lift your handset before making your selection. If you have a question, please press the star, one on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign. Please press star, one, at this time, if you have a question. There will be a brief pause while participants register. Thank you for your patience. Once again, please press star, one if you have a question.

There are no questions registered at this time. I would like to turn the meeting back over to you, Mr. Kelly.

Neal Kelly, Director, Media Information and Issues Management

Okay, thank you. As always, investors with follow-up questions can call OPG's Investor and Media Relations line at 1-877-592-4008, or 416-592-4008. Thank you for participating, and have a wonderful afternoon.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.