



**ONTARIO****POWER**  
GENERATION

## Green Bond Investor Presentation

June 2018



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- This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the final base shelf prospectus, any amendment and any applicable shelf prospectus supplement for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

## GENERAL

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- Some of the statements contained in this presentation contain “forward-looking information” within the meaning of applicable Canadian securities laws. Forward-looking information in this presentation is based on current expectations, estimates, forecasts and projections about OPG’s business and the industry in which OPG operates and includes beliefs and assumptions made by the management of OPG. Such information includes, but is not limited to, statements about the general development of OPG’s business, strategy, future capital expenditures, and expectations regarding developments in the statutory and operating framework for electricity generation and sale in Ontario.
- Words such as “anticipate”, “believe”, “foresee”, “forecast”, “estimate”, “expect”, “schedule”, “intend”, “plan”, “project”, “seek”, “target”, “goal”, “strategy”, “may”, “will”, “should”, “could”, and other similar words and expressions are used to indicate forward-looking statements. The absence of any such word or expression does not indicate that a statement is not forward-looking. The forward-looking information contained in this presentation are not guarantees of future performance and involve inherent assumptions and risks and uncertainties that are difficult to predict. All forward-looking information could be inaccurate to a material degree. In particular, the forward-looking information contained in this presentation is based on a variety of factors and assumptions including, OPG’s generating station performance and availability, fuel costs, surplus baseload generation, cost of fixed asset removal and nuclear waste management, performance and earnings of investment funds, refurbishment of existing facilities, development and construction of new facilities, pension and other post-employment benefit obligations and funds, income taxes, proposed new legislation, the ongoing evolution of Ontario’s electricity industry, environmental and other regulatory requirements, health, safety and environmental developments, business continuity events, the weather, financing and liquidity, applications to the Ontario Energy Board (“OEB”) for regulatory prices, the impact of regulatory decisions by the OEB, operations, maintenance and administration expenditures, retention of critical talent, supplier and third party performance, and forecasts of earnings, cash flows, Funds from Operations Adjusted Interest Coverage, Return on Common Equity Excluding Accumulated Other Comprehensive Income, Total Generating Cost and capital expenditures.
- Actual outcomes and results may differ materially from what is expressed, implied or forecasted in this forward-looking information. While the Company does not know what impact any of these differences may have, the Company’s business, results of operations, financial condition and credit stability may be materially adversely affected. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information are discussed in the prospectus. Potential investors should carefully consider these and other factors and not place undue reliance on forward-looking information. The forward-looking information included in this presentation represent OPG’s views as of the date of this presentation and should not be relied upon as representing OPG’s views as of any subsequent date. OPG has no intention and undertakes no obligation to update or revise any forward-looking information as a result of new information, future events or otherwise, except as required by law.

## NON-GAAP MEASURES

- This presentation also contains reference to certain financial measures (non-GAAP measures) that do not have any standardized meaning prescribed by United States generally accepted accounting principles (“US GAAP”) and, therefore, may not be comparable to similar measures presented by other issuers. The Company believes that these indicators are important since they provide additional information about OPG’s performance, facilitate comparison of results over different periods, and present measures consistent with the Company’s strategies to provide value to the Province of Ontario as its sole shareholder, improve cost performance, and ensure availability of cost effective funding. These non-GAAP financial measures have not been presented as an alternative to net income, cash flow provided by operating activities, or any other measure in accordance with US GAAP, but as indicators of operating performance. The definitions and calculations of Return On Equity Excluding Accumulated Other Comprehensive Income and Funds from Operations Adjusted Interest Coverage are found in the in the section, *Supplementary Non-GAAP Financial Measures* of the Company’s quarterly Management’s Discussion and Analysis, which is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company’s website at [www.opg.com](http://www.opg.com).



# Agenda

- 1. Company Overview**
- 2. Our Commitment to Sustainability**
- 3. Green Bond Framework**
- 4. Green Bond Issuance Plan**



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# Corporate Overview

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# Corporate Profile

## 2016 FINANCIAL SNAPSHOT

<b>\$5.7</b>	<b>\$453</b>
<b>BILLION</b>	<b>MILLION</b>
<b>REVENUE</b>	<b>NET INCOME</b>

## 2017 FINANCIAL SNAPSHOT

<b>\$5.2</b>	<b>\$881</b>
<b>BILLION</b>	<b>MILLION</b>
<b>REVENUE</b>	<b>NET INCOME</b>

**ONTARIO's  
LARGEST **CLEAN**  
ENERGY GENERATOR**

**\$49**  
**BILLION**  
**OF ASSETS**



**A (low)**

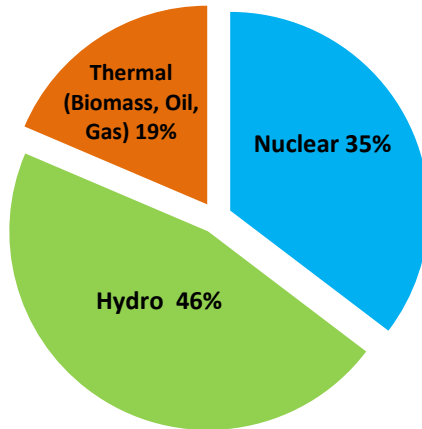
**S&P Global**

**BBB+**



# Corporate Profile, cont'd

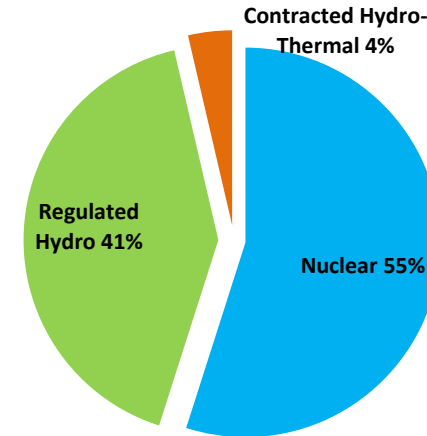
## In-Service Generating Capacity<sup>1</sup>



Total: 16,210 MW

**ELECTRICITY  
GENERATION**  
**~95%**  
**REGULATED**

## Electricity Production Profile<sup>1</sup>



Total: ~74 TWh

**100% owned  
by the Province of  
ONTARIO**

## DIVERSIFIED Generation Assets

**2 nuclear stations <sup>2</sup>**  
**66 hydro stations**  
**3 thermal stations <sup>3</sup>**  
**1 wind power turbine**

1. As of December 31, 2017, figures exclude Darlington refurbishment unit and two owned and leased nuclear stations.
2. OPG also owns two other nuclear generating stations, the Bruce A and the Bruce B generating stations, which are leased on a long-term basis to Bruce Power L.P. These stations are not included in the generation portfolio and other operating statistics set out in this presentation.
3. Excludes assets that OPG does not operate or have majority ownership of.



# Darlington Refurbishment

**30 MORE YEARS OF CLEAN ELECTRICITY**  
**NUCLEAR ENERGY PLAYS A FUNDAMENTAL ROLE IN ONTARIO'S CLEAN-ENERGY EQUATION**



**1 IN 5**

HOMES AND BUSINESSES  
ARE POWERED BY DARLINGTON –  
WITH VIRTUALLY  
**NO GREENHOUSE GASES**



**20%**

OF ONTARIO'S POWER IS  
SUPPLIED BY DARLINGTON –  
ENOUGH TO SERVE A CITY OF  
2 MILLION PEOPLE



**60%**

OF ONTARIO'S DAILY  
ELECTRICITY NEEDS ARE  
SUPPLIED BY THIS PROVINCE'S  
NUCLEAR FLEET



**8¢<sup>kWh</sup>**

30 YEARS OF POWER  
BELOW AVERAGE COSTS

THE REFURBISHED  
DARLINGTON STATION  
WILL REDUCE GREENHOUSE GAS  
EMISSIONS BY AN ESTIMATED

**297**  
**MILLION TONNES**

THAT'S THE EQUIVALENT  
OF REMOVING

**2** **MILLION**  
**Cars per**  
**YEAR**

FROM ONTARIO'S ROADS

**Project Continues to Track On Time & On Budget**



# Corporate Update

## New Regulated Rates

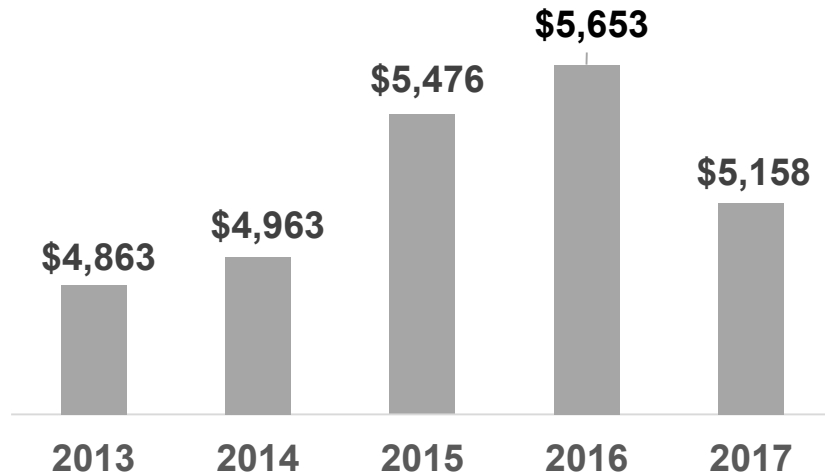
- The Ontario Energy Board (OEB) issued its decision in December 2017 for OPG's new regulated rates for 2017-2021 for nuclear and regulated hydroelectric production
- New rates effective June 1, 2017
- Positive regulatory decision – key points:
  - Rate base addition of ~\$5.5B for Darlington Refurbishment by 2021
  - Forecast costs for Pickering continued operations beyond 2020 of ~\$290M
  - 5-year estimated nuclear revenue requirement of ~\$15.9B
  - 1.4% increase in regulated hydro rates as of June 2017 and 0.9% as of January 2018



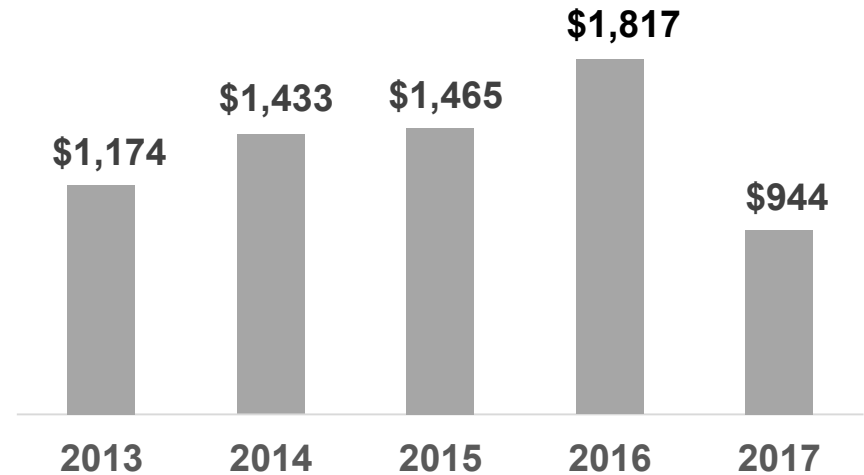


# 5 Year Financial Highlights

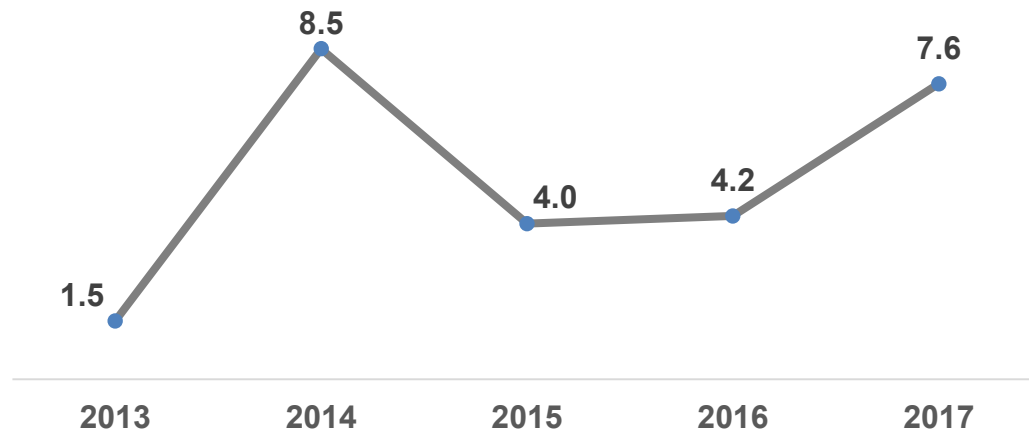
Revenue (in \$M)



Cash Flows from Operations (in \$M)



ROE (%)



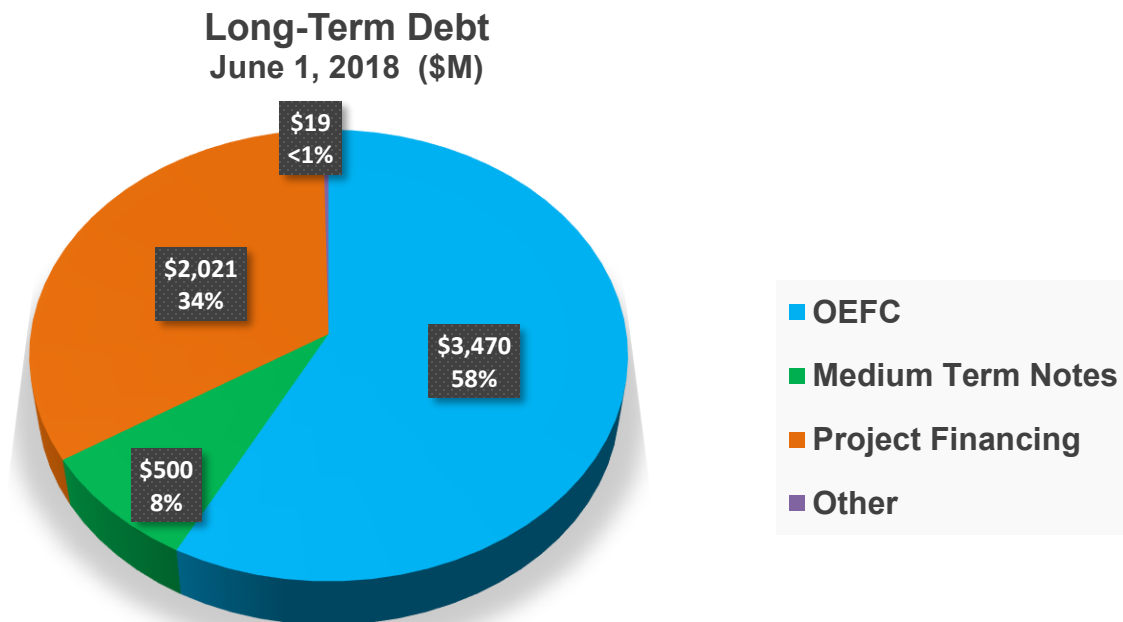
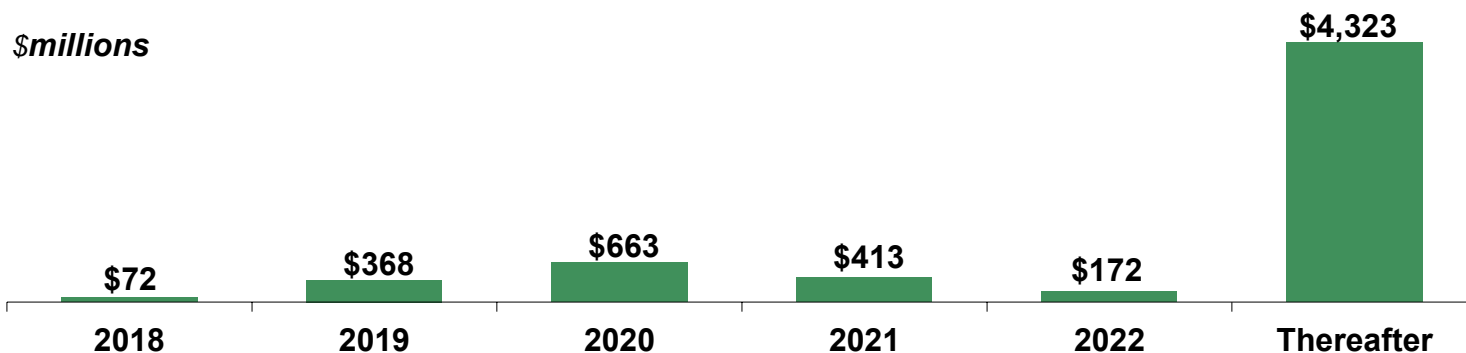


# Public Debt Program

- OPG established a \$2B medium term note program (MTN Program) in September 2017
- In October 2017, OPG closed its inaugural bond offering in the Canadian public debt market
  - \$500M unsecured 10-year bonds were priced with a coupon of 3.315% payable semi-annually until maturity
- The MTN Program enhances OPG's financing flexibility, along with current credit facilities with the Ontario Electricity Financial Corporation and specific third party project financings
- As at June 1, 2018 – \$500M outstanding

# Long Term Debt

## EXISTING DEBT MATURITIES AS AT JUNE 1, 2018





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# Our Commitment to Sustainability & The Environment

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# Our Commitment to Sustainability

- OPG produces more clean energy, at a lower cost, than any generator in Ontario. We believe reliable, clean power is fundamental to a healthy environment and a strong low-carbon economy
- Ontario's electricity supply mix has transformed dramatically to reduce greenhouse gas emissions
  - The most significant contributor was OPG's successful shutdown of its coal-fired generation
  - OPG also converted two of its former coal stations to utilize clean, renewable biomass
  - OPG's power is now 99 per cent free of smog and greenhouse gas emissions
- For more than a century, OPG's hydroelectric generation stations have contributed to Ontario's prosperity by delivering clean, reliable, cost effective and renewable energy. OPG continues to expand and invest in these valuable assets to provide electricity for generations to come



# Sustainability Strategy

**OPG believes operating in a sustainable manner is directly connected to its business success**

## Environment

**OPG maintained the ISO 14001 certification of its environmental management system**

- At minimum, meet environmental compliance obligations with the objective of exceeding these obligations where it aligns with business objective

## Social

**OPG was recognized annually, 2013-2018, as one of the Best 50 Corporate Citizens in Canada**

- Ensure public communications are informative, timely and accurate
- Work with indigenous communities to foster positive and mutually beneficial relationships

## Economic

**Support Ontario's long-term Energy Plan to create a system that is clean, reliable, modern and cost-effective**

- Achieve a consistent level of financial performance that will ensure long-term financial sustainability and maintain the value of assets



# Environment

- OPG has an ISO 14001-certified Environmental Management System (EMS) to manage its environmental responsibilities

## Key Environment Priorities:

Topics	Goals and Targets
<b>Environmental Compliance and Spills</b>	<ul style="list-style-type: none"><li>- Meet or exceed compliance obligations</li></ul>
<b>Protection of Species of Concern</b>	<ul style="list-style-type: none"><li>- Meet or exceed compliance obligations;</li><li>- Work to prevent or mitigate adverse effects on fish and fish habitat</li></ul>
<b>Biodiversity, Habitat Stewardship</b>	<ul style="list-style-type: none"><li>- Meet or exceed compliance obligations;</li><li>- Manage sites in a manner that strives to maintain significant natural areas;</li><li>- Support regional ecosystems and biodiversity</li></ul>
<b>Greenhouse Gas Emissions and Climate Change</b>	<ul style="list-style-type: none"><li>- Support Ontario's Climate Change Action Plan to fight climate change, reduce greenhouse gas pollution and transition to a low-carbon economy</li></ul>



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# Green Bond Framework

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# Sustainalytics Second Opinion

## Second-Party Opinion Ontario Power Generation Green Bond

### Evaluation Summary

Sustainalytics is of the opinion that the Ontario Power Generation Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2017. This opinion is based on:



**USE OF PROCEEDS** The eligible categories for the use of proceeds, renewable energy and energy efficiency & management, are aligned with those recognized by the Green Bond Principles, and have clear positive environmental impacts.



**PROJECT EVALUATION / SELECTION** Ontario Power Generation has a dedicated Green Oversight Committee, comprised of members of senior management, that is responsible for review and selection of eligible projects. This is in line with market best practice.



**MANAGEMENT OF PROCEEDS** Ontario Power Generation's processes for management and tracking of proceeds are in line with market practice.



**REPORTING** Ontario Power Generation intends to report on the allocation proceeds on an annual basis. The report will include a list and description of eligible projects to which funds have been allocated, and the amounts allocated. Where feasible, quantitative and qualitative environmental performance indicators will be provided. In Sustainalytics' view reporting on these metrics is in line with market practice.



**SUSTAINALYTICS**



Evaluation date	May 9, 2018
Issuer Location	Toronto, Canada



# Use of Proceeds

- Although OPG's green bond framework allows broad use of proceeds to finance and/or refinance "Eligible Projects", which offer tangible environmental benefits, the proceeds for this financing will only be used for eligible hydro projects
- Eligible Projects in general fall into the categories specified in the table below

Area	Description
<b>Renewable Energy Generation</b>	Investments that help supply energy from renewable sources
<b>Energy Efficiency and Management</b>	Investments that help reduce energy consumption or help manage and store energy



# Process to Select Eligible Projects

- Preliminary eligible projects will be recommended by the working group (consists of representatives from Treasury, Environment and Renewable Generation). The recommendation will be based on OPG's green bond framework
- OPG Green Oversight Committee, which is made up of members of OPG senior management, including the Chief Financial Officer, Chief Administrative Officer and President Renewable Generation, is responsible for the ultimate review and selection of the green projects that will qualify as Eligible Projects
- The eligible projects approved for this green financing are solely related to OPG's hydro facilities



# Eligible Projects- Peter Sutherland Sr. Project

- This project was a greenfield development of the two-unit, 28 MW run-of-river hydroelectric station on New Post Creek, located within the traditional territory of Taykwa Tagamou Nation (TTN) and partially within the Little Abitibi Provincial Park
- The station was placed in-service on March 31, 2017, ahead of the planned schedule, and below the budget of \$300M
- Project was executed by a successful partnership between Coral Rapids Power (CRP), a company wholly owned by TTN, and OPG, safely and with environmental integrity
- The station generates clean and reliable electricity: 130 GWh annually at peak power



**28 MW**  
**Capacity**





# Eligible Projects - Ranney Falls GS G3 Project

- The Ranney Falls G3 project is being undertaken to construct a new 10 MW single G3 unit in a new powerhouse adjacent to the existing G1 and G2 powerhouse, at the existing station site
- The project will take advantage of available flows in the Trent River to generate clean, reliable and low-cost electricity
- The new G3 unit will replace the existing 0.8 MW unit that reached end of life and was taken out of service in June 2014
- Project's expected in-service date is the 4<sup>th</sup> quarter of 2019, with a budget of \$77M. Project is being executed safely, within budget and schedule.



**10 MW**

**Capacity**



# Management of Proceeds & Reporting

## Management of Proceeds

- OPG green bond proceeds will be held in a segregated account consisting of cash and/or short-term money market instruments. As Eligible Projects require funding, money will be released from the segregated account to offset the green funding commitments.

## Reporting

### Allocation Reporting

- OPG will update investors annually in regards to the use of proceeds and OPG's green bond program developments. The reports will include a complete list of Eligible Projects to which green bond proceeds have been allocated, a brief description of the Eligible Projects, amounts allocated and the remaining balance of funds that have not yet been allocated.

### Impact Reporting

- Where feasible, the report will include qualitative and quantitative environmental performance indicators (e.g., greenhouse gas emissions reduced/avoided, renewable energy generation, capacity of renewable energy plant constructed or rehabilitated).



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# Green Bond Issuance Plan

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# Eligible Projects for OPG's Inaugural Green Bond Issuance

- OPG's inaugural green bond issuance focuses solely on hydro projects: proceeds will be used to finance and/or refinance Eligible Hydro Projects, as defined in the Green Bond Framework. Total capital cost of Eligible Hydro Projects is \$528M as outlined below:
  - \$311M for the look-back period of 24 months prior to the date of issuance
  - \$217M projected for 2018

(\$M)	Q3/Q4 2016	2017	2018	Total
<b>Eligible Capital Projects</b>				
Ranney Falls		26	35	<b>61</b>
*Peter Sutherland Sr.	20	11		<b>31</b>
SAB G1/G2 Conversion			9	<b>9</b>
SAB Water Conveyance System Rehab		5	8	<b>13</b>
SAB PGS Reservoir Refurbishment	24	3		<b>27</b>
<b>Total Eligible Capital Projects</b>	<b>44</b>	<b>45</b>	<b>52</b>	<b>141</b>
<b>Eligible Hydro Sustaining Capex</b>	<b>81</b>	<b>141</b>	<b>165</b>	<b>387</b>
<b>Total Eligible Projects (Capex)</b>	<b>125</b>	<b>186</b>	<b>217</b>	<b>528</b>

\*Peter Sutherland Sr. was project financed and the \$31M represents OPG's equity portion





# Summary of Offering

The following is a summary only and is qualified in its entirety by, and should be read in conjunction with, the Prospectus and the Term Sheet that sets out the terms of the Notes.

<b>Issuer</b>	<ul style="list-style-type: none"> <li>Ontario Power Generation Inc.</li> </ul>
<b>Issue</b>	<ul style="list-style-type: none"> <li>Medium Term Notes issued pursuant to the short form base shelf prospectus dated September 12, 2017, and a pricing supplement to be dated [●]</li> </ul>
<b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>OPG intends to use an amount equal to the net proceeds of the sale of the Notes to finance or refinance, in part or in full, new and/or existing Eligible Projects (as defined in the OPG Green Bond Framework, which is available on OPG's website).</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>Rank <i>pari passu</i> with all of OPG's other unsecured and unsubordinated indebtedness</li> </ul>
<b>Debt Incurrence Test</b>	<ul style="list-style-type: none"> <li>Consolidated Funded Indebtedness does not exceed 75% of Total Consolidated Capitalization</li> </ul>
<b>Other Covenants</b>	<ul style="list-style-type: none"> <li>Restrictions on mergers and dispositions, see section "<i>Mergers, Consolidations and Sales of Assets</i>"</li> <li>Negative pledge other than Permitted Encumbrances</li> <li>Restrictions on ability to designate or de-designate subsidiaries</li> <li>The Fair Hydro Financing Entity will not be considered a Designated Subsidiary or a Material Subsidiary, nor will its assets and liabilities be included in the calculation of relevant ratios. Neither OPG nor the Trustee / bondholders : <ul style="list-style-type: none"> <li>Have any recourse against assets of the Fair Hydro Financing Entity</li> <li>Does not guarantee or have any Contingent Liabilities regarding Indebtedness of the Fair Hydro Financing Entity in an amount exceeding \$50M</li> </ul> </li> </ul>
<b>Events of Default</b>	<ul style="list-style-type: none"> <li>Standard Events of Default for an issuer of this type</li> </ul>
<b>Credit Ratings</b>	<ul style="list-style-type: none"> <li>Credit ratings of A (low)/Stable by DBRS and BBB+/Stable by S&amp;P</li> </ul>
<b>Lead Bookrunners</b>	<ul style="list-style-type: none"> <li>BMO Capital Markets, TD Securities</li> </ul>