



# Second Quarter 2019 Investor Briefing



ONTARIO **POWER**  
GENERATION

# Here with you today



**Ken Hartwick**  
President and Chief Executive Officer



**John Mauffi**  
Chief Financial Officer and Senior Vice  
President, Finance

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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, performance of newly acquired business, pension and other post-employment benefit obligations and funds, income taxes, proposed new legislation, the ongoing evolution of electricity industry in Ontario and in the United States, the continued application and renewal of power purchase agreements for non-regulated facilities, foreign currency exchange rates, environmental and other regulatory requirements, operating licence applications to the Canadian Nuclear Safety Commission (CNSC) and the Federal Energy Regulatory Commission (FERC), 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, the Fixing the Hydro Mess Act, 2019 (Fixing the Hydro Mess Act), 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.

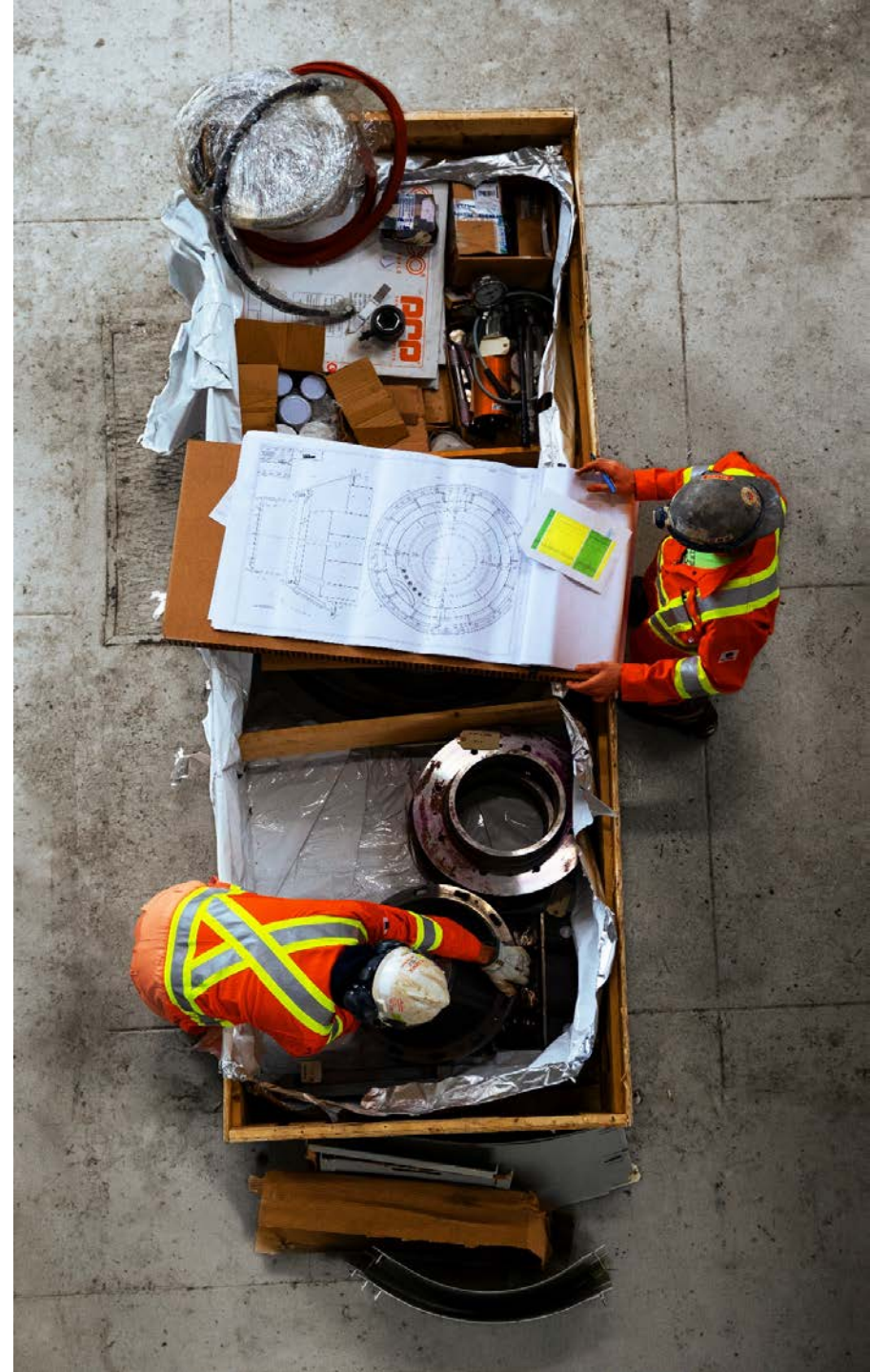
Actual outcomes and results may differ materially from what is expressed, implied or forecasted in this forward-looking information. While the Company does not know what impact any of these differences may have, the Company's business, results of operations, financial condition and credit stability may 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 | Financial and Operational Performance
- 2 | Darlington Refurbishment
- 3 | Balanced Growth Strategy and Acquisitions
- 4 | Financial Profile
- 5 | Outlook
- 6 | Q&A



# Highlights

- Strong financial performance driven from strong generation and outage execution in Nuclear
- Higher water flows in Ontario managed successfully at hydroelectric facilities with continued safe, reliable operations throughout the fleet
- Refurbishment of Unit 2 at Darlington reaching final segment; expected to return to service in Q2 2020 following challenges with lower feeder installation series
- Acquisition agreements signed on portfolio of natural gas assets in Ontario and hydroelectric facilities in United States; contributing to scale ahead of end of commercial operations at Pickering



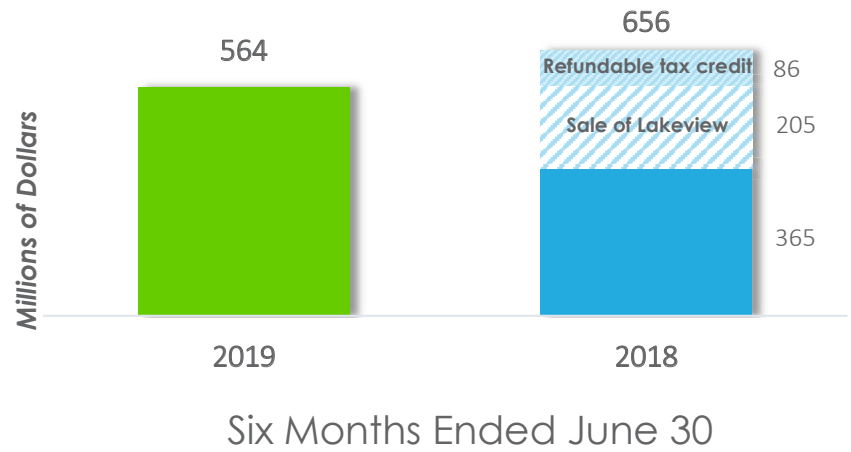
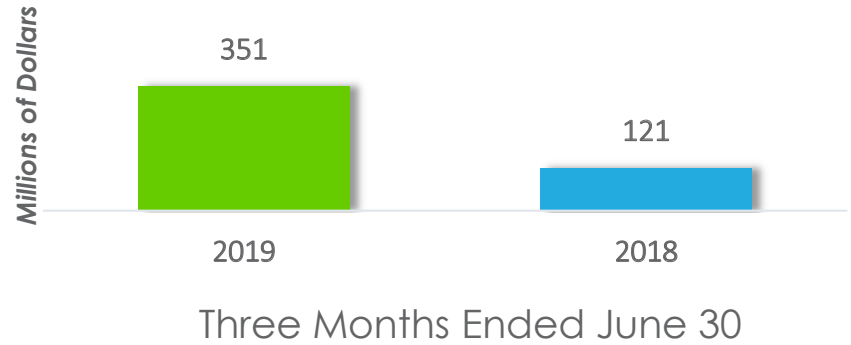


# Financial and Operational Performance

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# Net Income Attributable to Shareholder

In **2019** there were **fewer planned outage days** at the Darlington and Pickering nuclear stations, which resulted in **greater nuclear generation, higher revenue, and lower OM&A** expenses from the Regulated - Nuclear segment.



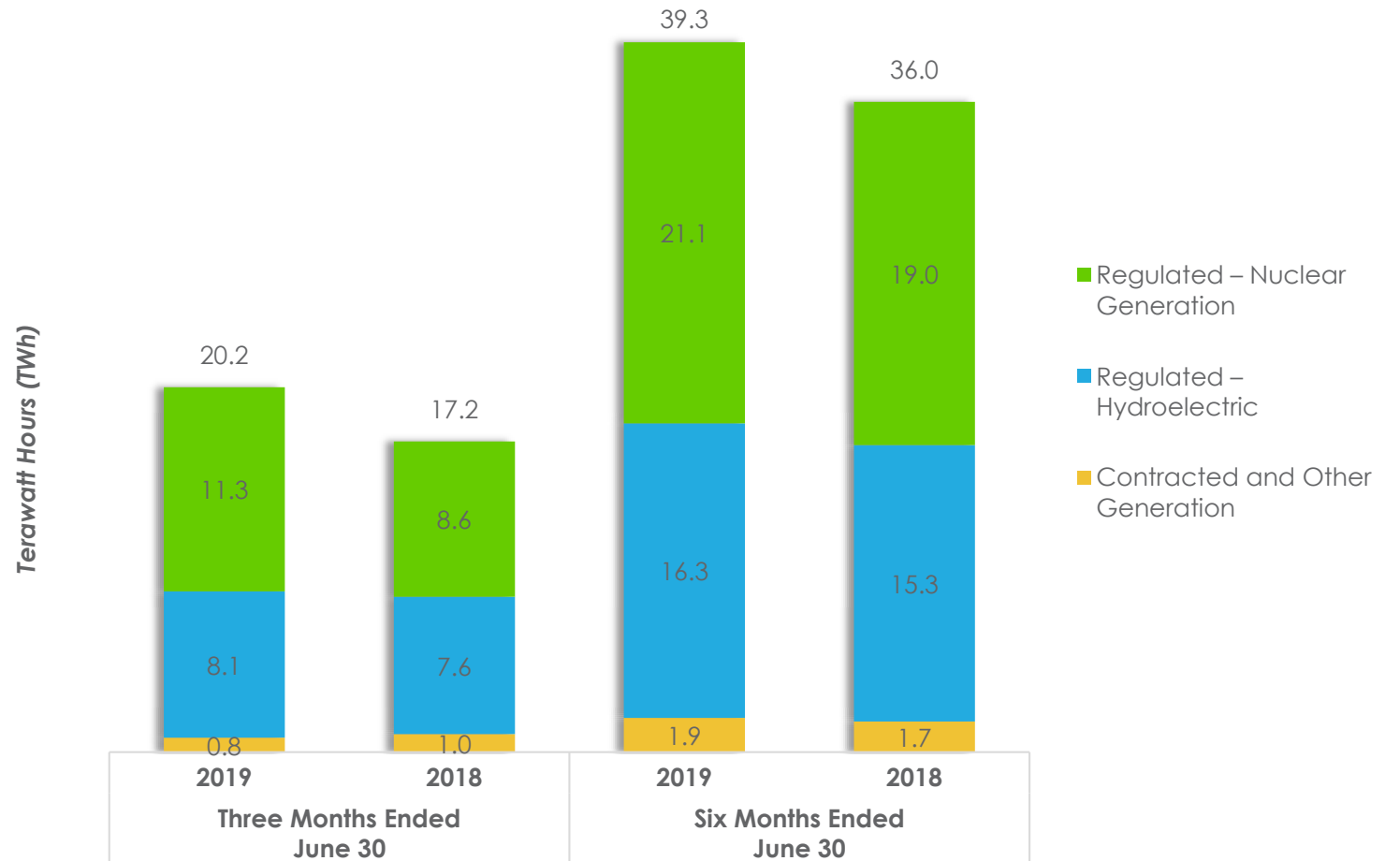
Includes gain on sale of the former **Lakeview GS** site and refundable tax credit in **Q1 2018**.

# Electricity Generation

**Regulated – Nuclear Generation** production increased due to **fewer planned outage days**.

**Regulated – Hydroelectric** production increased due to **higher water flows** across most of the Province.

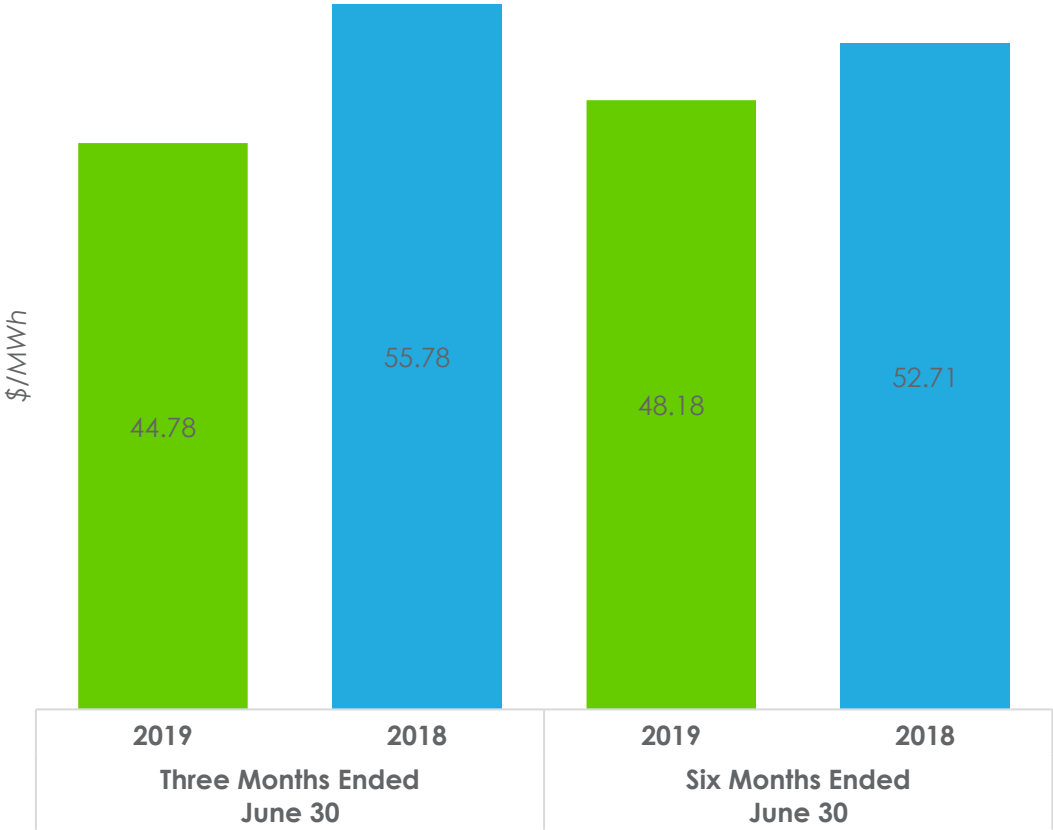
**Contracted and Other Generation** production was negatively impacted by **lower demand** for generation from contracted facilities in Q2 2019, and positively impacted by the acquisition of **Eagle Creek** facilities.



# Enterprise Total Generation Cost (TGC)

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

- During 2019, higher generation from nuclear and hydroelectric facilities and lower nuclear OM&A decreased TGC compared to prior periods





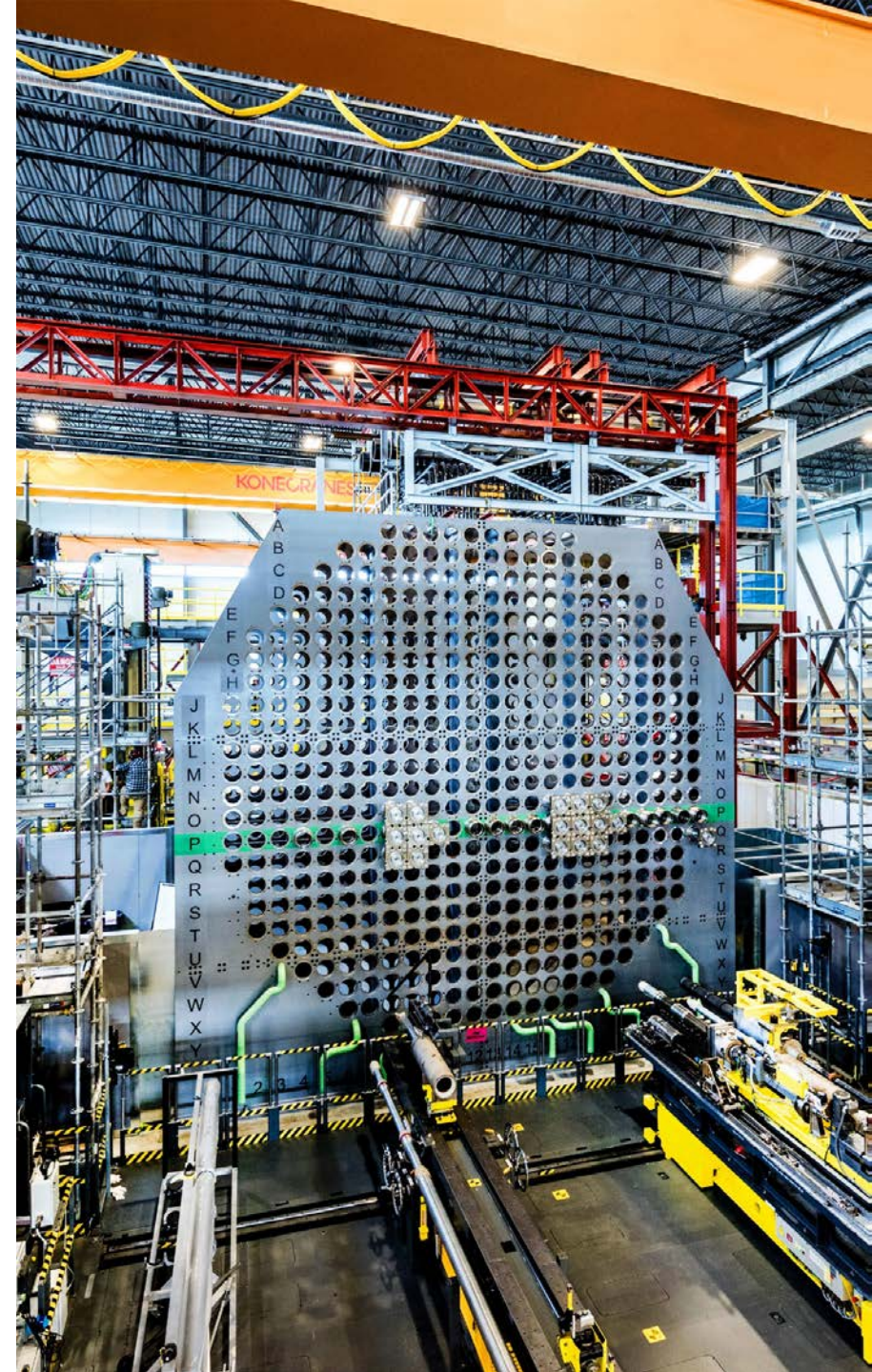
# Darlington Refurbishment

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# Darlington Refurbishment

**Unit 2 refurbishment return to service Q2 2020; overall project continues to track on schedule and to the \$12.8 billion budget.**

- The project is expected to extend the operating life of the Darlington GS by 30 years and commenced in October 2016 with the refurbishment of Unit 2; the approved budget for the four-unit refurbishment is \$12.8 billion
- Unit 2 refurbishment is currently in the third major segment; in Q2 2019, OPG completed the Fuel Channel, Upper Feeder and Middle Feeder installation series, and re-filled the moderator with heavy water
- The project is currently executing the Lower Feeder installation series – there have been challenges identified in achieving planned installation rates for this series
- Unit 2 is expected to be returned to service in the Q2 2020 – this expectation incorporates our unwavering commitment to safety
- Preparation continues for refurbishment of the second unit, Unit 3; execution of the Unit 3 refurbishment is targeted to begin in Q1 2020





# Balanced Growth Strategy and Acquisitions

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# Building Our Business

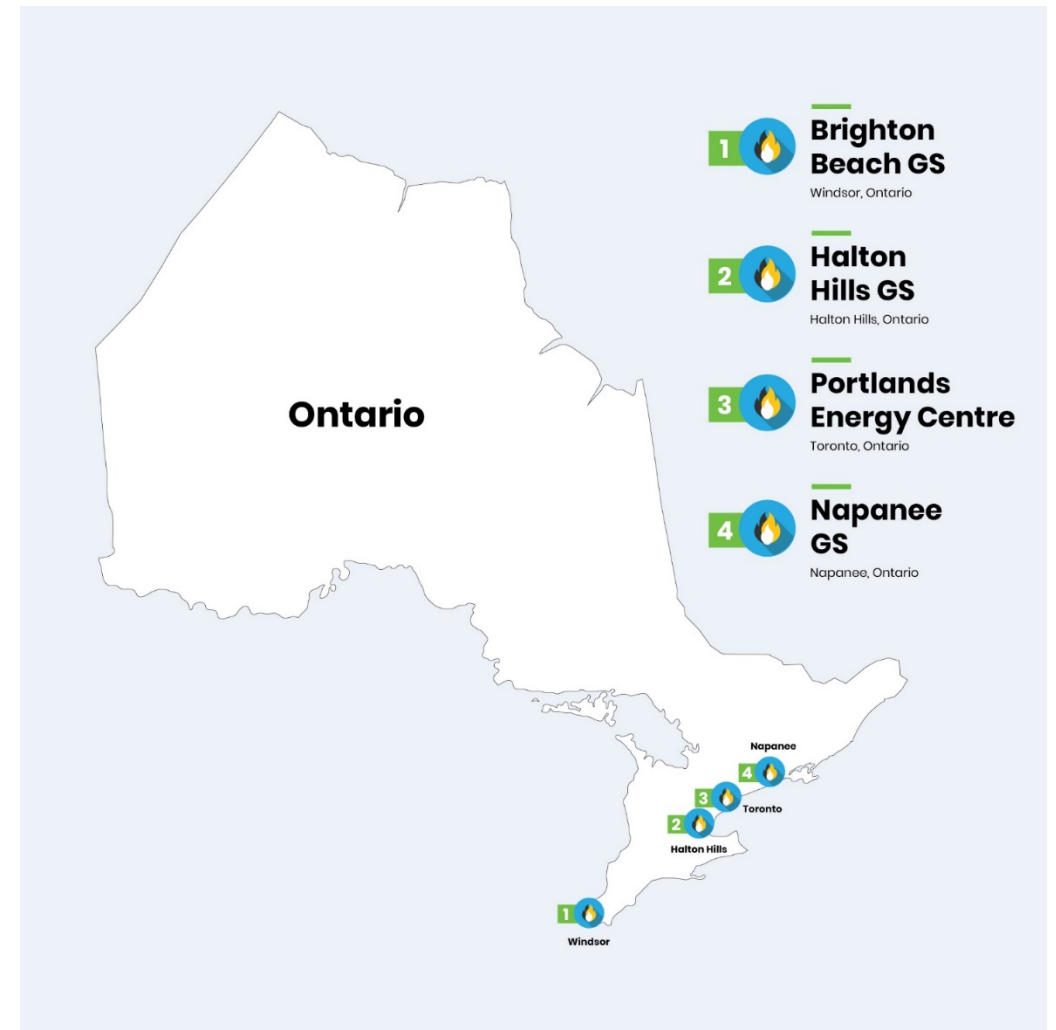
## OPG is pursuing a balanced growth strategy

1. **Investing in our core assets and capabilities:** OPG is pursuing a balanced growth strategy, with investment in both regulated and unregulated business. These investments will allow OPG to maintain scale and provide positive returns to the Province of Ontario, while continuing to mitigate the impact on customer rates
2. **Strategic acquisitions** to maintain industry leadership and facilitate a low carbon future



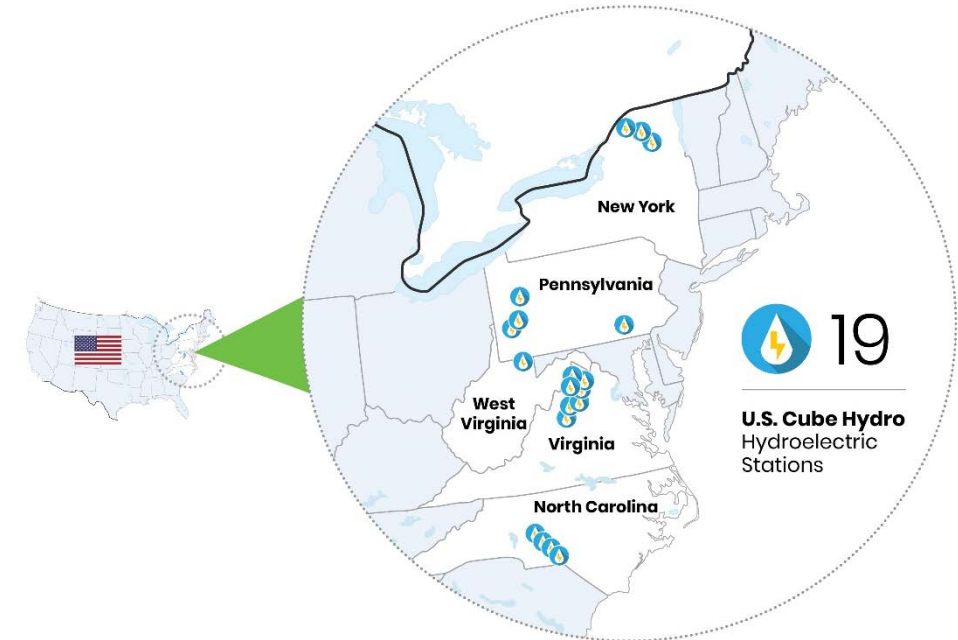
# Acquisition of Natural Gas Assets in Ontario

- In July 2019, entered into a purchase and sale agreement to acquire a portfolio of combined-cycle natural gas-fired plants in Ontario from TC Energy for \$2.87 billion, subject to working capital and other customary adjustments
- In June 2019, entered into a purchase and sale agreement with ATCO Power to acquire the remaining 50 percent interest in the Brighton Beach GS
- The facilities operate under contracts with the IESO and other counterparties
- These acquisitions would add over 2,000 MW of generating capacity to OPG's in-service generating capacity



# Acquisition of Cube Hydro

- In June 2019, entered into a purchase and sale agreement to acquire a hydropower platform with a total of 385 MW capacity from 19 small and medium-sized hydroelectric facilities across the northeastern and southeastern US
- Cube Hydro is North America's largest private hydropower platform, with a focus on developing, acquiring and operating run-of-river hydropower projects
- Purchase price of US\$1.12 billion, inclusive of assumed debt and subject to customary working capital and other adjustments
- Will be financed primarily through OPG's corporate public debt program or other available credit facilities
- Acquisition will provide additional scale to OPG's existing US hydroelectric platform, following the acquisition of Eagle Creek in November 2018, and is expected to generate meaningful operational synergies between the two platforms



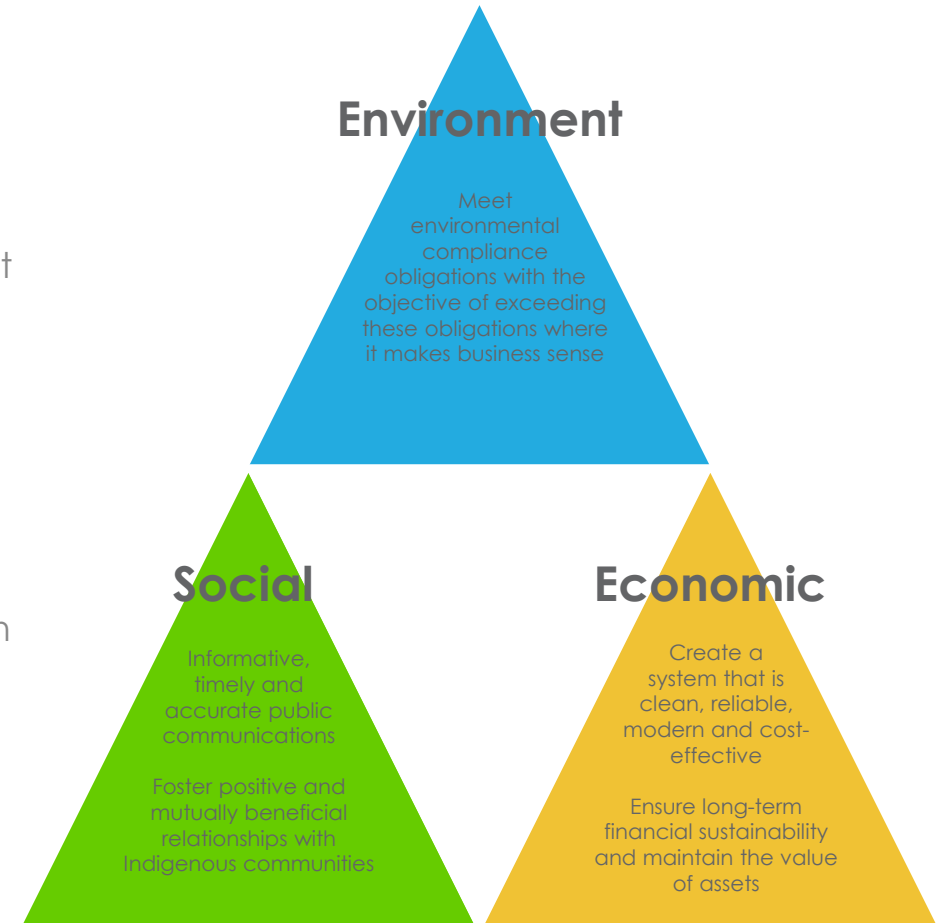
# Sustainability Strategy

**At OPG, we believe in generating power with a purpose.**

- We believe operating in a sustainable manner is directly connected to business success
- OPG generates power while protecting and enhancing the environment
- We positively impact communities across Ontario as a good corporate citizen and neighbour

**OPG is proud to be one of Canada's Best 50 Corporate Citizens for the sixth year in a row**

- OPG has a green bond framework supported by a second party opinion issued by Sustainalytics. Details of OPG's green bond framework and reporting can be found on OPG's website: <https://www.opg.com/investor-relations/green-bonds/>
- OPG has maintained a certified ISO 14001 Environmental Management System since 1999





# Financial Profile



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# Corporate Profile

**\$52.6**  
BILLION  
OF ASSETS<sup>1</sup>

ONTARIO'S  
LARGEST **CLEAN** ENERGY  
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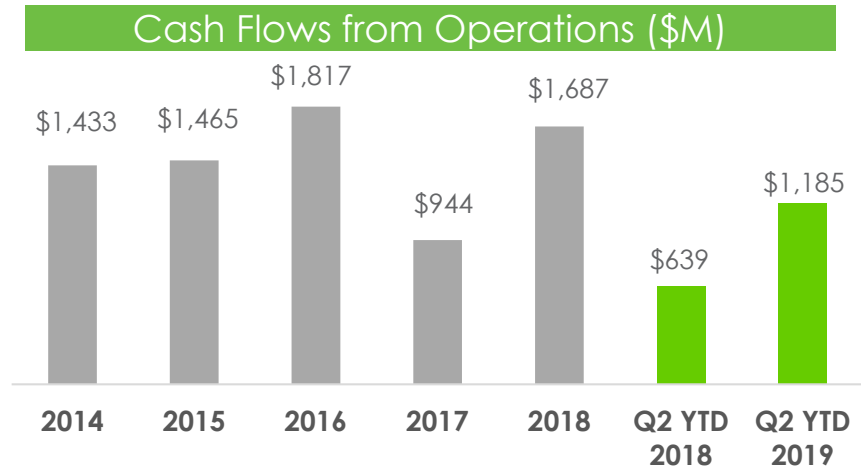
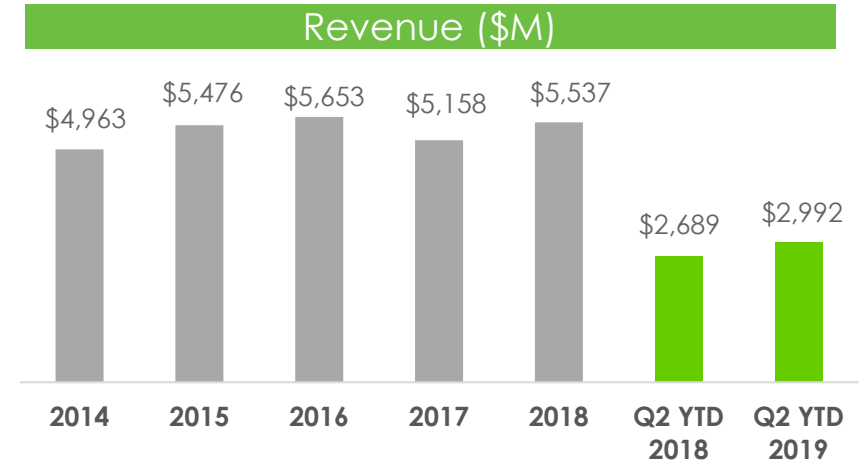


A (low)<sup>2</sup>



BBB+<sup>2</sup>

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

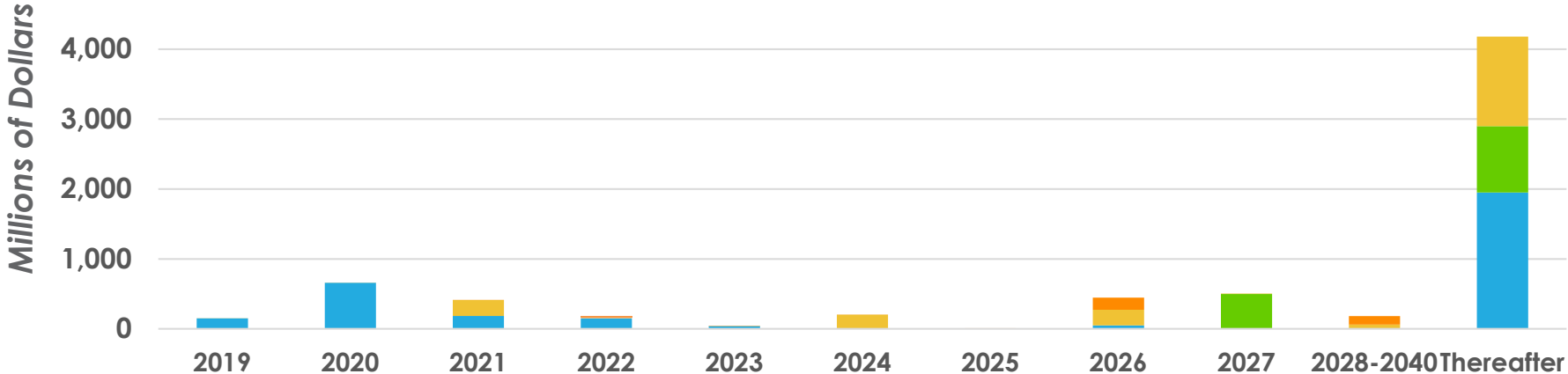


<sup>1</sup> As at June 30, 2019.

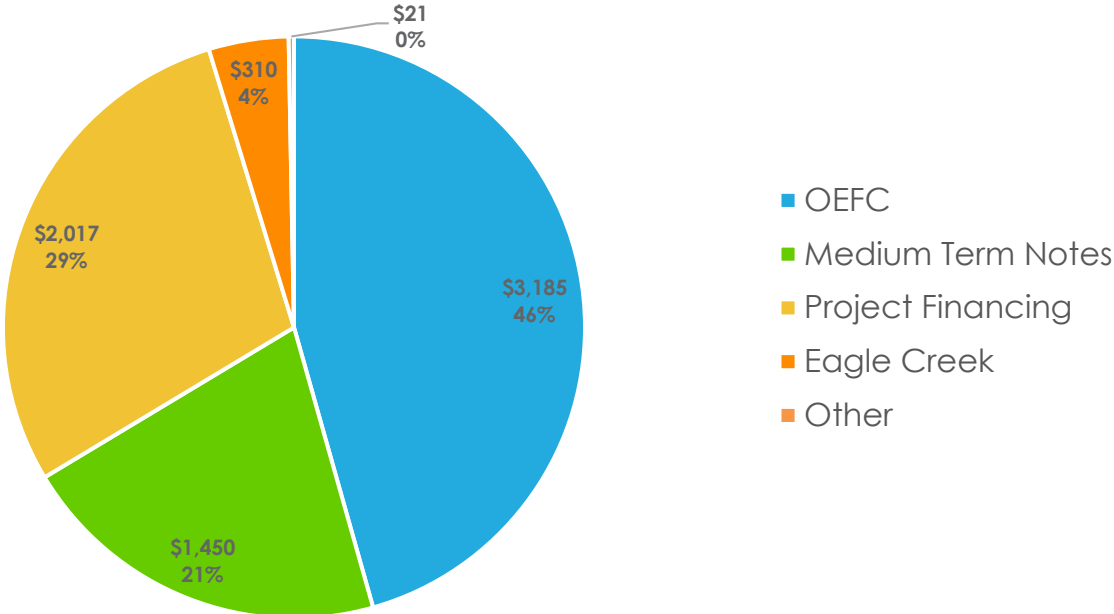
<sup>2</sup> In July 2019, subsequent to OPG's acquisition announcements, S&P Global Ratings (S&P) re-affirmed both OPG's long-term credit rating at 'BBB+', with a revised outlook from stable to negative, and commercial paper rating for OPG is 'A-1 (low)'. DBRS re-affirmed OPG's long-term credit rating at 'A (low)'. All ratings from DBRS have a stable outlook, including the commercial paper rating at 'R-1 (low)' that was re-affirmed in April 2019.

# Long Term Debt

EXISTING DEBT MATURITIES AS AT JUNE 30, 2019



OPG has manageable near term debt refinancing needs





# Outlook



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# Outlook

## Regulated – Nuclear

- Segment earnings to increase year-over-year taking into consideration planned outage activity and regulatory price certainty
- Continue to execute Darlington GS Unit 2 refurbishment safely; overall project on schedule and on budget

## Regulated – Hydroelectric and Contracted and Other Generation

- Continue to generate a stable level of earnings and cash flow
- Contracted and Other Generation segment to continue to contribute a stable level of earnings and cash flow from operating activities in 2019

## Other

- Cash flow from operating activities will continue to improve as collection continues from new regulated prices and recovery of deferral and variance accounts
- Nuclear Segregated Funds to continue to be fully funded



Q&A

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# Definitions

**Enterprise TGC per MWh** 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, Eagle Creek and other generation development projects and the impact of regulatory variance and deferral accounts.

**Nuclear Unit Capability Factor** represents actual energy generated, adjusted for external constraints such as transmission or demand limitations, as a percentage of potential maximum generation over a specified period. Excludes units under refurbishment.

**Hydroelectric Availability** represents amount of time that units are capable of producing electricity as a percentage of the total time for a respective period.

