

CORPORATE PARTICIPANTS

Neal Kelly

Director of Media, Issues and Information Management

Ken Hartwick

President and Chief Executive Officer

John Mauti

Chief Financial Officer and Senior Vice President of Finance

CONFERENCE CALL PARTICIPANTS

Stephen Dafoy

Asset Management 1832

Bob Maxwell

Sunlife

Katesh Goril

CIBC Asset Management

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the OPG Investor Call. I would now like to turn the meeting over to Mr. Neal Kelly, Director of Media Relations and Issues Management. Please go ahead, Mr. Kelly.

Neal Kelly, Director of Media, Issues and Information Management

Thank you and welcome to our investor call to discuss Ontario Power Generation's Second Quarter Financial and Operational Results. My name is Neal Kelly. I'm joined today by OPG Chief Executive Officer and President, Ken Hartwick; and OPG Chief Financial Officer, John Mauti. Mr. Hartwick and Mr. John Mauti 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 Ken, 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 today's agenda.

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

Ken Hartwick, President and Chief Executive Officer

Thank you, Neal. Good morning and thank you all for joining this call. We're pleased to have this opportunity to update you and to share these results for the first half of the year, and to discuss how we are continuing to achieve our strategic goals.

In the first six months, we have continued to make significant strides financially and operationally, while working to ensure we remain Ontario's largest low-cost clean power generator. This has come off the back of strong generation performance and outage-backed execution across our nuclear fleet, which continues to contribute reliably to the grid. Our regulated hydroelectric generation also experienced an increase in the second quarter due to higher water flows across most of Ontario. The high water levels this past spring represented significant challenges to operations and communities near those river systems. Our renewable generation team worked closely with municipalities and local authorities to mitigate the impacts to communities while managing the water in a safe and coordinated manner.

On the Darlington Refurbishment Project, we made major advances in the second quarter on Unit 2, which is the first of our four reactors to be refurbished. We successfully completed the installation of fuel channels as well as upper and middle feeders. Thirty-three of 58 major plant systems have been returned to service. Unit 2 is currently undergoing lower feeder installation where we have identified some challenges in achieving the planned installation rate for the series. Given these challenges, we have revised our schedule for Unit 2's return to service. We now expect the unit to return to service in June 2020 rather than February 2020, as originally planned, and within our Unit 2 budget. This will ensure that commissioning is completed safely and to the highest industry standards.

We have taken several mitigating steps to ensure the remaining work on Unit 2 is executed as planned. This includes re-sequencing work activities, expanding training, deploying new tooling and injecting additional OPG project management leadership. Lessons learned and actions taken are also being carefully applied to maintain strong cost control, improve schedule performance and to reduce risk for all future units. The revised schedule on Unit 2 will not have an impact on the overall project schedule or budget. Overall, the project continues to track on schedule and to our \$12.8 billion budget. Preparation is also continuing for refurbishment of the next unit, Unit 3, which is expected to begin in Q1 of 2020.

This critically important project for OPG and all of Ontario will extend the operating life of the Darlington station by 30 years, and I am confident we will continue to execute successfully.

The past few months have also seen us grow our business for the future through acquisitions. We recently entered into purchase agreements to acquire a portfolio of combined-cycle natural gas-fired plants in Ontario. These acquisitions will add more than 2,000 megawatts to OPG's in-service generating capacity. Natural gas plays a critical role in ensuring the reliability of our electricity system by generating power during peak periods. Its ability to respond to changes in demand helps backstop intermittent sources of power like wind and solar.

Expanding our natural gas portfolio provides an ability to grow our financial performance which supports the continued strong financial performance by the Company to our shareholder.

Also in Q2, we entered into an agreement to acquire Cube Hydro, an operator of 19 small and medium sized hydro facilities in the U.S., representing a total of 385 megawatts of capacity. This acquisition will provide additional scale to our existing U.S. hydroelectric platform and generate more operational synergies. These assets are in areas that OPG has largely operated in and are consistent with our core strengths. We will now take a pause from acquisition activities and focus on integrating these assets.

As Ontario's only publicly owned electricity generator, our focus remains on bettering the province economically and environmentally. We believe these acquisitions will improve the Company, help facilitate a sustainable, low carbon future and provide reliable low-cost power for future generations.

All in all, I'm pleased with our performance this past quarter and the quality of recent acquisitions. We remain committed to operating safely and reliably, while delivering the value to our shareholders and low-cost power to all.

Now I'd like to turn things over to John Mauti, OPG's Chief Financial Officer, to go over the past quarter's results in more detail.

John Mauti, Chief Financial Officer and Senior Vice President of Finance

Thanks, Ken.

For the three months ended June 30, 2019, OPG reported net income attributable to the shareholder of \$351 million compared to \$121 million in 2018. This was a result of fewer planned outage days at Darlington and Pickering, resulting in more nuclear generation, higher revenue and lower operating and maintenance related expenses. This was as expected and in line with our cyclical maintenance schedule.

Overall, for the six months ended June 30, our net income has tracked positively compared to 2018 after taking into account the gain on sale of the former Lakeview Generating Station site and associated refundable tax credit.

Looking at our electricity generation. Production from our regulated nuclear and hydroelectric stations saw improvements over the past quarter and the first six months of 2019. Our hydroelectric assets continue to operate with stability and production from this segment saw an increase this year due to higher water flows across much of the province.

On the regulated nuclear site, production has increased compared to the same period last year. As previously mentioned, this was due to increased production as a result of fewer planned outage days at our nuclear stations.

In the contracted and other generation segment, we saw positive impact in production from our acquisition of Eagle Creek's hydroelectric facilities in the U.S. but we experienced an overall decrease in segment production due to lower demand for generation from our contracted facilities in Q2.

Overall, our core generating business remains strong and growing.

Our Enterprise Total Generating Cost, or TGC, is the cost to generate 1 megawatt hour of electricity in Ontario. Both in Q2 and year-to-date, our TGC decreased significantly compared to same period in 2018. Higher generation from our nuclear and hydroelectric facilities as well as lower nuclear OM&A expenses have all factored into the decrease in our total generating costs in 2019.

On the Darlington refurbishment, we continue to make steady progress. This past quarter we completed the fuel channel assemblies in the upper and middle feeder pipe installation series. The project is currently executing the lower feeder installation series. As Ken mentioned, we have experienced some challenges in achieving the planned installation rates for the lower feeders on Unit 2. This will extend the timeframe of this series to the fourth quarter of 2019.

Under the revised schedule, Unit 2 is now expected to return to service by June of 2020 rather than February of 2020. This revised schedule will not have an impact on the overall project schedule or budget. We continue to expect the overall refurbishment project to be executed on time and within the \$12.8 billion budget. Preparation is ongoing for the refurbishment of Unit 3. The targeted start date for execution on Unit 3 refurbishment is set for Q1 2020.

As Ken alluded to earlier, OPG is continuing to build its business with a balanced growth strategy. That means we are investing in our core assets and strengths by allocating resources to our operations in both the regulated and unregulated business. These investments will allow us to maintain our scale of operations, moderate customer prices and provide positive returns for our shareholders. Our balanced growth strategy also includes strategic acquisitions to maintain leadership in the industry and to help facilitate a low carbon future. I will go over some of our most recent acquisitions now.

We recently announced we have entered into a purchase agreement to acquire a portfolio of combined-cycle natural gas-fired plants in Ontario. OPG will be acquiring full ownership of the Napanee generating station and Halton Hills generating station, as well as the remaining 50 percent ownership in the Portlands Energy Centre, located in Toronto, and the Brighton Beach generating station in Windsor.

These acquisitions, when approved, will add more than 2,000 megawatts to OPG's in-service generating capacity at a total acquisition value of over \$3 billion. These facilities are under energy supply agreements with the independent electricity system operator with a weighted average remaining contract term of approximately 17

years. The acquisitions are subject to a number of closing conditions, including receipt of regulatory approval and commencement of commercial operations at the Napanee generating station. The Brighton Beach acquisition is expected to close in the third quarter and the balance of the assets are expected to close around the turn of the year.

As Ken mentioned, these acquisitions will expand OPG's generation portfolio while helping to ensure the reliability of Ontario's electricity system for the future.

This past quarter, OPG also entered into a purchase agreement to acquire Cube Hydro for approximately US\$1.12 billion inclusive of debt assumed. Cube operates 19 small and medium sized hydroelectric facilities across the northeastern and southeastern U.S., with a total in-service generating capacity of 385 megawatts. The deal will be financed primarily through OPG's Corporate Public Debt Program or other available credit facilities. We expect the acquisition to close before the end of the year. This exciting acquisition will provide additional scale to our existing U.S. hydroelectric platform, which already includes assets from the recently acquired Eagle Creek Renewable Energy.

I would also like to highlight OPG's commitment to operating in a sustainable manner that takes into consideration environmental, social and economic concerns. We continue to produce clean, reliable and cost-effective power while protecting the environment and positively impacting our communities. OPG has maintained an ISO 14001 certified environmental management system since 1999.

We are consistently recognized by international groups, like Wildlife Habitat Council, for processes that manage our environmental impact and improve our natural surroundings. We've worked with partners to plant more than 7 million native trees and shrubs on approximately 2,850 hectares of land across Ontario, and we helped stock more than 336,000 one-year old salmon since 2011 as lead sponsor of the Ontario Federation of Anglers and Hunters Lake Ontario Atlantic Salmon Restoration Program.

We are proud to be one of Canada's Best 50 Corporate Citizens for the sixth year in a row. We're committed to remaining a model corporate citizen for years to come.

Looking at our overall corporate profile, OPG continues to maintain a strong balance sheet backed by \$52.6 billion of assets. Following the announcement of our most recent acquisitions, our long-term credit ratings from S&P Global at BBB+ and BPRS (phon) at A low, continue to

demonstrate the strong credit worthiness of the Company. We are backed by stable operations through our regulated fleet and supplemented through long-term contracts for much of our non-regulated facilities. OPG continues to monitor and manage our credit ratings profile and metrics and intends to maintain a strong investment grade credit rating. Both ratings reflect the announced acquisitions, which are expected to be principally debt funded.

In terms of our capital structure, the Company continues to diversify its financing base through a mix of public debt and funding from the Ontario Electricity Financial Corporation. The Company also continues to be positioned well in terms of liquidity with a long maturity timeframe on its debt and manageable near-term debt refinancing needs.

The acquisitions will be financed over the long term through the debt capital markets. However, a significant portion of the financing need as part of closing on these deals can be accomplished through short-term programs, including existing or expanded commercial paper and credit facilities and term loans until long-term debt is issued. Utilizing shorter term funding allows us to be responsive to market conditions and ensure an orderly access to longer-term debt markets. As indicated, a large majority of OPG's term debt has a long maturity profile and the use of shorter term options helps provide more of a balance to OPG's financing needs. We believe all of our recent investments and acquisitions will ultimately benefit shareholders and people of Ontario, providing great value for decades to come.

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

Ken Hartwick, President and Chief Executive Officer

Thanks, John. In closing, I'd like to reiterate our financial strength as a company. As our past quarter has shown, we continue to execute on our core strengths of producing clean, low-cost, reliable power for Ontario, and we are now growing our Company and promising to deliver even more value through several key strategic acquisitions. With the announced acquisitions, OPG is looking to integrate the assets to deliver value to our shareholders.

In a regulated nuclear business, we have benefited from regulatory price certainty and fewer planned outage days. We also continue to execute the Darlington Unit 2 refurbishment safely to the highest standard of quality

with the overall Darlington Refurbishment Project remaining on schedule and on budget.

In our regulated hydroelectric and contracted and other generation segments, we continue to generate stable earnings and cash flow and we expect to see the same level of performance from operations for the rest of the year.

We expect cash flow from operating activities will continue to improve throughout 2019 as collection continues from our new regulated prices set by the Ontario Energy Board and recovery of deferral and various accounts. Our nuclear segregated funds, which we will fund future decommissioning and waste management at nuclear stations, remain fully funded. This provides further liquidity to the Company.

Looking to the rest of 2019, we expect to continue our strong performance and execute on all our major projects, including the Darlington Refurbishment Project. I am pleased with the progress we have made on our growth efforts and on our operational and safety excellence. We continue to be committed to delivering value to Ontario while generating safe, reliable, low-cost power to the province. I want to thank all of our employees for their unwavering commitment to the safety across OPG.

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

Neal Kelly, Director of Media, Issues and Information Management

Thanks, Ken. We will now begin the question-and-answer session, and I will ask the Operator to run through the process for investors to ask their questions. Just a reminder, this is an investor call, and therefore only investors are 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 star, one on your telephone keypad. At any time you wish, you can also cancel the question by pressing the pound sign.

Please press star, one at this time if you have a question. There will be a brief pause while the participants register. We thank you for your patience. Once again, please press star, one on your telephone keypad if you have a question.

We have a first question from Stephen Dafoy from Asset Management 1832. Please go ahead. Your line is open.

Stephen Dafoy, Asset Management 1832

Good morning, and thanks for having the call. The MD&A describes that surplus baseload conditions in the quarter resulted in higher, foregone hydro generation to OPG. Could you just describe what led to the surplus baseload conditions going up and also remind us of how that impacts both gross margin? I believe that's all in the quarter. But also how the variance account sort of recovers that amount and when that would flow through the cash flow statement. Thank you.

John Mauti, Chief Financial Officer and Senior Vice President of Finance

Hi. It's John Mauti here, Chief Financial Officer. Yes, our surplus baseload conditions primarily are from economic market conditions within the province in terms of clearing prices for generation. Conditions during the quarter were also exasperated a bit with the volume of water flows of the amount, the generation going through our stations was higher, so when those market conditions and clearing prices are low enough, we are instructed through the independent electricity system operator to not generate during those periods. We are compensated through a regulatory variance account that we have authorized with the Ontario Energy Board for basically where gross margin is protected and when we are told to not generate during those periods, we basically make that equivalent up and book those amounts into that variance account which are then subsequently cleared through in process in the future with the Ontario Energy Board.

There's, other than a small timing, the issue of collection, cash flow would be protected and then when we apply to the Ontario Energy Board next time when we clear balances as of a close of a certain fiscal year and it would be recovered through rate riders on top of our base electricity rate points in the future.

Stephen Dafoy, Asset Management 1832

Okay, so that it sounds like the actual recovery would probably be in a later year and not later in 2019?

John Mauti, Chief Financial Officer and Senior Vice President of Finance

Correct, yes. The next time that we would go in front of the Ontario Energy Board we would tend to clear balances in those variance accounts typically at the end of a certain fiscal year, so there may be potentially a year or two lag between booking accounts—booking amounts into those variance accounts that could also fluctuate (phon).

Stephen Dafoy, Asset Management 1832

That's great. Thank you.

Operator

Thank you. Once again, please press star, one on your telephone keypad if you have a question. Please press star, one.

Thank you. The next question is from Bob Maxwell from Sunlife. Please go ahead. Your line is open, sir.

Bob Maxwell, Sunlife

Hello. Thanks for taking my question. Just wanted to see if you could provide a little colour on the negative outlook by S&P and maybe any discussions you've had with them about that.

John Mauti, Chief Financial Officer and Senior Vice President of Finance

Sure. It's John Mauti again. The discussions we've had with S&P, in addition to our regular annual updates, we brief them fully for each of the acquisitions that we have made in the past several months. Given the fact that we're largely debt financing those acquisitions, they were interested in doing the cash flow prospects from that. Each of those acquisitions were the acquisitions that we've engaged in our unregulated or non-regulated parts of the operations but in large part they are backed—for example, the gas plants in Ontario are backed by long-term secure contracts going forward.

The fact that we've taken on the additional debt into our forecast, we were not surprised that it was perhaps changed to a negative outlook that just reduces the runway going forward in terms of cash flows. I think what S&P would like to see going forward is consistency in how we integrate those acquisitions and ensure that we continue with the core of our operations which still remain regulated to ensure that we're able to deliver on it and secure cash flows from those operations going forward.

Bob Maxwell, Sunlife

Okay, thank you. Could you maybe just also talk a little bit more about, going forward, how you would see regulated asset versus non-regulated assets in your mix, and I guess maybe just whether you have any sort of targets for the proportion of the business that would be non-regulated.

John Mauti, Chief Financial Officer and Senior Vice President of Finance

Right. We still have a significantly large portion of our cash flows is still from regulated assets. Even the unregulated ones we have, whether it was our existing hydroelectric energy supply agreements for some existing assets, the assets we're acquiring, the gas-fired ones in Ontario, they are all backed by very sort of long-term very stable cash flow coming from those contracts. Even though the percentage has been now becoming a little larger on the unregulated side, those unregulated assets largely have very stable cash flows associated with them.

Ken Hartwick, President and Chief Executive Officer

I'd just add to that, if you go to our mix, if you look at our Darlington refurbishment is \$12.8 billion investment into the regulated side of our business, as is just our core cap ex programs. We would view the relative mix of this being, again, small in the scale of what we invest on an annual basis and in Darlington's case, over the course of the next six or seven years.

Bob Maxwell, Sunlife

Great. Thank you.

Operator

Thank you. The next question is from Katesh Goril from CIBC Asset Management. Please go ahead. Your line is open.

Katesh Goril, CIBC Asset Management

Thank you. My question is just a clarification question. Are you planning to finance—when you say 100 percent debt financing of the acquisitions, are they going to be on a recourse basis as part of just the general OPG program, or more like what you guys did on the Mattagami Project?

John Mauti, Chief Financial Officer and Senior Vice President of Finance

No, our intent is to do debt financing from our balance sheet fully and not specific to project financing like we have in the past on, you mentioned Lower Mattagami investment. This would be through our medium term note program of the balance sheet as a whole.

Katesh Goril, CIBC Asset Management

Okay, so you will get a benefit of all the assets?

John Mauti, Chief Financial Officer and Senior Vice President of Finance

Correct, yes.

Katesh Goril, CIBC Asset Management

Okay, thank you.

Operator

Thank you. There are no further questions registered at this time. I will return the meeting back to Mr. Kelly.

Neal Kelly, Director of Media, Issues and Information Management

Okay, thank you. As always, investors with follow-up questions can call OPG's Investor and Media Relations

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line at 416-592-4008, or 1-877-592-4008. Thank you for participating, and have a wonderful day.

Operator

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