ONTARIOPOWER GENERATION

News
from Ontario Power Generation

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May 18, 2021

OPG REPORTS 2021 FIRST QUARTER FINANCIAL RESULTS

Continues to execute Darlington Refurbishment and planned hydroelectric unit overhauls to provide reliable, emissions-free power to Ontario

[Toronto]: – Ontario Power Generation Inc. (OPG or Company) today reported its financial and operating results for the first quarter of 2021, with net income attributable to the Shareholder of $290 million, compared to $309 million for the same period last year.

OPG's net income decreased during the first quarter of 2021 primarily due to lower nuclear electricity generation as a result of deferring a planned outage for Unit 1 of the Darlington nuclear generating station (Darlington GS) from 2020 in response to COVID-19, largely offset by earnings from the assets acquired during 2020 and higher earnings from the nuclear segregated funds. OPG continues to safely and reliably operate its facilities to supply electricity to Ontario and advance essential projects during the ongoing pandemic, while protecting the health and safety of its workers.

"We are continuing to successfully execute the four-unit Darlington Refurbishment project. I want to thank the thousands of workers and hundreds of suppliers from across the province who have ensured that this 10-year mega-project remains on track," said Ken Hartwick, OPG President and CEO. "Unit 3 disassembly is underway, with the team advancing the preparatory work for the removal of fuel channel assemblies. Once the project is completed in 2026, the Darlington station will continue to produce emission-free electricity to the benefit of all Ontarians for at least three more decades."

As OPG pursues its goal of net-zero carbon emissions by 2040, it continues to implement key climate action strategies that will help to create a cleaner environment and more prosperous, resilient communities in Ontario and beyond. "Meeting the increased electricity demand to drive decarbonization and achieve net-zero carbon emissions will require an overall diversified generation portfolio," said Ken Hartwick. "With expertise in nuclear, hydroelectric, biomass, solar and natural gas technologies, we are leveraging our clean energy to drive climate change solutions such as the electrification of the Toronto Transit Commission's bus fleet and are also leading the charge on the development of low carbon hydrogen production to support further decarbonization of industry."

OPG's hydroelectric generation is a vital source of clean energy in Ontario. To ensure this renewable, cost effective power continues in the decades ahead, OPG has commenced an extensive planned 20-year overhaul program of its hydroelectric generating units across the province. "Investing in our hydroelectric assets will ensure that these heritage units can continue to operate efficiently and reliably while supporting the net-zero carbon goals in our Climate Change Plan," said Ken Hartwick. "The overhaul program will also create many new jobs and numerous economic benefits for our local communities in the way of partnerships, apprenticeships and other opportunities."

Generating and Operating Performance

Electricity generated in the first quarter of 2021 was 19.1 terawatt hours (TWh) compared to 20.7 TWh for the same quarter in 2020. The decrease was primarily due to lower electricity generation from the Regulated – Nuclear Generation and Regulated – Hydroelectric Generation business segments, partially offset by higher electricity generation from the Contracted Gas Generation business segment.

Regulated – Nuclear Generation Segment

Electricity generation from the regulated nuclear stations decreased by 2.2 TWh during the first quarter of 2021 compared to the same quarter in 2020. This decrease was primarily due to a higher number planned outage days at the Darlington GS, reflecting the deferral of a planned cyclical maintenance outage for Unit 1 from the fall of 2020 to February 2021 in connection with changes to the Darlington Refurbishment schedule made in 2020 in response to the onset of the COVID-19 pandemic. The unit capability factor at the Darlington GS decreased from 99.3 per cent for the first quarter of 2020 to 73.6 per cent for the first quarter of 2021, primarily due to the Unit 1 planned outage.

Nuclear electricity generation also decreased due to a higher number of planned outage days at the Pickering nuclear generating station (Pickering GS) driven by the cyclical maintenance schedule and other planned maintenance and repair work executed at the station, and a higher number of unplanned outage days, resulting in a lower unit capability factor of 72.2 per cent for the first quarter of 2021 compared to 79.9 per cent for the same quarter in 2020.

Regulated – Hydroelectric Generation Segment

Electricity generation from the regulated hydroelectric stations decreased by 0.3 TWh during the first quarter of 2021 compared to the same quarter in 2020, primarily due to lower water flows in northwestern Ontario. The availability of 91.8 per cent at these stations for the first quarter of 2021 was higher than 89.8 per cent for the same quarter in 2020. The increase in availability was primarily due to overall fewer unplanned outage days across the regulated hydroelectric fleet, partially offset by higher planned outage days from deferring certain planned maintenance and project activities from 2020 in response to the onset of the COVID-19 pandemic.

Contracted Hydroelectric and Other Generation Segment

Electricity generation from the Contracted Hydroelectric and Other Generation business segment for the first quarter of 2021 was comparable to the same quarter in 2020.

The availability of the Ontario-based hydroelectric stations in the business segment decreased from 89.5 per cent for the first quarter of 2020 to 85.7 per cent for the same quarter in 2021, primarily due to a higher number of outage days at the contracted hydroelectric facilities in northeastern Ontario.

Contracted Gas Generation Segment

Electricity generation from the Contracted Gas Generation business segment increased by 0.9 TWh during the first quarter of 2021 compared to the same quarter in 2020. The increase was primarily due to electricity generation from the portfolio of natural gas-fired plants in Ontario acquired in April 2020. The earnings from these facilities contributed an increase in net income for the first quarter of 2021, compared to the same quarter in 2020.

Total Generating Cost

The Enterprise Total Generating Cost (TGC) per megawatt hour (MWh) was $60.41 for the first quarter of 2021, compared to $45.70 for the same quarter in 2020. As expected, the Enterprise TGC per MWh increased primarily due to the deferral of certain planned outage activity in 2020 and other actions taken as part of the Company's response to the onset of the COVID-19 pandemic. This mainly included lower electricity generation and higher operations, maintenance and administration (OM&A) expenses from the Regulated – Nuclear Generation business segment as a result of deferring the planned cyclical maintenance outage for Unit 1 of the Darlington GS from the fall of 2020 to February 2021. Lower electricity generation and higher OM&A expenses from the Regulated – Hydroelectric Generation business segment due to higher project expenditures and the deferral of certain planned maintenance activities from 2020 also contributed to the increase in Enterprise TGC per MWh.

Generation Development

OPG is undertaking a number of generation development and other major projects in support of Ontario's electricity system. The Company continues to execute on these essential projects while maintaining enhanced safety measures in response to the pandemic.

Significant developments during the first quarter of 2021 included the following:

Darlington Refurbishment

The Darlington Refurbishment project will extend the operating life of the four-unit Darlington GS by at least 30 years.

The separation of Unit 3 from the three operating units was successfully completed in January 2021. The Disassembly segment is progressing as planned, with the removal of feeder tubes completed in May 2021 and preparatory work for the removal of fuel channel assemblies underway. The removal of fuel channel assemblies is expected to commence by the third quarter of 2021. Once refurbished, Unit 3 is scheduled to be returned to service in the first quarter of 2024.

Planning and pre-requisite activities for the refurbishment of the subsequent units, Unit 1 and Unit 4, are progressing as planned.

OPG continues to assess and seek ways to manage the impact of the ongoing COVID-19 pandemic on the total cost of the project, which is otherwise continuing to track to the $12.8 billion budget.

Little Long Dam Safety Project

OPG continues to execute on a project to improve dam safety along the Lower Mattagami River in northeastern Ontario, primarily through the Little Long Dam Safety project. The project will increase the discharge capacity and make other improvements at the Little Long Main Dam, helping the Company comply with updated provincial dam safety requirements. During the first quarter of 2021, the project continued to progress rock excavation activities below the Adam Creek spillway structure on the Little Long Reservoir, concrete placement of the new bays adjacent to the sluicegates and construction of the barge landing, as planned.

The project is expected to be placed in service in 2023 and is tracking on budget of $650 million. The Little Long Dam supports OPG's contracted hydroelectric generating stations in the Contracted Hydroelectric and Other Generation business segment.

Sir Adam Beck I Hydroelectric GS Units G1 and G2 Replacement

OPG is continuing to execute on the replacement of two previously decommissioned generating units at the ten-unit Sir Adam Beck I GS in Niagara Falls, Ontario, which will add approximately 125 megawatts (MW) of incremental peaking generation capacity and provide decades of cost effective, clean power from one of the Company's flagship hydroelectric stations. During the first quarter of 2021, the project completed the removal of 100-year old embedded turbine scroll cases from the G1 unit and the installation of new scroll cases for the G2 unit. The installation of new scroll cases for the G1 unit is underway.

The project is expected to be placed in service in 2022 and is tracking on budget of $128 million. The Sir Adam Beck I GS is reported in the Regulated – Hydroelectric Generation business segment.

Redevelopment of Calabogie Hydroelectric GS

OPG is redeveloping the Calabogie GS, which was nearing the end of its operational life when it was extensively damaged by a storm in 2018. The new facility will replace the original powerhouse, doubling the station's capacity to approximately 11 MW. During the first quarter of 2021, OPG continued construction on the new powerhouse, with the installation of structural supports and piping and the placement of concrete underway. The project also progressed the construction of the downstream cofferdam which is expected to be completed in the second half of 2021, along with the upstream cofferdam.

The project is expected to be placed in service in 2022 and is tracking on budget of $137 million. The Calabogie GS is reported in the Regulated – Hydroelectric Generation business segment.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Three Months Ended March 31 *(millions of dollars – except where noted)*	**2021**	**2020**
Revenue	**1,691**	1,720
Fuel expense	**184**	153
Operations, maintenance and administration expenses	**812**	708
Depreciation and amortization expenses	**278**	314
Accretion on fixed asset removal and nuclear waste management liabilities	**273**	264
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(239)**	(171)
Other net expenses	**9**	-
Earnings before interest and income taxes	**374**	452
Net interest expense	**60**	52
Income tax expense	**19**	87
Net income	**295**	313
Net income attributable to the Shareholder	**290**	309
Net income attributable to non-controlling interest [1]	**5**	4
Earnings (loss) before interest and income taxes		
Electricity generating business segments	**399**	541
Regulated – Nuclear Waste Management	**(31)**	(90)
Other	**6**	1
Earnings before interest and income taxes	**374**	452
Cash flow provided by operating activities	**552**	717
Capital expenditures [2]	**421**	449
Electricity generation (TWh)		
Regulated – Nuclear Generation	**8.9**	11.1
Regulated – Hydroelectric Generation	**7.9**	8.2
Contracted Hydroelectric and Other Generation [3]	**1.3**	1.3
Contracted Gas Generation [4]	**1.0**	0.1
Total OPG electricity generation	**19.1**	20.7
Nuclear unit capability factor (per cent) [5]		
Darlington Nuclear GS	**73.6**	99.3
Pickering Nuclear GS	**72.2**	79.9
Availability (per cent)		
Regulated – Hydroelectric Generation	**91.8**	89.8
Contracted Hydroelectric and Other Generation – hydroelectric stations [6]	**85.7**	89.5
Contracted Gas Generation [7]	**97.1**	96.1
Equivalent forced outage rate (per cent)		
Contracted Hydroelectric and Other Generation – thermal stations	**3.2**	4.4
Enterprise Total Generating Cost (TGC) per MWh ($/MWh) [8]	**60.41**	45.70

1 Relates to the following: the 25 per cent interest of Amisk-oo-Skow Finance Corporation, a corporation wholly owned by the Moose Cree First Nation, in Lower Mattagami Limited Partnership; the 33 per cent interest of Coral Rapids Power Corporation, a corporation wholly owned by the Taykwa Tagamou Nation, in PSS Generating Station Limited Partnership; the 15 per cent and 5 per cent interests of corporations wholly owned by Six Nations of Grand River Development Corporation and the Mississaugas of the Credit First Nation, respectively, in Nanticoke Solar LP; and non-controlling interests in certain electricity generating facilities in the United States.

2 Includes net changes in accruals.

3 Includes OPG's proportionate share of electricity generation from co-owned and minority-held facilities.

4 The Contracted Gas Generation business segment was established effective in the second quarter of 2020 to report the operating results of the Company's combined-cycle natural gas-fired generating fleet in Ontario, owned and operated through a wholly-owned subsidiary operating as Atura Power. The fleet includes the assets acquired on April 29, 2020. Comparative period information related to OPG's interests in the Portlands Energy Centre and the Brighton Beach GS, reported in the Contracted and Other Generation business segment prior to the second quarter of 2020, has been reclassified to conform to the current segment presentation.

5 Excludes nuclear unit(s) during the period in which they are undergoing refurbishment.

6 Reflects the availability of contracted hydroelectric generating stations in Ontario. US hydroelectric generating operations are not reflected in these results.

7 Reflects the availability of combined-cycle natural gas-fired plants for the periods they were wholly owned by OPG.

8 Enterprise TGC per MWh is a non-GAAP financial measure and it does not have any standardized meaning prescribed by US GAAP. Additional information about the non-GAAP measures is provided in OPG's Management's Discussion and Analysis for the three month period ended March 31, 2021, in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*.

OPG is a climate change leader and the largest electricity generator in the province, providing more than half of the power Ontarians rely on every day. It is also one of the most diverse generators in North America, with expertise in nuclear, hydroelectric, biomass, solar and natural gas technologies.

Ontario Power Generation Inc.'s unaudited interim consolidated financial statements and Management's Discussion and Analysis as at and for the three month period ended March 31, 2021 can be accessed on OPG's web site (www.opg.com), the Canadian Securities Administrators' web site (www.sedar.com), or can be requested from the Company.

For further information, please contact:

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ONTARIO POWER GENERATION INC.

MANAGEMENT’S DISCUSSION AND ANALYSIS

2021 FIRST QUARTER REPORT

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ONTARIO POWER GENERATION INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes of Ontario Power Generation Inc. (OPG or Company) as at and for the three months ended March 31, 2021. OPG's unaudited interim consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (US GAAP) and are presented in Canadian dollars.

For a complete description of OPG's corporate strategies, risk management, corporate governance, and the effect of critical accounting policies and estimates on OPG's results of operations and financial condition, this MD&A should also be read in conjunction with OPG's audited consolidated financial statements, Annual Information Form, and MD&A as at and for the year ended December 31, 2020.

As required by *Ontario Regulation 395/11*, as amended, a regulation under the *Financial Administration Act* (Ontario), OPG adopted US GAAP for the presentation of its consolidated financial statements, effective January 1, 2012. Since January 1, 2012, OPG has also received exemptive relief from the Ontario Securities Commission (OSC) that allows OPG to apply US GAAP instead of International Financial Reporting Standards (IFRS). The current exemption allows the Company to continue to apply US GAAP up to January 1, 2024. The term of the exemption is subject to certain conditions, which may result in the expiry of the exemption prior to January 1, 2024. For details, refer to the section, *Critical Accounting Policies and Estimates* under the heading, *Exemptive Relief for Reporting under US GAAP* in OPG's 2020 annual MD&A. This MD&A is dated May 18, 2021.

Additional information about OPG, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com and the Company's website at www.opg.com.

FORWARD-LOOKING STATEMENTS

The MD&A contains forward-looking statements that reflect OPG's current views regarding certain future events and circumstances. Any statement contained in this document that is not current or historical is a forward-looking statement. OPG generally uses words such as "anticipate", "believe", "budget", "foresee", "forecast", "estimate", "expect", "schedule", "intend", "plan", "project", "seek", "target", "goal", "strategy", "may", "will", "should", "could" and other similar words and expressions to indicate forward-looking statements. The absence of any such word or expression does not indicate that a statement is not forward-looking.

All forward-looking statements involve inherent assumptions, risks and uncertainties, including those set out in the section, *Risk Management*, and forecasts discussed in the section, *Corporate Strategy, Core Business and Outlook*. All forward-looking statements could be inaccurate to a material degree. In particular, forward-looking statements may contain assumptions such as those relating to OPG's generating station (GS) performance, availability and operating lives, fuel costs, surplus baseload generation (SBG), fixed asset removal and nuclear waste management and associated funding requirements, performance and earnings of investment funds, refurbishment of existing facilities, development and construction of new facilities, acquisition transactions and other business expansion opportunities, performance of acquired businesses, defined benefit pension and other post-employment benefit (OPEB) obligations and funds, income taxes, proposed new legislation, the ongoing evolution of electricity industries and markets in Ontario and the United States (US), the continued application and renewal of energy supply agreements (ESAs) and other contracts for non-regulated facilities, foreign currency exchange rates, commodity prices, wholesale electricity market prices, 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, the COVID-19 pandemic, changes in the Company's workforce, renewal of union collective agreements, business continuity events, the weather, climate change, technological change, financing requirements and liquidity, funding sources, applications to the Ontario Energy Board (OEB) for regulated prices, the impact of regulatory decisions by the OEB, forecasts of earnings, cash flow, earnings before interest, income taxes, depreciation and amortization, gross margin, Total Generating Cost (TGC) per megawatt-hour (MWh), operations, maintenance and administration (OM&A) expenses and project and other expenditures, retention of critical talent, and supplier and third party performance. Accordingly, undue reliance should not be placed on any forward-looking statement. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Except as required by applicable securities laws, OPG does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise.

Use of Non-GAAP Financial Measures

The Company uses the following non-GAAP financial performance measures in the MD&A:

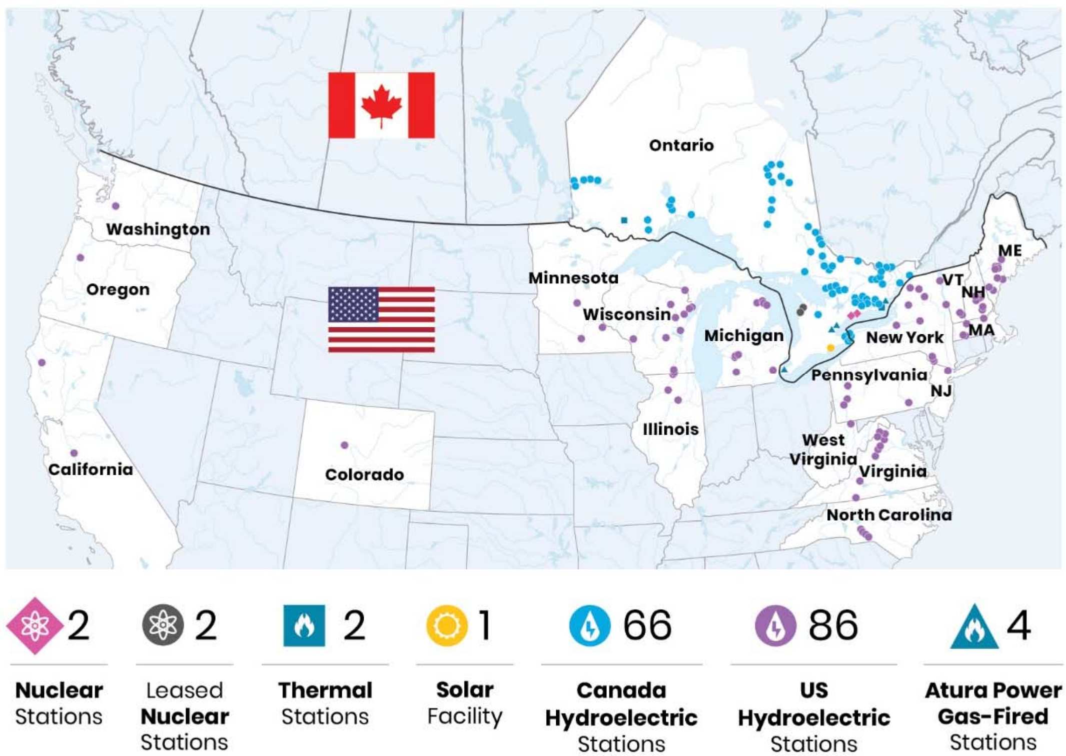
- "Enterprise Total Generating Cost per Megawatt-Hour";
- "Earnings before Interest, Income Taxes, Depreciation and Amortization"; and
- "Gross Margin".

For a detailed description of each of the non-GAAP measures used in this MD&A and a detailed reconciliation to the most directly comparable measure under US GAAP, refer to the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*. The non-GAAP financial performance measures set out in this MD&A are intended to provide additional information to investors and do not have any standardized meaning under US GAAP, and therefore may not be comparable to other issuers, and should not be considered in isolation or as a substitute for measures of performance prepared under US GAAP.

THE COMPANY

OPG is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity. OPG was established under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (Province or Shareholder). OPG's electricity generation portfolio had an in-service generating capacity of 18,910 megawatts (MW) as at March 31, 2021.

As at March 31, 2021, OPG owned and operated two nuclear generating stations, 66 hydroelectric generating stations, two thermal generating stations, one solar facility and four combined-cycle natural gas-fired plants in Ontario, Canada. The combined-cycle natural gas-fired plants are owned and operated through the Company's wholly-owned subsidiary operating as Atura Power. Through the Company's US-based wholly-owned subsidiary OPG Eagle Creek Holdings LLC (Eagle Creek), OPG also wholly or jointly owned and operated 86 hydroelectric generating stations and held minority interests in 14 hydroelectric and two solar facilities in the US as at March 31, 2021. In addition, OPG owns two nuclear generating stations in Ontario, the Bruce A GS and the Bruce B GS, which are leased on a long-term basis to, and operated by, Bruce Power L.P. (Bruce Power).



Income from co-owned and minority-held facilities is accounted for using the equity method of accounting. OPG's proportionate share of in-service generating capacity and electricity generation volume from co-owned and minority held facilities is included in the Company's generation portfolio statistics set out in this MD&A.

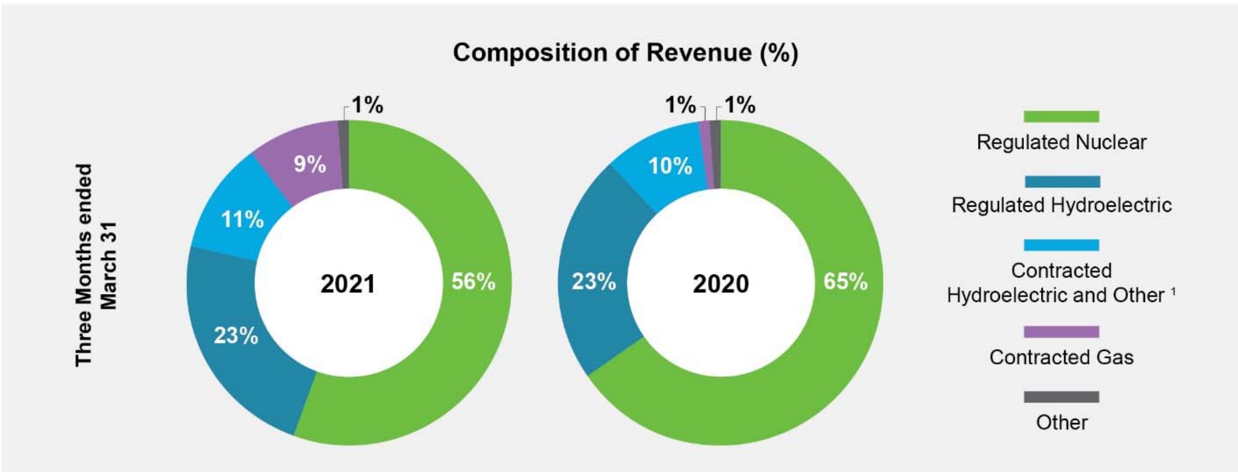
Income from the stations leased to Bruce Power is included in revenue under the Regulated – Nuclear Generation business segment. The leased stations are not included in the Company's electricity generation and other operating statistics set out in this MD&A.

Reporting Structure

The composition of OPG's reportable business segments effective as at March 31, 2021 is as follows:

- Regulated – Nuclear Generation;
- Regulated – Nuclear Waste Management;
- Regulated – Hydroelectric Generation;
- Contracted Hydroelectric and Other Generation; and
- Contracted Gas Generation.

The composition of OPG's regulated and non-regulated revenue for the three months ended March 31 was as follows:



[1] Includes contracted revenue from hydroelectric generating stations operating under ESAs, with expiration dates ranging from 2059 to 2067.

OPG established the Contracted Gas Generation business segment to describe the operating results related to its fleet of combined-cycle natural gas-fired plants in Ontario operated through Atura Power in the second quarter of 2020. The fleet comprises the Napanee GS, the Halton Hills GS, the Portlands Energy Centre and the Brighton Beach GS. The Napanee GS, the Halton Hills GS and the remaining 50 percent interest in the Portlands Energy Centre were acquired on April 29, 2020, and the remaining 50 percent interest in the Brighton Beach GS was acquired in 2019. The facilities operate under ESAs with the Independent Electricity System Operator (IESO) or other long-term contracts. Alongside this change, in the second quarter of 2020, the Contracted and Other Generation business segment was renamed Contracted Hydroelectric and Other Generation.

The comparative information for the operating results and statistics related to OPG's interests in the Portlands Energy Centre and the Brighton Beach GS, reported in the Contracted and Other Generation business segment prior to the second quarter of 2020, has been reclassified to conform to the current segment presentation.

In-Service Generating Capacity

OPG's in-service generating capacity by business segment as at March 31, 2021 and December 31, 2020 was as follows:

	As At	
(MW)	**March 31 2021**	**December 31 2020**
Regulated – Nuclear Generation	**5,728**	5,728
Regulated – Hydroelectric Generation	**6,420**	6,420
Contracted Hydroelectric and Other Generation [1]	**4,047**	4,047
Contracted Gas Generation	**2,715**	2,715
Total	**18,910**	18,910

[1] Includes OPG's proportionate share of in-service generating capacity from co-owned and minority shareholdings in electricity generating facilities.

HIGHLIGHTS

Overview of Results

This section provides an overview of OPG's unaudited interim consolidated operating results for the three months ended March 31, 2021, compared to the same period in 2020. A discussion of OPG's performance by business segment can be found in the section, *Discussion of Operating Results by Business Segment*.

(millions of dollars – except where noted)	**Three Months Ended March 31** **2021**	**2020**
Revenue	**1,691**	1,720
Fuel expense	**184**	153
Operations, maintenance and administration expenses	**812**	708
Depreciation and amortization expenses	**278**	314
Accretion on fixed asset removal and nuclear waste management liabilities	**273**	264
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(239)**	(171)
Other net expenses	**9**	-
Earnings before interest and income taxes	**374**	452
Net interest expense	**60**	52
Income tax expense	**19**	87
Net income	**295**	313
Net income attributable to the Shareholder	**290**	309
Net income attributable to non-controlling interest [1]	**5**	4
Electricity generation (TWh) [2]	**19.1**	20.7
Cash flow		
Cash flow provided by operating activities	**552**	717
Capital expenditures [3]	**421**	449
Earnings (loss) before interest and income taxes by business segment		
Regulated – Nuclear Generation	**89**	264
Regulated – Hydroelectric Generation	**175**	197
Contracted Hydroelectric and Other Generation	**67**	64
Contracted Gas Generation	**68**	16
Total electricity generating business segments	**399**	541
Regulated – Nuclear Waste Management	**(31)**	(90)
Other	**6**	1
Earnings before interest and income taxes	**374**	452
Enterprise TGC per MWh ($/MWh) [4]	**60.41**	45.70

[1] Relates to the following: 25 percent interest of Amisk-oo-Skow Finance Corporation, a corporation wholly owned by the Moose Cree First Nation, in Lower Mattagami Limited Partnership; the 33 percent interest of Coral Rapids Power Corporation, a corporation wholly owned by the Taykwa Tagamou Nation, in PSS Generating Station Limited Partnership; the 15 percent interest and 5 percent interests of corporations wholly owned by Six Nations of Grand River Development Corporation and the Mississaugas of the Credit First Nation, respectively, in Nanticoke Solar LP; and non-controlling interests in certain electricity generating facilities in the United States.

[2] Includes OPG's proportionate share of electricity generation from co-owned and minority-held facilities.

[3] Includes net changes in accruals.

[4] Enterprise TGC per MWh is a non-GAAP financial measure and does not have a standardized meaning prescribed by US GAAP. Additional information about the non-GAAP measures is provided in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures.*

Net income attributable to the Shareholder was $290 million for the three months ended March 31, 2021, representing a decrease of $19 million compared to the same period in 2020.

Earnings before interest and income taxes (EBIT) was $374 million for the three months ended March 31, 2021, representing a decrease of $78 million compared to the same period in 2020.

Significant factors that decreased EBIT:

- Lower revenue from the Regulated – Nuclear Generation business segment of $181 million due to lower electricity generation of 2.2 terawatt hours (TWh) and $98 million reflecting lower amounts recorded in the Rate Smoothing Deferral Account pursuant to the OEB's March 2018 payment amounts order, partially offset by $43 million from a higher base regulated price for OPG's nuclear electricity generation approved in that order effective January 1, 2021. The lower nuclear electricity generation was primarily due to the deferral of a planned cyclical maintenance outage for Unit 1 of the Darlington nuclear generating station (Darlington GS) from the fall of 2020 to February 2021 in connection with changes to the Darlington Refurbishment schedule made in 2020 in response to the onset of the COVID-19 pandemic; and
- Higher OM&A expenses of $70 million from the Regulated – Nuclear Generation business segment, as expected, primarily due to the deferral of a planned cyclical maintenance outage for Unit 1 of the Darlington GS form the fall of 2020 to February 2021.

Significant factors that increased EBIT:

- A decrease in depreciation and amortization expenses of $73 million from the Regulated – Nuclear Generation business segment, excluding amortization expense related to the recovery of regulatory variance and deferral account (regulatory account) balances, primarily due to depreciation expense recorded as recoverable from customers in regulatory accounts in connection with differences in the current accounting end-of-life assumptions for the Pickering nuclear generating station (Pickering GS) from those assumed in the approved nuclear base regulated price effective January 1, 2021, partially offset by depreciation on assets placed in service upon completion of the Unit 2 refurbishment of the Darlington GS in June 2020;
- Higher earnings from the nuclear fixed asset removal and nuclear waste management segregated funds (Nuclear Segregated Funds) of $68 million, due to a decrease in the value of investments during the first quarter of 2020 as a result of temporarily weakened financial market conditions upon the onset of the COVID-19 pandemic; and
- Higher EBIT of $52 million from the Contracted Gas Generation business segment, primarily from the acquisition of the portfolio of natural gas-fired plants on April 29, 2020.

Net interest expense increased by $8 million in the first quarter of 2021, compared to the same period in 2020, primarily due to a lower amount of interest costs capitalized related to the Darlington Refurbishment project expenditures as a result of returning to service Unit 2 of the Darlington GS in June 2020 and interest costs from the net issuance of debt, largely offset by lower amounts of interest recorded as refundable to customers through regulatory accounts.

Income tax expense decreased by $68 million for the three months ended March 31, 2021, compared to the same period in 2020. The decrease was primarily due to a higher amount of income tax expense deferred as regulatory assets and the impact of lower income before taxes in the first quarter of 2021.

Trends

OPG's quarterly electricity generation from the Regulated – Hydroelectric Generation, Contracted Hydroelectric and Other Generation, and Contracted Gas Generation business segments is affected by changes in grid-supplied electricity demand. Changes in grid-supplied electricity demand are primarily caused by variations in seasonal weather conditions, changes in economic conditions, the impact of small-scale generation embedded in distribution networks, and the impact of conservation efforts. Historically, there has been greater electricity demand in Ontario during the winter and summer months due to heating and air conditioning demands.

OPG's quarterly electricity generation from hydroelectric facilities is impacted by weather conditions that affect water flows. Historically, there have been higher water flows in the second quarter as a result of snow and ice melt entering the river systems. The financial impact of variability in water flows on the Regulated – Hydroelectric Generation business segment is mitigated by OEB-authorized regulatory accounts.

The financial impact of variability in electricity generation from the Contracted Hydroelectric and Other Generation business segment and the Contracted Gas Generation business segment is mitigated by the terms of the applicable ESAs with the IESO and other long-term contracts for the contracted generating facilities in Ontario.

Electricity generation and the financial results of the Regulated – Nuclear Generation business segment are primarily impacted by outage activities at the nuclear generating stations. The frequency and timing of planned outages under a station's maintenance outage cycle and timing of refurbishment activities may result in period-over-period variability in OPG's financial results. The maintenance outage cycle at each of OPG's nuclear generating stations determines the number of planned outages in a particular year. Outage cycles are designed to ensure continued safe and reliable long-term operations of the stations and their compliance with the CNSC's regulatory requirements.

The Darlington and Pickering nuclear generating stations have been designed to operate at full power as baseload generating facilities and therefore their electricity production does not vary with changes in grid-supplied electricity demand.

Electricity Generation

Electricity generation for the three months ended March 31 was as follows:

(TWh)	Three Months Ended March 31 2021	2020
Regulated – Nuclear Generation	**8.9**	11.1
Regulated – Hydroelectric Generation	**7.9**	8.2
Contracted Hydroelectric and Other Generation [1]	**1.3**	1.3
Contracted Gas Generation [1]	**1.0**	0.1
Total OPG electricity generation	**19.1**	20.7

[1] Includes OPG's proportionate share of electricity generation from co-owned and minority shareholdings in electricity generating facilities.

Total OPG electricity generation decreased by 1.6 TWh for the three months ended March 31, 2021, primarily due to lower electricity from the Regulated – Nuclear Generation and Regulated – Hydroelectric Generation business segments, partially offset by higher electricity from the Contracted Gas Generation business segment.

Electricity generation from the Regulated – Nuclear Generation business segment decreased by 2.2 TWh for the three months ended March 31, 2021 compared to the same period in 2020. The decrease was primarily due to a higher number of planned outage days at the Darlington GS, reflecting the deferral of a planned cyclical maintenance outage for Unit 1 from the fall of 2020 to February 2021 in response to the COVID-19 pandemic, and a higher number of planned and unplanned outage days at the Pickering GS.

The electricity generation from the Regulated – Hydroelectric Generation business segment decreased by 0.3 TWh for the three months ended March 31, 2021 compared to the same period in 2020, primarily due to lower water flows in northwestern Ontario.

The electricity generation from the Contracted Hydroelectric and Other Generation business segment for the three months ended March 31, 2021 was comparable to the same period in 2020.

The electricity generation from the Contracted Gas Generation business segment increased by 0.9 TWh for the three months ended March 31, 2021 compared to the same period in 2020, primarily due to electricity generation from the portfolio of natural gas-fired plants acquired in April 2020.

Ontario's electricity demand as reported by the IESO, excluding electricity exports out of the province, was 34.4 TWh for both the three months ended March 31, 2021 and 2020.

Power that is surplus to the Ontario market is managed by the IESO, mainly through generation reductions at hydroelectric and certain nuclear stations, and other grid-connected renewable resources. Baseload generation surplus in Ontario was lower in the three months ended March 31, 2021, compared to the same period in 2020. Production forgone at OPG's regulated hydroelectric stations due to SBG conditions was 0.6 TWh in the three months ended March 31, 2021 and 0.7 TWh in the same period in 2020. The gross margin impact of production forgone at OPG's regulated hydroelectric stations due to SBG conditions was offset by the impact of a regulatory account authorized by the OEB. OPG did not forgo any electricity production at its nuclear generating stations due to SBG conditions.

Cash Flow from Operations

Cash flow provided by operating activities for the three months ended March 31, 2021 was $552 million, compared to $717 million for the same period in 2020. The decrease of $165 million was primarily due to lower revenue cash receipts reflecting lower nuclear electricity generation, higher OM&A expenditures from the Regulated – Nuclear Generation and Regulated – Hydroelectric Generation business segments, and higher cash payments for income taxes, partially offset by the impact of a higher nuclear base regulated price and net cash receipts from the operation of the natural gas-fired facilities acquired in April 2020.

Capital Expenditures

Capital expenditures for the three months ended March 31 were as follows:

	Three Months Ended March 31	
(millions of dollars)	**2021**	**2020**
Regulated – Nuclear Generation – Darlington Refurbishment Project	**178**	269
Regulated – Nuclear Generation – Excluding Darlington Refurbishment Project	**88**	81
Regulated – Hydroelectric Generation	**76**	58
Contracted Hydroelectric and Other Generation	**61**	25
Contracted Gas Generation	**1**	-
Other	**17**	16
Total capital expenditures [1]	**421**	449

[1] Includes net changes in accruals.

Total capital expenditures for the three months ended March 31, 2021 decreased by $28 million compared to the same period in 2020. The decrease was primarily due to lower expenditures on the Darlington Refurbishment project, partially offset by higher expenditures for the Regulated – Hydroelectric Generation business segment and the Contracted Hydroelectric and Other Generation business segment.

The decrease of $91 million in the capital expenditures on the Darlington Refurbishment project for the three months ended March 31, 2021, compared to the same period in 2020, was primarily due to the completion of refurbishment activities for Unit 2 of the Darlington GS in the second quarter of 2020, partially offset by expenditures on execution activities for the refurbishment of Unit 3 of the Darlington GS during the first quarter of 2021.

The increase of $18 million in the capital expenditures for the Regulated – Hydroelectric Generation business segment for the three months ended March 31, 2021, compared to the same period in 2020, mainly reflected expenditures on the redevelopment of the Calabogie GS and planned asset overhaul programs.

The increase in the capital expenditures of $36 million for the Contracted Hydroelectric and Other Generation business segment for the three months ended March 31, 2021, compared to the same period in 2020, primarily reflected higher expenditures on the Little Long Dam Safety project, as planned.

Further details on the Company's major projects can be found in the section, *Corporate Strategy, Core Business and Outlook* under the heading, *Project Excellence.*

Enterprise Total Generating Cost per Megawatt-Hour

The Enterprise TGC per MWh was $60.41 for the three months ended March 31, 2021, compared to $45.70 for the same period in 2020. As expected, the Enterprise TGC per MWh increased primarily due to the deferral of certain planned outage activity in 2020 and other actions taken as part of the Company's response to the onset of the COVID-19 pandemic. This mainly included lower electricity generation and higher OM&A expenses from the Regulated – Nuclear Generation business segment as a result of deferring the planned cyclical maintenance outage for Unit 1 of the Darlington GS from the fall of 2020 to February 2021 in connection with changes made to the Darlington Refurbishment schedule in 2020. Lower electricity generation and higher OM&A expenses from the Regulated – Hydroelectric Generation business segment in the first quarter of 2021 due to higher project expenditures and the deferral of certain planned maintenance activities from 2020 also contributed to the increase in the Enterprise TGC per MWh.

SIGNIFICANT DEVELOPMENTS

Response to COVID-19 Pandemic

OPG continues to monitor and respond to the global outbreak of COVID-19, the disease caused by a novel strain of coronavirus, and to take action to protect the health and safety of the Company's employees, partners and communities against its spread. Although OPG's core business has not been fundamentally affected by the pandemic, the Company remains focused on mitigating ongoing risks to its workers and essential operations posed by COVID-19 in order to ensure a continued safe and reliable supply of electricity from its generating facilities. Leveraging its preparedness plans and enhanced safety measures in line with public health guidelines, OPG continues to operate its generating fleet and advance essential projects, including the refurbishment of Unit 3 of the Darlington GS.

The Company continues to review operating strategies and contingency plans to ensure it is well positioned for the ongoing safe and effective execution of work during the pandemic. This includes working with public health authorities across Ontario and in the US to ensure that OPG's response measures continue to be aligned with current recommendations, as well as leveraging the Company's expertise in emergency response management to assist with government efforts related to testing clinics, creation of safe work environments, and vaccination initiatives in hot spot communities. OPG is also developing a gradual pandemic-recovery return to workplace plan for employees not directly involved in operating the generating facilities.

The cumulative impact of incremental operating costs and lost revenues related to the pandemic has not been material to the Company's financial results since the pandemic's initial onset in the first quarter of 2020. The ultimate impact of COVID-19 on the Company remains inherently uncertain, depending on the course of the pandemic, vaccination efforts and any future required response actions.

Project Excellence

Darlington Refurbishment

OPG commenced the refurbishment of Unit 3 of the Darlington GS in September 2020. The first major segment of the Unit 3 refurbishment was completed in January 2021 with islanding of the unit, which involved physically separating Unit 3 from the three operating units. The removal of feeder tubes was completed in May 2021, as part of the refurbishment's second major segment, and preparatory work for the removal of fuel channel assemblies is underway. The Darlington Refurbishment project is discussed further in the section, *Corporate Strategy, Core Business, and Outlook* under the heading, *Project Excellence.*

Financial Strength

Medium Term Notes

On February 2, 2021, OPG issued $500 million of bonds under the Company's Medium Term Note Program, maturing in February 2051 with a coupon interest rate of 2.95 percent. The net proceeds from these issuances will be used for repayment of existing indebtedness, working capital requirements or general corporate purposes.

Green Bonds

On May 14, 2021, OPG's wholly-owned Lower Mattagami Energy Limited Partnership (LME) completed a private placement bond offering with the issuance of $375 million of green bonds, maturing in May 2031 with a coupon interest rate of 2.43 percent. The net proceeds from the issuance will be used for refinancing LME's outstanding bonds at maturity and funding the Little Long Dam Safety project. LME owns and operates certain of OPG's contracted hydroelectric facilities located along the Lower Mattagami River.

CORPORATE STRATEGY, CORE BUSINESS AND OUTLOOK

The discussion in this section is qualified in its entirety by the cautionary statements included in the section, *Forward-Looking Statements* at the beginning of the MD&A.

OPG's mission is to provide low cost power in a safe, clean, reliable and sustainable manner for the benefit of the customers and Shareholder.

The following sections provide an update to OPG's disclosures in the 2020 annual MD&A related to its four business imperatives – operational excellence, project excellence, financial strength, and social licence. A detailed discussion of these imperatives as part of OPG's corporate strategy is included in the 2020 annual MD&A in the sections, *The Company* and *Core Business and Outlook*.

Operational Excellence

Operational excellence at OPG is accomplished by the safe and environmentally responsible generation of reliable and cost-effective electricity from the Company's assets, through a highly trained and engaged workforce. Workplace safety and public safety are overriding priorities in all activities performed at OPG.

Electricity Generation Production and Reliability

- One of OPG's objectives is to maximize the safe and reliable operating life of the Pickering GS units. In connection with this objective, OPG continues to execute planned work required to enable safe and reliable operation of the plant to the planned end of life dates, including commitments required under the previously established Periodic Safety Review (PSR) and associated Integrated Implementation Plan (IIP). The PSR, a comprehensive assessment of the station's design and operation, confirmed that there is a high level of safety throughout the continued operation of the station to 2024. In April 2021, the CNSC approved OPG's request to remove or extend three IIP resolution actions. OPG has completed all previously established PSR and IIP commitments required to date. OPG continues to perform additional technical analysis and inspections to confirm fitness-for-service of fuel channels and other major station components in support of optimizing the station's planned shutdown sequence to 2025, including confirming the validity of the PSR and IIP.

- OPG is executing on a planned 20-year turbine and generator overhaul program of its hydroelectric generating units across Ontario. The estimated $2.5-billion program will ensure that generating units can continue to operate efficiently and reliably while supporting OPG's net-zero carbon goals. During the first quarter of 2021, OPG progressed the execution of overhaul work on Unit 5 of the Sir Adam Beck I GS, Unit 2 of the Abitibi Canyon GS, Unit 3 of the Barrett Chute GS, Unit 7 of the Otto Holden GS and Unit 1 of Silver Falls GS.

Project Excellence

OPG is undertaking a number of generation development and other projects to maximize the value of, and expand, its generating fleet in support of Ontario's electricity system, striving for excellence in the planning and delivery of all capital and maintenance projects across the organization. The status of OPG's major projects is outlined below.

Project	**Capital expenditures**		**Approved budget**	**Expected in-service date**	**Current status**
(millions of dollars)	**Year-to-date**	**Life-to-date**			
Darlington Refurbishment	178	7,624	12,800 [1]	Second unit - 2024 Last unit - 2026	Unit 3 refurbishment is progressing on schedule and is currently in the Disassembly segment. The project is tracking to the overall timeline to refurbish all four of the station's units by the end of 2026. For further details, see below.
Little Long Dam Safety Project	45	147	650	2023	During the first quarter of 2021, rock excavation below the Adam Creek spillway structure on the Little Long Reservoir, concrete placement of the new bays adjacent to the sluicegates and construction of the barge landing continued to progress as planned. The project is expected to be placed in service in 2023 and is tracking on budget.
Sir Adam Beck I GS Units G1 and G2 Replacement	10	64	128	2022	During the first quarter of 2021, OPG completed the removal of 100-year-old embedded turbine scroll cases from the G1 unit and the installation of new scroll cases for the G2 unit, with the installation of new scroll cases for the G1 unit underway. The project also began receiving turbine parts during the first quarter of 2021. The project is expected to be placed in service in 2022 and is tracking on budget.
Calabogie Hydroelectric GS	13	43	137	2022	During the first quarter of 2021, OPG began receiving turbine parts and continued construction on the new powerhouse, with the installation of structural supports and piping and the placement of concrete underway. The project also progressed the construction of the downstream cofferdam, which is expected to be completed in the second half of 2021, along with the upstream cofferdam. The project is expected to be placed in service in 2022 and is tracking on budget.

[1] The total project budget of $12.8 billion is for the refurbishment of all four units at the Darlington GS.

Project *(millions of dollars)*	**Capital expenditures** **Year-to-date**	 **Life-to-date**	**Approved budget**	**Expected in-service date**	**Current status**
Ranney Falls Hydroelectric GS	-	71	77	2021	During final commissioning of the new 10 MW single-unit powerhouse on the existing Ranney Falls GS site in September 2020, the generator sustained damage and commissioning activities were halted. Work is underway by the vendor to repair and reassemble the unit at their own cost. The revised in-service date is expected to be in the fourth quarter of 2021. The project continues to track within budget.

Darlington Refurbishment

The Darlington GS generating units are approaching their originally designed end-of-life. Refurbishment of the four generating units is expected to extend the operating life of the station by at least 30 years. The refurbishment of the first unit, Unit 2, was completed in June 2020. The refurbishment of the second unit, Unit 3, commenced in September 2020 and is scheduled to be returned to service in the first quarter of 2024. The planning, pre-requisite and execution work for Units 3, 1 and 4 refurbishments has and will incorporate the benefits of experience with Unit 2 and additional strategic improvements. The last unit to undergo refurbishment is scheduled to be completed by the end of 2026.

Unit 3 refurbishment activities are progressing on schedule, incorporating continued COVID-19 protective measures. Islanding of Unit 3 was completed in January 2021, signifying the completion of the first major segment of the unit's refurbishment. The second segment, Disassembly, commenced immediately following the islanding with preparatory work to support the removal of feeder tubes, including opening the reactor air lock doors, setting up specialized tooling and equipment, and commencing the disassembly of reactor components. Following the completion of preparatory work in the reactor vault, the project completed the removal of a total of 960 feeder tubes from the reactor in May 2021 and has begun preparatory work for the removal of 480 fuel channel assemblies. The removal of fuel channel assemblies is expected to commence by the third quarter of 2021 with the removal of end fittings, to be followed by the removal of pressure tubes and calandria tubes, which will mark the end of the Disassembly segment.

Planning and pre-requisite activities for the refurbishment of subsequent units, Unit 1 and Unit 4, are progressing as planned. As of March 31, 2021 approximately $356 million has been invested in planning and pre-requisite activities related to the refurbishment of Unit 1 and Unit 4.

OPG continues to assess and seek ways to manage the ultimate impact of the COVID-19 pandemic on the project's total cost, which is otherwise continuing to track to the $12.8 billion budget.

Financial Strength

As a commercial enterprise, OPG's financial priority is to ensure a consistent level of strong financial performance that delivers an appropriate level of return on the Shareholder's investment and supports expansion of the business.

Increasing Revenue, Reducing Costs and Achieving Appropriate Return

In line with its commercial mandate, OPG is focused on increasing revenue and net income and achieving an appropriate return on the Shareholder's investment, while seeking to minimize the impact on electricity customers through continuous improvement in the Company's cost structure.

For regulated operations, achievement of the above objectives is largely dependent on outcomes of applications for regulated prices to the OEB and prudent growth of rate base earning a return. Rate base for OPG represents the average net level of investment in regulated fixed and intangible assets in service and an allowance for working capital. OPG is focused on demonstrating in its applications for regulated prices that the costs required to operate and invest in the Company's regulated assets are reasonable and being prudently incurred and should be fully recovered, and that the Shareholder's investment in these assets should earn an appropriate return. For further information on OEB-approved rate base levels, refer to OPG's 2020 annual MD&A in the section, *Revenue Mechanisms for Regulated and Non-Regulated Generation*.

The following table presents the OEB-authorized regulated prices for electricity generated from the regulated facilities in Ontario for the period from January 1, 2020 to December 31, 2021 in effect as of the date of this MD&A:

($/MWh)	**2020**	**2021**
Regulated – Nuclear Generation		
Base regulated price [1]	85.00	**89.70**
Interim period shortfall rider [2]	5.64	**-**
Deferral and variance account rate riders [3]	4.32	**6.13**
Total regulated price	94.96	**95.83**
Regulated – Hydroelectric Generation		
Base regulated price	43.15	**43.88**
Interim period shortfall rider [2]	0.24	**-**
Deferral and variance account rate riders [3]	2.26	**2.05**
Total regulated price	45.65	**45.93**

[1] Base regulated prices for the nuclear facilities were established using a rate smoothing approach that defers a portion of each year's approved nuclear revenue requirement for future collection in the Rate Smoothing Deferral Account. Base regulated prices for the nuclear facilities do not include amounts deferred in the Rate Smoothing Deferral Account.

[2] In its payment amounts order issued in March 2018, the OEB authorized separate rate riders on OPG's regulated electricity generation to allow for the recovery of the revenue shortfall between the base regulated prices approved with an effective date of June 1, 2017 and the previously approved base regulated prices that OPG continued to receive during the interim period between June 1, 2017 and February 28, 2018. The interim period revenue shortfall amount approved for recovery was recognized as an increase to revenue and a regulatory asset and was collected subsequently through rate riders over the March 1, 2018 to December 31, 2020 period.

[3] Differences in recovery of the approved regulatory account balances due to differences between forecasted electricity generation used to set the rate riders and actual electricity generation upon which the rate riders are collected are trued-up with customers through OEB-authorized variance accounts.

Pursuant to the OEB's March 2018 payment amounts order, $391 million of approved nuclear revenue requirement was deferred in the Rate Smoothing Deferral Account for future collection in 2020, which has helped to lower electricity prices for customers. As part of the order, the OEB also determined that no portion of the nuclear revenue requirement would be deferred in 2021. Amounts deferred in the Rate Smoothing Deferral Account are recorded as revenue in the Regulated – Nuclear Generation business segment in the period to which the underlying approved revenue requirement relates. *Ontario Regulation 53/05* requires the OEB to authorize recovery of the deferred amounts, together with interest at a long-term debt rate reflecting OPG's cost of long-term borrowing approved by the OEB, over a period not to exceed ten years following the end of the Darlington Refurbishment project.

In December 2020, OPG filed a five-year application with the OEB for new regulated prices for production from the nuclear facilities, determined under a custom incentive regulation framework consistent with the findings in the OEB's decision on OPG's 2017-2021 application for regulated prices, with a proposed effective date of January 1, 2022. As required by *Ontario Regulation 53/05*, the application proposes that nuclear base regulated prices incorporate a rate smoothing proposal to defer a portion of nuclear revenue requirements in the Rate Smoothing Deferral Account for future collection. The rate smoothing proposal seeks to ensure that the resulting nuclear regulated prices provide sufficient cash flow to meet the Company's liquidity needs and support availability of cost effective financing, while taking into account both near-term and future impacts on customers. The application also requests new rate riders, effective January 1, 2022, to recover or repay the December 31, 2019 balances in most of the Company's regulatory accounts, less amounts previously approved for recovery or repayment through rate riders in effect to December 31, 2021, and requests continuation of all applicable existing deferral and variance accounts. The OEB's decision on the application is expected by the end of 2021, based on the current progress of the public proceeding and indicative application schedules provided by the OEB.

Pursuant to *Ontario Regulation 53/05*, OPG's hydroelectric base regulated price for the period from January 1, 2022 to December 31, 2026 will be equal to the 2021 hydroelectric base regulated price, which the OEB approved at $43.88/MWh effective January 1, 2021 pursuant to the annual formulaic adjustment.

In March 2020, the OEB issued an order establishing a deferral account for Ontario's electricity and natural gas distributors to record lost revenues and incremental costs related to the COVID-19 pandemic, effective March 24, 2020. The account applies to Ontario's electricity and natural gas distributors, electricity transmitters and OPG. In May 2020, the OEB commenced an industry-wide consultation process with the objective of assisting in the development of guidance related to the deferral account, including the nature of the costs and revenues to be recorded, rules on the operation of the account and consideration of any additional revenues or offsetting costs savings. In April 2021, the OEB confirmed that there are sufficient differences between OPG and other regulated utilities to warrant an OPG-specific approach to the treatment of any COVID-19 pandemic related matters and that the appropriate ratemaking treatment of any such impacts on OPG should be determined in an OPG proceeding for setting regulated prices. Pending further guidance from the OEB, the Company has not recognized a regulatory asset or regulatory liability related to the deferral account in its consolidated financial statements.

For generation assets that do not form part of the rate-regulated operations, OPG seeks to secure long-term revenue arrangements that support an appropriate return on the investment. In line with this strategy, all of OPG's non-regulated facilities in Ontario continue to be subject to ESAs with the IESO or other long-term contracts.

In April 2021, OPG completed the sale of its former Thunder Bay GS site. The former coal-fired generation plant, subsequently converted to operate as a single-unit advanced biomass-fuelled generating station, was located in Thunder Bay, Ontario and ceased operations in 2018.

Ensuring Availability of Cost Effective Funding

OPG actively monitors its funding requirements and forecasts availability of funds to ensure that it can meet the Company's operational needs, project and other commitments and long-term obligations. In addition to funds generated from operations, OPG utilizes the following primary funding sources: commercial paper; letters of credit; credit facilities; long-term debt sourced from the Ontario Electricity Financial Corporation (OEFC), an agency of the Province; public debt offerings; and private placement project financing.

The Company's financing strategy leverages the strength of its balance sheet to obtain cost effective long-term corporate debt. OPG also accesses the capital markets for private placement project financing, secured by the assets of the project, where the characteristics of the project support such financing.

Credit Ratings

Maintaining an investment grade credit rating supports OPG's ability to access cost effective financing. As at March 31, 2021, the Company's credit ratings were as follows:

Type of Rating	DBRS Limited (DBRS)	S&P Global Ratings (S&P)	Moody's Investors Service (Moody's)
Issuer rating	A (low)	BBB+	A3
Senior unsecured debt	A (low)	BBB+	A3
Trend/Outlook	Stable	Stable	Stable
Commercial paper program – Canada	R-1 (low)	A-1 (low)	NR [1]
Commercial paper program – US	NR [1]	A-2	P-2

[1] NR indicates no rating assigned.

In April 2021, DBRS confirmed OPG's issuer rating at A (low), senior unsecured debt rating at A (low) and Canadian commercial paper rating at R-1 (low), all with Stable trends.

Additional discussion of the Company's credit facilities and liquidity can be found in the section, *Liquidity and Capital Resources*.

Building Our Business

OPG strives to be a leader in the North American transition toward a low carbon economy while maintaining and expanding the Company's scale and energy industry leadership through the pursuit of commercial-based opportunities. Aligned with OPG's Climate Change Plan, the strategy considers the Company's financial position and encompasses the renewal and expansion of the Company's portfolio of electricity generating assets, including redevelopment of existing sites, new development and business acquisitions, as well as the expansion and innovation of the business beyond core generation operations. Opportunities are evaluated based on strategic benefits, financial returns, risk profile and operating synergies.

In January 2021, OPG formalized an agreement with a leading food manufacturer in Ontario to construct an energy storage facility. This 6 MW lithium ion facility is located behind the meter of the counterparty, with the goal of generating revenues by reducing the customer's peak demand charges and through participation in the IESO's Capacity Auctions.

In February 2021, OPG entered into an agreement to acquire, through Eagle Creek, a 48 MW hydroelectric facility for approximately US$90 million, subject to customary working capital and other adjustments, adding to the Company's renewable hydropower fleet in the United States. The transaction is expected to close later in 2021 and is subject to approval by the FERC.

In May 2021, OPG entered into a memorandum of understanding (MOU) with the Toronto Transit Commission (TTC) and Toronto Hydro Electric System Limited to electrify the TTC's bus fleet, North America's largest transit electrification project to date. OPG, through a wholly-owned subsidiary, will design, build, operate and maintain all charging infrastructure at the TTC's bus garages as the TTC transitions to an electric bus fleet. OPG and the TTC are working toward a formalized agreement by the end of 2021.

Small Modular Reactors

In April 2021, the province of Alberta signed a MOU with the provinces of Ontario, Saskatchewan and New Brunswick to support the development of nuclear small modular reactors (SMRs). The MOU, which was originally signed by Ontario and the other provinces in December 2019, highlights the opportunity for scalable SMR technology to supply non-emitting nuclear energy for on-grid and off-grid communities across Canadian markets, reducing greenhouse gas (GHG) emissions and contributing to economic growth.

The provinces of Ontario, New Brunswick and Saskatchewan released an SMR feasibility study in April 2021, which was prepared by OPG, Bruce Power, New Brunswick Power Corporation and Saskatchewan Power Corporation and represents one of the early deliverables under the inter-provincial MOU. The report provides a feasibility assessment of SMR development and deployment, and sets out the business case for SMR implementation in each of the three provinces. The study builds on, and is aligned with the federal government's Canadian Roadmap for Small Modular Reactors and Canada's Small Modular Reactor Action Plan, which outline Canada's opportunity and plan for the development and deployment of SMRs. The next step under the inter-provincial MOU is for the signatory provinces to develop a strategic plan for the deployment of SMRs, which is in progress.

Social Licence

OPG holds itself accountable to the public and its employees, and continues to focus on maintaining public trust. OPG is committed to maintaining high standards of public safety and corporate citizenship, including environmental stewardship, transparency, community engagement and Indigenous relations, and strives to be a leader in climate change action.

Further details on social licence activities and initiatives can be found in the section, *Environmental, Social, Governance and Sustainability*.

Outlook

Operating Performance

OPG expects net income for the 2021 year to continue to be lower relative to 2020, driven by the impact of the Company's response to the onset of COVID-19 pandemic in 2020 on the Darlington Refurbishment schedule and the associated changes in the station's cyclical maintenance outage schedule. This includes a full year of Unit 3 refurbishment in 2021, the deferral of a planned cyclical maintenance outage for Unit 1 from the fall of 2020 to February 2021, and the addition of a new planned cyclical maintenance outage for Unit 4 in the fall of 2021, all of which are expected to reduce electricity generation and revenue from the Regulated – Nuclear Generation business segment. The year-over-year increase in planned outage activity at the Darlington GS is also expected to result in additional OM&A expenses in 2021. These impacts are expected to be partially offset by higher electricity generation and lower OM&A expenses from the Pickering GS in 2021 in line with the station's cyclical maintenance outage schedule.

The year-over-year decrease in net income for 2021 is expected to be partially offset by a full year of earnings from the increased OEB-approved nuclear rate base related to the return to service of the refurbished Unit 2 at the Darlington GS in June 2020, as well as a full year of earnings from the natural gas-fired plants acquired in April 2020.

Several regulatory accounts are expected to continue to reduce the relative variability of the regulated business segments' contribution to the Company's net income, particularly for the Regulated – Hydroelectric Generation business segment. This includes accounts that capture the gross margin impact of variability in water flows and forgone production due to SBG conditions at the regulated hydroelectric stations.

The ESAs in place for the non-regulated assets in Ontario reported in the Contracted Hydroelectric and Other Generation business segments are expected to contribute a generally stable level of earnings in 2021 compared to 2020. Earnings from the US hydroelectric facilities reported in the business segment will continue to be subject to variability in water flows and the impact of wholesale electricity prices on uncontracted facilities.

The Company's operating results in 2021 may be impacted in the event additional actions are necessary to respond to the COVID-19 pandemic.

Enterprise Total Generating Cost

As experienced in the first quarter of 2021, OPG forecasts the Enterprise TGC to be higher in 2021, compared to 2020, primarily due to lower electricity generation and additional OM&A expenses associated with increased planned outage activity at the Darlington GS due to the Company's response to the onset of the COVID-19 pandemic in 2020.

In general, lower nuclear electricity generation due to the Darlington Refurbishment outages will continue to negatively impact the Enterprise TGC for the duration of the project. The Enterprise TGC can also be negatively affected by lower hydroelectric generation due to outages for various major rehabilitation and operational projects. Ongoing variability in sustaining capital expenditure programs, planned nuclear outages and water flows can also contribute to fluctuations in the Enterprise TGC results.

Nuclear Segregated Funds

OPG's operating results are affected by earnings on the Nuclear Segregated Funds as part of the Regulated – Nuclear Waste Management business segment. While the Nuclear Segregated Funds are managed to achieve, in the long term, the target rate of return based on the discount rate specified in the Ontario Nuclear Funds Agreement (ONFA), rates of return earned in a given period are subject to volatility due to financial market conditions and, for the portion of the Used Fuel Segregated Fund guaranteed by the Province, changes in the Ontario consumer price index (CPI). This volatility can cause fluctuations in the Company's net income in the short term. The volatility is reduced by the impact of an OEB-authorized regulatory account and during periods when the funds are in a fully funded or overfunded position.

As at March 31, 2021, the Decommissioning Segregated Fund was overfunded by approximately 35 percent and the Used Fuel Segregated Fund was overfunded by approximately 2 percent. Variability in asset performance due to volatility in financial markets and changes in Ontario CPI, including as a result of changes in economic conditions, or changes in funding liability estimates when the ONFA reference plan is updated, may reduce the funded status of either or both funds in the future. No overall contributions to the Nuclear Segregated Funds are required until the end of 2021, when the ONFA reference plan is next scheduled to be updated.

Changes in funding liability estimates upon an ONFA reference plan update can result in adjustments to the values of Nuclear Segregated Fund assets reported on the consolidated balance sheet, as these values are limited to the cost estimate of the funding liability based on the most recently approved ONFA reference plan plus a portion of the Decommissioning Segregated Fund surplus that may be directed to the Used Fuel Segregated Fund in certain circumstances. On the consolidated statements of income, such adjustments are recorded as increases or decreases to earnings on the Nuclear Segregated Funds.

Capital Expenditures

OPG's total forecasted capital expenditures for the 2021 year are approximately $2.4 billion, excluding any acquisition-related activity. The 2021 forecast is higher than the capital expenditures in 2020, excluding the acquisition of natural gas-fired plants in April 2020, primarily reflecting a full year of refurbishment execution activities on Unit 3 of the Darlington GS and planned advancement of the Little Long Dam Safety project to the component installation phase.

Financing and Liquidity

The Company expects to continue to generate a lower level of cash flow from operating activities in 2021 compared to 2020, due to a reduction in electricity generation and higher OM&A expenses from additional planned outage activity at the Darlington GS. This is expected to be partially offset by an increase in revenue receipts from the higher OEB-approved nuclear base regulated price and a full year of operating the natural gas-fired plants acquired in April 2020.

Taking into account the planned capital expenditure program for the 2021 year, OPG expects existing funding sources to continue to be sufficient to meet financing requirements and support ongoing liquidity. Further details of OPG's credit facilities can be found in the section, *Liquidity and Capital Resources* under the heading, *Financing Activities*.

ENVIRONMENTAL, SOCIAL, GOVERNANCE AND SUSTAINABILITY

OPG recognizes that operating in a safe, sustainable and inclusive manner is directly connected to business success and is expected by customers, the Company's stakeholders and Shareholder. As Ontario's largest clean energy provider, the Company strives to be a leader in sustainability and climate change action through the implementation of operational and growth strategies that minimize the Company's environmental footprint, support reductions in GHG emissions, and increase resilience to climate change impacts, while taking into account impacts on customers.

Safety

To ensure continued public safety, radiation exposure to members of the public resulting from the operation of OPG's nuclear generating stations is estimated on an annual basis for individuals living or working near the stations. The annual dose to the public resulting from operations of each nuclear facility is expressed in microsieverts (μSv), which is an international unit of radiation dose measurement.

The doses to the public resulting from OPG's nuclear operations were as follows:

Annual public dose	**2020**		**2019**	
	μSv	**% of annual legal limit** [1]	**μSv**	**% of annual legal limit** [1]
Darlington GS	**0.4**	**<0.1%**	**0.4**	<0.1%
Pickering GS	**1.2**	**0.1%**	**1.7**	0.2%

[1] The annual legal limit is 1,000 μSv for a member of the public.

Environmental and Sustainability

In March 2021, the Supreme Court of Canada ruled that the federal government has the authority to implement a national carbon pricing program. This decision means that the federal *Greenhouse Gas Pollution Pricing Act*, including an Output-Based Pricing System (OBPS) for industrial facilities and a fuel charge, continues to be in force in Ontario. The Province and the federal government are working to transition Ontario from the federal OBPS to the alternative Ontario Emissions Performance Standards (EPS) program, as previously approved by the federal government, effective January 1, 2022. The federal OBPS and Ontario EPS apply to OPG's Lennox dual-fuelled oil and gas generating station and Atura Power's natural gas-fired fleet.

For OPG, the carbon pricing standards reinforce the economic viability of the clean technologies and solutions outlined in the Company's Climate Change Plan. However, uncertainties remain regarding the federal government's plans to increase the future price of carbon for industrial facilities, and the ongoing maintenance of equivalency between the federal OBPS and Ontario EPS. The currently set carbon prices have not had a material financial impact on OPG, and the Company has implemented processes to recover carbon costs to the extent possible. OPG continues to monitor the impact of any changes in carbon pricing.

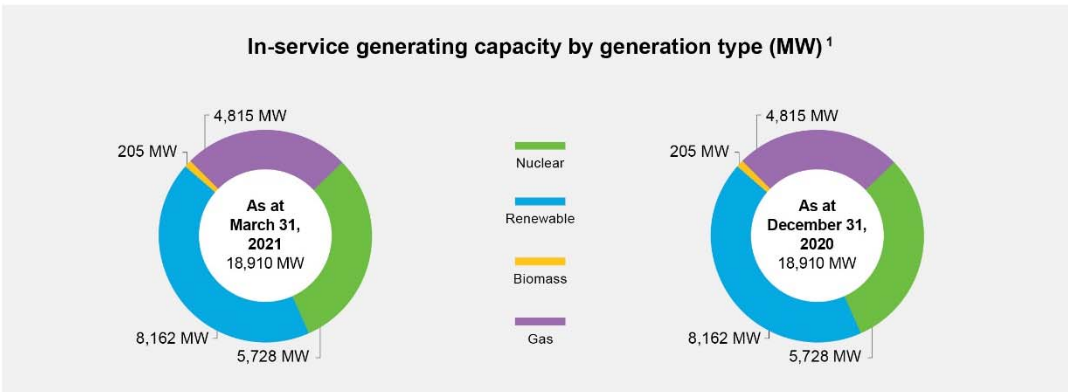
Climate Change

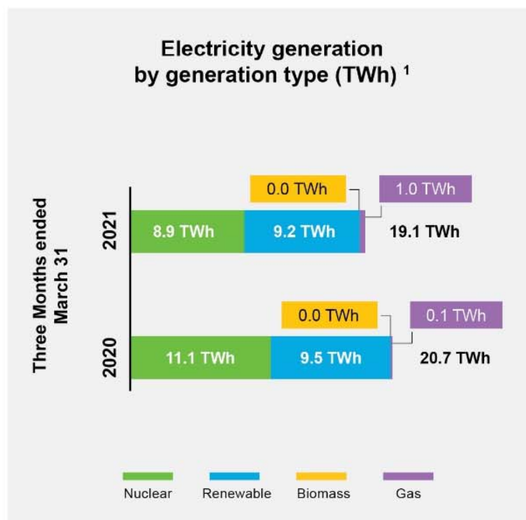
OPG's Climate Change Plan commits the Company to being a net-zero carbon company by 2040 and taking action to drive efficient, economy-wide carbon reduction in Ontario and beyond. In advancing these goals, the Company continues to seek opportunities to maximize the decarbonizing potential of its generating assets, advance the electrification of other sectors of the economy such as transportation, and invest in technologies that can make a further meaningful and immediate impact on climate change. For further details on the actions taken by OPG in support of the Climate Change Plan during the first quarter of 2021, refer to the section, *Corporate Strategy, Core Business and Outlook*, under the heading, *Financial Strength – Building Our Business.*

Climate-Related Performance and Key Metrics

OPG continues to determine the most relevant climate-related impacts for the business in the context of its Environmental, Social, Governance and Sustainability framework and is engaged in the development of consistent industry metrics to quantify the level of achieved climate change resilience. OPG is in the process of developing such quantitative metrics and targets for climate change adaptation as part of an effort to integrate climate considerations into business processes. In the meantime, OPG has identified certain initial metrics that it considers relevant to stakeholders, as outlined below.

Climate change metrics





[1] Includes OPG's proportionate share of in-service generating capacity and electricity generation from co-owned and minority-held facilities, as applicable. Gas category includes the dual-fuelled oil and natural gas Lennox GS and the Company's combined-cycle natural gas-fired plants operated through Atura Power.

In-service generating capacity by generation type	Total in-service generating capacity from each of low-carbon emitting and gas generation sources is the same as December 31, 2020. The gas generation assets are an important component of maintaining the reliability of Ontario's electricity system and enable intermittent sources of renewable energy such as wind and solar.
Electricity generation by generation type	Approximately 95 percent of OPG's total electricity generation was supplied by low-carbon sources during the first quarter of 2021. Electricity generation from low-carbon sources decreased compared to the first quarter in 2020, primarily due to increased outage activity at the Darlington and Pickering nuclear generating stations.

Climate change metrics	
Revenue by facility category	Revenue from low-carbon generation decreased for the three months ended March 31, 2021, compared to the same period in 2020, primarily due to lower revenue from the Regulated – Nuclear Generation business segment. Increased revenue from gas generation was due to the acquisition of combined-cycle natural gas-fired plants in April 2020.
Value and use of net proceeds from green bond offerings	In May 2021, LME completed a private placement bond offering with the issuance of $375 million of green bonds. The net proceeds from the issuance will be used for refinancing LME's outstanding bonds at maturity and funding the Little Long Dam Safety project. The proceeds are expected to be formally allocated for these purposes under OPG's Green Bond Framework during the second quarter of 2021.

Scope 1 GHG emissions and Atmospheric Emission Rate and Scope 2 GHG emissions are reported annually, and data for 2020 will be available in the second quarter of 2021. For details on the 2019 emissions data, refer to the section, *Environmental, Social, Governance and Sustainability* in OPG's 2020 annual MD&A.

Equity, Diversity and Inclusion

OPG is committed to workplace equity, diversity and inclusion (ED&I) as part of a culture in which all employees, contractors and business partners are treated fairly and respectfully. OPG believes that ED&I is integral to fostering an innovative, healthy and engaged workforce, and therefore is fundamental to the achievement of the Company's strategic goals.

OPG continues to advance its corporate commitment to ED&I through comprehensive programming and adherence to the values set out in the Company's Code of Business Conduct. Following endorsement of the Company's ED&I strategy by OPG's Board of Directors in 2020, OPG has engaged stakeholders across the enterprise to ensure the strategy effectively integrates ED&I principles and accountability into organizational processes and decision making.

During the first quarter of 2021, OPG launched its first external ED&I website to raise awareness and drive engagement with external candidates and partner organizations on ED&I topics. The Company also delivered interactive training to all senior leaders on sexual and gender-based harassment and discrimination to ensure continued knowledge development in this important area. Further, OPG launched a redesigned all-employee equity census and information campaign to educate employees on equity issues and update critical demographic data to inform ED&I programming and efforts to close gaps in workforce representation.

Indigenous Relations

The Company believes in building long-term, mutually beneficial working relationships with Indigenous communities, businesses and organizations across Ontario and continues to support procurement, employment and education opportunities with Indigenous communities. OPG seeks to establish these relationships based on a foundation of respect, transparency and mutual responsibility. OPG's commitment in the area of Indigenous relations includes, where appropriate, pursuing generation-related development partnerships on the basis of long-term commercial arrangements and other joint projects proximate to our present and future operations.

OPG continues to engage and consult with Indigenous communities on its projects and initiatives. This includes continuing to hold community environmental and employment forums with the Moose Cree First Nation, the Taykwa Tagamou Nation and the Métis on a plan to improve dam safety along the Lower Mattagami River, primarily through the Little Long Dam Safety project. OPG also continues to consult with Indigenous communities throughout the Calabogie GS redevelopment project, including the Algonquins of Ontario, Algonquins of Pikwakanagan First Nation, and four Williams Treaties First Nations. The Algonquins of Ontario, the Algonquins of Pikwakanagan First Nation and Curve Lake First Nation have signed construction agreements with OPG that outline mutually agreed upon processes for continued engagement. The remaining Williams Treaties First Nation communities continue to engage on the redevelopment of the Calabogie GS.

OPG continues to proactively engage the Williams Treaties First Nations, the Mohawks of the Bay of Quinte, and Métis Nation of Ontario, Region 8 on the Company's plans for potential construction of an SMR at the Darlington site in connection with the Company's site preparation licence renewal application and scheduled CNSC hearing in June 2021. To support these efforts, OPG signed a capacity agreement with the Williams Treaties First Nations to ensure their meaningful engagement in the licence renewal process in January 2021. OPG is also engaging with the Williams Treaties First Nations regarding pending changes to the federal *Fisheries Act*.

In the first quarter of 2021, the Canadian Centre for Nuclear Sustainability (CCNS), launched by OPG in 2020, formed the Indigenous Advisory Council. The Council consists of representatives from the Williams Treaties First Nations, the Mohawks of the Bay of Quinte, and Métis Nation of Ontario, Region 8, as well as representatives from Indigenous urban and business communities from the Durham area. The Council's role is to provide guidance and advice on how the CCNS can engage with Indigenous peoples, communities and businesses on its pillars relating to the environment, economic development and industry innovation. The Indigenous Advisory Council held its inaugural meeting in April 2021.

OPG is committed to improving Indigenous access to education, employment and business opportunities. In January 2021, OPG signed a three-year agreement with Indspire, a Canadian national charitable organization that supports the education of Indigenous peoples, in support of Indspire's Building Brighter Futures Bursaries, Scholarships and Awards Program, with scholarships to be awarded to Indigenous post-secondary students over the next three years.

DISCUSSION OF OPERATING RESULTS BY BUSINESS SEGMENT

Regulated – Nuclear Generation Segment

(millions of dollars – except where noted)	Three Months Ended March 31 2021	2020
Electricity generation (TWh)	**8.9**	11.1
Revenue	**946**	1,127
Fuel expense	**59**	76
Gross margin	**887**	1,051
Operations, maintenance and administration expenses	**646**	576
Property taxes	**7**	7
Earnings before interest, income taxes, depreciation and amortization	**234**	468
Depreciation and amortization expenses	**145**	204
Earnings before interest and income taxes	**89**	264

Earnings before interest and income taxes from the business segment decreased by $175 million for the three months ended March 31, 2021 compared to the same period in 2020.

The decrease in business segment earnings was primarily due to lower revenue as a result of lower electricity generation of 2.2 TWh and higher OM&A expenses of $70 million, compared to the three months ended March 31, 2020, mainly due to the deferral of a planned cyclical maintenance outage for Unit 1 of the Darlington GS from the fall of 2020 to February 2021 in response to the COVID-19 pandemic. Additionally, the reduction in business segment revenue reflected lower amounts of $98 million recorded in the Rate Smoothing Deferral Account, partially offset by $43 million from a higher OEB-approved nuclear base regulated price.

A decrease in depreciation and amortization expenses of $73 million from the Regulated – Nuclear Generation business segment, excluding amortization expense related to the recovery of regulatory account balances, was primarily due to depreciation expense recorded as recoverable from customers in regulatory accounts in connection with differences in the current accounting end-of-life assumptions for the Pickering GS from those assumed in the approved nuclear base regulated price effective January 1, 2021. The nuclear base regulated price reflects recovery of a lower amount of depreciation expense related to the Pickering GS as it was set on the basis of a December 31, 2020 accounting end-of-life date for the station in effect at the time of OPG's application to the OEB for the 2017-2021 base regulated prices. Subsequent to the OEB's decision on the application, the Company achieved sufficient confidence to extend the station's end-of-life assumptions beyond December 31, 2020. The resulting differences in depreciation expense over the period are recorded in OEB-authorized regulatory accounts, including the new deferral account established for this purpose effective January 1, 2021, on an interim basis, by the OEB's January 2021 order. The above decrease in depreciation expense was partially offset by depreciation on assets placed in service upon completion of the Unit 2 refurbishment at the Darlington GS in June 2020.

The planned and unplanned outage days at the Darlington and Pickering nuclear generating stations were as follows:

	Three Months Ended March 31	
	2021	**2020**
Planned Outage Days		
Darlington GS [1]	**55.4**	-
Pickering GS	**122.2**	105.6
Unplanned Outage Days		
Darlington GS [1]	**15.9**	2.2
Pickering GS	**28.6**	4.3

[1] The planned and unplanned outage days exclude unit(s) during the period in which they are undergoing refurbishment. Accordingly, Unit 2 of the Darlington GS was excluded from the reported planned and unplanned outage days during its refurbishment period of October 15, 2016 to June 4, 2020 and Unit 3 of the Darlington GS is excluded since commencing refurbishment on September 3, 2020.

Planned outage days at the Darlington GS increased for the three months ended March 31, 2021, compared to the same period in 2020, primarily due to the deferral of a planned outage on Unit 1 of the Darlington GS from the fall of 2020 to February 2021. The increase in planned outage days at the Pickering GS for the three months ended March 31, 2021, compared to the same period in 2020, was driven by the cyclical maintenance schedule and other planned maintenance and repair work executed at the station.

The increase in unplanned outage days at both the Darlington and Pickering nuclear generating stations for the three months ended March 31, 2021, compared to the same period in 2020, was due to unplanned fuel handling maintenance activities at the stations.

Reflecting the above planned and unplanned outage days, the Unit Capability Factors for the Darlington and Pickering nuclear generating stations were as follows:

	Three Months Ended March 31	
	2021	**2020**
Unit Capability Factor *(%)* [1]		
Darlington GS	**73.6**	99.3
Pickering GS	**72.2**	79.9

[1] The nuclear Unit Capability Factor excludes unit(s) during the period in which they are undergoing refurbishment. Accordingly, Unit 2 of the Darlington GS was excluded from the measure during its refurbishment period of October 15, 2016 to June 4, 2020 and Unit 3 of the Darlington GS is excluded since commencing refurbishment on September 3, 2020.

The Unit Capability Factor at the Darlington GS decreased for the three months ended March 31, 2021, compared to the same period in 2020, primarily due to the deferral of a planned outage on Unit 1 of the Darlington GS from the fall of 2020 to February 2021. The Unit Capability Factor at the Pickering GS decreased for the three months ended March 31, 2021, compared to the same period in 2020, due to a higher number of planned and unplanned outage days.

Regulated – Nuclear Waste Management Segment

	Three Months Ended March 31	
(millions of dollars)	**2021**	**2020**
Revenue	**45**	37
Operations, maintenance and administration expenses	**45**	37
Accretion on nuclear fixed asset removal and nuclear waste management liabilities	**270**	261
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(239)**	(171)
Loss before interest and income taxes	**(31)**	(90)

Loss before interest and income taxes from the business segment was $31 million for the three months ended March 31, 2021, compared to $90 million for the same period in 2020, representing an increase in earnings of $59 million.

The improvement in business segment earnings was primarily due to higher earnings on the Nuclear Segregated Funds of $68 million, net of regulatory account impact, primarily reflecting a decrease in the market value of investments held in the Used Fuel Segregated Fund during the three months ended March 31, 2020. Earnings on the Used Fuel Segregated Fund in the first quarter of 2020 were impacted by changes in the market value of investments, as the fund was in a marginally underfunded position during the period. Both the Used Fuel Segregated Fund and the Decommissioning Segregated Fund were in an overfunded position during the first quarter of 2021, and therefore earnings on the funds were not impacted by market returns or the rate of return guarantee provided by the Province for a portion of the Used Fuel Segregated Fund. The Decommissioning Segregated Fund was also in an overfunded position during the first quarter of 2020. The decrease in the market value of investments held in the Used Fuel Segregated Fund during the first quarter of 2020 reflected temporarily weakened financial market conditions upon the onset of the COVID-19 pandemic.

When both the Decommissioning Segregated Fund and the Used Fuel Segregated Fund are in an overfunded position, OPG limits the amounts of fund assets reported on the consolidated balance sheet to the present value of the funding liabilities per the most recently approved ONFA reference plan. Further details on the accounting policy for the Nuclear Segregated Funds can be found in the section, *Critical Accounting Policies and Estimates* in OPG's 2020 annual MD&A.

Regulated – Hydroelectric Generation Segment

	Three Months Ended March 31	
(millions of dollars – except where noted)	**2021**	**2020**
Electricity generation (TWh)	**7.9**	8.2
Revenue [1]	**388**	392
Fuel expense	**69**	67
Gross margin	**319**	325
Operations, maintenance and administration expenses	**92**	74
Earnings before interest, income taxes, depreciation and amortization	**227**	251
Depreciation and amortization expenses	**52**	54
Earnings before interest and income taxes	**175**	197

[1] During the three months ended March 31, 2021 and 2020, the Regulated – Hydroelectric Generation business segment revenue included incentive payments of $4 million and $2 million, respectively, related to the OEB-approved hydroelectric incentive mechanism. The mechanism provides a pricing incentive to OPG to shift hydroelectric production from lower market price periods to higher market price periods, reducing the overall costs to customers. The incentive payments are reduced to remove incentive revenues arising in connection with SBG conditions.

Earnings before interest and income taxes from the business segment decreased by $22 million for the three months ended March 31, 2021, compared to the same period in 2020. The decrease was primarily due to higher OM&A expenses from an increase in project expenses, and the deferral of certain planned maintenance activities from 2020 in response to the onset of the COVID-19 pandemic.

Lower rate riders for the recovery of regulatory account balances in effect during 2021 contributed to the decrease in business segment revenue. This decrease in revenue was largely offset by a corresponding decrease in amortization expense related to these balances.

The Hydroelectric Availability for the generating stations reported in the Regulated – Hydroelectric Generation business segment was as follows:

	Three Months Ended March 31	
	2021	**2020**
Hydroelectric Availability *(%)* [1]	**91.8**	89.8

[1] The Hydroelectric Availability is defined in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*.

The Hydroelectric Availability increased for the three months ended March 31, 2021, compared to the same period in 2020, primarily due to overall fewer unplanned outage days across the regulated hydroelectric fleet, partially offset by higher planned outage days from deferring certain planned maintenance and project activities from 2020 in response to the onset of the COVID-19 pandemic.

Contracted Hydroelectric and Other Generation Segment

(millions of dollars – except where noted)	**Three Months Ended March 31** **2021**	**2020**
Electricity generation (TWh)	**1.3**	1.3
Revenue	**181**	174
Fuel expense	**11**	10
Gross margin	**170**	164
Operations, maintenance and administration expenses	**59**	54
Accretion on fixed asset removal liabilities	**2**	2
Property taxes	**4**	5
Income from investments subject to significant influence	**(1)**	(1)
Other losses (gains)	**2**	(1)
Earnings before interest, income taxes, depreciation and amortization	**104**	105
Depreciation and amortization expenses	**37**	41
Earnings before interest and income taxes	**67**	64

Earnings before interest and income taxes from the business segment increased by $3 million for the three months ended March 31, 2021, compared to the same period in 2020.

The increase in business segment earnings was primarily due to higher revenue from Ontario-based thermal and solar assets, and US hydroelectric facilities. The increase was largely offset by higher OM&A expenses at the Lennox GS. The Ontario-based hydroelectric facilities subject to ESAs with the IESO continue to contribute a stable level of business segment earnings.

The Hydroelectric Availability and the Thermal Equivalent Forced Outage Rate (EFOR) for the Ontario-based assets within the Contracted Hydroelectric and Other Generation business segment were as follows:

	Three Months Ended March 31 **2021**	**2020**
Hydroelectric Availability *(%)* [1, 2]	**85.7**	89.5
Thermal EFOR *(%)* [2]	**3.2**	4.4

[1] Hydroelectric Availability reflects hydroelectric generating stations in Ontario. US hydroelectric generating operations are not reflected in these results.
[2] Hydroelectric Availability and Thermal EFOR are defined in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*.

The Hydroelectric Availability decreased for the three months ended March 31, 2021, compared to the same period in 2020, primarily due to a higher number of outage days at the Lower Mattagami generating stations in northeastern Ontario.

The Thermal EFOR decreased for the three months ended March 31, 2021, compared to the same period in 2020, primarily due to fewer unplanned outage days at the Lennox GS.

Contracted Gas Generation Segment

	Three Months Ended March 31	
(millions of dollars – except where noted)	**2021**	**2020**
Electricity Generation (TWh)	**1.0**	0.1
Revenue	**159**	16
Fuel expense	**45**	-
Gross margin	**114**	16
Operations, maintenance and administration expenses	**17**	3
Property taxes	**1**	-
Income from investments subject to significant influence	**-**	(7)
Earnings before interest, income taxes, depreciation and amortization	**96**	20
Depreciation and amortization expenses	**28**	4
Earnings before interest and income taxes	**68**	16

Earnings before interest and income taxes from the business segment increased by $52 million for the three months ended March 31, 2021 compared to the same period in 2020. The increase was mainly due to the acquisition of the Napanee GS, Halton Hills GS and remaining 50 percent in the Portlands Energy Centre on April 29, 2020.

OPG's share of income from co-owning the Portlands Energy Centre prior to acquiring the remaining 50 percent interest in the facility is reported as business segment income from investments subject to significant influence in the comparative period.

The Thermal Availability for the assets in the Contracted Gas Generation business segment was as follows:

	Three Months Ended March 31	
	2021	**2020**
Thermal Availability *(%)* [1]	**97.1**	96.1

[1] Thermal Availability is defined in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*, and reflects the results of facilities for the periods they were wholly owned by the Company. In the first quarter of 2021, Thermal Availability replaced Thermal EFOR as the operating performance indicator for the Company's combined-cycle natural gas-fired plants reported in the Contracted Gas Generation business segment, consistent with the requirements under the facilities' respective ESAs or other long-term contracts.

Thermal Availability for the three months ended March 31, 2020 reflected the performance of the Brighton Beach GS after it became wholly owned by the Company on August 30, 2019. Thermal Availability for the three months ended March 31, 2021 additionally reflected the performance of the Napanee GS, Halton Hills GS and the Portlands Energy Centre, after they became wholly owned by the Company on April 29, 2020.

LIQUIDITY AND CAPITAL RESOURCES

OPG maintains a range of funding sources to ensure sufficient liquidity and meet financing requirements. These sources are used for multiple purposes including: to invest in plants and technologies, undertake major projects and business acquisitions, fund long-term obligations such as contributions to the pension fund and the Nuclear Segregated Funds, make payments under the OPEB plans, fund expenditures on nuclear fixed asset removal and nuclear waste management liabilities (Nuclear Liabilities) not eligible for reimbursement from the Nuclear Segregated Funds, service and repay long-term debt, and provide general working capital.

Changes in cash and cash equivalents for the three months ended March 31, 2021 and 2020 were as follows:

(millions of dollars)	Three Months Ended March 31 **2021**	**2020**
Cash, cash equivalents and restricted cash, beginning of period	**725**	498
Cash flow provided by operating activities	**552**	717
Cash flow used in investing activities	**(227)**	(459)
Cash flow (used in) provided by financing activities	**(215)**	368
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**(1)**	4
Net increase in cash, cash equivalents and restricted cash	**109**	630
Cash and cash equivalents and restricted cash, end of period	**834**	1,128

For a discussion of cash flow provided by operating activities, refer to the details in the section, *Highlights* under the heading, *Cash Flow from Operations*.

Investing Activities

Cash flow used in investing activities for the three months ended March 31, 2021 was $227 million, compared to $459 million for the same period in 2020. The decrease was primarily due to the settlement transaction related to post-closing activities at the natural gas-fired plants acquired from TC Energy Corporation (TC Energy) in April 2020. In connection with the closing of the acquisition, certain post-closing activities at the acquired Napanee GS were identified as an obligation of TC Energy, including remediation of certain plant asset components. Following a period of negotiations, in March 2021, Atura Power and TC Energy executed a settlement agreement for a reduction of $220 million to the purchase price consideration in exchange for the settlement of certain post-closing terms and conditions, including TC Energy's obligations in respect of post-closing activities at the Napanee GS. The proceeds received under the settlement agreement were recorded as a reduction to net assets in the first quarter of 2021, with no immediate income statement impact.

Financing Activities

Cash flow used in financing activities for the three months ended March 31, 2021 increased by $583 million compared to the same period in 2020. The increase was primarily due to higher net repayments of short-term debt in the first quarter of 2021, partially offset by lower repayments and higher issuances of long-term debt in the first quarter of 2021.

Committed credit facilities and maturity dates as at March 31, 2021 were as follows:

(millions of dollars)		**Amount**
Bank facilities:		
Corporate		**1,000**
Corporate	US Dollars	**750**
Lower Mattagami Energy Limited Partnership [1]		**400**
Eagle Creek [2]	US Dollars	**25**
OEFC facility [3]		**300**

[1] A letter of credit of $55 million was outstanding under this facility as at March 31, 2021.
[2] Represents facilities entered into by US-based wholly-owned subsidiaries of Eagle Creek.
[3] Represents amounts available under the facilities, net of debt issuances.

Short-term debt, letters of credit and guarantees were as follows:

	As At	
(millions of dollars)	**March 31 2021**	**December 31 2020**
Lower Mattagami Energy Limited Partnership	**162**	131
Corporate commercial paper	**252**	919
	414	1,050
Letters of credit	**600**	607
Guarantees	**4**	4

As of March 31, 2021, a total of $600 million of Letters of Credit had been issued. This included $428 million for the supplementary pension plans, $51 million for Eagle Creek and its subsidiaries, $55 million for LME, $43 million for general corporate purposes, $16 million for UMH Energy Partnership, $6 million for Atura Power and $1 million for PSS Generating Station Limited Partnership.

Long-term debt balances as of March 31, 2021 and December 31, 2020 were as follows: [1]

	As At	
(millions of dollars)	**March 31 2021**	**December 31 2020**
Notes payable to the OEFC	**2,835**	2,875
Medium Term Notes payable	**4,350**	3,850
Project financing	**2,560**	2,591
Other	**25**	25
	9,770	9,341

[1] Excludes the impact of fair value premium or discount and unamortized bond issuance fees.

Share Capital

As at March 31, 2021 and December 31, 2020, OPG had 256,300,010 common shares issued and outstanding at a stated value of $5,126 million. OPG is authorized to issue an unlimited number of common shares without nominal or par value. Any issue of new shares is subject to the consent of OPG's shareholder, the Province.

As at March 31, 2021 and 2020, OPG had 18,343,815 Class A shares issued and outstanding at a stated value of $787 million. OPG is entitled to redeem outstanding Class A shares as may be approved by OPG's Board of Directors.

BALANCE SHEET HIGHLIGHTS

Highlights of OPG's interim consolidated financial position are noted below:

	As At	
(millions of dollars)	**March 31 2021**	**December 31 2020**
Nuclear fixed asset removal and nuclear waste management funds *(current and non-current portions)* The increase was primarily due to earnings recognized on the Nuclear Segregated Funds, partially offset by reimbursement of eligible expenditures on nuclear fixed asset removal and nuclear waste management activities from the Nuclear Segregated Funds.	**19,281**	19,096
Short-term debt The decrease was mainly due to the net repayments made under the Company's corporate commercial paper program.	**414**	1,050
Long-term debt *(current and non-current portions)* The increase was mainly due to the issuance of $500 million of bonds under the Medium Term Note program in February 2021, net of debt repayments.	**9,753**	9,332
Fixed asset removal and nuclear waste management liabilities The increase was primarily a result of accretion expense, representing the increase in the present value of the obligation to reflect the passage of time, partially offset by expenditures on fixed asset removal and nuclear waste management activities.	**23,165**	22,947

Off-Balance Sheet Arrangements

In the normal course of operations, OPG engages in a variety of transactions that, under US GAAP, are either not recorded in the Company's consolidated financial statements or are recorded in the Company's consolidated financial statements using amounts that differ from the full contract amounts. Principal off-balance sheet activities for OPG include guarantees and long-term contracts.

CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

OPG's significant accounting policies are outlined in Note 3 to OPG's audited consolidated financial statements as at and for the year ended December 31, 2020. A discussion of recent accounting pronouncements is included in Note 2 of OPG's unaudited interim consolidated financial statements as at and for the three months ended March 31, 2021. OPG's critical accounting policies are consistent with those noted in OPG's 2020 annual MD&A.

RISK MANAGEMENT

The following provides an update to the discussion of the Company's risks and risk management activities included in OPG's 2020 annual MD&A.

Risks to Achieving Operational Excellence

OPG is exposed to a range of operational risks associated with its existing assets that could adversely impact generation output, safety performance and operating results. The operational risks of a station include aspects such as occupational safety, resourcing, equipment reliability, human performance, climate change, regulatory requirements and technology.

COVID-19 Pandemic	The Company continues to closely monitor developments relating to the COVID-19 pandemic and mitigate associated risks to the health and safety of its workers, and essential operations and projects. Significant uncertainties remain regarding the course of the pandemic, including transmission rates in communities where OPG operates, the availability and deployment of vaccines, and potential impacts of the virus mutations. The wide-ranging risks related to COVID-19 pandemic include: the health and safety of employees; disruption to the supply chain; impact of economic downturn on viability of contractors, vendors and project partners; and delayed recovery of weakened wholesale electricity prices in US markets. Where possible, OPG has taken necessary actions to mitigate risks posed by the pandemic to its workers while supporting the safe and reliable operation of the plants. Additional details are included in the section, *Significant Developments* under the heading, *Response to COVID-19 Pandemic*. The Company will continue to monitor and, as necessary, adjust strategies to minimize the impact of the pandemic on the organization.

Risks to Maintaining Financial Strength

Risks related to rate regulation, financial markets and long-term obligations could significantly impact OPG's financial performance. The Company is also exposed to risks such as changes in market prices of electricity, renewal of energy supply contracts, and differences in realized economic value from acquisitions and other investments.

Credit

The Company's credit risk exposure is a function of its electricity sales, trading and hedging activities, and treasury activities including investing and commercial transactions with various suppliers of goods and services. OPG's credit risk exposure relating to energy market transactions as at March 31, 2021 was $495 million, including $470 million with the IESO. OPG continues to consider overall credit risk exposure relating to electricity sales to be low, as the majority of sales are through the IESO-administered market in Ontario.

Commodity Markets

Changes in the market prices of fuels used to produce electricity can adversely impact OPG's earnings and cash flow from operations. To manage the risk of unpredictable increases in the price of fuels, the Company has fuel hedging programs, which include using fixed price and indexed contracts.

The percentages hedged of OPG's fuel requirements are shown in the following table. These amounts are based on yearly forecasts of electricity generation and supply mix and, as such, are subject to change as these forecasts are updated.

	2021 [1]	2022	2023
Estimated fuel requirements hedged [2]	77%	80%	78%

[1] Based on actual fuel requirements hedged for the three months ended March 31, 2021 and forecast for the remainder of the year.

[2] Represents the approximate portion of MWh of expected electricity generation (and year-end inventory targets) from each type of OPG-operated facility (nuclear, hydroelectric and thermal) for which the price of fuel is fixed, or for which the Company has entered into contractual arrangements to secure the price of fuel or secure the recovery of fuel costs. In the case of regulated and contracted hydroelectric electricity generation in Ontario, this represents the gross revenue charge and water rental charges. Excess fuel inventories (nuclear and thermal) in a given year are attributed to the next year for the purpose of measuring hedge ratios.

RELATED PARTY TRANSACTIONS

Given that the Province owns all of the shares of OPG, related parties include the Province and other entities controlled by the Province.

The related party transactions summarized below include transactions with the Province and the principal successors to the former Ontario Hydro's integrated electricity business, including Hydro One Limited (Hydro One), the IESO and the OEFC. Transactions between OPG and related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. As one of several wholly owned government business enterprises of the Province, OPG also has transactions in the normal course of business with various government ministries and organizations in Ontario that fall under the purview of the Province.

Related party transactions are summarized below:

	Three Months Ended March 31			
	2021		2020	
(millions of dollars)	**Income**	**Expense**	**Income**	**Expense**
Hydro One				
Electricity sales	**3**	**-**	2	-
Services	**-**	**2**	-	2
Dividends	**1**	**-**	2	-
Province of Ontario				
Change in Decommissioning Segregated Fund amount due to Province [1]	**5**	**-**	897	-
Change in Used Fuel Segregated Fund amount due to Province [1]	**-**	**27**	1,087	-
Hydroelectric gross revenue charge	**-**	**29**	-	28
OEFC				
Hydroelectric gross revenue charge	**-**	**39**	-	38
Interest expense on long-term notes	**-**	**26**	-	32
Income taxes	**-**	**64**	-	100
Property taxes	**-**	**3**	-	3
IESO				
Electricity related revenue	**1,526**	**-**	1,505	-
Fair Hydro Trust				
Interest income	**8**	**-**	8	-
	1,543	**190**	3,501	203

[1] The Nuclear Segregated Funds are reported on the consolidated balance sheets net of amounts recognized as due to the Province in respect of any excess funding and, for the Used Fuel Segregated Fund, the Province's rate of return guarantee. As at March 31, 2021 and December 31, 2020, the Nuclear Segregated Funds were reported net of amounts due to the Province of $6,736 million and $6,714 million, respectively.

Balances between OPG and its related parties are summarized below:

(millions of dollars)	As At March 31 2021	 December 31 2020
Receivables from related parties		
Hydro One	**2**	1
IESO – Electricity related receivables	**470**	487
Fair Hydro Trust	**12**	4
OEFC	**3**	-
Province of Ontario	**2**	-
Loan receivable		
Fair Hydro Trust	**912**	913
Equity securities		
Hydro One shares	**170**	172
Accounts payable, accrued charges and other payables		
Hydro One	**-**	2
OEFC	**51**	88
Province of Ontario	**9**	7
IESO − Electricity related payables	**2**	6
Long-term debt (including current portion)		
Notes payable to OEFC	**2,835**	2,875

OPG may hold Province of Ontario bonds and treasury bills in the Nuclear Segregated Funds and the OPG registered pension fund. As at March 31, 2021, the Nuclear Segregated Funds held $1,573 million of Province of Ontario bonds (December 31, 2020 – $1,601 million) and $5 million of Province of Ontario treasury bills (December 31, 2020 – $10 million). As of March 31, 2021, the registered pension fund held $54 million of Province of Ontario bonds (December 31, 2020 − $50 million). These Province of Ontario bonds and treasury bills are publicly traded securities and are measured at fair value. OPG jointly oversees the investment management of the Nuclear Segregated Funds with the Province.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Company maintains a comprehensive system of policies, procedures, and processes that represents its framework for Internal Control over Financial Reporting (ICOFR) and for its Disclosure Controls and Procedures (DC&P). There were no changes in the Company's internal control system during the current interim period that has or is reasonably likely to have a material impact to the financial statements.

The Company has limited the scope of its design of DC&P and ICOFR to exclude the controls, policies and procedures as they relate to the portfolio of natural gas-fired plants acquired under Atura Power on April 29, 2020, as permitted by 3.3(1)(b) of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* for businesses acquired by an issuer not more than 365 days before the end of a certification period. Atura Power represented approximately 17.0 percent of consolidated net income for the three months ended March 31, 2021 and approximately 5.5 percent and less than 1 percent of total consolidated assets and total consolidated liabilities, respectively, as at March 31, 2021.

QUARTERLY FINANCIAL HIGHLIGHTS

The following tables set out selected annual financial information for the last three years and financial information for each of the eight most recently completed quarters. This information is derived from OPG's unaudited interim consolidated financial statements and the audited annual consolidated financial statements, and has been prepared in accordance with US GAAP.

(millions of dollars – except where noted) *(unaudited)*	**March 31 2021**	**December 31 2020**	**September 30 2020**	**June 30 2020**
Electricity generation (*TWh*)	**19.1**	19.2	21.3	20.9
Revenue	**1,691**	1,782	1,889	1,849
Net income	**295**	211	390	462
Less: Net income attributable to non-controlling interest	**5**	3	4	4
Net income attributable to the Shareholder	**290**	208	386	458
Earnings per share, attributable to the Shareholder *(dollars)*	**$1.06**	$0.76	$1.41	$1.67

(millions of dollars – except where noted) *(unaudited)*	**March 31 2020**	**December 31 2019**	**September 30 2019**	**June 30 2019**
Electricity generation (*TWh*)	20.7	19.4	19.1	20.2
Revenue	1,720	1,522	1,508	1,566
Net income	313	247	323	356
Less: Net income attributable to non-controlling interest	4	4	4	5
Net income attributable to the Shareholder	309	243	319	351
Earnings per share, attributable to the Shareholder *(dollars)*	$1.13	$0.88	$1.16	$1.28

KEY OPERATING PERFORMANCE INDICATORS AND NON-GAAP FINANCIAL MEASURES

Key Operating Performance Measures

OPG evaluates the performance of its generating stations using a number of key indicators. Key operating performance indicators aligned with corporate business imperatives include measures of production reliability, cost effectiveness, environmental performance and safety performance. Certain of the measures used vary depending on the generating technology.

Nuclear Unit Capability Factor

The nuclear Unit Capability Factor is a key measure of nuclear station performance. It measures the amount of energy that the unit(s) generated over a period of time, adjusted for externally imposed constraints such as transmission or demand limitations, as a percentage of the amount of energy that would have been produced over the same period had the unit(s) produced maximum generation. Capability factors are primarily affected by planned and unplanned outages. An outage day represents a single unit being offline or derated for an amount of time equivalent to one day. By industry definition, capability factors exclude production losses beyond plant management's control, such as grid-related unavailability. The nuclear Unit Capability Factor also excludes unit(s) during the period in which they are undergoing refurbishment. As at March 31, 2021, the Darlington GS had three units in service and the Pickering GS had six units in service.

Hydroelectric Availability

Hydroelectric Availability represents the percentage of time the generating unit is capable of providing service, whether or not it is actually generating electricity, compared to the total time for the respective period, weighted by unit capacity.

Thermal Equivalent Forced Outage Rate

Equivalent forced outage rate is an index of the reliability of a generating unit at OPG's wholly-owned thermal stations. It is measured by the ratio of time a generating unit is forced out of service by unplanned events, including any forced deratings, compared to the amount of time the generating unit was available to operate.

Thermal Availability

Thermal Availability represents the percentage of time a generating unit at Atura Power's natural gas-fired stations is capable of providing service, whether or not it is actually generating electricity, compared to the total time for the respective period, averaged by the number of facilities owned and operated through Atura Power.

Other Key Indicators

In addition to production reliability, cost effectiveness and financial performance indicators, OPG has identified certain environmental and safety performance measures. As applicable, these measures are discussed in the section, *Environmental, Social, Governance and Sustainability*.

Non-GAAP Financial Performance Measures

In addition to net income and other financial information in accordance with US GAAP, certain non-GAAP financial measures are also presented in this MD&A. These non-GAAP measures do not have any standardized meaning prescribed by US GAAP and, therefore, may not be comparable to similar measures presented by other issuers. OPG utilizes these measures to make operating decisions and assess performance. Readers of the MD&A would utilize these measures in assessing the Company's financial performance from ongoing operations. 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 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 or any other measure in accordance with US GAAP, but as indicators of operating performance.

The definitions of the non-GAAP financial measures are as follows:

(1) Enterprise Total Generating Cost per MWh is used to measure the overall cost performance of OPG's generating operations in Ontario. Enterprise TGC per MWh is defined as OM&A expenses (excluding the Darlington Refurbishment project, generation development and other major projects, and business development activities, US operations, the impact of regulatory accounts, and expenses ancillary to OPG's electricity generation business), fuel expense for OPG-operated stations including hydroelectric gross revenue charge and water rental payments (excluding the impact of regulatory accounts) and capital expenditures (excluding the Darlington Refurbishment project, generation development and other major projects and US operations) incurred during the period, divided by total electricity generation from OPG-operated generating stations in Ontario plus electricity generation forgone due to SBG conditions in Ontario during the period.

Enterprise TGC per MWh is calculated as follows for the three months ended March 31:

		Three Months Ended March 31	
(millions of dollars – except where noted)		**2021**	**2020**
Enterprise TGC			
Total OM&A expenses		**812**	708
Total fuel expense		**184**	153
Total capital expenditures		**421**	449
Less:	Darlington Refurbishment capital and OM&A costs	**(184)**	(271)
Less:	Capital and OM&A costs for generation development and other major projects and for business development activities	**(87)**	(28)
Add (Less):	OM&A and fuel expenses deferred in (refundable through) regulatory accounts	**45**	(28)
Less:	Nuclear fuel expense for non OPG-operated stations	**(21)**	(15)
Add:	Hydroelectric gross revenue charge and water rental payments for electricity generation forgone due to SBG conditions	**5**	6
Less:	OM&A expenses ancillary to electricity generation business	**(3)**	(4)
Less:	OM&A expenses and capital expenditures related to US operations	**(24)**	(29)
Other adjustments		**(5)**	(4)
		1,143	937
Adjusted electricity generation *(TWh)*			
Total OPG electricity generation		**19.1**	20.7
Adjust for electricity generation forgone due to SBG conditions, OPG's share of electricity generation from co-owned facilities and US operations		**(0.2)**	(0.2)
		18.9	20.5
Enterprise TGC per MWh *($/MWh)* [1]		**60.41**	**45.70**

[1] Amounts may not calculate due to rounding.

(2) Earnings before interest, income taxes, depreciation and amortization is defined as net income before net interest expense, income tax expense and depreciation and amortization expenses.

(3) Gross margin is defined as revenue less fuel expense.

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ONTARIO POWER GENERATION INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

MARCH 31, 2021

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Three Months Ended March 31 *(millions of dollars except where noted)*	**2021**	**2020**
Revenue	**1,691**	1,720
Fuel expense	**184**	153
Gross margin	**1,507**	1,567
Operations, maintenance and administration expenses	**812**	708
Depreciation and amortization expenses	**278**	314
Accretion on fixed asset removal and nuclear waste management liabilities	**273**	264
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(239)**	(171)
Property taxes	**13**	12
Income from investments subject to significant influence	**(1)**	(8)
	1,136	1,119
Income before other gains, interest and income taxes	**371**	448
Other gains	**(3)**	(4)
Income before interest and income taxes	**374**	452
Net interest expense *(Note 6)*	**60**	52
Income before income taxes	**314**	400
Income tax expense	**19**	87
Net income	**295**	313
Net income attributable to the Shareholder	**290**	309
Net income attributable to non-controlling interest	**5**	4
Basic and diluted earnings per share *(dollars) (Note 14)*	**1.06**	1.13

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Three Months Ended March 31 *(millions of dollars)*	**2021**	2020
Net income	**295**	313
Other comprehensive (loss) income, net of income taxes *(Note 9)*		
Reclassification to income of amounts related to pension and other post-employment benefits [1]	**5**	3
Reclassification to income of losses on derivatives designated as cash flow hedges [2]	**3**	3
Currency translation adjustment	**(20)**	143
Other comprehensive (loss) income for the period	**(12)**	149
Comprehensive income	**283**	462
Comprehensive income attributable to the Shareholder	**278**	458
Comprehensive income attributable to non-controlling interest	**5**	4

[1] Net of income tax expense of $1 million for the three months ended March 31, 2021 and 2020.
[2] Net of income tax expense of $nil and $1 million for the three months ended March 31, 2021 and 2020, respectively.

See accompanying notes to the interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Three Months Ended March 31 *(millions of dollars)*	**2021**	**2020**
Operating activities		
Net income	**295**	313
Adjust for non-cash items:		
Depreciation and amortization expenses	**278**	314
Accretion on fixed asset removal and nuclear waste management liabilities	**273**	264
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(239)**	(171)
Pension and other post-employment benefit costs *(Note 10)*	**115**	110
Deferred income tax recovery	**(3)**	(12)
Regulatory assets and regulatory liabilities	**(60)**	45
Other	**1**	(4)
Expenditures on fixed asset removal and nuclear waste management	**(104)**	(125)
Reimbursement of eligible expenditures on nuclear fixed asset removal and nuclear waste management	**55**	37
Contributions to pension funds and expenditures on other post-employment benefits and supplementary pension plans	**(78)**	(75)
Distributions received from investments subject to significant influence	**-**	14
Net changes to other long-term assets and long-term liabilities	**9**	20
Net changes to non-cash working capital balances *(Note 17)*	**10**	(13)
Cash flow provided by operating activities	**552**	717
Investing activities		
Investment in property, plant and equipment and intangible assets	**(447)**	(459)
Proceeds from settlement related to acquired natural gas-fired assets *(Note 18)*	**220**	-
Cash flow used in investing activities	**(227)**	(459)
Financing activities		
Net (repayment) issuance of short-term debt *(Note 7)*	**(638)**	261
Net proceeds from issuance of long-term debt *(Note 6)*	**494**	401
Repayment of long-term debt *(Note 6)*	**(66)**	(289)
Distribution to non-controlling interest	**(5)**	(5)
Cash flow (used in) provided by financing activities	**(215)**	368
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**(1)**	4
Net increase in cash, cash equivalents and restricted cash	**109**	630
Cash, cash equivalents and restricted cash, beginning of period	**725**	498
Cash, cash equivalents and restricted cash, end of period	**834**	1,128

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *(millions of dollars)*	**March 31 2021**	**December 31 2020**
Assets		
Current assets		
Cash, cash equivalents and restricted cash *(Note 4)*	**834**	725
Equity securities	**170**	172
Receivables from related parties	**489**	492
Nuclear fixed asset removal and nuclear waste management funds	**28**	46
Fuel inventory	**275**	236
Materials and supplies	**91**	92
Regulatory assets *(Note 5)*	**400**	533
Prepaid expenses	**142**	145
Other current assets	**148**	114
	2,577	2,555
Property, plant and equipment	**40,813**	40,555
Less: accumulated depreciation	**10,981**	10,745
	29,832	29,810
Intangible assets	**785**	783
Less: accumulated amortization	**327**	312
	458	471
Goodwill	**159**	162
Other assets		
Nuclear fixed asset removal and nuclear waste management funds	**19,253**	19,050
Loan receivable from related party	**912**	913
Long-term materials and supplies	**410**	404
Regulatory assets *(Note 5)*	**8,608**	8,571
Investments subject to significant influence	**37**	37
Other long-term assets	**106**	100
	29,326	29,075
	62,352	62,073

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *(millions of dollars)*	**March 31 2021**	**December 31 2020**
Liabilities		
Current liabilities		
Accounts payable, accrued charges and other payables	**1,286**	1,257
Short-term debt *(Note 7)*	**414**	1,050
Long-term debt due within one year *(Note 6)*	**463**	439
Regulatory liabilities *(Note 5)*	**200**	266
	2,363	3,012
Long-term debt *(Note 6)*	**9,290**	8,893
Other liabilities		
Fixed asset removal and nuclear waste management liabilities *(Note 8)*	**23,165**	22,947
Pension liabilities	**4,937**	5,005
Other post-employment benefit liabilities	**3,426**	3,406
Long-term accounts payable and accrued charges	**358**	269
Deferred revenue	**389**	391
Deferred income taxes	**1,433**	1,379
Regulatory liabilities *(Note 5)*	**1,182**	1,239
	34,890	34,636
Equity		
Common shares *(Note 13)*	**5,126**	5,126
Class A shares *(Note 13)*	**787**	787
Contributed surplus	**35**	36
Retained earnings	**10,069**	9,779
Accumulated other comprehensive loss *(Note 9)*	**(386)**	(374)
Equity attributable to the Shareholder	**15,631**	15,354
Equity attributable to non-controlling interest	**178**	178
Total equity	**15,809**	15,532
	62,352	62,073

Commitments and Contingencies *(Notes 6, 7, 10 and 15)*

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (UNAUDITED)

Three Months Ended March 31 *(millions of dollars)*	**2021**	**2020**
Common shares *(Note 13)*	**5,126**	5,126
Class A shares *(Note 13)*	**787**	787
Contributed surplus		
Balance at beginning of period	**36**	39
Reclassification to income of amounts related to gain on deconsolidation of Fair Hydro Trust	**(1)**	-
Balance at end of period	**35**	39
Retained earnings		
Balance at beginning of period	**9,779**	8,418
Net income attributable to the Shareholder	**290**	309
Balance at end of period	**10,069**	8,727
Accumulated other comprehensive loss, net of income taxes *(Note 9)*		
Balance at beginning of period	**(374)**	(277)
Other comprehensive (loss) income	**(12)**	149
Balance at end of period	**(386)**	(128)
Equity attributable to the Shareholder	**15,631**	14,551
Equity attributable to non-controlling interest		
Balance at beginning of period	**178**	182
Income attributable to non-controlling interest	**5**	4
Distribution to non-controlling interest	**(5)**	(5)
Balance at end of period	**178**	181
Total equity	**15,809**	14,732

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2021 and 2020

1. BASIS OF PRESENTATION

These interim consolidated financial statements for the three months ended March 31, 2021 and 2020 include the accounts of Ontario Power Generation Inc. (OPG or the Company) and its subsidiaries. The Company consolidates its interest in entities over which it is able to exercise control and attributes the results to its sole shareholder, the Province of Ontario (the Province or the Shareholder). These interim consolidated financial statements have been prepared and presented in accordance with United States generally accepted accounting principles (US GAAP). These interim consolidated financial statements do not contain all of the disclosures required by US GAAP for annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2020.

As required by *Ontario Regulation 395/11,* as amended, under the *Financial Administration Act (Ontario)*, OPG adopted US GAAP for the presentation of its consolidated financial statements, effective January 1, 2012. Since January 1, 2012, OPG also has received exemptive relief from the Ontario Securities Commission (OSC) from the requirements of section 3.2 of National Instrument 52-107, *Acceptable Accounting Policies and Auditing Standards*. The exemption allows OPG to file consolidated financial statements prepared in accordance with US GAAP, rather than International Financial Reporting Standards (IFRS), without becoming a US Securities and Exchange Commission registrant.

In April 2018, OPG received an extension to its previous exemptive relief from the OSC. The exemptive relief will terminate on the earliest of the following:

- January 1, 2024;
- The financial year that commences after OPG ceases to have activities subject to rate regulation; or
- The effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within IFRS specific to entities with rate regulated activities.

All dollar amounts are presented in Canadian dollars, unless otherwise noted. Certain 2020 comparative amounts have been reclassified from consolidated financial statements previously presented to conform to the 2020 consolidated financial statement presentation.

Seasonal Variations

OPG's quarterly electricity generation from the Regulated – Hydroelectric Generation, Contracted Hydroelectric and Other Generation, and Contracted Gas Generation business segments is affected by changes in grid-supplied electricity demand. Changes in grid-supplied electricity demand are primarily caused by variations in seasonal weather conditions, changes in economic conditions, the impact of small-scale generation embedded in distribution networks, and the impact of conservation efforts. Historically, there has been greater electricity demand in Ontario during the winter and summer months due to heating and air conditioning demands.

OPG's quarterly electricity generation from hydroelectric facilities is impacted by weather conditions that affect water flows. Historically, there have been higher water flows in the second quarter as a result of snow and ice melt entering the river systems. The financial impact of variability in water flows on the Regulated – Hydroelectric Generation business segment is mitigated by regulatory variance and deferral accounts (regulatory accounts) authorized by the Ontario Energy Board (OEB).

The financial impact of variability in electricity generation from the Contracted Hydroelectric and Other Generation business segment and the Contracted Gas Generation business segment is mitigated by the terms of the applicable Energy Supply Agreements with the Independent Electricity System Operator (IESO) and other long-term contracts for the contracted generating facilities in Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies followed in the presentation of these interim consolidated financial statements are consistent with those of the previous fiscal year.

Recent Accounting Pronouncements Not Yet Adopted

Changes to Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), an update to Topic 326, *Financial Instruments – Credit Losses*. ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses to be deducted from the amortized cost basis of the asset. Available-for-sale debt securities will also require the use of an allowance to record estimated credit losses. In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses,* which clarified that ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The revised guidance will be applied through a cumulative catch-up adjustment to retained earnings in the period of adoption. OPG continues to assess the impact of this update to its consolidated financial statements.

3. AGREEMENT TO ACQUIRE US HYDROELECTRIC PLANT

In February 2021, OPG entered into an agreement to acquire, through OPG Eagle Creek Holdings LLC (Eagle Creek), a 48 megawatts hydroelectric facility in the US for approximately US$90 million, subject to customary working capital and other adjustments. The closing of the transaction is subject to approval by the Federal Energy Regulatory Commission.

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash consist of the following:

As at *(millions of dollars)*	**March 31 2021**	**December 31 2020**
Cash and cash equivalents	**819**	717
Restricted cash	**15**	8
Total cash, cash equivalents and restricted cash	**834**	725

Restricted cash is held primarily for prescribed purposes, including debt service, general collateral purposes and other contractual arrangements.

5. REGULATORY ASSETS AND REGULATORY LIABILITIES

The regulatory assets and regulatory liabilities consist of the following:

As at *(millions of dollars)*	**March 31 2021**	**December 31 2020**
Regulatory assets		
Variance and deferral accounts authorized by the OEB		
Pension & OPEB Cash Versus Accrual Differential Deferral Account	**929**	921
Pension and OPEB Cost Variance Account	**279**	350
Hydroelectric Surplus Baseload Generation Variance Account	**468**	481
Bruce Lease Net Revenues Variance Account	**157**	166
Rate Smoothing Deferral Account	**514**	508
Other variance and deferral accounts [1]	**51**	42
	2,398	2,468
Pension and OPEB Regulatory Asset *(Note 10)*	**5,133**	5,199
Deferred Income Taxes	**1,477**	1,437
Total regulatory assets	**9,008**	9,104
Less: current portion	**400**	533
Non-current regulatory assets	**8,608**	8,571
Regulatory liabilities		
Variance and deferral accounts authorized by the OEB		
Pension & OPEB Cash Payment Variance Account	**485**	481
Hydroelectric Water Conditions Variance Account	**241**	240
Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account	**353**	416
Capacity Refurbishment Variance Account	**122**	161
Other variance and deferral accounts [2]	**181**	207
Total regulatory liabilities	**1,382**	1,505
Less: current portion	**200**	266
Non-current regulatory liabilities	**1,182**	1,239

[1] Represents amounts for the Nuclear Liability Deferral Account, the Hydroelectric Deferral and Variance Over/Under Recovery Variance Account, the Nuclear Development Variance Account, the Fitness for Duty Deferral Account, the Impact Resulting from Optimization of Pickering Station End-of-Life Dates Deferral Account, the Pickering Closure Costs Deferral Account and the Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account.

[2] Represents amounts for the Ancillary Services Net Revenue Variance Account, the Nuclear Deferral and Variance Over/Under Recovery Variance Account, the Income and Other Taxes Variance Account, the Hydroelectric Incentive Mechanism Variance Account, the SR&ED ITC Variance Account, the Pension & OPEB Forecast Accrual Versus Actual Cash Payment Differential Carrying Charges Variance Account and the Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account.

In March 2020, the OEB issued an order establishing a deferral account for Ontario's electricity and natural gas distributors to record lost revenues and incremental costs related to the COVID-19 pandemic, effective March 24, 2020. The account applies to Ontario's electricity and natural gas distributors, electricity transmitters and OPG. In May 2020, the OEB commenced an industry-wide consultation process with the objective of assisting in the development of guidance related to the deferral account, including the nature of the costs and revenues to be recorded, rules on the operation of the account and consideration of any additional revenues or offsetting costs savings. In April 2021, the OEB confirmed that there are sufficient differences between OPG and other regulated utilities to warrant an OPG-specific approach to the treatment of any COVID-19 pandemic related matters and that the appropriate ratemaking treatment of any such impacts on OPG should be determined in an OPG proceeding for setting regulated prices. Pending further guidance from the OEB, the Company has not recognized a regulatory asset or regulatory liability related to the deferral account in its consolidated financial statements.

6. LONG-TERM DEBT AND NET INTEREST EXPENSE

Long-term debt consist of the following:

As at *(millions of dollars)*	**March 31 2021**	**December 31 2020**
Senior notes payable to the Ontario Electricity Financial Corporation	**2,835**	2,875
Medium Term Note Program senior notes	**4,350**	3,850
UMH Energy Partnership senior notes	**172**	172
PSS Generating Station Limited Partnership senior notes	**245**	245
Lower Mattagami Energy Limited Partnership senior notes	**1,595**	1,595
Brighton Beach Power Limited Partnership senior notes	**81**	86
Eagle Creek and its subsidiaries senior notes	**467**	493
Other	**25**	25
	9,770	9,341
Less: net fair value premium	**19**	24
Less: unamortized bond issuance fees	**(36)**	(33)
Less: amounts due within one year	**(463)**	(439)
Long-term debt	**9,290**	8,893

OPG repaid long-term debt of $40 million to the Ontario Electricity Financial Corporation (OEFC) during the three months ended March 31, 2021.

On February 2, 2021, OPG issued $500 million of bonds under the Company's Medium Term Note Program, maturing in February 2051 with a coupon interest rate of 2.95 percent.

On May 14, 2021, OPG's wholly-owned Lower Mattagami Energy Limited Partnership (LME) completed a private placement bond offering with the issuance of $375 million of green bonds, maturing in May 2031 with a coupon interest rate of 2.43 percent.

Net Interest Expense

The following table summarizes the net interest expense:

	Three Months Ended March 31	
(millions of dollars)	**2021**	**2020**
Interest on long-term debt	**95**	89
Interest on short-term debt	**2**	4
Interest income	**(9)**	(12)
Interest capitalized to property, plant and equipment and intangible assets	**(16)**	(61)
Interest related to regulatory assets and regulatory liabilities [1]	**(12)**	32
Net interest expense	**60**	52

[1] Includes interest to recognize the cost of financing regulatory account balances as authorized by the OEB, and interest costs deferred in certain regulatory accounts.

7. SHORT-TERM DEBT

Committed credit facilities and maturity dates as at March 31, 2021 were as follows:

(millions of dollars)		Amount	Maturity
Bank facilities:			
Corporate		**1,000**	May 2023 and May 2024 [1]
Corporate	US Dollars	**750**	November 2021 [2]
Lower Mattagami Energy Limited Partnership		**400**	August 2022 and August 2024 [3]
Eagle Creek	US Dollars	**25**	August 2022 and October 2028 [4]
OEFC facility [5]		**300**	December 2021

[1] $50 million of the total credit facility matures in May 2023 and $950 million matures in May 2024.
[2] Credit facility contains a sustainability-linked feature that allows reduced credit pricing if the Company meets certain sustainability targets. The facility has a one-year extension option beyond the maturity date of November 2021.
[3] Of the total credit facility, $100 million matures in August 2022 and $300 million matures in August 2024. A letter of credit of $55 million was outstanding under this facility as at March 31, 2021 (December 31, 2020 – $55 million).
[4] Of the total credit facility, $5 million matures in August 2022 and $20 million matures in October 2028. The facilities are entered into by US-based wholly-owned subsidiaries of Eagle Creek.
[5] Represents amounts available under the facility, net of debt issuances.

Short-term debt consisted of the following:

As at *(millions of dollars)*	March 31 2021	December 31 2020
Lower Mattagami Energy Limited Partnership	**162**	131
Corporate commercial paper	**252**	919
Total short-term debt	**414**	1,050

As of March 31, 2021, a total of $600 million of Letters of Credit had been issued (December 31, 2020 – $607 million). As of March 31, 2021, this included $428 million for the supplementary pension plans, $51 million for Eagle Creek and its subsidiaries, $55 million for LME, $43 million for general corporate purposes, $16 million for UMH Energy Partnership, $6 million for Atura Power, and $1 million for PSS Generating Station Limited Partnership.

For the three months ended March 31, 2021, net repayment of short-term debt totalled $638 million (March 31, 2020 – net issuance of $261 million), which was comprised of issuances of $1,018 million (March 31, 2020 – $1,920 million) and repayments of $1,656 million (March 31, 2020 – $1,659 million).

The weighted average interest rate on the short-term debt as of March 31, 2021 is 0.22 percent (December 31, 2020 – 0.29 percent).

8. NUCLEAR FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT LIABILITIES

Liabilities for fixed asset removal and nuclear waste management on a present value basis consist of the following:

As at *(millions of dollars)*	March 31 2021	December 31 2020
Liability for used nuclear fuel management	**13,728**	13,589
Liability for nuclear decommissioning and nuclear low and intermediate level waste management	**9,110**	9,032
Liability for non-nuclear fixed asset removal	**327**	326
Fixed asset removal and nuclear waste management liabilities	**23,165**	22,947

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in the balance of each component of accumulated other comprehensive loss (AOCL), net of income taxes, were as follows:

	Three Months Ended March 31, 2021			
(millions of dollars)	**Unrealized Gains and Losses on Cash Flow Hedges**	**Pension and OPEB**	**Currency Translation Adjustment**	**Total**
AOCL, beginning of the period	**(18)**	**(296)**	**(60)**	**(374)**
Translation of foreign operations	**-**	**-**	**(20)**	**(20)**
Amounts reclassified from AOCL	**3**	**5**	**-**	**8**
Other comprehensive income (loss) for the period	**3**	**5**	**(20)**	**(12)**
AOCL, end of the period	**(15)**	**(291)**	**(80)**	**(386)**

	Three Months Ended March 31, 2020			
(millions of dollars)	**Unrealized Gains and Losses on Cash Flow Hedges**	**Pension and OPEB**	**Currency Translation Adjustment**	**Total**
AOCL, beginning of the period	(33)	(213)	(31)	(277)
Translation of foreign operations	-	-	143	143
Amounts reclassified from AOCL	3	3	-	6
Other comprehensive income for the period	3	3	143	149
AOCL, end of the period	(30)	(210)	112	(128)

The significant amounts reclassified out of each component of AOCL, net of income taxes, were as follows:

	Amount Reclassified from AOCL for the Three Months Ended March 31		
(millions of dollars)	**2021**	**2020**	**Statement of Income Line Item**
Amortization of losses from cash flow hedges			
Losses	**3**	4	Net interest expense
Income tax recovery	**-**	(1)	Income tax expense
	3	3	
Amortization of amounts related to pension and OPEB			
Actuarial losses	**6**	4	See (1) below
Income tax recovery	**(1)**	(1)	Income tax expense
	5	3	
Total reclassifications for the period	**8**	6	

[1] These AOCL components are included in the computation of pension and OPEB costs (see Note 10 for additional details).

Existing pre-tax net losses for derivatives of $12 million deferred in AOCL as at March 31, 2021 are expected to be reclassified to net income within the next 12 months.

10. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

OPG's pension and other post-employment benefit (OPEB) costs for the three months ended March 31, 2021 and 2020 are as follows:

	Registered Pension Plans		Supplementary Pension Plans		Other Post-Employment Benefits	
(millions of dollars)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Components of Cost Recognized for the period						
Current service costs	**92**	85	**2**	2	**23**	22
Interest on projected benefit obligation	**106**	133	**2**	3	**20**	24
Expected return on plan assets, net of expenses	**(215)**	(218)	**-**	-	**-**	-
Amortization of net actuarial loss [1]	**68**	40	**2**	2	**2**	-
Costs recognized [2]	**51**	40	**6**	7	**45**	46

[1] The amortization of net actuarial loss is recognized as an increase to other comprehensive income. This increase for the three months ended March 31, 2021 was partially offset by a decrease in the Pension and OPEB Regulatory Asset of $66 million (three months ended March 31, 2020 – $38 million).

[2] Pension and OPEB costs for the three months ended March 31, 2021 exclude the net addition of costs of $13 million resulting from the recognition of changes in the regulatory assets for the Pension & OPEB Cash Versus Accrual Differential Deferral Account and the Pension & OPEB Cash Payment Variance Account (three months ended March 31, 2020 – net addition of costs of $17 million).

11. RISK MANAGEMENT AND DERIVATIVES

OPG is exposed to risks related to changes in market interest rates on debt, movements in foreign currency that affect the Company's assets, liabilities and forecasted transactions, and fluctuations in commodity prices. Select derivative instruments are used to manage such risks. Derivatives are used as hedging instruments, as well as for trading purposes.

Interest Rates

Interest rate risk is the risk that the value of assets and liabilities can change due to movements in interest rates. Interest rate risk for OPG arises with the need to refinance existing debt or undertake new financing. The management of these risks includes using derivatives to hedge the exposure in accordance with corporate risk management policies. OPG periodically uses interest rate swap agreements to mitigate elements of interest rate risk exposure associated with anticipated financing.

Foreign Exchange

OPG's financial results are exposed to volatility in the Canadian/US foreign exchange rate as debt issuances, fuels and certain materials and services purchased for generating stations and major development projects may be denominated in, or tied to, US dollars. To manage this risk, the Company employs various financial instruments such as forwards and other derivative contracts, in accordance with approved corporate risk management policies. Additionally, volatility in the Canadian/US foreign exchange rate also impacts OPG's financial results from certain of its subsidiaries, whose operations are based exclusively in the United States.

Commodity Prices

OPG is exposed to fluctuations in commodity prices. Changes in the market prices of nuclear fuels, oil, gas and biomass used to produce electricity can adversely impact OPG's earnings and cash flow from operations. To manage the risk of unpredictable increases in the price of fuels, the Company has fuel hedging programs, which include using fixed price and indexed contracts.

A number of OPG's hydroelectric facilities in the US sell energy and capacity into the wholesale electricity market and therefore are subject to volatility of wholesale electricity market pricing. While revenue from these facilities represents a small portion of OPG's overall revenue, the Company may enter into derivative instruments from time to time to further mitigate this risk.

Credit

The Company's credit risk exposure is primarily a function of its electricity and other sales. The majority of OPG's revenue is derived from electricity sales through the IESO administered market in Ontario. Market participants in the IESO market provide collateral in accordance with the IESO prudential support requirements to cover funds that they might owe to the market. Although the credit exposure to the IESO represents a significant portion of OPG's accounts receivable, the risk is considered acceptable due to the IESO's primary role in the Ontario electricity market. The remaining receivables exposure is to a diverse group of generally high quality counterparties. OPG's allowance for doubtful accounts was $1 million as at March 31, 2021 and December 31, 2020.

The fair value of the derivative instruments totalled a net liability of $11 million as at March 31, 2021 (December 31, 2020 − $14 million).

12. FAIR VALUE MEASUREMENTS

OPG is required to classify fair value measurements using a fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels, based on the inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: Valuation of inputs is based on unadjusted quoted market prices observed in active markets for identical assets or liabilities.
- Level 2: Valuation is based on inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Valuation is based on inputs for the asset or liability that are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted market prices as at the consolidated balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by OPG is the current bid price. These instruments are included in Level 1 and are comprised primarily of equity investments and fund investments.

For financial instruments for which quoted market prices are not directly available, fair values are estimated using forward price curves developed from observable market prices or rates. The estimation of fair value may include the use of valuation techniques or models, based wherever possible on assumptions supported by observable market prices or rates prevailing as at the consolidated balance sheet dates. This is the case for over-the-counter derivatives and securities, which include energy commodity derivatives, foreign exchange derivatives, interest rate swap derivatives and fund investments. Various other fund investments are valued at the unit values supplied by the fund administrators. The unit values represent the underlying net assets at fair values, determined using closing market prices. Valuation models use general assumptions and market data and, therefore, do not reflect the specific risks and other factors that would affect a particular instrument's fair value. The methodologies used for calculating the fair value adjustments are reviewed on an ongoing basis to ensure that they remain appropriate. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques are used to value these instruments. Significant Level 3 inputs include: recent comparable transactions, comparable benchmark information, bid/ask spread of similar transactions and other relevant factors.

OPG's financial instruments and their fair value as at March 31, 2021 and December 31, 2020 consist of the following:

	Fair Value		**Carrying Value [1]**		
(millions of dollars)	**2021**	**2020**	**2021**	**2020**	**Balance Sheet Line Item**
Nuclear Segregated Funds (includes current portion) [2]	**19,281**	19,096	**19,281**	19,096	Nuclear fixed asset removal and nuclear waste management funds
Loan receivable – from Fair Hydro Trust	**929**	1,017	**912**	913	Loan receivable
Investment in Hydro One Limited shares	**170**	172	**170**	172	Equity securities
Payable related to cash flow hedges	**(14)**	(16)	**(14)**	(16)	Long-term accounts payable and accrued charges
Long-term debt (includes current portion)	**(10,696)**	(11,160)	**(9,753)**	(9,332)	Long-term debt
Other financial instruments	**38**	30	**38**	30	Various

[1] The carrying values of other financial instruments included in cash and cash equivalents, receivables from related parties, other current assets, short-term debt, and accounts payable, accrued charges and other payables approximate their fair values due to the immediate or short-term maturity of these financial instruments.
[2] The Nuclear Segregated Funds are comprised of the Decommissioning Segregated Fund and the Used Fuel Segregated Fund. OPG's fair value of the Nuclear Segregated Funds is set not to exceed an amount equal to the funding liability pursuant to the ONFA when the Nuclear Segregated Funds are in a surplus position.

The fair value of OPG's long-term debt issued under the Medium Term Note Program is based on indicative pricing from the market. The fair value of these debt instruments is based on Level 2 inputs. The fair value of all other long-term debt instruments is determined based on a conventional pricing model, which is a function of future cash flows, the current market yield curve and term to maturity. These inputs are considered Level 2 inputs.

The following tables present financial assets and financial liabilities measured at fair value in accordance with the fair value hierarchy:

As at	**March 31, 2021**			
(millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Used Fuel Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	**6,673**	**5,757**	**-**	**12,430**
Investments measured at NAV [1]				**2,303**
				14,733
Due to Province				**(3,792)**
Used Fuel Segregated Fund, net				**10,941**
Decommissioning Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	**5,156**	**4,297**	**-**	**9,453**
Investments measured at NAV [1]				**1,831**
				11,284
Due to Province				**(2,944)**
Decommissioning Segregated Fund, net				**8,340**
Equity securities	**170**	**-**	**-**	**170**
Other financial assets	**-**	**1**	**53**	**54**
Liabilities				
Other financial liabilities	**(16)**	**-**	**-**	**(16)**

As at	**December 31, 2020**			
(millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Used Fuel Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	6,660	5,780	-	12,440
Investments measured at NAV [1]				2,176
				14,616
Due to Province				(3,765)
Used Fuel Segregated Fund, net				10,851
Decommissioning Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	5,144	4,315	-	9,459
Investments measured at NAV [1]				1,735
				11,194
Due to Province				(2,949)
Decommissioning Segregated Fund, net				8,245
Equity securities	172	-	-	172
Other financial assets	1	1	46	48
Liabilities				
Other financial liabilities	(18)	-	-	(18)

[1] Represents investments measured at fair value using NAV as a practical expedient, which have not been classified in the fair value hierarchy. The fair value amounts for these investments presented in this table are intended to permit the reconciliation of the fair value hierarchy to amounts presented on the interim consolidated balance sheets.

During the three months ended March 31, 2021, there were no transfers between Level 1 and Level 2 and into or out of Level 3.

The changes in the net assets measured at fair value that are classified as Level 3 financial instruments for the three months ended March 31, 2021 were as follows:

(millions of dollars)	**Other financial instruments**
Opening balance, January 1, 2021	**46**
Unrealized gains included in revenue	**5**
Realized losses included in revenue	**(1)**
Purchases	**3**
Closing balance, March 31, 2021	**53**

Investments Measured at Net Asset Value

Nuclear Segregated Funds

Nuclear Segregated Funds' investments classified as Level 3 consist of real estate, infrastructure, and agriculture investments within the alternative investment portfolio. The fair value of these investments is determined using financial information as provided by the general partners of the limited partnership funds in which the Nuclear Segregated Funds are invested. Direct investments are valued using appropriate valuation techniques, such as recent arm's-length market transactions, references to current fair values of other instruments that are substantially the same, discounted cash flow analyses, third-party independent appraisals, valuation multiples, or other valuation methods. Any control, size, liquidity or other discount premiums on the investments are considered in the determination of fair value.

The process of valuing investments for which no published market price exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for these investments. The values may also differ from the prices at which the investments may be sold.

The classes of investments within the Nuclear Segregated Funds that are reported on the basis of Net Asset Value (NAV) as at March 31, 2021 were as follows:

(millions of dollars except where noted)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice**
Real Assets				
Infrastructure	**2,390**	**648**	**n/a**	**n/a**
Real Estate	**1,579**	**1,007**	**n/a**	**n/a**
Agriculture	**165**	**16**	**n/a**	**n/a**
Pooled Funds				
Short-term Investments	**24**	**n/a**	**Daily**	**1-5 days**
Fixed Income	**2,107**	**n/a**	**Daily**	**1-5 days**
Equity	**1,080**	**n/a**	**Daily**	**1-5 days**
Total	**7,345**	**1,671**		

The fair value of the pooled funds is classified as Level 2. Infrastructure, real estate and agriculture investments are measured using NAV as a practical expedient for determining their fair value.

Infrastructure

This class includes investments in funds whose investment objective is to generate a combination of long-term capital appreciation and current income, generally through investments such as energy, transportation and utilities. The fair values of investments in this class have been estimated using NAV of the Nuclear Segregated Funds' ownership interest in these investments. The ownership interest in the respective funds are not redeemable. However, the Nuclear Segregated Funds may transfer any of their ownership interests to another party, as stipulated in the partnership agreements and/or shareholders' agreements. Cash distributions are received based on the operations of the underlying investments and/or as the underlying investments are liquidated. It is not possible to estimate when the underlying assets of the infrastructure funds in this class will be liquidated.

Real Estate

This class includes investments in institutional-grade real estate property. The investment objective is to provide a stable level of income with an opportunity for long-term capital appreciation. The fair values of the investments in this class have been estimated using NAV of the Nuclear Segregated Funds' ownership interest in these investments. The investments in the respective funds are not redeemable. However, the Nuclear Segregated Funds may transfer any of their ownership interests to another party, as stipulated in the partnership agreements and/or shareholders' agreements. For investments in private real estate corporations, shares may be redeemed through a pre-established redemption process. Cash distributions are received based on the operations of the underlying investments and/or as the underlying investments are liquidated. It is not possible to estimate when the underlying assets in this class will be liquidated.

Agriculture

This class includes a diversified portfolio of global farmland investments. The investment objective is to provide a differentiated return source, income yield and inflation protection. The fair values of the investments in this class have been estimated using NAV of the Nuclear Segregated Funds' ownership interest in these investments. The investments in the respective funds are not redeemable. However, the Nuclear Segregated Funds may transfer any of their ownership interests to another party, as stipulated in the partnership agreements and/or shareholders' agreements. Cash distributions are received based on the operations of the underlying investments and/or as the underlying investments are liquidated. It is not possible to estimate when the underlying assets in this class will be liquidated.

Pooled Funds

This class represents investments in pooled funds, which primarily include a diversified portfolio of fixed income securities, issued mainly by Canadian corporations, and diversified portfolios of Emerging Market listed equity. The investment objective of the pooled funds is to achieve capital appreciation and income through professionally managed portfolios. The fair value of the investments in this class has been estimated using NAV per share of the investments. There are no significant restrictions on the ability to sell the investments in this class.

13. SHARE CAPITAL

Common Shares

As at March 31, 2021 and December 31, 2020, OPG had 256,300,010 common shares issued and outstanding at a stated value of $5,126 million. OPG is authorized to issue an unlimited number of common shares without nominal or par value. Any issue of new shares is subject to the consent of OPG's shareholder, the Province.

Class A Shares

The Company's Articles of Amalgamation were amended effective December 1, 2017 to allow for the creation and issuance of non-voting Class A shares to the Province in exchange for equity injections in OPG. All of the outstanding shares are owned directly by the Province and OPG is authorized to issue an unlimited number of Class A shares without nominal or par value. The Class A and common shares rank equally as to entitlement to dividends, and all dividends declared by OPG must be declared in equal amounts per share on all outstanding shares without preference or distinction. Upon the liquidation, dissolution or wind-up of OPG, whether voluntary or involuntary, the holders of Class A shares and common shares are entitled to share equally, on a share for share basis, in all distributions of property and assets without preference or distinction. Any issue of new class of shares is subject to the consent of the Province. OPG is entitled to redeem outstanding Class A shares as may be approved by OPG's Board of Directors.

As at March 31, 2021 and December 31, 2020, OPG had 18,343,815 Class A shares issued and outstanding at a stated value of $787 million.

14. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing net income attributable to the Shareholder by the weighted average number of shares outstanding.

Class A shares are included in the weighted average number of shares outstanding. The weighted average number of shares outstanding as at March 31, 2021 and December 31, 2020 was 274.6 million. There were no dilutive securities during the three months ended March 31, 2021 and for the year ended December 31, 2020.

15. COMMITMENTS AND CONTINGENCIES

Litigation

On August 9, 2006, a Notice of Action and Statement of Claim filed with the Ontario Superior Court of Justice in the amount of $500 million was served against OPG and Bruce Power by British Energy Limited and British Energy International Holdings Limited (together, British Energy). The action is for contribution and indemnity of any amounts British Energy was liable for in an arbitration against it by some of the owners of Bruce Power regarding an alleged breach of British Energy's representations and warranties to the claimants when they purchased British Energy's interest in Bruce Power (the Arbitration). Both the action and the Arbitration relate to corrosion to a steam generator unit discovered after OPG leased the Bruce nuclear generating stations to Bruce Power.

In 2012, the arbitrator found that British Energy was liable to the claimants for some of the damages they claimed. The final settlement amount was valued by British Energy at $71 million. In September 2014, British Energy amended its Statement of Claim (Amended Claim) to reduce the claim amount to $100 million to reflect that the purchasers of British Energy's interest in Bruce Power did not receive the full damages they originally claimed in the Arbitration. British Energy also added an allegation to its Amended Claim that OPG breached a covenant to maintain the steam generator between the time of the initial agreement to lease and the effective date of the lease in accordance with "Good Utility Practices".

In November 2016, British Energy obtained consent from the Ontario Superior Court of Justice to a timetable for the remaining steps in the litigation, pursuant to which the matter was to be set down for trial by December 31, 2018. OPG delivered a statement of defence in accordance with an extension of the original June 30, 2017 delivery deadline set up in the timetable. British Energy served a reply and served its Affidavit of Documents in November 2018. The parties exchanged documentary productions in September 2019. An examination for discovery of a representative of British Energy is scheduled for May 27, 2021. A pre-trial is scheduled for May 31, 2021, and a trial is scheduled to commence on November 8, 2021.

Various other legal proceedings are pending against OPG or its subsidiaries covering a wide range of matters that arise in the ordinary course of business activities.

Each of these matters are subject to various uncertainties. Some of these matters may be resolved unfavourably. While it is not possible to determine the ultimate outcome of the various pending actions, it is the Company's belief that their resolution is not likely to have a material adverse impact on its consolidated financial position.

Guarantees

As at March 31, 2021 and December 31, 2020, the total amount of guarantees provided by OPG was $4 million. As at March 31, 2021, the potential impact of the fair value of the outstanding guarantees to income is less than $1 million and OPG does not expect to make any payments associated with these guarantees.

Contractual Obligations

OPG's contractual obligations as at March 31, 2021 were as follows:

(millions of dollars)	**2021**[1]	**2022**	**2023**	**2024**	**2025**	**Thereafter**	**Total**
Fuel supply agreements	118	128	106	46	34	18	450
Contributions to the OPG registered pension plan [2]	142	193	-	-	-	-	335
Long-term debt repayment	391	205	72	616	577	7,909	9,770
Interest on long-term debt	269	351	341	327	313	4,889	6,490
Short-term debt repayment	414	-	-	-	-	-	414
Commitments related to Darlington Refurbishment project [3]	193	-	-	-	-	-	193
Operating licences	33	47	47	48	49	51	275
Operating lease obligations	7	10	7	6	4	19	53
Accounts payable and accrued charges	1,120	-	-	-	-	-	1,120
Other	84	33	11	12	11	99	250
Total	2,771	967	584	1,055	988	12,985	19,350

1 Represents amounts for the remainder of the year.
2 The pension contributions include ongoing funding requirements in accordance with the actuarial valuation of the OPG registered pension plan as at January 1, 2020. The next actuarial valuation of the OPG registered pension plan must have an effective date no later than January 1, 2023. The pension contributions are affected by various factors including market performance, changes in actuarial assumptions, plan experience, changes in the pension regulatory environment and the timing of funding valuations. Funding requirements after 2022 are excluded due to significant variability in the assumptions required to project the timing of future cash flows. The amount of OPG's additional, voluntary contribution, if any, is revisited from time to time.
3 Represents estimated currently committed costs to close the project, including accruals for completed work, demobilization of project staff and cancellation of existing contracts and material orders.

Contractual and commercial commitments as noted exclude certain purchase orders, as they represent purchase authorizations rather than legally binding contracts, and are subject to change without significant penalties.

16. BUSINESS SEGMENTS

In the second quarter of 2020, OPG established the Contracted Gas Generation business segment to describe the operating results related to its fleet of combined-cycle natural gas-fired plants in Ontario operated through a wholly-owned subsidiary operating as Atura Power. The fleet comprises the Napanee, Halton Hills, Portlands Energy Centre and Brighton Beach generating stations. The Napanee generating station (GS), the Halton Hills GS and the remaining 50 percent interest in the Portlands Energy Centre were acquired in the second quarter of 2020, and the remaining 50 percent interest in the Brighton Beach GS was acquired in 2019. Alongside this change, in the second quarter of 2020, the Contracted and Other Generation business segment was renamed Contracted Hydroelectric and Other Generation.

The comparative information for the operating results related to OPG's interests in the Portlands Energy Centre and the Brighton Beach GS, reported in the Contracted and Other Generation business segment prior to the second quarter of 2020, has been reclassified to conform to the current segment presentation.

Segment Income (Loss) For the Three Months Ended March 31, 2021 *(millions of dollars)*	**Regulated**			**Unregulated**				
	Nuclear Generation	**Nuclear Waste Management**	**Hydroelectric Generation**	**Contracted Hydroelectric and Other Generation**	**Contracted Gas Generation**	**Other**	**Elimination**	**Total**
Revenue	**939**	**-**	**388**	**181**	**159**	**5**	**-**	**1,672**
Leasing revenue	**7**	**-**	**-**	**-**	**-**	**4**	**-**	**11**
Other revenue	**-**	**45**	**-**	**-**	**-**	**24**	**(61)**	**8**
Total revenue	**946**	**45**	**388**	**181**	**159**	**33**	**(61)**	**1,691**
Fuel expense	**59**	**-**	**69**	**11**	**45**	**-**	**-**	**184**
Gross margin	**887**	**45**	**319**	**170**	**114**	**33**	**(61)**	**1,507**
Operations, maintenance and administration expenses	**646**	**45**	**92**	**59**	**17**	**14**	**(61)**	**812**
Depreciation and amortization expenses	**145**	**-**	**52**	**37**	**28**	**16**	**-**	**278**
Accretion on fixed asset removal and nuclear waste management liabilities	**-**	**270**	**-**	**2**	**-**	**1**	**-**	**273**
Earnings on nuclear fixed asset removal and nuclear waste management funds	**-**	**(239)**	**-**	**-**	**-**	**-**	**-**	**(239)**
Income from investments subject to significant influence	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**(1)**
Property taxes	**7**	**-**	**-**	**4**	**1**	**1**	**-**	**13**
Other losses (gains)	**-**	**-**	**-**	**2**	**-**	**(5)**	**-**	**(3)**
Income (loss) before interest and income taxes	**89**	**(31)**	**175**	**67**	**68**	**6**	**-**	**374**
Net interest expense								**60**
Income before income taxes								**314**
Income tax expense								**19**
Net income								**295**

Segment Income (Loss) For the Three Months Ended March 31, 2020 *(millions of dollars)*	**Regulated**			**Unregulated**				
	Nuclear Generation	**Nuclear Waste Management**	**Hydroelectric Generation**	**Contracted Hydroelectric and Other Generation**	**Contracted Gas Generation**	**Other**	**Elimination**	**Total**
Revenue	1,121	-	392	174	16	1	-	1,704
Leasing revenue	6	-	-	-	-	5	-	11
Other revenue	-	37	-	-	-	17	(49)	5
Total revenue	1,127	37	392	174	16	23	(49)	1,720
Fuel expense	76	-	67	10	-	-	-	153
Gross margin	1,051	37	325	164	16	23	(49)	1,567
Operations, maintenance and administration expenses	576	37	74	54	3	13	(49)	708
Depreciation and amortization expenses	204	-	54	41	4	11	-	314
Accretion on fixed asset removal and nuclear waste management liabilities	-	261	-	2	-	1	-	264
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(171)	-	-	-	-	-	(171)
Income from investments subject to significant influence	-	-	-	(1)	(7)	-	-	(8)
Property taxes	7	-	-	5	-	-	-	12
Other losses	-	-	-	(1)	-	(3)	-	(4)
Income (loss) before interest and taxes	264	(90)	197	64	16	1	-	452
Net interest expense								52
Income before income taxes								400
Income tax expense								87
Net income								313

17. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

(millions of dollars)	Three Months Ended March 31 2021	2020
Receivables from related parties	**3**	(81)
Fuel inventory	**(40)**	(17)
Materials and supplies	**7**	10
Prepaid expenses	**(23)**	(3)
Other current assets	**5**	(3)
Accounts payable, accrued charges and other payables	**58**	81
Net changes to non-cash working capital balances	**10**	(13)

18. SETTLEMENT AGREEMENT RELATED TO ACQUIRED NATURAL GAS-FIRED ASSETS IN ONTARIO

In April 2020, OPG, under Atura Power, acquired a portfolio of combined-cycle natural gas-fired plants in Ontario from TC Energy Corporation (TC Energy) for approximately $2.8 billion. The transaction was treated as an asset acquisition, as substantially all of the fair value of the assets acquired was concentrated within the plant assets. In connection with the closing of the acquisition, certain post-closing activities at the acquired Napanee GS were identified as an obligation of TC Energy, including remediation of certain plant asset components. The fair value of the property, plant and equipment acquired was recorded on OPG's consolidated balance sheet reflecting future operations of Napanee GS assuming successful remediation of the plant asset components.

Following a period of negotiations, in March 2021, Atura Power and TC Energy executed a settlement agreement for a reduction of $220 million to the purchase price consideration in exchange for the settlement of certain post-closing terms and conditions, including TC Energy's obligations in respect of post-closing activities at the Napanee GS. The proceeds received under the settlement agreement were recorded as a reduction to net assets in the first quarter of 2021, with no immediate income statement impact.

19. COVID-19

The outbreak of the disease caused by a novel strain of coronavirus, identified as COVID-19, since the beginning of 2020 has resulted in governments worldwide enacting a range of emergency measures to combat the spread of the virus. These measures, which have included the implementation of lockdowns, travel bans, self-imposed quarantine periods and physical distancing requirements, have caused material disruption to many businesses globally, resulting in periods of economic slowdown and financial market volatility. Governments and central banks in Canada and the United States have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions and promote economic recovery. The duration and ultimate impact of the COVID-19 pandemic is unknown at this time, as is the ultimate efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and extent of these developments and the impact, if any, on the financial results and condition of the Company and its operating subsidiaries in future periods.