



# Second Quarter 2021 Investor Briefing

August 2021

ONTARIO **POWER**  
GENERATION

Where a brighter  
tomorrow begins.

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This presentation also contains references to certain financial measures (non-GAAP measures) that do not have any standardized meaning prescribed by United States generally accepted accounting principles ("US GAAP") and, therefore, may not be comparable to similar measures presented by other issuers. The Company believes that these measures are important since they provide additional information about OPG's performance, facilitate comparison of results over different periods, and present measures consistent with the Company's strategies to provide value to the Province of Ontario as its sole shareholder, improve cost performance, and ensure availability of cost effective funding. These non-GAAP financial measures have not been presented as an alternative to net income, or any other measure in accordance with US GAAP, but as indicators of operating performance. The definitions and calculations of Enterprise Total Generation Cost per MWh, and Earnings before interest and income taxes are found in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures* of the Company's annual Management's Discussion and Analysis, which is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.opg.com](http://www.opg.com).

# Agenda

Highlights

Energy Industry Leader

1 | Financial and Operating Performance

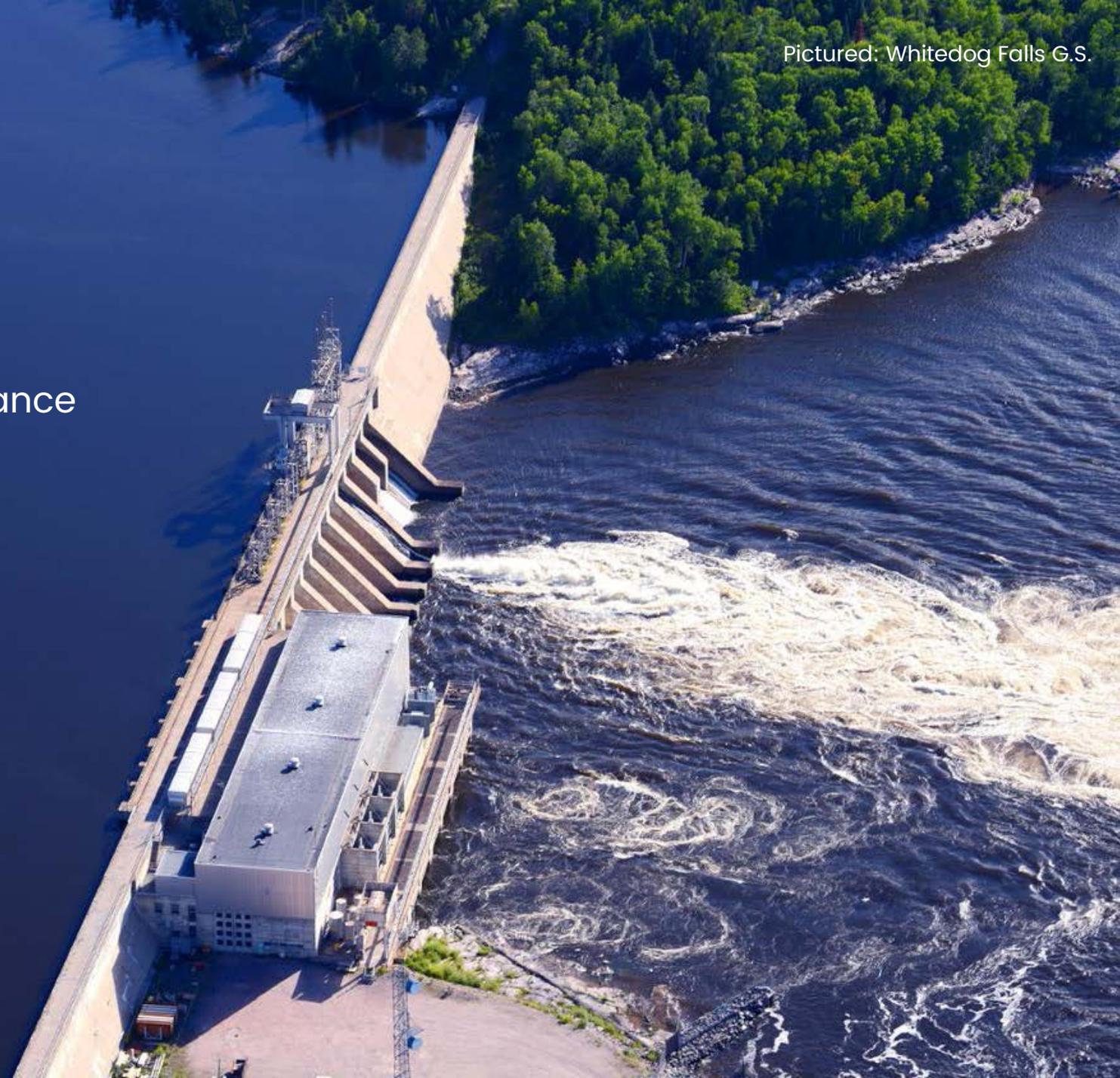
2 | Darlington Refurbishment

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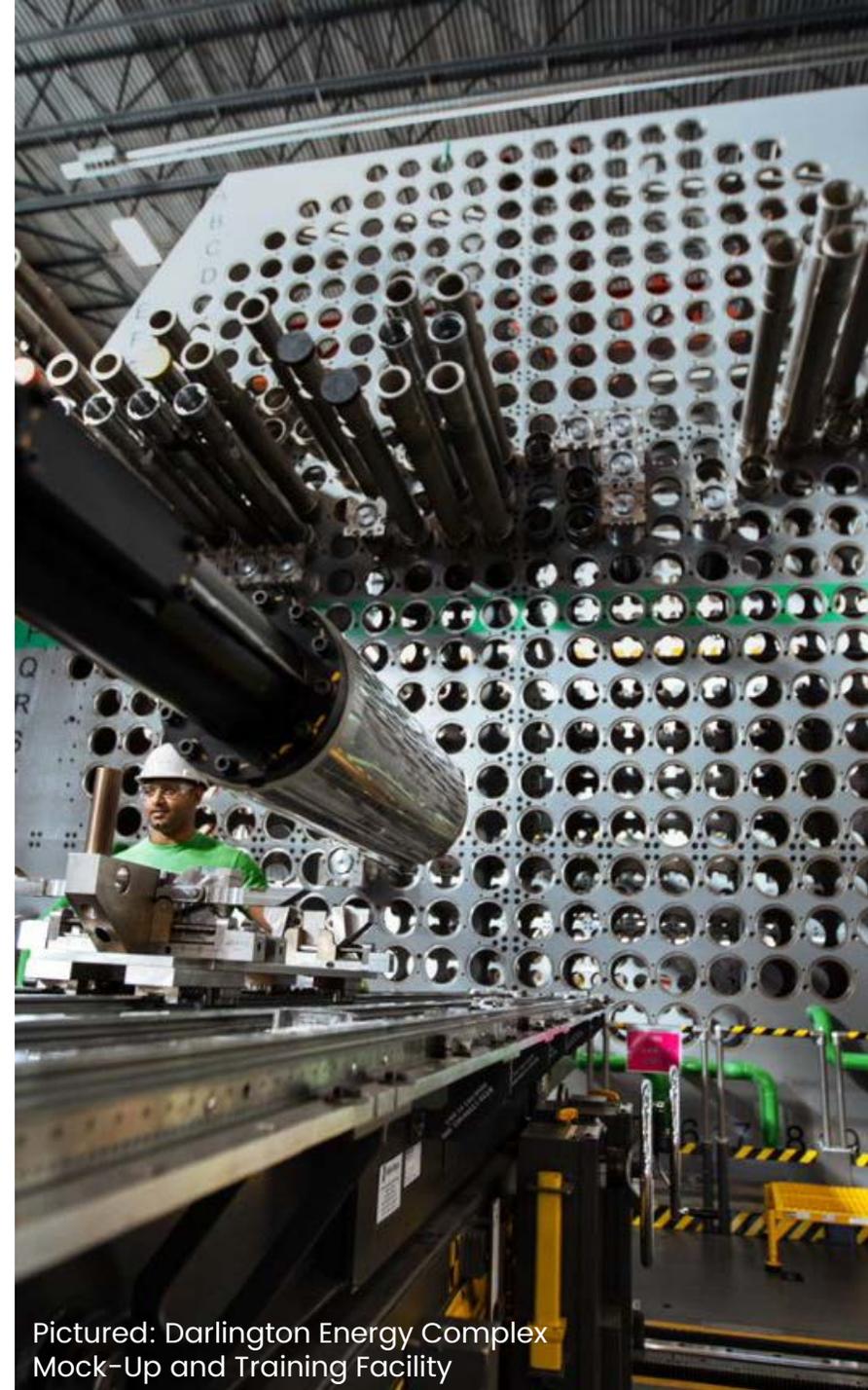
6 | Q&A



# Highlights

Continuing to deliver strong **operational and project performance** while advancing **Climate Change Plan**

- **Unit 3 refurbishment** is progressing on schedule and is currently in the Disassembly segment. An extensive reconditioning of the turbine generator is progressing well as part of the refurbishment.
- Safely managed **low water conditions** by balancing river flows and elevations in accordance with established water management plans.
- The Ontario Energy Board has approved a settlement agreement on most issues in OPG's **five-year rate application**, providing substantial revenue certainty. The new regulated prices will be effective January 1, 2022.
- Continuing to advance our **Climate Change Plan** through investment and innovation, including small modular reactors, electrification, hydroelectric projects and low-carbon hydrogen.



Pictured: Darlington Energy Complex Mock-Up and Training Facility

# Energy Industry Leader

OPG's strategy is to be a **transformational North American clean energy leader** that drives **efficient, economy-wide growth and prosperity for Ontario and beyond**

- Developing **small modular reactors** (SMR) – Advancing regulatory licence applications to host a grid-scale SMR at the Darlington site and, through a joint venture, a demonstrator Micro Modular Reactor™ at the Chalk River site.
- Advancing **transportation sector electrification** – In May 2021, entered into a memorandum of understanding with the Toronto Transit Commission (TTC) and Toronto Hydro to electrify the TTC's bus fleet.
- Investing in **hydroelectric and other renewables** – Advancing projects to add up to 145 MW of hydroelectric generating capacity, and executing on a 20-year, \$2.5-billion turbine and generator overhaul program of existing hydroelectric units.
- Laying groundwork for **low-carbon hydrogen**– Through wholly-owned subsidiary Atura Power, conducted feasibility studies for commercial hydrogen demonstration projects at locations throughout Ontario.





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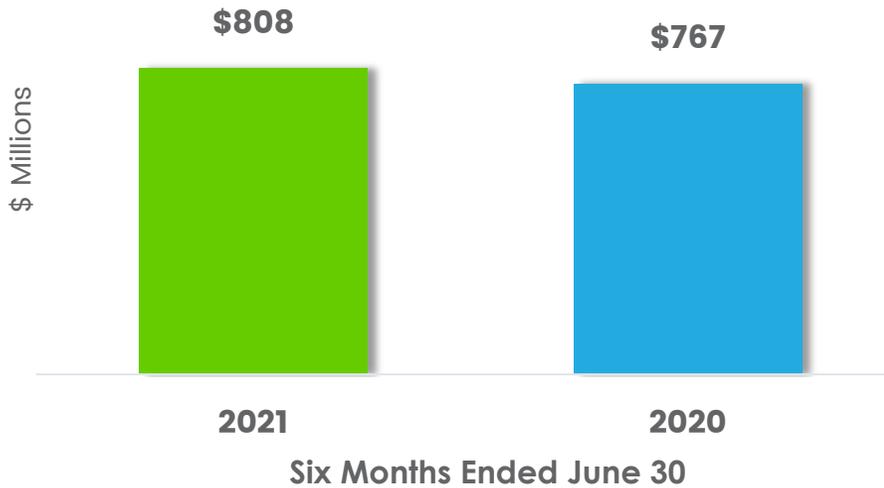
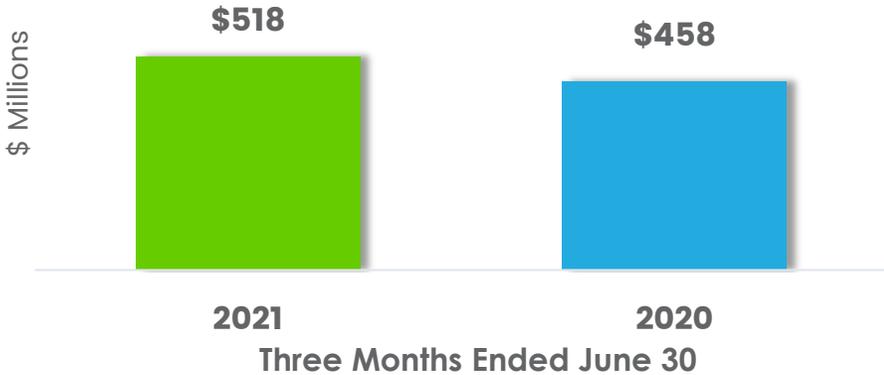
# Financial and Operating Performance

Pictured: Pickering Nuclear G.S. Controls

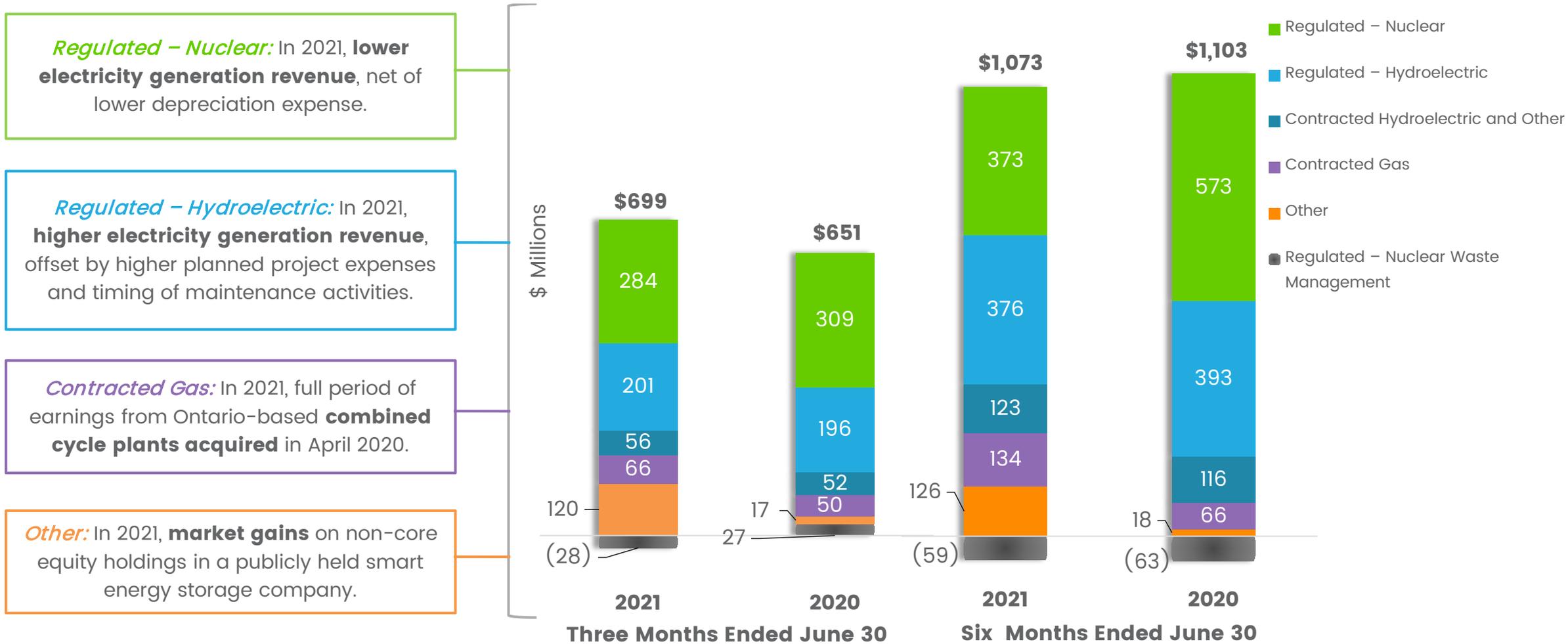
# Net Income Attributable to Shareholder

**Higher net income** in 2021 reflected earnings from non-core activities, including **market gains** on equity holdings in a smart energy storage company that became publicly traded during the second quarter of 2021. The increase was also driven by **lower depreciation expense** due to amounts recorded as recoverable from customers through regulatory accounts.

This was partially offset by lower earnings due to **lower electricity generation** from the nuclear stations, as expected.



# Segment Earnings before Interest and Tax



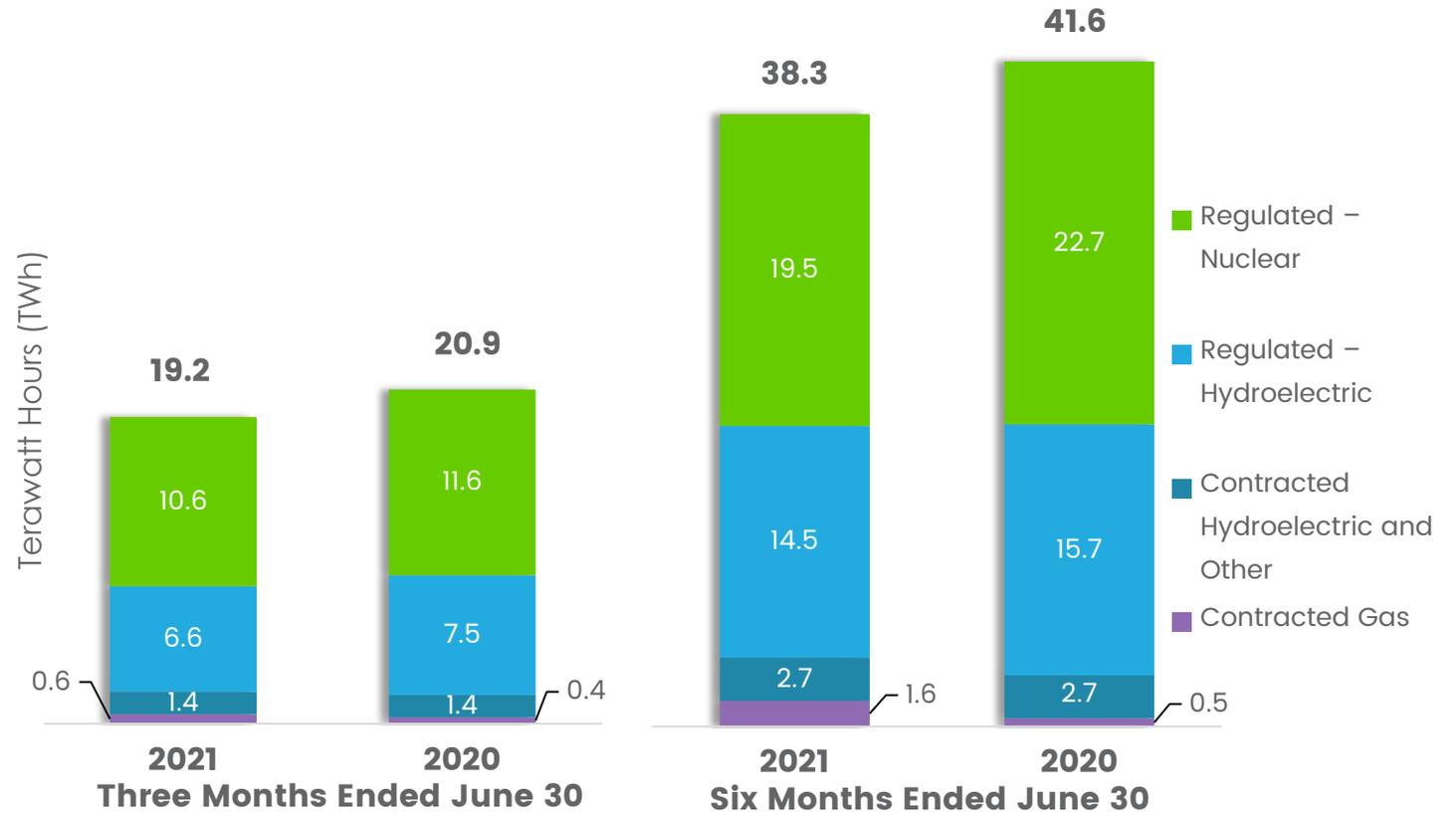
# Electricity Generation

**Regulated – Nuclear Generation:** In 2021, lower electricity generation from the Darlington station due to **deferral of a planned maintenance outage** from 2020 in response to COVID-19, and a full period of **Unit 3 refurbishment** in 2021. In the second quarter of 2020, all four Darlington units were online upon Unit 2 returning to service in early June.

**Regulated – Hydroelectric Generation:** In 2021, lower electricity generation due to **lower water flows** across most of Ontario.

**Contracted Hydroelectric and Other Generation:** In 2021, electricity generation was comparable to prior year.

**Contracted Gas Generation:** In 2021, full period of electricity generation from Ontario-based **combined cycle plants acquired** in April 2020.



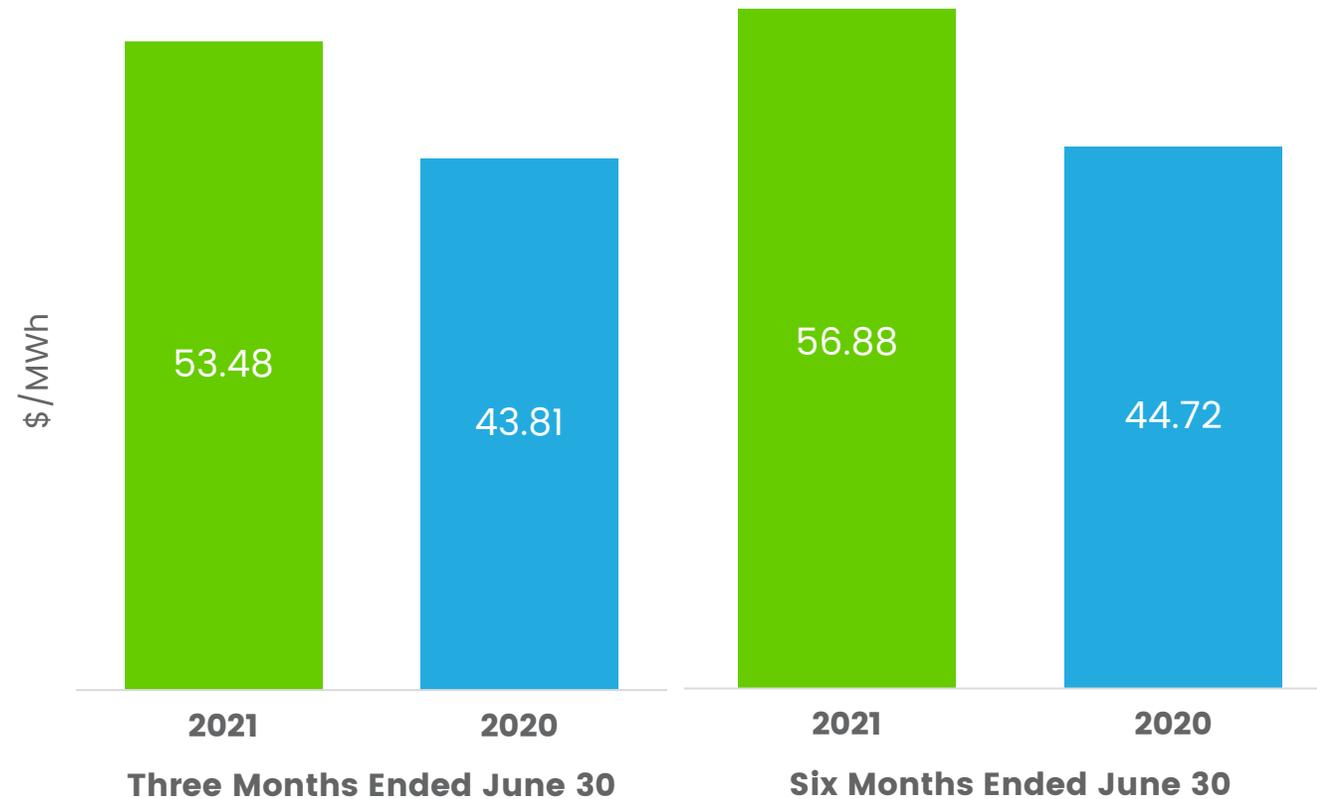
# Enterprise Total Generating Cost (TGC)

A measure of overall cost effectiveness of OPG's generating operations in Ontario, relative to electricity production.

The increase in 2021 was primarily due to **lower electricity generation** at the Darlington station and lower water flows at the hydroelectric stations.

For the six months, the increase was also due to **higher operating expenses**, as expected, due to a planned maintenance outage at the Darlington station.

*Enterprise TGC per MWh is defined as OM&A expenses, fuel expense and capital expenditures incurred during the period, divided by total electricity generation plus electricity generation forgone due to surplus baseload generation conditions during the period. Excludes costs of the Darlington Refurbishment project, US operations, generation development projects, business development initiatives and the impact of regulatory variance and deferral accounts.*





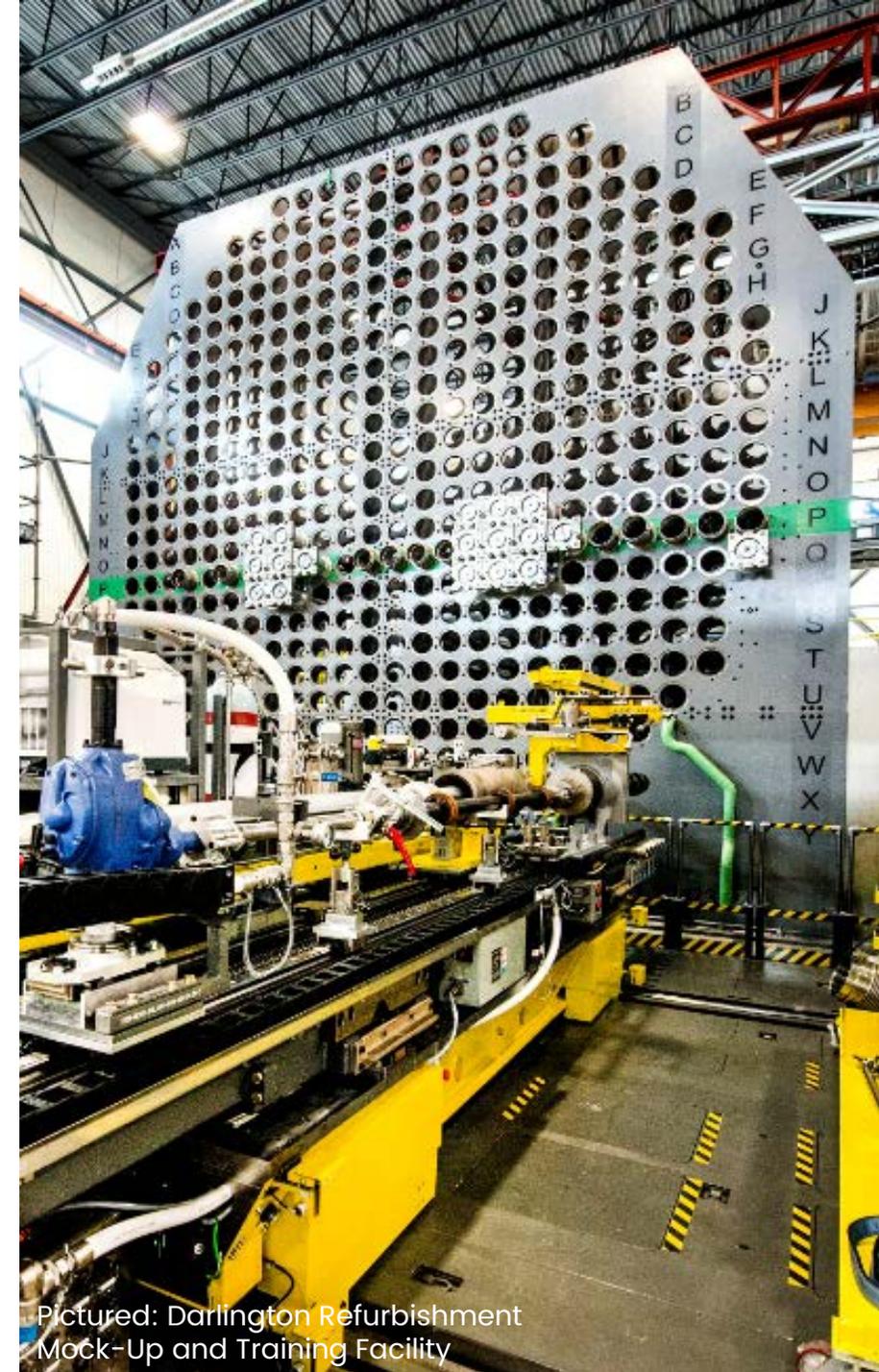
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**Darlington Refurbishment**

# Darlington Refurbishment

**The Disassembly segment of the Unit 3 refurbishment is progressing on schedule**

- Unit 3 refurbishment is progressing as planned. The removal of feeder tubes was completed in May 2021. The removal of fuel channel assemblies is in progress.
- Progressing the reconditioning of Unit 3 turbine generator, with the overhaul of the turbine generator and installation of the turbine control systems upgrade completed in August 2021.
- 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 two subsequent units are progressing as planned.
- OPG continues to assess and seek ways to manage the impact of the COVID-19 pandemic on the total cost of the project, which is otherwise continuing to track to the \$12.8 billion budget.





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**Project Excellence**

# Little Long Dam Safety

**Project is progressing as planned; will form part of contracted facilities under an energy supply agreement**

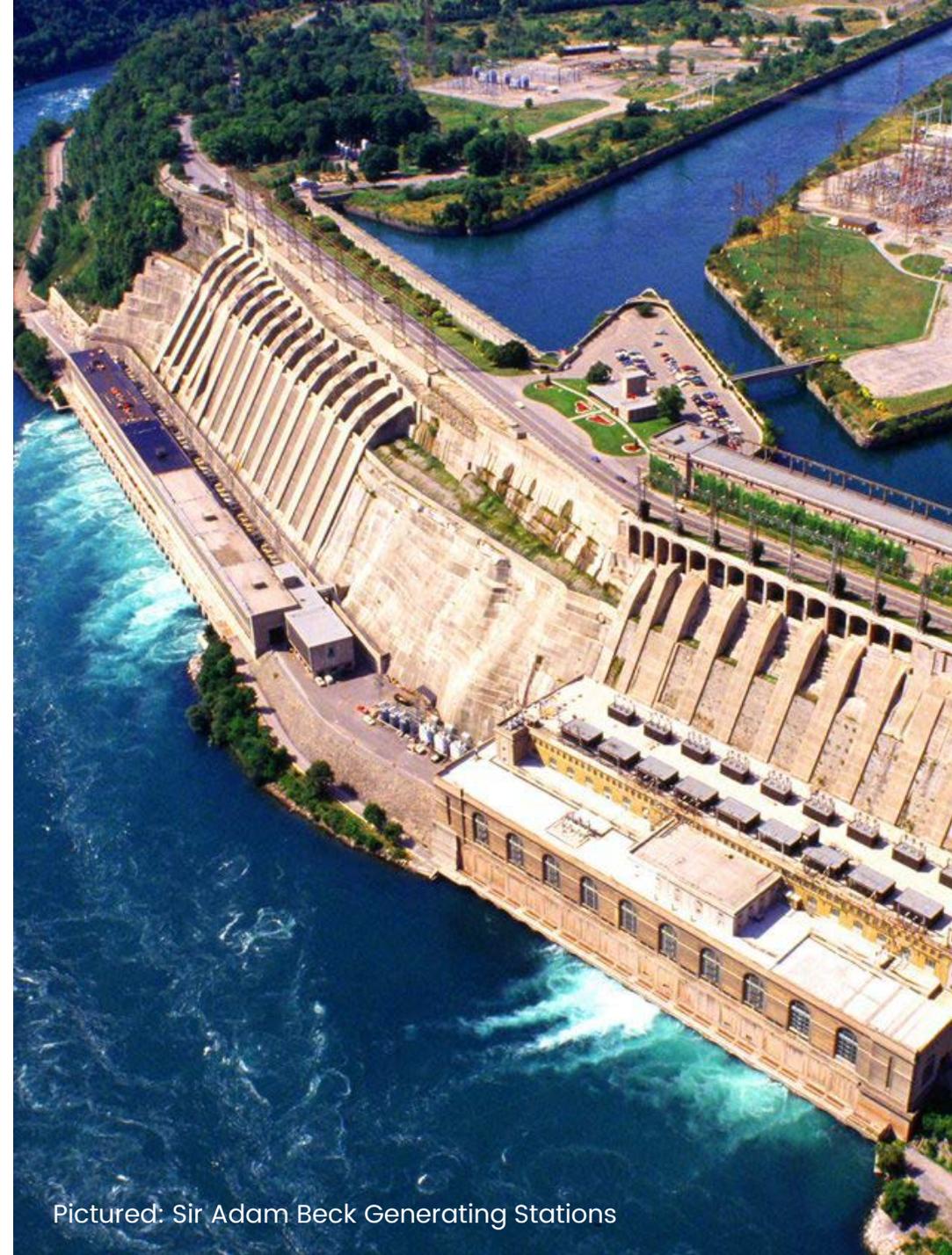
- Continuing to execute on a project to improve dam safety along the Lower Mattagami River in northeastern Ontario by increasing the discharge capacity and making other improvements at the Little Long Main Dam.
- The construction of the barge landing and barge assembly was completed during the second quarter of 2021.
- Rock excavation activities below the Adam Creek spillway structure on the Little Long Reservoir and the concrete placement of the new bays adjacent to the sluiceways continue to progress.
- The expected in-service date is in 2023; project is tracking within its \$650 million budget.



# Sir Adam Beck I G1 & G2 Replacement

**Project execution continuing as planned; will add 125 MW of generating capacity at a regulated facility**

- Continuing to execute on a project to replace two older, previously decommissioned generating units at the ten-unit Sir Adam Beck I station in Niagara Falls.
- The installation of new turbine scroll cases for both units was completed during the second quarter of 2021, and installation of the G2 unit turbine is underway.
- The project will add approximately 125 MW of incremental peaking generating capacity and provide decades of cost effective, clean power.
- The expected in-service date is in 2022; project is tracking on budget of \$128 million.



Pictured: Sir Adam Beck Generating Stations

# Calabogie Hydroelectric Station

**Re-development project is tracking on plan as part of regulated assets; will double the station's capacity**

- Continuing to execute on a project to redevelop the Calabogie station, along the Madawaska River in eastern Ontario.
- Construction on the new powerhouse is continuing.
- Construction of the downstream and upstream cofferdams is in progress and expected to be completed in second half of 2021.
- The project will replace the original powerhouse, doubling the station's generating capacity to approximately 11 MW.
- The expected in-service date is in 2022; project is tracking within its \$137 million budget.





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# Financial Profile

# Regulated Rates Application

Settlement agreement on five-year rate application provides **substantial revenue certainty** for the 2022–2026 period

- The Ontario Energy Board (OEB) has approved a **settlement agreement** on most of the issues in OPG’s 2022–2026 rate application.
- Settlement provides for **nuclear revenue** recovery of \$16 billion over the five-year period and a **nuclear rate base** of approximately \$13 billion by 2026, including most of the Darlington Refurbishment expenditures.<sup>1</sup>
- Also provides for recovery of **regulatory variance and deferral account balances** of approximately \$700 million<sup>1</sup>, which will contribute to cash flow.
- Final regulated prices reflecting the settlement and OEB’s decision on the unsettled issues are expected later in 2021 and will be effective January 1, 2022.
- Base regulated price for **hydroelectric electricity generation** for the 2022–2026 period will be equal to the current approved 2021 regulated price.

<sup>1</sup> Figures subject to the OEB’s decision on the unsettled issues and finalization of other matters



# Corporate Profile

Ontario's largest **clean** energy generator

100% owned by the province of Ontario

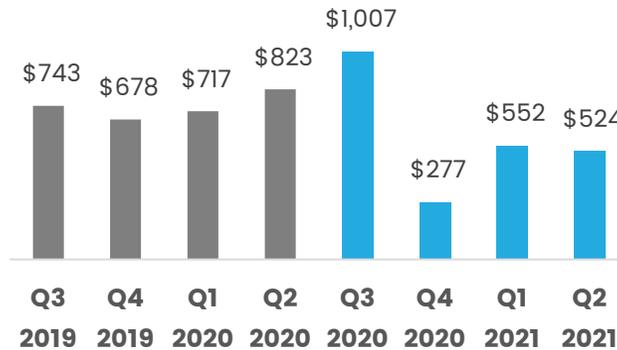
\$62.9 billion of assets <sup>1</sup>

Ratings  
**DBRS**  
**S&P Global**  
**Moody's**  
**A (low)**  
**BBB+**  
**A3**

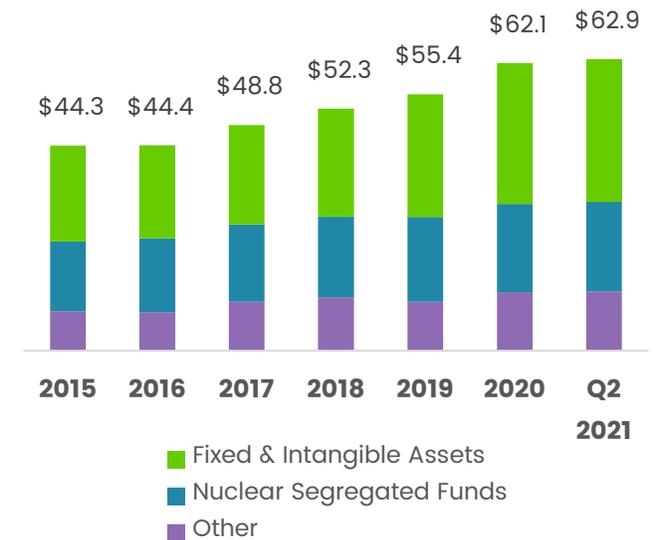
Revenue (\$M)



Cash Flow from Operations (\$M)



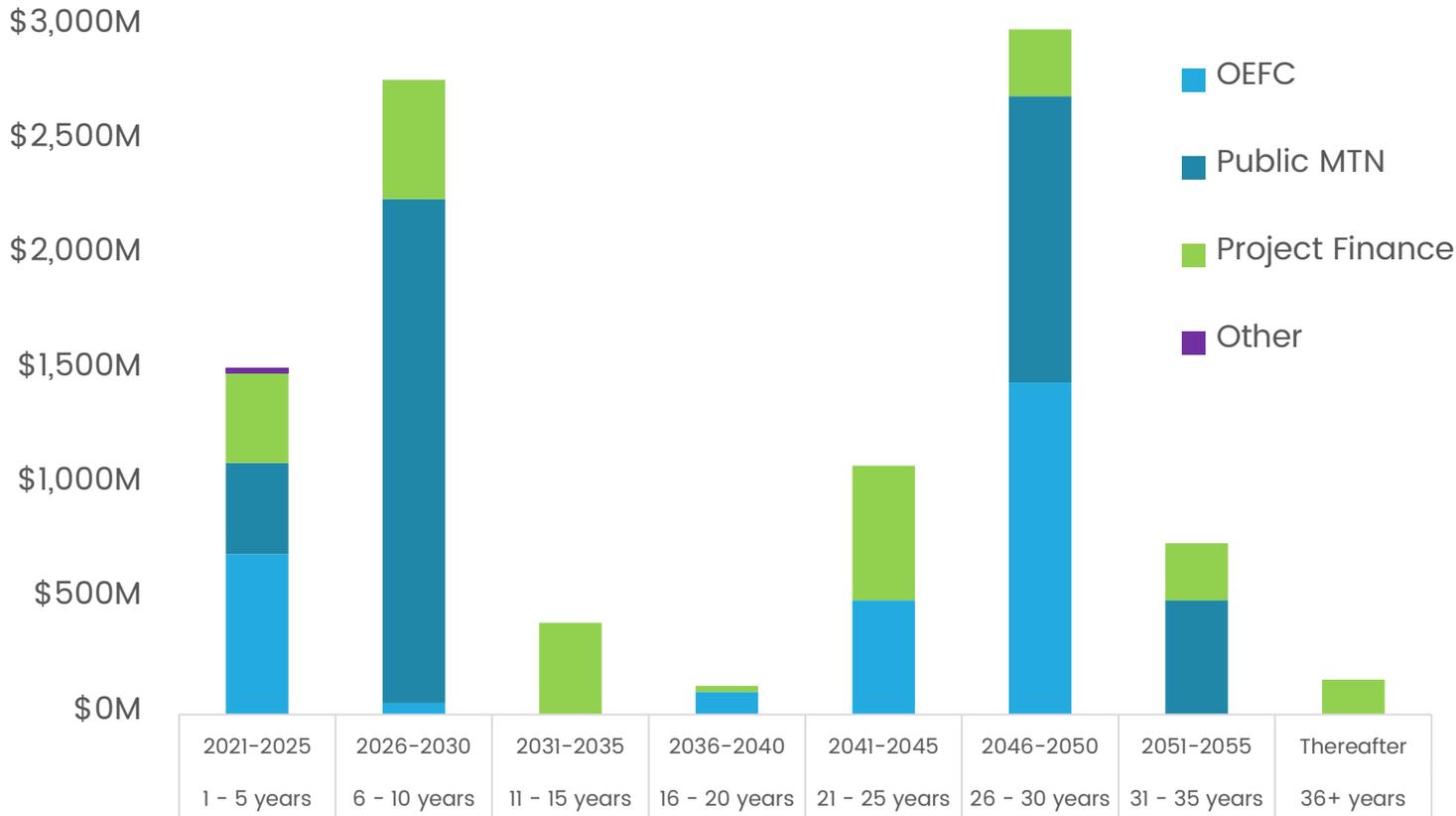
Total Assets (\$B)



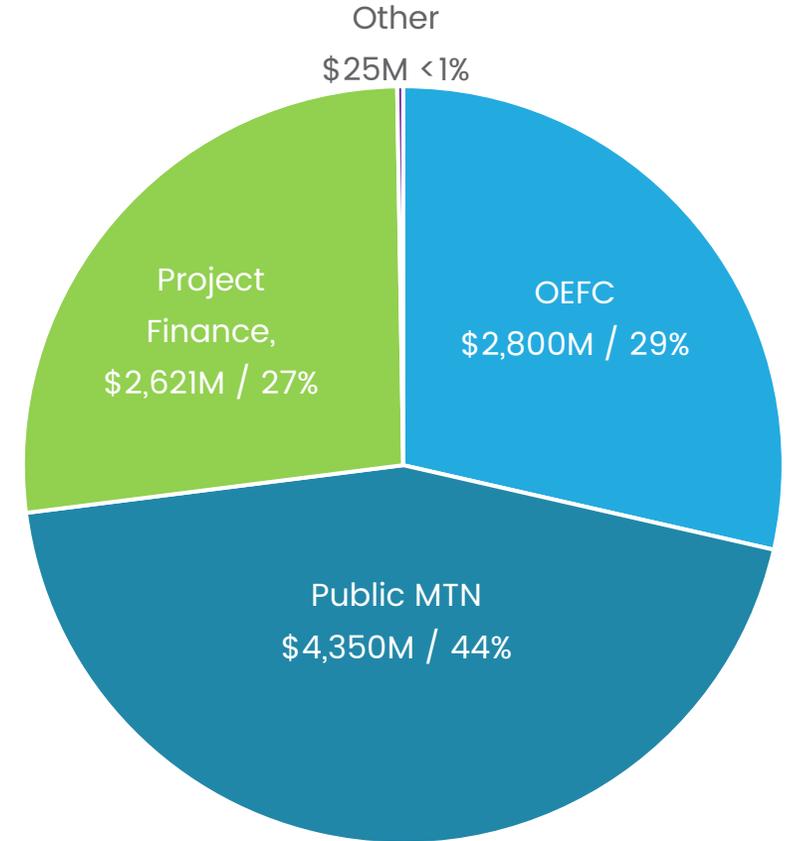
<sup>1</sup> As at June 30, 2021

# Long-Term Debt

Existing Debt Maturities As At June 30, 2021



Debt Source As At June 30, 2021





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Outlook

# Outlook for 2021

## **Regulated – Nuclear**

- Lower generation and earnings relative to 2020 due to a full year of Darlington Unit 3 refurbishment and timing of planned outage activity.
- Partially offset by less planned outage activity at the Pickering station.

## **Regulated – Hydroelectric, and Contracted Hydroelectric and Other**

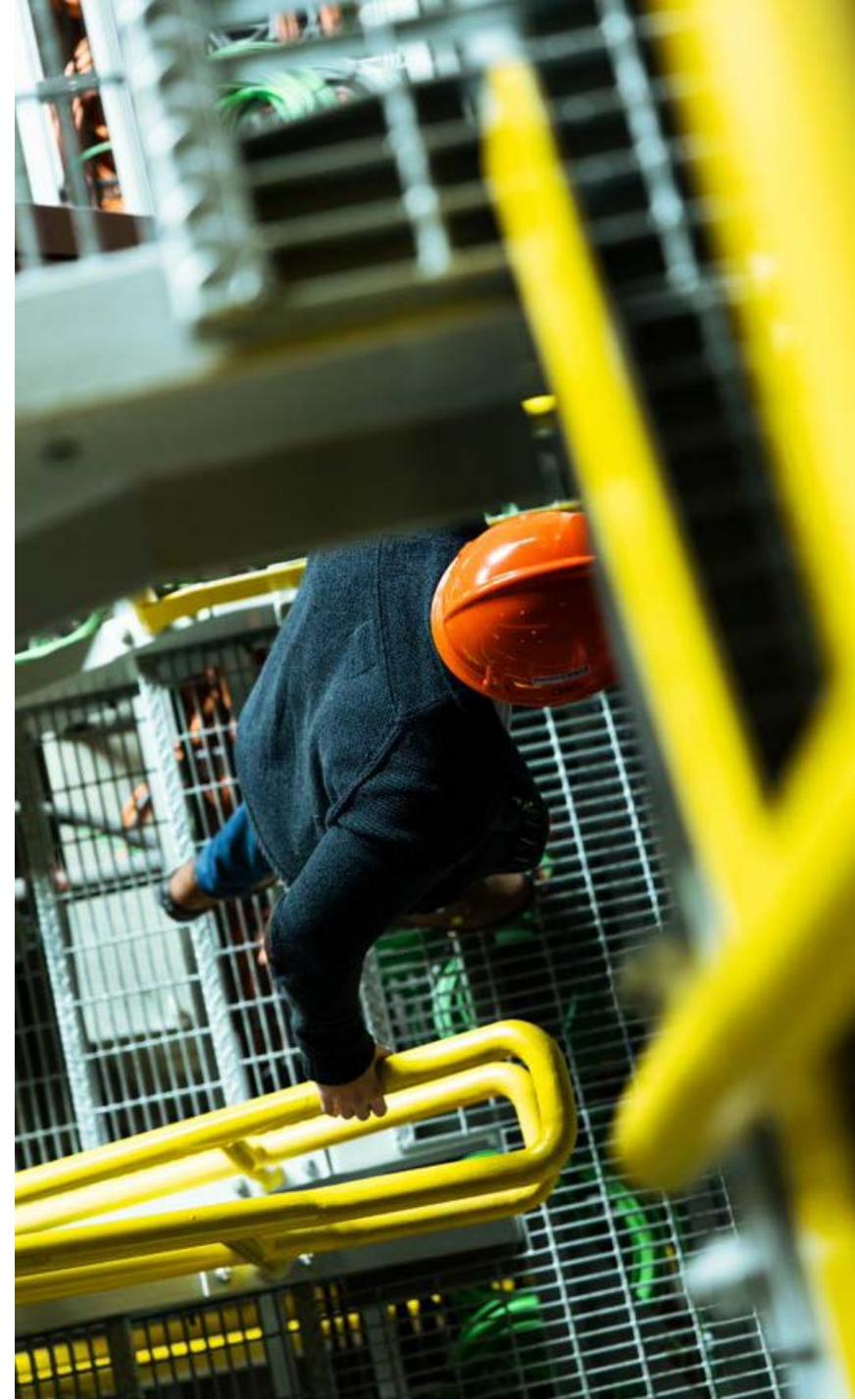
- Regulated hydroelectric, and contracted facilities under energy supply agreements to contribute a generally stable level of earnings; revenue from US hydroelectric facilities receiving electricity market prices remains a small portion.
- Authorized regulatory accounts and energy supply agreements continue to offset revenue impacts of changes in hydroelectric generation due to water flows.

## **Contracted Gas**

- Assets acquired in 2020 to contribute a generally stable level of earnings during second half of the year, under energy supply agreements.

## **Operating Cash Flow and Liquidity**

- Cash flow from operating activities expected to be lower relative to 2020 due to nuclear planned outage activity.
- Existing funding sources are sufficient to meet all financing and liquidity requirements.





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Q&A

Pictured: Darlington Nuclear G.S. Refurbishment

# ONTARIO **POWER** GENERATION

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