

## **OPG Fourth Quarter 2023 Investor Briefing Script – Friday, March 8, 2024**

**<Title Page on Screen> (Slide 1 - Deck Cover Page)**

***Neal Kelly, Director of Media, Issues, and Information Management***

Good morning, everyone.

Welcome to our Fourth Quarter 2023 investor briefing to discuss Ontario Power Generation's results. My name is Neal Kelly. I'm joined today by OPG Chief Financial Officer, Aida Cipolla.

Ms. Cipolla will present a slide deck that you will be able to follow on your computer. Once the presentation is finished, we will be open to questions from investors.

You may ask a question in the chat field through Zoom or press \*6 on the dial pad to ask a question live on the call. I will facilitate the question-and-answer session at the end of the presentation.

Just a reminder, this is an investor call. Media and others are welcome to listen but only investors will be able to ask questions.

**<Pause for (Slide 2 - "Disclaimers")>**

Before I turn things over to Aida, I want to bring your attention to Slide 2, disclaimers for a caution on forward-looking statements and the use of non-GAAP financial measures in this presentation.

Note that certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from what is stated. This slide also indicates where to find more information on topics, and what factors could cause actual results to differ materially from those stated.

On Slide 3, you'll also see today's agenda.

I will now turn the call over to Aida.

<Pause for Title Page> (Slide 3 - “Agenda”)

***Aida Cipolla, Chief Financial Officer***

Thank you, Neal.

Good morning and thank you all for joining today’s call.

We’re very pleased to share our 2023 fourth-quarter results with you to recap a very busy and eventful year for OPG. We will also go over some exciting developments so far in 2024.

OPG continues to make great progress toward realizing our vision of electrifying life in one generation and building a sustainable future.

In the years to come, we will continue to provide the clean, reliable power Ontario will need as its economy grows and electrifies.

#### **Slide 4 – Highlights**

In the past year, OPG and our approximately 10,500 employees continued to perform with excellence, and this was reflected in our financial, operational, and project performance.

This commitment to excellence was recognized once again in January, as we received the green light from the Province to proceed with certain pre-execution phase activities towards refurbishing Units 5 to 8 at Pickering Nuclear Generating Station, which includes preliminary engineering work and securing long-lead components.

This is a major development for OPG and reflects our employees’ unyielding dedication to quality and safety as they have pushed Pickering Nuclear to its best performance in its decades-long history.

Thanks to this track record of excellence, we now have the opportunity to advance refurbishment of Pickering's Units 5 to 8 to secure at least another 30 years of clean, reliable electricity to power 2 million homes.

Coupled with a refurbished Darlington Nuclear, these two vital clean energy assets will provide the clean energy foundation for Ontario's future.

We will leverage all our learnings from our Darlington Refurbishment, as well as our mobilized nuclear workforce and supply chain, to ensure Pickering's refurbishment will be as successful as our Darlington project.

On the subject of our Darlington Refurbishment, the overall project continues to be on track to be completed by 2026, a remarkable feat for a large infrastructure project.

In July 2023, we celebrated the return to service of Darlington's Unit 3, which was successfully reconnected to the grid 169 days ahead of schedule.

Meanwhile, Unit 4 completed defueling and islanding work and is now in its second major segment, Disassembly. Work is also progressing simultaneously on Unit 1, which is undergoing reassembly of reactor components.

With the successful return to service of Darlington's Units 2 and 3, coupled with ongoing excellent performance at Pickering Nuclear, our nuclear operations experienced their highest unit capability factor in four years.

This a direct testament of our operational excellence and refurbishment success to date.

Meanwhile, our hydroelectric fleet continued to provide much needed and steady baseload generation throughout 2023.

We continue to optimize generation from our hydro units through ongoing maintenance work and an extensive turbine-generator overhaul program.

And we're now looking to unlock more hydro power for the future, through potential new hydro generating projects.

In this effort, we continue to engage with Indigenous communities at the earliest stages, to hear their priorities, concerns, and explore partnership and procurement opportunities on potential projects.

Finally, through our subsidiary, Atura Power, we continue to advance some key projects to support grid reliability and electrification in the future.

At Atura's Napanee Generating Station, we are building a 250-megawatt, four-hour battery energy storage system in partnership with a subsidiary of Ameresco Inc.

This project will help balance Ontario's electricity system while further enabling intermittent renewable sources like wind and solar.

Atura is also progressing the development of the Niagara Hydrogen Centre, which is set to be the first large-scale green hydrogen production site in Ontario.

This facility will use clean hydro power from our nearby Sir Adam Beck II station to produce low-carbon hydrogen.

### **Slide 5 – Energy Industry Leader**

Through our diverse operations and projects, OPG continues to strive to be a clean energy leader in Canada, North America, and the world.

We have set out some ambitious goals for ourselves, including becoming a net-zero company by 2040 and electrifying all facets of life in one generation.

To achieve these goals, and support the Province's Powering Ontario's Growth plan, we are working hard to secure more clean power for Ontario's future.

This includes maintaining our strong momentum on the Darlington Refurbishment project and proceeding with pre-execution phase activities for the refurbishment of Pickering Nuclear's units 5 to 8.

We also continue to advance our project to deploy a fleet of four Small Modular Reactors, or SMRs, at our Darlington New Nuclear site, which will provide 1,200 megawatts of new clean, reliable electricity – enough to power about 1.2 million homes.

To help deploy similar SMR technologies in Canada and around the world, and boost Ontario's homegrown nuclear supply chain, OPG continues to collaborate with other utilities in the U.S., Europe, Saskatchewan, and Alberta.

We are also exploring the future of new large-scale nuclear to support Ontario's electrifying future.

In collaboration with the IESO, we are working with Bruce Power to develop a feasibility study for potential future nuclear generation.

We are also evaluating our sites to better understand the potential for future nuclear generation options, along with other economic growth opportunities.

Meanwhile, across our time-tested hydro operations, we continue to invest in our fleet to ensure decades more reliable, clean power.

As mentioned, we're now exploring opportunities for new hydro development in the north in partnership with Indigenous communities.

Through OPG's partnership with Northland Power Inc., we're working with the IESO to look for opportunities to advance a new pumped storage project in Marmora.

We are also executing the Smoky Falls Dam Safety project to improve dam safety at our Smoky Falls hydroelectric station, located along the Lower Mattagami River in northeastern Ontario, which is tracking ahead of schedule.

The project will rehabilitate 100-year-old spillway and sluiceway structures in compliance with dam safety requirements established by the Province.

Finally, in 2023, our Niagara Region hydro stations delivered their highest generation output in more than 40 years.

This strong performance was driven by a decrease in outages, higher unit utilization, and a continual push to get better.

We know we will need much more clean power in the years ahead, possibly double our current capacity, to support wide-scale electrification and net-zero goals.

With these ongoing efforts and more to come, OPG is ready to lead Ontario, and the world, through the energy transition.

With that, I will now go over 2023's operating performance in more detail.

**<Pause for Title Page> (Slide 6 – “Financial and Operating Performance”)**

### **Slide 7 – Net income attributable to the Shareholder**

For 2023, OPG reported net income attributable to the Shareholder of 1,741 million dollars, compared with 1,636 million dollars in 2022.

The higher net income year-over-year was primarily attributable to higher earnings from our regulated – nuclear generation business, which benefited from a higher nuclear base regulated price and higher overall electricity generation of 0.8 terawatt-hours.

As mentioned, the overall performance of our nuclear segment reflects our ongoing project excellence on the Darlington Refurbishment and operational excellence at our Pickering and Darlington stations.

Our 2023 net income was also impacted by increased compensation expenses resulting from the Ontario Superior Court's decision to overturn Bill 124 and the Ontario Energy Board's, or the OEB, decisions denying the Company's request for a regulatory variance account to record the related costs for the OEB's future review and disposition.

## **Slide 8 – Electricity Generation**

In 2023, OPG generated a total of 80.9 terawatt-hours of power, an increase of 2.4 terawatt-hours compared to 2022.

This overall increase was largely driven by our regulated – nuclear generation segment, which saw fewer planned and unplanned outage days at the Darlington station, partially offset by the removal from service of Unit 1 of the Darlington GS in February 2022 for the unit's refurbishment. Two Darlington GS units have been undergoing refurbishment in parallel since Unit 1 was removed from service.

We also saw increased generation in our regulated – hydroelectric segment as a result of higher output from our hydro stations in the Niagara region. This was partially offset by lower generation due to lower water flows in northwest Ontario.

We also saw lower generation in our contracted hydroelectric and other generation segment as a result of lower water flows in northeastern Ontario.

Finally, our Atura Power segment also saw higher electricity generation from its fleet of combined-cycle natural gas plants.

## **Slide 9 – Segment Earnings Before Interest and Tax**

Looking at our overall segment earnings performance, we saw an increase of 28 million dollars overall in 2023.

In our Regulated – Nuclear business, we saw an increase in earnings of 259 million dollars compared to the previous year, which was driven by higher nuclear base regulated prices and higher generation. This was partially offset by higher OM&A expenses largely driven by increased compensation expenses.

Meanwhile, our regulated hydroelectric segment saw a decrease of 101 million dollars in 2023 due to lower market prices on congestion management revenues and higher OM&A expenses, primarily driven by increased compensation expenses.

Our Contracted Hydroelectric and Other segment saw slightly higher earnings driven by higher revenues from the Lower Mattagami generating stations, partially offset by lower earnings from our U.S. hydro facilities and lower earnings from the Ontario-based thermal assets.

And our Atura Power segment recorded higher earnings due to the release of a contingent liability under a settlement agreement executed in 2021. This was partially offset by lower gross margin.

**<Pause for Title Page> (Slide 10 - “Darlington Refurbishment”)**

### **Slide 11 – Darlington Refurbishment**

As I mentioned earlier, our Darlington Refurbishment project remains on track to be completed by 2026.

Right now, we have two units being refurbished in parallel. Unit 4 began its refurbishment in July 2023 and is currently in the Disassembly segment while Unit 1 continues to be reassembled.

As mentioned, we achieved a major milestone in July with the return to service of Darlington’s Unit 3, the second unit to be successfully refurbished in the project since it began in 2016.

The unit was connected back to the grid on July 17, 169 days ahead of schedule. The early completion of Unit 3 resulted in an extra three terawatt-hours of clean electricity for Ontario and provided more reliable, baseload power for the high-demand summer months.

We applied more than 1,000 lessons learned from Unit 2’s refurbishment to Unit 3 and we are now taking the same approach to execute the two remaining units on the project.

We will apply all of these lessons learned and our overall project experience and expertise as we plan Pickering Nuclear’s refurbishment.



The four-unit Darlington Refurbishment will ensure 30 more years of clean, reliable, and low-cost power to help us support electrification and meet our climate change goals.

**<Pause for Title Page> (Slide 12 – “Project Excellence”)**

### **Slide 13 – Little Long Dam Safety**

Along the Lower Mattagami River in northeastern Ontario, OPG has substantially completed the Little Long Dam Safety project.

The project has increased discharge capacity and made other improvements at the Little Long Main Dam to improve dam safety on the Mattagami River in the event of extreme weather.

Since construction started in 2021, four additional sluice gates have been added to the Adam Creek sluiceway structure, bringing the total number of gates from the original eight to 12.

The project team has also replaced end-of-life gates and associated equipment at both the Adam Creek sluiceway and the nearby Little Long Generating Station sluiceway structure.

The project supports our Climate Change Plan and has led to increased business opportunities for Indigenous vendors. The project has transitioned to site rehabilitation and closure activities, which will continue into 2024. The project is tracking within its budget of 700 million dollars.

### **Slide 14 – Smoky Falls Dam Safety**

In addition to Little Long, we are undertaking a project to improve dam safety at our Smoky Falls Generating Station, which is also located on the Lower Mattagami River.

The project will rehabilitate the 100-year-old spillway and sluiceway structures at Smoky Falls to enhance water management and meet provincial dam safety requirements.

The project is tracking within its budget of 390 million dollars and is expected to be completed ahead of schedule in 2025.

### **Slide 15 – Atura Power Development Projects**

Our subsidiary, Atura Power, continues to advance several key projects to meet the ongoing needs of Ontario's electricity system and enable the province's transition to a low-carbon economy.

Recently, the IESO and OPG executed an agreement to support development of Atura's Niagara Hydrogen Centre.

The agreement will allow OPG to supply electricity from its Sir Adam Beck II hydro station to Atura Power to produce low-carbon hydrogen.

The project is now in the execution phase with design and engineering work substantially completed. The facility is expected to be completed in 2025.

As mentioned earlier in the call, Atura has also entered into a capacity agreement with the IESO to build a 250-megawatt, four-hour battery energy storage system at its Napanee site.

This partnership with Ameresco BESS Holdings Inc. will support Ontario's energy grid by storing electricity during off-peak hours and returning it to the system when demand is higher.

The project is now in the execution phase and expected to be completed in 2026.

## **<Pause for Title Page> (Slide 16 - “Financial Profile”)**

### **Slide 17 – Corporate Profile**

Looking at our overall corporate profile, OPG remains Ontario’s largest clean energy generator, 100 per cent owned by the Province of Ontario.

We maintain a strong balance sheet, backed by more than 65 billion dollars of assets.

Overall, our revenue and cash flow from operations remain stable.

We also continue to demonstrate strong creditworthiness, with long-term credit ratings from DBRS at A (low), S&P Global at BBB+, and Moody’s at A3, all with a stable outlook.

Our results are supported by stable operations through our regulated nuclear and hydroelectric fleet and supplemented through long-term contracts for much of our non-regulated facilities.

We continue to monitor our credit rating profile and metrics and intend to maintain a strong investment grade credit rating going forward.

### **Slide 18 – Long-Term Debt Profile**

OPG continues to leverage a diversified financing base through a mix of public debt and funding from the Ontario Electricity Financial Corporation, an agency of the Province of Ontario.

The company remains well-positioned in terms of liquidity, with a long maturity timeframe on its debt.

We believe our recent investments will ultimately provide great value for the people of Ontario for decades to come.

## **Slide 19 – Sources of Liquidity**

Looking at our sources of liquidity, OPG has a diversified financing base that includes the OEFC as well as public bonds, which includes the issuance of green bonds.

Since 2018, OPG, including subsidiaries, has issued more than 3 billion dollars under its green bond program, making us Canada's largest corporate issuer of green bonds.

More than 50% of our public debt is comprised of green bonds.

We have also secured more than 2.5 billion dollars in revolving credit facilities to support our liquidity and financing needs for major projects, including our Small Modular Reactor project at Darlington.

These industry-leading financing commitments will help backstop our operations as we build the necessary clean energy infrastructure to power the future and electrify life.

**<Pause for Title Page> (Slide 20 - "Outlook")**

## **Slide 21 – Outlook for 2024**

Looking at our outlook for 2024 and beyond, OPG remains well-positioned for the future.

With all of our recent developments, we are confident the future remains bright for our company.

With that said, we do expect to see lower net income in 2024 compared with 2023.

This will be primarily driven by lower nuclear generation due to increased planned outage days at Darlington Nuclear and the planned shutdown of Pickering's Unit 1 in Q3 2024.

Lower nuclear base regulated prices will also be in effect for 2024.

On our major projects, we will continue to work with focus and a dedication to safety and excellence.

On our Darlington Refurbishment, we will look to execute the remaining work on Units 4 and 1 with quality and safety to ensure the overall project will be completed by 2026.

On our Darlington New Nuclear Project, we will continue to work with our project partners to progress on planning, engineering, and site preparation work as we aim to build the Western world's first fleet of commercial SMRs.

And on Pickering Refurbishment, we will proceed with certain pre-execution phase activities, including engineering work and securing long-lead components.

Finally, through our Atura Power subsidiary, we will continue to work to bring the Niagara Hydrogen Centre online by 2025 and progress work on the Napanee battery storage system.

We will also continue to work with Indigenous communities to explore potential new hydroelectric development in the north.

And we will collaborate with industry partners to explore the feasibility of new nuclear generation in Ontario.

We will do all of this while:

- Working to grow our economic impact for Indigenous communities and businesses, as outlined in our Reconciliation Action Plan;
- Meeting our net-zero goals as outlined in our Climate Change Plan;
- And building a more equitable, diverse, and inclusive company as outlined in our 10-year ED&I strategy.

All of these projects, initiatives, and efforts happening across OPG will directly help fulfill our vision to electrify life in one generation.

These actions will also have a positive impact on our economy, our communities, and our environment.

We believe the future has never looked brighter for OPG and our employees.

And we look forward to continuing to work with safety and excellence to deliver the clean power Ontario and the world will need for today and the years to come.

With that, I will now turn the call back to Neal Kelly.

**<Pause for Title Page> (Slide 22 - “Q&A”)**

**Neal Kelly, Director of Media & Public Affairs**

Thanks Aida.

We will now begin the question-and-answer session. Just a reminder, this is an investor call, and therefore only investors are able to ask questions.

If you'd like to ask a question for Aida, please enter your question in the chat field on this Zoom call or dial \*6 to ask a question live.

I will go through some of the queued questions now and take any live questions as we proceed.

I'll remind investors to please identify yourself before asking a question.

*Neal takes questions*

Thank you all.

As always, investors with follow-up questions can call OPG's Investor and Media Relations line at **416-592-4008** or **1-877-592-4008**. Thank you for joining and have a wonderful day.