



Independent Auditor's Report

To the Board of Directors and Management of Ontario Power Generation

Opinion

We have audited the accompanying Schedule of Use of Green Bonds Proceeds (the "Schedule") related to the proceeds of the June 22, 2018 Series 2 Notes offering (the "Green Bond") of Ontario Power Generation Inc. (the "Company" or "OPG") as at December 31, 2018 and the notes to the Schedule.

In our opinion, the accompanying Schedule is prepared, in all material respects, in accordance with the basis of accounting in Note 2 of the Schedule.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Schedule in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to note 2 of the Schedule which describe the basis of accounting for the Schedule. The determination of the eligibility of the projects under OPG's Green Bond Framework is the responsibility of OPG and accordingly we do not express an opinion thereon. The Schedule was prepared by OPG to assist in disclosing its use of proceeds allocation activities related to the bond.

As a result, it may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Schedule

Management is responsible for the preparation of the Schedule in accordance with the note 2 of the Schedule, and for such internal control as management determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the OPG's Green Bond reporting process.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Schedule. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OPG's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and related disclosures made by management.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

June 6, 2019
Toronto, Canada

Ontario Power Generation
Schedule of Use of Green Bond Proceeds
As of December 31, 2018
(thousands of dollars)

Balance as of June 22, 2018	
(settlement date of the 2018-1 Green Bonds)	450,000
Less: issuance costs	(3,260)
Net proceeds available for allocation	446,740
 Proceeds used for the allocation to Eligible Projects:	
Ranney Falls	50,332
Sir Adam Beck G1/G2 Conversion	2,258
Sir Adam Beck Water Conveyance System Rehabilitation	4,726
Sir Adam Beck PGS Reservoir Refurbishment	27,143
Peter Sutherland Senior Generating Station	20,956
Sustaining Capital (Note 3)	257,575
Total allocated proceeds	362,990
 Remaining unallocated proceeds	83,750

Notes to the Schedule of Use of Green Bond Proceeds

1. Background

On June 22, 2018, OPG issued an inaugural green bond ("OPG Green Bond") offering under OPG's existing Medium Term Note Program. The \$450 million 30-year bond was priced with a coupon interest rate of 3.838%, payable semi-annually until maturity on June 22, 2048. The offering was made under OPG's \$2 billion short form base shelf prospectus dated September 12, 2017 and represents the first green bond in the Canadian energy sector. Further the proceeds from the green bond issuance were maintained in a segregated bank account. The eligible projects approved for this green financing are solely related to OPG's hydroelectric facilities. During 2018, approximately \$363 million was released from the segregated account, representing funds invested in eligible hydroelectric projects from the second half of 2016 to the third quarter of 2018.

2. Basis of Accounting

Proceeds from OPG's Green Bond issuance are restricted in purpose and will only be used to finance Eligible Projects, a group of selected projects that offer tangible environmental benefits, as defined in OPG's Green Bond Framework. The Schedule of Use of Green Bond Proceeds was prepared to track on a cash basis the allocation of proceeds from the issuance of the OPG Green Bond on June 22, 2018 to the Eligible Projects that were approved by OPG Green Oversight Committee under the OPG Green Bond Framework.

The Green Bond Principles, 2018: Voluntary Process Guidelines for Issuing Green Bonds as well as OPG's Green Bond Framework dated May 2018 describe the basis of allocating the use of proceeds and other relevant information for the green bond. This Schedule of Use of Green Bond Proceeds was prepared to assist OPG in disclosing its use of proceeds allocation activities related to the bond. As a result, it may not be suitable for another purpose.

3. Sustaining Capital

A list of sustaining capital projects to which the green bond proceeds were allocated is provided below:

Facility	Description	Allocated Amount (thousands of dollars)
Abitibi Canyon	Canyon Elevator Upgrades	4,949
Aguasabon	Intake valve replacement, switchgear upgrade	5,640
Alexander	Powerhouse roof replacement	591
Arnprior	Excitation systems replacement	627
Barrett Chute	Excitation systems, Protections & Controls, Sluiceways and powerhouse crane replacement	14,130
Bingham Chute	New logs installation	27
Calabogie	Main dam sluiceways	2,748
Cameron Falls	Powerhouse roof and unit breaker replacement	2,892
Caribou Falls	Auto Sluice system replacement	1,350
Chats Falls	Excitation systems & station Service replacement and water gauges upgrade	3,072
Chenau	Protection Upgrade, new headworks boom installation, water gauges upgrade and security system replacement	16,268
Chute	Rock Anchors	4,093
Coniston	New Sluiceway	3,087
Crystal Falls	Powerhouse crane and Redcedar stop log replacement	521
Decew 1	New set of sectional gates and G5 capital replacement	27
Decew 2	Bridge and bank stabilization and G2 upgrade	33,694
Des Joachims	Powerhouse roof replacement, drainage and dewatering system upgrade, Switchgear & Breaker replacement	6,951
Hagues Reach	G1 generator rewind	490
Hanna Chute	New powerhouse crane	40
High Falls	New log lifter installation	13
International Control Dam	Feeder replacement, new emergency back up generator	5,623
Kakabeka Falls	Powerhouse panel upgrade, powerhouse crane rail replacement	7,965
Littlerett Chute	G2 switchgear replacement	1,902
Lower Notch	Exciters and G1 & G2 headgate replacement	17,723
Manitou Falls	Unit breaker replacement	6,224
Matabitchuan	Dam rehabilitation and Rabbit Lake Loglifter modifications	234
Mcvittie	Auto-ground mitigation	387
Mountain Chute	Powerhouse security system and transformer switch replacement	6,912
Northeast Control Centre	Centre relocation	2,942
Otter Rapids	Transformer replacement and otter boom upgrades	7,974
Otto Holden	Headgate replacement, sewage system piping replacement and life safety fire protection	4,330
Pine Portage	Sluiceway replacement	8,198
Ragged Rapids	Access road bridge installation	840
R.H. Saunders	Dewatering system replacement, AC station service replacement and replacement of Westinghouse excitation	18,884
Silver Falls	Exciter replacement	790
Sir Adam Beck 1 (Other)	G10 generator and runner upgrades, G9 headcover replacement	14,485
Sir Adam Beck 2 (Other)	Battery banks and DC system upgrade	11,542
Sir Adam Beck Pump Generating Station (Other)	Oil tank farm replacement, gantry crane door refurbishment, heating, ventilation and air conditioning upgrades	15,504
South Falls	G2 turbine replacement	156
Stewartville	Transformers replacement and sluiceway restoration	9,088
Stinson	Stop log replacement	2,787
Whitedog Falls	Sluiceway replacement and north channel dam rebuild	11,875
Total Sustaining Capital		257,575