

March 10, 2017

OPG REPORTS 2016 FINANCIAL RESULTS

Solid operating and financial results position the Company for success with major generation projects

[Toronto]: – Ontario Power Generation Inc. (OPG or Company) today reported net income attributable to the Shareholder of \$436 million for 2016, compared to \$402 million in 2015. The increase was primarily the result of higher generation from its nuclear fleet and higher earnings from the Contracted Generation Portfolio segment. The higher nuclear production reflected more days when the Darlington nuclear units were producing electricity in 2016, compared to 2015.

“I’m pleased with OPG’s 2016 financial results,” said OPG President and CEO Jeff Lyash. “The continued strong financial performance of OPG benefits the Province and electricity consumers. It is essential that we manage our operations effectively for the benefit of Ontarians.”

“Both the Darlington and Pickering nuclear stations, alongside our renewable power fleet of hydroelectric generating stations, produce clean, reliable power with virtually no smog or greenhouse gas emissions. The refurbishment of the Darlington station will provide another 30 years of operations at one of Ontario’s most important public assets,” said Lyash. “The \$12.8 billion that we are investing in the refurbishment will provide important economic stimulus in Ontario, creating jobs and providing opportunities for more than 60 companies from over 25 communities across the province. At the same time, OPG continues to produce about half the electricity used in Ontario with the power priced 40 per cent lower than other generators, which helps moderate customer bills.”

Higher electricity demand for stations in the Contracted Generation Portfolio segment in 2016, namely the Lennox Generating Station (GS) and the Atikokan GS, also contributed to the increase in earnings.

“We have achieved significant progress in a number of projects during the year, including the refurbishment work at the Sir Adam Beck Pump GS’s 300-hectare reservoir, and the construction of the Peter Sutherland Sr. GS in northeastern Ontario. The construction of the Peter Sutherland Sr. station is our third partnership with an Indigenous community.” said Lyash. “We’re pleased that construction is progressing ahead of schedule and within budget. The 28 megawatt generating station is currently being commissioned and is expected to be in service this spring. This project is another example of OPG’s strong partnerships with Ontario’s Indigenous communities, yielding renewable power and lasting economic benefits.”

Generating and Operating Performance

Electricity generation increased in 2016 to 78.2 terawatt hours (TWh) from 78.0 TWh in 2015. Higher nuclear generation of 1.1 TWh was primarily due to a lower number of planned outage days during 2016.

Higher volume of water spilled at OPG's hydroelectric stations in 2016 as a result of more prevalent surplus baseload generation (SBG) conditions partially offset the increase in nuclear generation. OPG's generation for 2016 was also affected by the Unit 2 refurbishment outage at the Darlington GS, which commenced in October 2016.

The unit capability factor at the Darlington GS increased to 89.5 per cent for 2016, compared to 76.9 per cent for 2015, primarily due to fewer planned and unplanned outage days at the station during 2016, compared to 2015. The unit capability factor excludes Unit 2 while it is undergoing refurbishment.

At the Pickering GS, the unit capability factor decreased to 75.2 per cent for 2016, compared to 79.4 per cent for 2015, primarily due to a higher number of additional outage days at the station in 2016 as a result of emergent discovery work during planned outages.

The availability of OPG's regulated hydroelectric generating stations decreased to 89.0 per cent for 2016, from 91.2 per cent for 2015. The decrease was primarily due to the scheduled reservoir refurbishment project at the Sir Adam Beck Pump GS.

For the contracted hydroelectric stations, the availability decreased to 77.3 per cent for 2016, from 88.6 per cent for 2015. The decrease reflected an increase in planned outage days.

The Enterprise Total Generating Cost per megawatt hour (MWh) was \$48.45 for the year ended Dec. 31, 2016, compared to \$50.84 for the same period in 2015. The year-over-year improvement was primarily a result of lower operations, maintenance and administration expenses, excluding the impact of regulatory variance and deferral accounts, and higher electricity generation adjusted for forgone hydroelectric generation due to SBG conditions during 2016.

In the fourth quarter of 2016, a comprehensive update of the estimate for OPG's obligations for nuclear waste management and nuclear facilities decommissioning as at December 31, 2016 was finalized as part of the required process to update the reference plan under the Ontario Nuclear Funds Agreement. As at December 31, 2016, the update resulted in a decrease of approximately \$1.6 billion in OPG's obligation, with a corresponding decrease to the asset retirement costs capitalized as part of the carrying value of the nuclear generating stations to which the liabilities relate.

Generation Development

OPG is undertaking a number of generation development and life extension projects in support of Ontario's electricity planning initiatives. Significant developments during 2016 are as follows:

Darlington Refurbishment

In 2016, the Darlington Refurbishment project transitioned from the planning phase to the execution phase, as OPG prepared to commence the refurbishment of the first unit – Unit 2 – in October 2016, as planned. The unit was taken offline on Oct. 15, 2016. De-fuelling of the reactor, the first critical refurbishment activity undertaken once the unit was removed from service, was safely completed in January 2017, ahead of schedule, with a total of 480 fuel channels de-fuelled. Preparatory work in the reactor vault to support the removal of feeder tubes and fuel channel assemblies commenced immediately after de-fuelling was completed. The project is tracking on budget.

Once refurbished, Unit 2 is scheduled to be returned to service in the first quarter of 2020, at which time capital expenditures of approximately \$4.8 billion are planned to be placed in service. This includes expenditures incurred during the definition and planning phase of the project. The Darlington Refurbishment project is expected to extend the operating life of the station by approximately 30 years. Life-to-date capital expenditures were approximately \$3.2 billion as at Dec. 31, 2016.

Peter Sutherland Sr. GS

Construction of the new 28 MW hydroelectric generating station continued during 2016. Commissioning of the generating station began in February 2017, with the station expected to be in-service in the spring of 2017, well ahead of the originally planned schedule of the first half of 2018. The project's schedule was accelerated to take advantage of favourable weather conditions. The project is tracking within the approved budget of \$300 million.

Sir Adam Beck Pump GS

The Sir Adam Beck Pump GS reservoir refurbishment project began in April 2016. The 300-hectare reservoir was returned to service in February 2017 upon completion of the refurbishment, which included installation of a partial new liner and construction of a grout curtain in the bedrock foundation of the reservoir dyke. The project is expected to add approximately 50 more years to the reservoir's life. The Sir Adam Beck Pump GS facility is integral to OPG's hydroelectric fleet as it allows water to be diverted from the Sir Adam Beck complex during periods of low electricity demand and stored in the reservoir, to be used to generate up to 600 MW of electricity during subsequent periods of high demand. The project was completed ahead of the originally planned in-service date and below the approved budget of \$58 million.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

<i>(millions of dollars – except where noted)</i>	2016	2015
Revenue	5,653	5,476
Fuel expense	727	687
Gross margin	4,926	4,789
Operations, maintenance and administration	2,747	2,783
Depreciation and amortization	1,257	1,100
Accretion on fixed asset removal and nuclear waste management liabilities	929	895
Earnings on Nuclear Segregated Funds - (a reduction to expenses)	(746)	(704)
Income from investments subject to significant influence	(37)	(39)
Other net expenses	35	65
Income before interest and income taxes	741	689
Net interest expense	120	180
Income tax expense	168	92
Net income	453	417
Net income attributable to the Shareholder	436	402
Net income attributable to non-controlling interest ¹	17	15
Income (loss) before interest and income taxes		
Electricity generation business segments	928	912
Regulated – Nuclear Waste Management	(174)	(186)
Services, Trading, and Other Non-Generation	(13)	(37)
Total income before interest and income taxes	741	689
Cash flow		
Cash flow provided by operating activities	1,705	1,465
Electricity generation (TWh)		
Regulated – Nuclear Generation	45.6	44.5
Regulated – Hydroelectric	29.5	30.4
Contracted Generation Portfolio ²	3.1	3.1
Total electricity generation	78.2	78.0
Nuclear unit capability factor (per cent) ³		
Darlington Nuclear GS	89.5	76.9
Pickering Nuclear GS	75.2	79.4
Availability (per cent)		
Regulated – Hydroelectric	89.0	91.2
Contracted Generation Portfolio – hydroelectric stations	77.3	88.6
Equivalent forced outage rate		
Contracted Generation Portfolio – thermal stations	1.6	11.2
Enterprise Total Generating Cost (TGC) per MWh for the twelve months ended December 31, 2016 and 2015 (\$/MWh) ⁴	48.45	50.84
Return on Equity Excluding Accumulated Other Comprehensive Income (ROE Excluding AOCI) for the twelve months ended December 31, 2016 and 2015 (%) ⁴	4.2	4.0
Funds from Operations (FFO) Adjusted Interest Coverage for the twelve months ended December 31, 2016 and 2015 (times) ⁴	5.1	5.1

¹ Relates to the 25 per cent interest of a corporation wholly owned by the Moose Cree First Nation in the Lower Mattagami Limited Partnership.

² Includes OPG's share of generation volume from its 50 per cent ownership interests in the Portlands Energy Centre and Brighton Beach GS.

³ Nuclear unit capability factor excludes unit(s) during the period in which they are undergoing refurbishment. Unit 2 of the Darlington GS was excluded from the measure effective October 15, 2016, when the unit was taken offline for refurbishment.

⁴ Enterprise TGC, ROE Excluding AOCI, and FFO Adjusted Interest Coverage are non-GAAP financial measures and do 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 year ended December 31, 2016, under the sections *Highlights – Enterprise TGC*, *Highlights – FFO Adjusted Interest Coverage*, and *Highlights – ROE Excluding AOCI*, as well as *Supplementary Non-GAAP Financial Measures*.

Ontario Power Generation Inc. is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario. Our mission is providing low cost power in a safe, clean, reliable and sustainable manner for the benefit of our customers and shareholder.

Ontario Power Generation Inc.'s audited consolidated financial statements and Management's Discussion and Analysis as at and for the year ended December 31, 2016 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.

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