

Nov. 13, 2018

## **OPG REPORTS 2018 THIRD QUARTER FINANCIAL RESULTS** *Darlington Refurbishment Project Remains on Time and on Budget at Two-Year Mark*

**Toronto:** – Ontario Power Generation Inc. (OPG or Company) today reported net income attributable to the Shareholder of \$279 million for the third quarter of 2018, compared to \$131 million for the same quarter in 2017.

“Darlington Refurbishment remains on time and on budget as we mark the second anniversary of the 10-year mega-project. This remarkable achievement is the result of the dedicated team of professionals who are delivering Canada’s largest clean energy project, while generating billions in economic benefits for Ontarians, through the creation of thousands of jobs,” said Jeff Lyash, OPG President and CEO. “We are also pleased that for the ninth consecutive year, Darlington Nuclear has achieved the highest possible safety rating from our regulator, the Canadian Nuclear Safety Commission. Pickering Nuclear also achieved the highest possible safety rating for the third year in a row. Both of these accomplishments are a reflection of OPG’s commitment to protecting the public, the environment and our staff.”

The International Atomic Energy Agency also confirmed that Pickering Nuclear Generation Station (GS) demonstrated strong operational safety performance. Lyash commented, “This quarter, I was pleased to hear the results of an international safety review that recognized Pickering Nuclear’s safe and reliable operations. Continued strong operational safety performance will ensure we deliver on our commitment to secure Ontario’s clean power future.”

The Company’s net income for the third quarter of 2018 was favourably impacted by the new regulated prices for OPG’s nuclear and most of its hydroelectric generation, resulting from the Ontario Energy Board’s decision on OPG’s application for new regulated prices for the 2017-2021 period issued in December 2017. Partially offsetting the increase in earnings due to the new regulated prices, nuclear electricity generation in the third quarter of 2018 was lower compared to the same period in 2017 due to a combination of higher unplanned outage days at the Pickering GS and planned outage days at the Darlington GS.

Taking into account the impact of the new regulated prices, OPG continues to provide electricity at a price that is approximately 40 per cent less than the average of other generators in Ontario.

## **Generation and Operating Performance**

Electricity generated during the three months ended September 30, 2018 was 18.3 terawatt hours (TWh), compared to 19.4 TWh for the same quarter in 2017. Total electricity generated during the nine months ended September 30, 2018 decreased to 54.3 TWh from 56.0 TWh for the same period in 2017.

### *Regulated – Nuclear Generation Segment*

Lower nuclear generation of 0.7 TWh for the third quarter of 2018, compared to the same quarter in 2017, was primarily due to a combination of increased unplanned outage days at the Pickering GS and planned outage days at the Darlington GS. The lower nuclear generation of 1.0 TWh for the nine months ended September 30, 2018, compared to the same period in 2017, was primarily due to an increase in planned outage days at the Pickering GS in the first half of 2018 in accordance with the station's cyclical maintenance schedule, and unplanned outage days at the Pickering GS in the third quarter of 2018, partially offset by greater generation at the Darlington GS.

For the third quarter of 2018, the unit capability factor for the operating units at the Darlington GS was 91.7 per cent, compared to 96.2 per cent for the same quarter in 2017. For the nine months ended September 30, 2018, the unit capability factor for the operating units at the Darlington GS was 85.2 per cent, compared to 82.1 per cent for the same period in 2017. The decrease for the third quarter of 2018 was primarily due to a higher number of planned outage days at the station as part of the station's cyclical maintenance schedule. The increase for the nine months ended September 30, 2018 was due to fewer planned outage days at the station during the first quarter of 2018.

At the Pickering GS, the unit capability factor decreased to 87.9 per cent and 77.9 per cent for the three and nine month periods ended September 30, 2018, respectively, compared to 88.7 per cent and 83.8 per cent for the same periods in 2017. The decrease in the third quarter of 2018 was largely due to the increase in unplanned outage days at the station. The decrease in the nine months ended September 30, 2018 was primarily due to a higher number of planned outage days in the station's cyclical maintenance schedule in the first half of 2018.

### *Regulated – Hydroelectric Segment*

Lower generation from the regulated hydroelectric stations of 0.3 TWh and 1.2 TWh during the three and nine month periods ended September 30, 2018, respectively, compared to the same periods in 2017, was primarily due to lower water flows across most river systems in the Province.

The availability of 82.6 per cent at these stations in the third quarter of 2018 was lower than 87.6 per cent for the same quarter in 2017. For the nine months ended September 30, 2018, the availability of the stations decreased to 86.1 per cent, from 89.0 per cent for the same period in 2017. The decrease in the availability was primarily due to a higher number of outage days at the eastern and northwestern Ontario regions' regulated hydroelectric stations.

### *Contracted Generation Portfolio Segment*

Generation from the Contracted Generation Portfolio for the third quarter of 2018 was comparable to the same quarter in 2017. The increase in generation of 0.5 TWh for the nine months ended September 30, 2018, compared to the same period in 2017, was partially due to less generation forgone as a result of higher electricity market demand in Ontario in the current period.

The availability of these hydroelectric stations for the three months ended September 30, 2018 was 67.7 per cent, compared to 66.1 per cent for the same quarter in 2017. The stations' availability for the nine months ended September 30, 2018 was 78.1 per cent, compared to 76.9 per cent for the same period in 2017. The increase was primarily due to a lower number of planned outage days at the northeastern Ontario region's contracted hydroelectric stations and unplanned outage days at the northwestern Ontario region's contracted hydroelectric stations.

### *Total Generating Cost*

The Enterprise Total Generating Cost per megawatt hour (MWh) for the three months ended September 30, 2018 was \$53.64, compared to \$46.65 for the same quarter in 2017. The increase in Enterprise Total Generating Cost per MWh in 2018 was primarily due to the lower nuclear electricity generation as a result of a higher number of unplanned outage days at the Pickering GS and a higher number of planned outage days at the Darlington GS in 2018, lower hydroelectric electricity generation due to higher water flows in 2017, and higher sustaining capital expenditures in 2018.

The Enterprise Total Generating Cost per MWh for the nine months ended September 30, 2018 was \$53.02, compared to \$47.77 for the same period in 2017. The increase in Enterprise Total Generating Cost per MWh in 2018 was primarily due to an increase in planned outage days at the Pickering GS in the first half of 2018 in accordance with the station's cyclical maintenance schedule, increase in unplanned outage days at the Pickering GS in the third quarter of 2018, and lower hydroelectric electricity generation due to higher water flows in 2017, partially offset by greater generation at the Darlington GS.

### **Acquisition of Eagle Creek Renewable Energy**

In August 2018, OPG signed a purchase and sale agreement to acquire 100 per cent of the equity of Eagle Creek Renewable Energy LLC (Eagle Creek), an operator of small hydropower facilities in the United States, for US\$298 million, subject to customary working capital and other adjustments.

Eagle Creek currently owns and operates 63 small hydropower facilities representing 216 megawatts (MW) of capacity, primarily located in the U.S. Northeast and Midwest. Eagle Creek also has ownership interests in 13 other hydroelectric assets and two solar facilities in New England, representing 10 MW of capacity.

In the third quarter of 2018, OPG received Hart-Scott-Rodino Act antitrust regulatory approval, and is currently awaiting final federal regulatory approvals from the Committee on Foreign Investment in the United States (CFIUS) prior to the closing of the acquisition. The transaction is expected to close by the end of 2018.

## **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 the third quarter of 2018 included the following:

### *Darlington Refurbishment*

The Darlington Refurbishment project is expected to extend the operating life of the four-unit Darlington GS by at least 30 years. In October 2018, OPG completed the installation of new calandria tubes and is progressing as planned through the third major segment of the project, the installation and reassembly of reactor components. The installation of new fuel channels is now underway. The Darlington Refurbishment project, the execution of which began in 2016, continues to track on schedule and to the \$12.8 billion budget.

In addition to the execution of refurbishment activities on Unit 2, OPG continues to progress with the planning and prerequisite activities for the refurbishment of Unit 3, incorporating the experience learned to date on Unit 2's execution, and is continuing to enter into commitments to procure major components that require long lead times. The Unit 3 refurbishment is expected to commence upon the return to service of Unit 2. As of September 30, 2018, \$213 million has been expended in planning and prerequisite activities related to the refurbishment of Unit 3.

Total life-to-date capital expenditures on the project were approximately \$5.2 billion as at September 30, 2018.

### *Ranney Falls Hydroelectric GS*

In the third quarter of 2018, OPG continued construction work for a 10 MW single-unit powerhouse on the existing Ranney Falls GS site. The new unit will replace an existing unit that reached its end of life in 2014. Construction continues with concrete placement of the expanded forebay, powerhouse and spillway. Sectional gates, unit head gates and spillway gates installation is in progress. The substation construction is completed, and turbine and generator unit fabrication and factory acceptance testing are in progress. The project's expected in-service date is in the fourth quarter of 2019, with a budget of \$77 million. The project is tracking on schedule and on budget. The Ranney Falls GS is included in the Regulated – Hydroelectric segment.

### *Sir Adam Beck 1 GS*

The Sir Adam Beck 1 GS, located at Niagara Falls, was originally placed in service in the 1920s. A project to rehabilitate two of the older units at the station (G1 and G2) is in its early stages of planning. These two units used outdated technology prior to being decommissioned in 2009. The conversion of these units to newer technology is expected to add approximately 100 MW of incremental generating capacity, providing many more decades of cost effective, clean power from one of the cornerstone stations in the Company's hydroelectric fleet. Detailed cost and schedule commitment estimates are currently under development for the project.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

<i>(millions of dollars – except where noted)</i>	Three Months Ended		Nine Months Ended	
	September 30 2018	September 30 2017	September 30 2018	September 30 2017
Revenue	1,373	1,217	4,062	3,539
Fuel expense	175	185	496	518
Operations, maintenance and administration	638	635	2,103	2,054
Depreciation and amortization	200	178	584	517
Other expenses (gains), net <sup>1</sup>	27	39	(169)	(249)
Income before interest and income taxes	333	180	1,048	699
Net interest expense	19	21	56	56
Income tax expense	31	19	44	128
Net income	283	140	948	515
<b>Net income attributable to the Shareholder</b>	<b>279</b>	<b>131</b>	<b>935</b>	<b>498</b>
<b>Net income attributable to non-controlling interest <sup>2</sup></b>	<b>4</b>	<b>9</b>	<b>13</b>	<b>17</b>
<b>Income (loss) before interest and income taxes</b>				
Electricity generating business segments	370	217	866	436
Regulated – Nuclear Waste Management	(26)	(36)	(91)	(123)
Fair Hydro Trust	7	-	19	-
Other	(18)	(1)	254	386
Total income before interest and income taxes	333	180	1,048	699
<b>Cash flow</b>				
Cash flow provided by operating activities	524	459	1,163	716
<b>Electricity generation (TWh)</b>				
Regulated – Nuclear Generation	10.6	11.3	29.6	30.6
Regulated – Hydroelectric	7.0	7.3	22.3	23.5
Contracted Generation Portfolio <sup>3</sup>	0.7	0.8	2.4	1.9
Total electricity generation	18.3	19.4	54.3	56.0
<b>Nuclear unit capability factor (per cent) <sup>4</sup></b>				
Darlington Nuclear GS	91.7	96.2	85.2	82.1
Pickering Nuclear GS	87.9	88.7	77.9	83.8
<b>Availability (per cent)</b>				
Regulated – Hydroelectric	82.6	87.6	86.1	89.0
Contracted Generation Portfolio – hydroelectric stations	67.7	66.1	78.1	76.9
<b>Equivalent forced outage rate</b>				
Contracted Generation Portfolio – thermal stations <sup>5</sup>	6.4	2.6	2.8	6.0
<b>Enterprise Total Generating Cost (TGC) per MWh (\$/MWh) for the three and nine months ended September 30, 2018 and September 30, 2017 (\$/MWh) <sup>6</sup></b>	<b>53.64</b>	46.65	<b>53.02</b>	47.77
<b>Return on Equity Excluding Accumulated Other Comprehensive Income (ROE Excluding AOCI) for the twelve months ended September 30, 2018 and December 31, 2017 (%) <sup>6</sup></b>			<b>10.8</b>	7.6

<sup>1</sup> For the nine months ended September 30, 2018, includes the pre-tax gain on the sale of the former Lakeview GS site. For the nine months ended September 30, 2017, includes the pre-tax gain on the sale of OPG's head office property.

<sup>2</sup> Relates to the 25 per cent interest of the Amisk-oo-Skow Finance Corporation, a corporation wholly owned by the Moose Cree First Nation in the Lower Mattagami Limited Partnership, the 33 per cent interest of Coral Rapids Power Corporation, a corporation wholly owned by the Taykwa Tagamou Nation, in the PSS Generating Station Limited Partnership, and the 10 per cent interest of a corporation wholly owned by the Six Nations of Grand River Development Corporation in the Nanticoke Solar LP.

<sup>3</sup> Includes OPG's share of generation volume from its 50 per cent ownership interests in the Portlands Energy Centre and Brighton Beach GS.

<sup>4</sup> Nuclear unit capability factor excludes unit(s) during the period in which they are undergoing refurbishment. Unit 2 of the Darlington GS is excluded from the measure effective October 15, 2016, when the unit was taken offline for refurbishment.

<sup>5</sup> For the three and nine months ended September 30, 2018, includes unplanned outage days at the Thunder Bay GS prior to the commencement of cessation of operations in July 2018.

<sup>6</sup> Enterprise TGC per MWh and ROE Excluding AOCI 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 three and nine month periods ended September 30, 2018, in the sections *Highlights – Return on Equity Excluding Accumulated Other Comprehensive Income*, *Highlights – Enterprise Total Generating Cost per MWh*, and *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 unaudited interim consolidated financial statements and Management's Discussion and Analysis as at and for the three and nine month periods ended September 30, 2018 can be accessed on OPG's web site ([www.opg.com](http://www.opg.com)), the Canadian Securities Administrators' web site ([www.sedar.com](http://www.sedar.com)), or can be requested from the Company.

For further information, please contact: Investor Relations 416-592-6700  
[webmaster@opg.com](mailto:webmaster@opg.com)

Media Relations 416-592-4008  
1-877-592-4008

- 30 -