

March 7, 2019

OPG REPORTS 2018 FINANCIAL RESULTS

OPG records increase in net income for fourth consecutive year; Continuing improvements in performance

[Toronto]: – Ontario Power Generation Inc. (OPG or Company) today reported net income attributable to the Shareholder of \$1,195 million for 2018, compared to \$860 million in 2017.

“As Ontario’s only publicly-owned electricity generator, OPG is pleased to report that our 2018 year end results have provided another strong financial return for our shareholder,” said Jeff Lyash, OPG President and CEO. “As the largest and one of the lowest cost electricity generators in Ontario, we remain focused on continuing to drive value from our public assets for the benefit of our owners, the people of Ontario.”

Lyash continued, “Two years ago, OPG began one of the largest and most complex infrastructure projects in Canada. The Darlington Refurbishment Project continues to track on time and on budget and when finished will generate low cost, carbon-free and reliable energy for Ontario for another 30 years. We value the efforts and feedback provided by the Auditor General in her recent report and appreciated her acknowledgment that our business practices are being executed diligently in managing this complex nuclear project.”

In 2018, OPG acquired 100 per cent ownership interest of Eagle Creek Renewable Energy, LLC (Eagle Creek), a hydropower platform with interests in 76 hydroelectric generating stations and two solar facilities throughout the United States, with a majority operating in the New England, Midwest and New York power market areas. “We have been stewards of hydroelectric assets for more than a century and we are proud to continue that legacy with the acquisition of Eagle Creek,” said Lyash. “We look forward to a path of continued growth and success with Eagle Creek.”

On December 20, 2018, the Government of Ontario passed legislation that amended the *Labour Relations Act, 1995* to prohibit and end any strikes or lockouts between OPG and the Power Workers Union (PWU) for the current round of bargaining and directing that the collective agreement be concluded through a mediation/arbitration process. Lyash commented, “The matter has now been referred to a mediator-arbitrator for a fair dispute resolution process. I want to thank OPG workers for their continued professionalism and commitment to safety throughout this process as we work to secure a new collective agreement with PWU.”

The Company's net income for 2018 reflects the full year effect of 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. The financial results also benefited from continuing strong operating plant performance, as well as an after-tax gain of \$205 million on the sale of the former Lakeview generation station (GS) site in the first quarter of 2018. The financial results for 2017 included an after-tax gain of \$283 million from the sale of OPG's head office building and parking facilities.

OPG continues to provide electricity at a price that is approximately 40 per cent less than the average of other generators in Ontario.

OPG supports the proposals outlined by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), encouraging the development of climate-related financial risk disclosures that are measurable and relevant to investors and other stakeholders.

Generating and Operating Performance

Electricity generated in 2018 was 74.0 terawatt hours (TWh) compared to 74.1 TWh in 2017. The reduction in generation was primarily due to lower water flows across most river systems in the province, offset by increased generation from facilities in OPG's Contracted and Other Generation segment and increased generation from nuclear facilities.

Regulated – Nuclear Generation Segment

Higher nuclear generation of 0.2 TWh during 2018 compared to 2017 was primarily due to the positive impact of fewer planned outage days at the Darlington GS, largely offset by increased outage days at the Pickering GS.

For 2018, the unit capability factor for the operating units at the Darlington GS was 88.6 per cent compared to 85.2 per cent for 2017. The increase was primarily due to a lower number of planned outage days in the year due to the station's cyclical maintenance schedule and favourable execution of planned outage work.

At the Pickering GS, the unit capability factor decreased to 79.1 per cent for 2018 compared to 80.0 per cent for 2017, primarily reflecting a higher number of planned outage days in 2018 due to the station's cyclical maintenance schedule, partially offset by favourable execution of planned outage work.

Regulated – Hydroelectric Segment

Lower generation from the regulated hydroelectric stations of 0.9 TWh during 2018 compared to 2017 was primarily due to lower water flows across most river systems in the province, as expected given the higher than anticipated levels in 2017.

The availability of 86.0 per cent at these stations in 2018 was lower than 88.0 per cent for 2017. The decrease in the availability was primarily due to the execution of planned projects requiring additional outages at the eastern Ontario region's regulated hydroelectric stations.

Contracted and Other Generation Segment

Following the acquisition of Eagle Creek in the fourth quarter of 2018, the Contracted Generation Portfolio segment was renamed to the Contracted and Other Generation segment, reflecting the incorporation of Eagle Creek's facilities into the segment's results.

Higher generation from the Contracted and Other Generation segment of 0.6 TWh during 2018 compared to 2017 was primarily due to higher electricity demand in Ontario, resulting in greater electricity generation at non-hydroelectric contracted facilities and partially due to the acquisition of Eagle Creek in the fourth quarter of 2018.

The availability of the Ontario-based hydroelectric stations within the segment for 2018 was 78.4 per cent, compared to 74.6 per cent for 2017. The increase in the availability was primarily due to a lower number of planned outages, partially offset by a higher number of unplanned outages, at the northeastern Ontario region's contracted hydroelectric stations.

Total Generating Cost

The Enterprise Total Generating Cost per megawatt hour (MWh) for 2018 was \$53.24, compared to \$50.66 for 2017. The increase in Enterprise TGC per MWh was expected in line with generation forecasts, and was primarily due to lower hydroelectric electricity generation as a result of higher water flows in 2017 and higher capital expenditures in 2018.

Acquisition of Eagle Creek Renewable Energy

On November 27, 2018, the Company completed the acquisition of Eagle Creek, a hydropower platform with interests in 76 hydroelectric generating stations and two solar facilities throughout the US, for US\$298 million, subject to working capital and other customary adjustments. The majority of the facilities within Eagle Creek's fleet operate in the New England, Midwest and New York power market areas. As at December 31, 2018, Eagle Creek's portfolio provided approximately 226 MW of in-service generating capacity.

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 2018 were as follows:

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 early May 2018, OPG completed the second major segment of the Unit 2 refurbishment, the removal of existing reactor components, and transitioned into the third major segment, the installation and reassembly of reactor components. OPG is progressing through the third major segment of the project, having completed the installation of new calandria tubes in October 2018 and with the installation of new fuel channels targeting completion in the

first half of 2019. The new upper and middle feeder installation series is also 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 in accordance with the overall project schedule, incorporating experience learned to date from the Unit 2 refurbishment. The Unit 3 refurbishment execution is expected to commence upon the return to service of Unit 2. As of December 31, 2018, \$252 million has been invested in planning and prerequisite activities related to the refurbishment of Unit 3, including acquisition of long lead materials and components.

Total life-to-date capital expenditures on the project were approximately \$5.5 billion as at December 31, 2018.

Ranney Falls Hydroelectric GS

In 2018, OPG continued construction work on 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. Primary concrete placement for the new powerhouse, spillway and forebay wall was completed during 2018, with construction continuing with the balance of plant activities. Gate installation also has been completed and gate hydraulic systems installation is in progress. Turbine and generator unit fabrication has been completed, and installation commenced in the first quarter of 2019. 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.

Nanticoke Solar Facility

The Nanticoke solar facility project encompasses the construction of a 44 MW solar facility at OPG's Nanticoke GS site and adjacent lands under a Large Renewable Procurement I (LRP I) contract with the IESO, through Nanticoke Solar LP, a partnership between OPG and a subsidiary of Six Nations of Grand River Development Corporation. The installation of piles and the solar modules onto the racking has been completed. Confirmation of the commencement of commercial operation from the IESO is expected to be received by the end of the first quarter of 2019. The project is expected to close below the approved budget of \$107 million.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

<i>(millions of dollars – except where noted)</i>	2018	2017
Revenue	5,537	5,158
Fuel expense	671	689
Operations, maintenance and administration	2,825	2,824
Depreciation and amortization	784	679
Other gains, net of expenses ¹	(174)	(219)
Income before interest and income taxes	1,431	1,185
Net interest expense	77	95
Income tax expense	141	209
Net income	1,213	881
Net income attributable to the Shareholder	1,195	860
Net income attributable to non-controlling interest ²	18	21
Income before interest and income taxes		
Electricity generation business segments	1,246	971
Regulated – Nuclear Waste Management	(117)	(150)
Fair Hydro Trust	27	-
Other	275	364
Total income before interest and income taxes	1,431	1,185
Cash flow		
Cash flow provided by operating activities	1,687	944
Electricity generation (TWh)		
Regulated – Nuclear Generation	40.9	40.7
Regulated – Hydroelectric	29.8	30.7
Contracted and Other Generation ³	3.3	2.7
Total electricity generation	74.0	74.1
Nuclear unit capability factor (per cent) ⁴		
Darlington Nuclear GS	88.6	85.2
Pickering Nuclear GS	79.1	80.0
Availability (per cent)		
Regulated – Hydroelectric	86.0	88.0
Contracted and Other Generation – hydroelectric stations	78.4	74.6
Equivalent forced outage rate		
Contracted and Other Generation – thermal stations ⁵	2.5	2.4
Enterprise Total Generating Cost (TGC) per MWh for the year ended December 31, 2018 and 2017 (\$/MWh) ⁶	53.24	50.66
Return on Equity Excluding Accumulated Other Comprehensive Income (ROE Excluding AOCI) for the twelve months ended December 31, 2018 and 2017 (per cent) ⁶	9.5	7.6

¹ For the year ended December 31, 2018, includes the pre-tax gain on the sale of the former Lakeview GS site. For the year ended December 31, 2017, includes the pre-tax gain on the sale of OPG's head office property.

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

³ Includes OPG's share of generation from its 50 per cent ownership interests in the Portlands Energy Centre and Brighton Beach GS. For November 27, 2018 to December 31, 2018, also includes generation from Eagle Creek's facilities, including the proportionate share of generation from minority shareholdings in 13 hydroelectric and two solar facilities in the US.

⁴ 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.

⁵ For the year ended December 31, 2018, includes unplanned outage days at the Thunder Bay GS prior to the cessation of operations in July 2018.

⁶ 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 year ended December 31, 2018, in the section, *Key Operating Performance Indicators and 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, 2018 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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