ONTARIOPOWER GENERATION

News
from Ontario Power Generation

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OPG REPORTS 2020 THIRD QUARTER FINANCIAL RESULTS

OPG commences refurbishment of Darlington Unit 3; Darlington Unit 1 sets new world record for continuous operation

Toronto – Ontario Power Generation Inc. (OPG or Company) today reported its financial and operating results for the third quarter of 2020, with net income attributable to the Shareholder of $386 million, compared to $319 million for the same quarter of 2019.

The Company's net income for the third quarter of 2020 reflected higher revenue, primarily from its regulated nuclear generating assets and recently acquired gas-fired fleet, compared to the same quarter in 2019. The increase in revenue from the regulated nuclear generating assets was mainly due to changes in the regulated price previously approved by the Ontario Energy Board in 2018.

"The strong operational performance across our generating fleet continues to safely and reliably power the province as we all continue to confront the evolving COVID-19 pandemic," said Ken Hartwick, OPG's President and CEO. "In our role as Ontario's largest clean energy supplier, OPG remains focused on ensuring we have effective measures in place to address potential impacts of the pandemic on our workforce, operations and projects. We continue to safely operate our facilities and progress key projects in accordance with public health guidelines."

On September 3, 2020, OPG began the refurbishment of the second unit of the Darlington nuclear generating station (Darlington GS), with the defueling of the Unit 3 reactor, after completing a planned outage. Hartwick commented, "OPG reached a significant milestone on July 30 with the safe shutdown of Darlington's Unit 3. The start of refurbishment activities on Unit 3 brings us one step closer to extending the life of the station, continuing to provide Ontarians with reliable, carbon-free and low-cost electricity for decades to come."

After setting the Canadian and North American record for consecutive operation of a nuclear reactor in July 2020, Unit 1 of the Darlington GS set a new world record with 963 days, and counting, of continuous operation in September 2020. "Unit 1's world class performance is a direct reflection of the reliability of the Darlington station, a testament to the efforts of our hardworking and dedicated employees," said Hartwick.

Generation and Operating Performance

Electricity generated during the third quarter of 2020 was 21.3 terawatt hours (TWh), compared to 19.1 TWh for the same quarter in 2019. Total electricity generated during the nine months ended September 30, 2020 increased to 62.9 TWh from 58.4 TWh for the same period in 2019.

Regulated – Nuclear Generation Segment

Electricity generation from the regulated nuclear stations decreased by 0.2 TWh and increased by 1.4 TWh during the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019.

The decrease in the third quarter of 2020 was primarily due to a higher number of planned maintenance outage days at both the Darlington and Pickering nuclear generating stations, partially offset by electricity generation from Unit 2 of the Darlington GS since its return to service on June 4, 2020 and until the shutdown of Unit 3 of the Darlington GS on July 30, 2020. The increase for the nine month period was primarily due to electricity generation from Unit 2 of the Darlington GS and fewer planned maintenance outage days at the Darlington GS, partially offset by a higher number of planned maintenance outage days at the Pickering GS.

At the Darlington GS, the unit capability factor decreased to 88.3 per cent for the three months ended September 30, 2020 and increased to 93.4 per cent for the nine months ended September 30, 2020, compared to 91.1 per cent and 86.5 per cent for the same periods in 2019. The decrease in the third quarter of 2020 was primarily due to a higher number of planned outage days, partially offset by fewer unplanned outage days. The increase for the nine month period was primarily due to fewer planned outage days.

At the Pickering nuclear generating station (Pickering GS), the unit capability factor decreased to 78.4 per cent and 79.4 per cent for the three and nine month periods ended September 30, 2020, respectively, compared to 94.3 per cent and 89.1 per cent for the same periods in 2019. The decrease in both periods was primarily due to a higher number of planned outage days.

In August 2020, the Province of Ontario announced its support of OPG’s plan to optimize the end of operations dates for the Pickering GS, which includes Units 1 to 4 operating to 2024 and Units 5 to 8 operating until the end of 2025. Operating any of the Pickering GS units past December 31, 2024 is subject to the Canadian Nuclear Safety Commission regulatory approval through a public hearing process. The optimized operations plan reflects OPG’s analysis which demonstrated that continuing to keep the units operational is safe, technically feasible and will result in economic, carbon reduction and other benefits to the province and the Company.

Regulated – Hydroelectric Generation Segment

Electricity generation from the regulated hydroelectric stations increased by 0.5 TWh and decreased by 0.1 TWh during the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. The increase in the third quarter of 2020 was primarily due to fewer outages impacting production at the hydroelectric stations.

Availability at the regulated hydroelectric stations of 82.6 per cent and 88.4 per cent for the three and nine month periods ended September 30, 2020, respectively, was higher than 82.0 per cent and 87.7 per cent for the same periods in 2019. The increases were due to overall slightly fewer outage days at the regulated hydroelectric facilities as the Company deferred certain planned maintenance and project activities in response to the onset of the COVID-19 pandemic in the second quarter of 2020.

Contracted Hydroelectric and Other Generation Segment

Electricity generation from the Contracted Hydroelectric and Other Generation business segment increased by 0.6 TWh and 1.7 TWh during the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. The increase in the third quarter of 2020 was primarily due to electricity generation from hydroelectric facilities in the United States acquired in October 2019 and higher generation from the contracted facilities in Northeastern Ontario, reflecting higher water flows in the region. The increase in the nine month period was primarily due to electricity generation from the acquired facilities in the United States.

Availability of the Ontario-based hydroelectric stations in the segment increased to 82.1 per cent and 85.1 per cent during the three and nine month periods ended September 30, 2020, respectively, compared to 69.1 per cent and 77.9 per cent for the same periods in 2019. The increase in both periods was primarily due to fewer planned outages at the contracted hydroelectric facilities in Northeastern Ontario, including deferral of certain planned maintenance and project activities in response to the onset of the COVID-19 pandemic in the second quarter of 2020.

Contracted Gas Generation Segment

Electricity generation from the Contracted Gas Generation business segment increased by 1.3 TWh and 1.5 TWh during the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. The increase was primarily due to electricity generation from the portfolio of natural gas-fired plants acquired on April 29, 2020.

Total Generating Cost

The Enterprise Total Generating Cost (TGC) per megawatt hour (MWh) for the third quarter of 2020 was $50.36, compared to $50.41 for the same quarter in 2019. The Enterprise TGC per MWh for the nine months ended September 30, 2020 was $46.60, compared to $48.89 for the same period in 2019. For the three months ended September 30, 2020, the decrease reflected higher electricity generation from Ontario-based facilities, net of an increase in fuel expense, which was largely offset by higher outage-related OM&A expenses in the Regulated – Nuclear Generation business segment. For the nine months ended September 30, 2020, the decrease was primarily due to higher electricity generation from Ontario-based facilities, net of an increase in fuel expense.

Generation Development

OPG is undertaking a number of generation development and other major projects in support of Ontario's electricity system. The Company continues to execute on these projects while maintaining enhanced safety measures in response to the ongoing COVID-19 pandemic.

Significant developments during the third quarter of 2020 included the following:

Darlington Refurbishment

The Darlington Refurbishment Project will extend the operating life of the four-unit Darlington GS by at least 30 years.

On September 3, 2020, OPG commenced defueling of the Unit 3 reactor following the successful completion of a planned outage. Defueling is expected to be completed in the fourth quarter of 2020. Once refurbished, Unit 3 is scheduled to be returned to service in the first quarter of 2024.

Planning and pre-requisite activities for the refurbishment of the subsequent units, Unit 1 and Unit 4, are progressing as planned.

OPG continues to assess and seek ways to manage the impact of the COVID-19 pandemic on the total cost of the project, which is otherwise continuing to track to the $12.8 billion budget.

Little Long Dam Safety Project

OPG continues to execute on a plan to improve dam safety along the Lower Mattagami River in Ontario, primarily through the Little Long Dam Safety project. The project will increase the discharge capacity and make other improvements at the Little Long Main Dam, helping the Company comply with updated dam safety requirements. During the third quarter of 2020, site preparation and rock excavation below the Adam Creek spillway structure continued to progress as planned. The project is expected to be placed in-service in 2023 and is tracking to its $650 million budget. The Little Long Dam supports OPG's contracted hydroelectric generating stations.

Ranney Falls Hydroelectric GS

OPG continued commissioning activities on the new 10 MW single-unit powerhouse on the Ranney Falls GS site during the third quarter of 2020. The new unit will replace a life-expired unit, doubling the total station generating capacity. In September 2020, the new generator sustained damage and commissioning activities were halted. The vendor, at their own cost, will have the unit disassembled, repaired and reassembled prior to recommencing commissioning activities. The revised in-service date is now expected to be in the second half of 2021. The project continues to track within its $77 million budget. The Ranney Falls GS is included in the Regulated – Hydroelectric Generation business segment.

Sir Adam Beck I Hydroelectric GS Units G1 and G2 Replacement

OPG is continuing to execute a project to replace two older generating units at the Sir Adam Beck I GS that used outdated line frequency technology prior to being decommissioned. This is expected to add approximately 125 MW of incremental generating capacity, providing decades of cost effective, clean power from one of OPG's flagship hydroelectric stations. During the third quarter of 2020, OPG completed project engineering and continued removal of the 100-year-old embedded turbine scroll cases, which will be followed by installation of new units. The project is expected to be placed in-service in 2022 and is tracking to its $128 million budget. The Sir Adam Beck I GS is reported in the Regulated – Hydroelectric Generation business segment.

Redevelopment of Calabogie Hydroelectric GS

OPG is redeveloping the Calabogie GS, which was nearing the end of its operational life when it was extensively damaged by a storm in 2018. The new facility will double the station's capacity to approximately 11 MW. During the third quarter of 2020, OPG continued excavation work for the new powerhouse and intake channel. The project is expected to be placed in-service in 2022 and is tracking to its $137 million budget. The Calabogie GS is located along the Madawaska River in Eastern Ontario, and is reported in the Regulated – Hydroelectric Generation business segment.

New Nuclear Development

OPG has concluded a due diligence process, in collaboration with other major energy utilities, to advance the development of a small nuclear modular reactor (SMR) in Ontario and support the potential deployment of SMRs in other jurisdictions. As part of a pan-Canadian approach to this next generation clean technology, OPG is advancing engineering and design work with three SMR developers.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(millions of dollars – except where noted)	Three Months Ended September 30 2020	Three Months Ended September 30 2019	Nine Months Ended September 30 2020	Nine Months Ended September 30 2019
Revenue	**1,889**	1,508	**5,458**	4,500
Fuel expense	**225**	172	**577**	495
Operations, maintenance and administration expenses	**716**	661	**2,108**	2,091
Depreciation and amortization expenses	**337**	268	**985**	798
Accretion on fixed asset removal and nuclear waste management liabilities	**263**	254	**791**	764
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(234)**	(225)	**(693)**	(668)
Other net expenses (gains)	**5**	(12)	**10**	(46)
Earnings before interest and income taxes	**577**	390	**1,680**	1,066
Net interest expense	**61**	5	**190**	35
Income tax expense	**126**	62	**325**	135
Net income	**390**	323	**1,165**	896
Net income attributable to the Shareholder	**386**	319	**1,153**	883
Net income attributable to non-controlling interest [1]	**4**	4	**12**	13
Earnings (loss) before interest and income taxes				
Electricity generating business segments	**601**	419	**1,749**	1,134
Regulated – Nuclear Waste Management	**(25)**	(26)	**(88)**	(87)
Other	**1**	(3)	**19**	19
Earnings before interest and income taxes	**577**	390	**1,680**	1,066
Cash flow provided by operating activities	**1,007**	743	**2,547**	1,928
Capital expenditures [2]	**410**	501	**1,244**	1,485
Electricity generation (TWh)				
Regulated – Nuclear Generation	**11.4**	11.6	**34.1**	32.7
Regulated – Hydroelectric Generation	**7.3**	6.8	**23.0**	23.1
Contracted Hydroelectric and Other Generation [3]	**1.1**	0.5	**3.8**	2.1
Contracted Gas Generation	**1.5**	0.2	**2.0**	0.5
Total OPG electricity generation	**21.3**	19.1	**62.9**	58.4
Nuclear unit capability factor (per cent) [4]				
Darlington Nuclear GS	**88.3**	91.1	**93.4**	86.5
Pickering Nuclear GS	**78.4**	94.3	**79.4**	89.1
Availability (per cent)				
Regulated – Hydroelectric Generation	**82.6**	82.0	**88.4**	87.7
Contracted Hydroelectric and Other Generation – hydroelectric stations [5]	**82.1**	69.1	**85.1**	77.9
Equivalent forced outage rate (per cent)				
Contracted Hydroelectric and Other Generation – thermal stations	**9.2**	0.5	**6.0**	5.2
Contracted Gas Generation [6]	**1.7**	-	**1.6**	-
Enterprise Total Generating Cost (TGC) per MWh ($/MWh) for the three and nine months ended September 30, 2020 and September 30, 2019 [7]	**50.36**	50.41	**46.60**	48.89
Return on Equity Excluding Accumulated Other Comprehensive Income (ROE Excluding AOCI) for the twelve months ended September 30, 2020 and December 31, 2019 (%) [7]			**9.4**	8.2

1 Relates to the following: 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; the 15 per cent and 5 per cent interests of corporations wholly owned by Six Nations of Grand River Development Corporation and the Mississaugas of the Credit First Nation, respectively, in Nanticoke Solar LP; and non-controlling interests in certain electricity generating facilities in the United States.

2 Includes net changes in accruals; excludes the acquisitions of a portfolio of natural gas-fired assets on April 29, 2020 and the remaining 50 per cent interest in the Brighton Beach GS on August 30, 2019.

3 Includes OPG's proportionate share of electricity generation from co-owned and minority-held facilities.

4 Excludes nuclear unit(s) during the period in which they are undergoing refurbishment.

5 Reflects the availability of contracted hydroelectric generating stations in Ontario. US hydroelectric generating operations are not reflected in these results.

6 Reflects the reliability of combined-cycle natural gas-fired plants for the periods they were wholly owned by OPG.

7 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 months ended September 30, 2020, in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*.

OPG is a climate change leader and the largest electricity generator in the province, providing almost half of the power Ontarians rely on every day. It is also one of the most diverse generators in North America, with expertise in nuclear, hydroelectric, biomass, solar and natural gas technologies.

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, 2020 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.

For further information, please contact:

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ONTARIO POWER GENERATION INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

2020 THIRD QUARTER REPORT

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ONTARIO POWER GENERATION INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes of Ontario Power Generation Inc. (OPG or Company) as at and for the three and nine month periods ended September 30, 2020. OPG's unaudited interim consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (US GAAP) and are presented in Canadian dollars.

For a complete description of OPG's corporate strategies, risk management, corporate governance, and the effect of critical accounting policies and estimates on OPG's results of operations and financial condition, this MD&A should also be read in conjunction with OPG's audited consolidated financial statements, Annual Information Form, and MD&A as at and for the year ended December 31, 2019.

As required by *Ontario Regulation 395/11*, as amended, a regulation under the *Financial Administration Act* (Ontario), OPG adopted US GAAP for the presentation of its consolidated financial statements, effective January 1, 2012. Since January 1, 2012, OPG has also received exemptive relief from the Ontario Securities Commission that allows OPG to apply US GAAP instead of International Financial Reporting Standards. The current exemption allows the Company to continue to apply US GAAP up to January 1, 2024. The term of the exemption is subject to certain conditions, which may result in the expiry of the exemption prior to January 1, 2024. For details, refer to the section, *Critical Accounting Policies and Estimates* under the heading, *Exemptive Relief for Reporting under US GAAP* in OPG's 2019 annual MD&A. This MD&A is dated November 11, 2020.

Additional information about OPG, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com and the Company's website at www.opg.com.

FORWARD-LOOKING STATEMENTS

The MD&A contains forward-looking statements that reflect OPG's current views regarding certain future events and circumstances. Any statement contained in this document that is not current or historical is a forward-looking statement. OPG generally uses words such as "anticipate", "believe", "budget", "foresee", "forecast", "estimate", "expect", "schedule", "intend", "plan", "project", "seek", "target", "goal", "strategy", "may", "will", "should", "could" and other similar words and expressions to indicate forward-looking statements. The absence of any such word or expression does not indicate that a statement is not forward-looking.

All forward-looking statements involve inherent assumptions, risks and uncertainties, including those set out in the section, *Risk Management*, and forecasts discussed in the section, *Corporate Strategy, Core Business and Outlook.* All forward-looking statements could be inaccurate to a material degree. In particular, forward-looking statements may contain assumptions such as those relating to OPG's generating station (GS) performance, availability and operating lives, fuel costs, surplus baseload generation (SBG), fixed asset removal and nuclear waste management and associated funding requirements, performance and earnings of investment funds, refurbishment of existing facilities, development and construction of new facilities, acquisition transactions and other business expansion opportunities, performance of acquired businesses, defined benefit pension and other post-employment benefit (OPEB) obligations and funds, income taxes, proposed new legislation, the ongoing evolution of electricity industries and markets in Ontario and the United States (US), the continued application and renewal of energy supply agreements (ESAs) and other contracts for non-regulated facilities, foreign currency exchange rates, commodity prices, wholesale electricity market prices, environmental and other regulatory requirements, operating licence applications to the Canadian Nuclear Safety Commission (CNSC) and the Federal Energy Regulatory Commission, health, safety and environmental developments, the COVID-19 pandemic, changes in the Company's workforce, renewal of union collective agreements, business continuity events, the weather, climate change, technological change, financing requirements and liquidity, funding sources, applications to the Ontario Energy Board (OEB) for regulated prices, the impact of regulatory decisions by the OEB, forecasts of earnings, cash flow, earnings before interest, income taxes, depreciation and amortization, gross margin, Return on Equity Excluding Accumulated Other Comprehensive Income (ROE Excluding AOCI), Total Generating Cost (TGC) per megawatt-hour (MWh), operations, maintenance and administration (OM&A) expenses and project and other expenditures, retention of critical talent, and supplier and third party performance. Accordingly, undue reliance should not be placed on any forward-looking statement. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Except as required by applicable securities laws, OPG does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise.

Use of Non-GAAP Financial Measures

The Company uses the following non-GAAP financial performance measures in the MD&A:

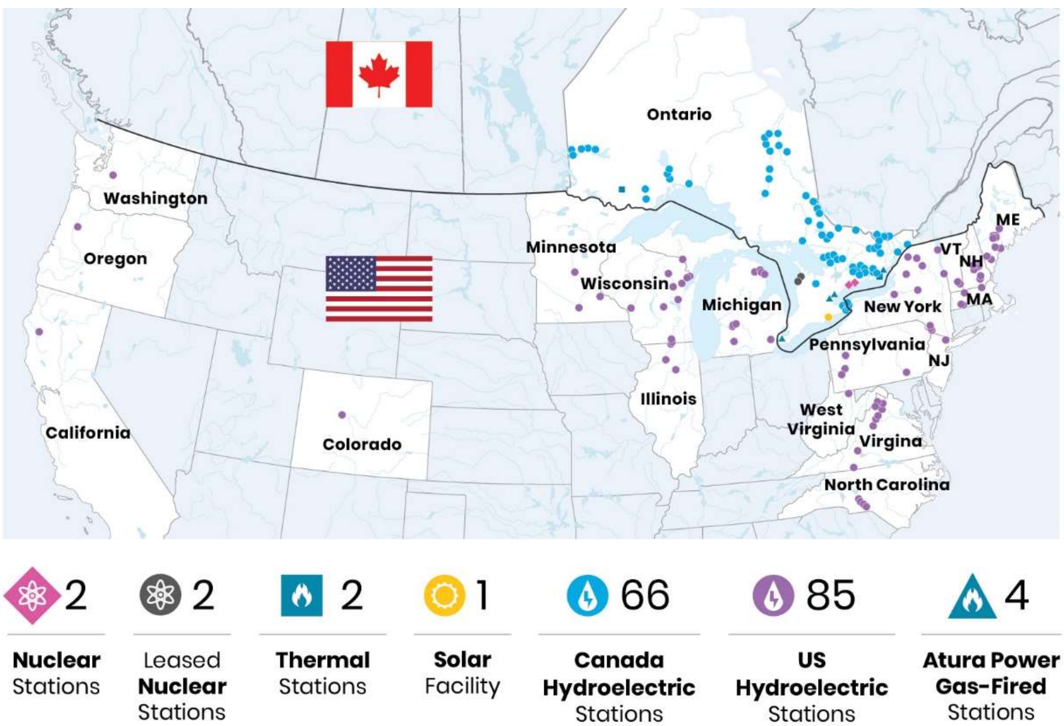
- "Return on Equity Excluding Accumulated Other Comprehensive Income";
- "Enterprise Total Generating Cost per Megawatt-Hour";
- "Earnings before Interest, Income Taxes, Depreciation and Amortization"; and
- "Gross Margin".

For a detailed description of each of the non-GAAP measures used in this MD&A and a detailed reconciliation to the most directly comparable measure under US GAAP, refer to the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*. The non-GAAP financial performance measures set out in this MD&A are intended to provide additional information to investors and do not have any standardized meaning under US GAAP, and therefore may not be comparable to other issuers, and should not be considered in isolation or as a substitute for measures of performance prepared under US GAAP.

THE COMPANY

OPG is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity. OPG was established under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (Province or Shareholder). OPG's electricity generation portfolio had an in-service generating capacity of 18,876 megawatts (MW) as at September 30, 2020.

As at September 30, 2020, OPG owned and operated two nuclear generating stations, 66 hydroelectric generating stations, two thermal generating stations, one solar facility and four combined-cycle natural gas-fired plants in Ontario, Canada. The combined-cycle natural gas-fired plants are owned and operated by the Company's wholly-owned subsidiary operating as Atura Power. Through its wholly-owned subsidiaries in the US, the Company also wholly or jointly owned and operated 85 hydroelectric generating stations and held minority shareholdings in 14 hydroelectric and two solar facilities in the US as at September 30, 2020. In addition, OPG owns two nuclear generating stations in Ontario, the Bruce A GS and the Bruce B GS, which are leased on a long-term basis to, and operated by Bruce Power L.P. (Bruce Power).



Income from co-owned and minority-held facilities is accounted for using the equity method of accounting. OPG's proportionate share of in-service generating capacity and electricity generation volume from co-owned and minority held facilities is included in the Company's generation portfolio statistics set out in this MD&A.

Income from the stations leased to Bruce Power is included in revenue under the Regulated – Nuclear Generation business segment. The leased stations are not included in the Company's electricity generation and other operating statistics set out in this MD&A.

Reporting Structure

In the second quarter of 2020, OPG established a new reportable business segment, Contracted Gas Generation, to describe the operating results related to its fleet of combined-cycle natural gas-fired generating stations in Ontario. The fleet comprises the Napanee GS, the Halton Hills GS, the Portlands Energy Centre and the Brighton Beach GS. The Napanee GS, the Halton Hills GS and the remaining 50 percent interest in the Portlands Energy Centre were acquired on April 29, 2020, and the remaining 50 percent interest in the Brighton Beach GS was acquired in August 2019. The facilities operate under ESAs with the Independent Electricity System Operator (IESO) or other long-term contractual arrangements.

The comparative information for the operating results and statistics related to OPG's interests in the Portlands Energy Centre and the Brighton Beach GS, reported in the Contracted and Other Generation business segment prior to the second quarter of 2020, has been reclassified to conform to the current segment presentation.

Effective in the second quarter of 2020, the Contracted and Other Generation segment was renamed Contracted Hydroelectric and Other Generation. The segment operates in Ontario and the US, generating electricity from the Company's non-regulated generating stations. The segment primarily includes generating facilities that are under ESAs with the IESO or other long-term contracts. A number of facilities in the US supply energy and capacity into wholesale electricity markets.

Since the second quarter of 2020, OPG's reportable business segments are as follows:

- Regulated – Nuclear Generation;
- Regulated – Nuclear Waste Management;
- Regulated – Hydroelectric Generation;
- Contracted Hydroelectric and Other Generation; and
- Contracted Gas Generation.

In-Service Generating Capacity

OPG's in-service generating capacity by business segment as of September 30, 2020 and December 31, 2019 was as follows:

	As At	
(MW)	**September 30 2020**	**December 31 2019**
Regulated – Nuclear Generation	**5,728**	5,728
Regulated – Hydroelectric Generation	**6,420**	6,420
Contracted Hydroelectric and Other Generation [1]	**4,035**	4,034
Contracted Gas Generation [1]	**2,693**	835
Total	**18,876**	17,017

[1] Includes OPG's proportionate share of in-service generating capacity from co-owned and minority shareholdings in electricity generating facilities.

During the nine months ended September 30, 2020, the total in-service generating capacity increased by 1,859 MW. The increase was primarily due to the acquisition of a portfolio of combined-cycle natural gas-fired plants in Ontario on April 29, 2020. The increase in in-service generating capacity from the return to service of refurbished Unit 2 of the Darlington nuclear GS (Darlington GS) in June 2020 was offset by a decrease in in-service generating capacity due to the commencement of refurbishment execution activities on Unit 3 of the Darlington GS in September 2020.

HIGHLIGHTS

Overview of Results

This section provides an overview of OPG's unaudited interim consolidated operating results for the three and nine month periods ended September 30, 2020, compared to the same periods in 2019. A discussion of OPG's performance by business segment can be found in the section, *Discussion of Operating Results by Business Segment*.

(millions of dollars – except where noted)	Three Months Ended September 30 2020	2019	Nine Months Ended September 30 2020	2019
Revenue	**1,889**	1,508	**5,458**	4,500
Fuel expense	**225**	172	**577**	495
Operations, maintenance and administration expenses	**716**	661	**2,108**	2,091
Depreciation and amortization expenses	**337**	268	**985**	798
Accretion on fixed asset removal and nuclear waste management liabilities	**263**	254	**791**	764
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(234)**	(225)	**(693)**	(668)
Other net expenses (gains)	**5**	(12)	**10**	(46)
Earnings before interest and income taxes	**577**	390	**1,680**	1,066
Net interest expense	**61**	5	**190**	35
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Net income	**390**	323	**1,165**	896
Net income attributable to the Shareholder	**386**	319	**1,153**	883
Net income attributable to non-controlling interest [1]	**4**	4	**12**	13
Electricity generation (TWh) [2]	**21.3**	19.1	**62.9**	58.4
Cash flow				
Cash flow provided by operating activities	**1,007**	743	**2,547**	1,928
Capital expenditures [3]	**410**	501	**1,244**	1,485
Earnings (loss) before interest and income taxes by segment				
Regulated – Nuclear Generation	**356**	246	**929**	459
Regulated – Hydroelectric Generation	**129**	117	**522**	476
Contracted Hydroelectric and Other Generation	**45**	43	**161**	165
Contracted Gas Generation	**71**	13	**137**	34
Total electricity generating business segments	**601**	419	**1,749**	1,134
Regulated – Nuclear Waste Management	**(25)**	(26)	**(88)**	(87)
Other	**1**	(3)	**19**	19
Earnings before interest and income taxes	**577**	390	**1,680**	1,066
Enterprise TGC per MWh ($/MWh) [4]	**50.36**	50.41	**46.60**	48.89
ROE Excluding AOCI for the twelve months ended September 30, 2020 and December 31, 2019 (percent) [4]			**9.4**	8.2

1 Relates to the following: 25 percent interest of Amisk-oo-Skow Finance Corporation, a corporation wholly owned by the Moose Cree First Nation, in Lower Mattagami Limited Partnership; the 33 percent interest of Coral Rapids Power Corporation, a corporation wholly owned by the Taykwa Tagamou Nation, in PSS Generating Station Limited Partnership; the 15 percent interest and 5 percent interests of corporations wholly owned by Six Nations of Grand River Development Corporation and the Mississaugas of the Credit First Nation, respectively, in Nanticoke Solar LP; and non-controlling interests in certain electricity generating facilities in the US.

2 Includes OPG's proportionate share of electricity generation from co-owned and minority-held facilities.

3 Includes net changes in accruals; excludes the acquisition of a portfolio of natural gas-fired assets on April 29, 2020 and the remaining 50 percent interest in the Brighton Beach GS on August 30, 2019.

4 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 the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures.*

Third Quarter

Net income attributable to the Shareholder was $386 million for the third quarter of 2020, representing an increase of $67 million compared to the same quarter in 2019.

Earnings before interest and income taxes (EBIT) for the third quarter of 2020 was $577 million, an increase of $187 million compared to the same quarter in 2019.

Significant factors that increased EBIT:

- Increases in revenue from the Regulated – Nuclear Generation business segment of $93 million from a higher base regulated price for OPG's nuclear electricity generation, $72 million from higher amounts deferred in a regulatory deferral account for future collection under rate smoothing, which helps to lower electricity prices for customers in the current period, and $36 million from collection of a rate rider related to a historical revenue shortfall. The increases in the base regulated price and rate smoothing deferrals, and the shortfall rate rider were approved by the OEB in its March 2018 order on OPG's regulated prices for the 2017-2021 period. The increases in the base regulated price and rate smoothing deferrals include an increase in rate base to allow for recovery of OPG's investment in the Darlington Refurbishment project; and
- Higher EBIT of $58 million from the Contracted Gas Generation business segment, primarily from the acquisition of a portfolio of natural gas-fired plants in Ontario on April 29, 2020.

Significant factors that decreased EBIT:

- An increase in depreciation and amortization expenses of $46 million from the Regulated – Nuclear Generation business segment, excluding amortization expense related to the recovery of regulatory deferral and variance account (regulatory account) balances, primarily due to depreciation on the capital expenditures placed in service upon completing the refurbishment of the Unit 2 of the Darlington GS in June 2020; and
- Higher OM&A expenses of $47 million from the Regulated – Nuclear Generation business segment, primarily due to higher planned outage-related activity at the Pickering nuclear generating station (Pickering GS).

Net interest expense increased by $56 million in the third quarter of 2020, compared to the same quarter in 2019. The increase was largely due to a lower amount of interest costs capitalized related to the Darlington Refurbishment project expenditures as a result of returning to service Unit 2 of the Darlington GS, and interest costs from the net issuance and assumption of debt.

Income tax expense increased by $64 million for the three months ended September 30, 2020, compared to the same period in 2019. The increase was primarily due to higher earnings before taxes.

<u>Year-To-Date</u>

Net income attributable to the Shareholder was $1,153 million for the first nine months of 2020, representing an increase of $270 million compared to the same period in 2019.

EBIT for the first nine months of 2020 was $1,680 million, an increase of $614 million compared to the same period in 2019.

Significant factors that increased EBIT:

- Increases in revenue from the Regulated – Nuclear Generation business segment of $278 million from a higher base regulated price for OPG's nuclear electricity generation, $217 million from higher amounts deferred in a regulatory deferral account for future collection under rate smoothing and $36 million from collection of a rate rider related to a historical revenue shortfall;

- Higher revenue of approximately $100 million from the Regulated – Nuclear Generation business segment as a result of higher nuclear electricity generation of 1.4 terawatt hours (TWh), primarily due to the return to service of Unit 2 of the Darlington GS on June 4, 2020 and fewer planned outage days at the Darlington GS, partially offset by a higher number of planned outage days at the Pickering GS; and

- Higher EBIT of $103 million from the Contracted Gas Generation business segment, primarily from the acquisition of a portfolio of natural gas-fired plants in Ontario on April 29, 2020.

Significant factors that decreased EBIT:

- An increase in depreciation and amortization expenses of $137 million from the Regulated – Nuclear Generation business segment, excluding amortization expense related to the recovery of regulatory account balances, primarily due to depreciation on the capital expenditures placed in service upon completing the refurbishment of the Unit 2 of the Darlington GS and higher amounts of depreciation expense recorded as refundable to customers through regulatory accounts.

Net interest expense increased by $155 million for the nine months ended September 30, 2020, compared to the same period in 2019. The increase was largely due to a lower amount of interest costs capitalized related to the Darlington Refurbishment project expenditures as a result of returning to service Unit 2 of the Darlington GS, higher amounts of interest recorded as refundable to customers through regulatory accounts, and interest costs from the net issuance and assumption of debt.

Income tax expense increased by $190 million for the nine months ended September 30, 2020, compared to the same period in 2019. The increase was primarily due to the impact of higher earnings before taxes and a lower amount of income tax expense deferred as regulatory assets.

Trends

OPG's quarterly electricity generation from the Regulated – Hydroelectric Generation, Contracted Hydroelectric and Other Generation, and Contracted Gas Generation business segments is affected by changes in grid-supplied electricity demand. Changes in grid-supplied electricity demand are primarily caused by variations in seasonal weather conditions, changes in economic conditions, the impact of small-scale generation embedded in distribution networks, and the impact of conservation efforts. Historically, there has been greater electricity demand in Ontario during the winter and summer months due to heating and air conditioning demands.

In April 2020, the IESO reported a reduction in grid-supplied electricity demand in Ontario coincident with the implementation of policy actions in response to the COVID-19 pandemic beginning in the second half of March 2020. In September 2020, the IESO indicated that electricity consumption patterns were gradually returning to pre-pandemic levels, noting that there remained uncertainty related to the pandemic's longer term impacts.

OPG's quarterly electricity generation from hydroelectric facilities is impacted by weather conditions that affect water flows. Historically, there have been higher water flows in the second quarter as a result of snow and ice melt entering the river systems. The financial impact of variability in water flows on the Regulated – Hydroelectric Generation business segment is mitigated by OEB-authorized regulatory accounts.

The financial impact of variability in electricity generation from the Contracted Hydroelectric and Other Generation business segment and the Contracted Gas Generation business segment is mitigated by the terms of the applicable ESAs with the IESO and other long-term contracts for the contracted generating facilities in Ontario.

Electricity generation and the financial results of the Regulated – Nuclear Generation business segment are primarily impacted by outage activities at the nuclear generating stations. The frequency and timing of planned outages under a station's maintenance outage cycle and timing of refurbishment activities may result in period-over-period variability in OPG's financial results. The maintenance outage cycle at each of OPG's nuclear generating stations determines the number of planned outages in a particular year. Outage cycles are designed to ensure continued safe and reliable long-term operations of the stations and their compliance with the CNSC's regulatory requirements. OPG continues to monitor the planned outage schedule for the nuclear generating stations in the context of the COVID-19 pandemic.

The Darlington and Pickering nuclear generating stations have been designed to operate at full power as baseload generating facilities and therefore their electricity production is not intended to vary with changes in grid-supplied electricity demand.

Electricity Generation

Electricity generation for the three and nine month periods ended September 30, 2020 and 2019 was as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
(TWh)	**2020**	**2019**	**2020**	**2019**
Regulated – Nuclear Generation	**11.4**	11.6	**34.1**	32.7
Regulated – Hydroelectric Generation	**7.3**	6.8	**23.0**	23.1
Contracted Hydroelectric and Other Generation [1]	**1.1**	0.5	**3.8**	2.1
Contracted Gas Generation [1]	**1.5**	0.2	**2.0**	0.5
Total OPG electricity generation	**21.3**	19.1	**62.9**	58.4

[1] Includes OPG's proportionate share of electricity generation from co-owned and minority shareholdings in electricity generating facilities.

Total OPG electricity generation increased by 2.2 TWh and 4.5 TWh for the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019.

Electricity generation from the Regulated – Nuclear Generation business segment for the three months ended September 30, 2020 decreased by 0.2 TWh compared to the same period in 2019. This was primarily due to additional planned outage days at the Darlington GS and a higher number of cyclical maintenance planned outage days at the Pickering GS, partially offset by electricity generation from Unit 2 of the Darlington GS since its return to service on June 4, 2020. Together with the deferral of refurbishment execution activities and immediately preceding planned outage on Unit 3 of the Darlington GS, the return to service of Unit 2 resulted in all four of the stations' units generating electricity during the period from June 4, 2020 to July 30, 2020. Unit 3 of the Darlington GS was taken offline for the planned outage on July 30, 2020 and refurbishment execution activities commenced on September 3, 2020 with defueling of the reactor. The increase in electricity generation from the segment of 1.4 TWh for the nine months ended September 30, 2020, compared to the same period in 2019, was primarily due to electricity generation from Unit 2 of the Darlington GS and fewer cyclical maintenance planned outage days at the Darlington GS, partially offset by a higher number of cyclical maintenance planned outage days at the Pickering GS.

The increase in electricity generation of 0.5 TWh from the Regulated – Hydroelectric segment for the three months ended September 30, 2020, compared to the same period in 2019, was primarily due to fewer outages impacting production at the hydroelectric stations. Electricity generation from the business segment for the nine months ended September 30, 2020 was comparable to the same period in 2019.

The electricity generation from the Contracted Hydroelectric and Other Generation business segment increased by 0.6 TWh for the three months ended September 30, 2020, compared to the same period in 2019, primarily due to electricity generated from hydroelectric facilities in the US that were acquired in October 2019 and higher generation from the contracted facilities in Northeastern Ontario reflecting higher water flows in the region. The increase in electricity generation from the segment of 1.7 TWh for the nine months ended September 30, 2020, compared to the same period in 2019, was primarily due to electricity generation from the hydroelectric facilities in the US.

The electricity generation from the Contracted Gas Generation business segment for the three and nine month periods ended September 30, 2020 increased by 1.3 TWh and 1.5 TWh, respectively, compared to the same periods in 2019, primarily due to electricity generation from the portfolio of natural gas-fired plants acquired on April 29, 2020.

For the three and nine month periods ended September 30, 2020, Ontario's electricity demand as reported by the IESO was 35.4 TWh and 99.5 TWh, respectively, compared to 34.9 TWh and 101.5 TWh for the same periods in 2019, excluding electricity exports out of the province.

Power that is surplus to the Ontario market is managed by the IESO, mainly through generation reductions at hydroelectric and certain nuclear stations, and other grid-connected renewable resources. Baseload generation surplus in Ontario was lower in the three months ended September 30, 2020 compared to the same period in 2019, and higher in the nine months ended September 30, 2020 compared to the same period in 2019. Production forgone at OPG's regulated hydroelectric stations due to SBG conditions was 0.6 TWh and 3.1 TWh during the three and nine month periods ended September 30, 2020, compared to 0.6 TWh and 2.5 TWh, respectively, in the same periods of 2019. The gross margin impact of production forgone at OPG's regulated hydroelectric stations due to SBG conditions was offset by the impact of a regulatory account authorized by the OEB. OPG did not forgo any electricity production at its nuclear generating stations due to SBG conditions.

Cash Flow from Operations

Cash flow provided by operating activities for the three months ended September 30, 2020 was $1,007 million, compared to $743 million for the same period in 2019, and $2,547 million for the nine months ended September 30, 2020, compared to $1,928 million for the same period in 2019.

The increase for the three months ended September 30, 2020 was primarily due to higher revenue receipts from the Regulated – Nuclear Generation business segment reflecting a higher OEB-approved base regulated price for OPG's nuclear electricity generation, and net cash flow receipts from the operation of the natural gas-fired facilities acquired in April 2020.

The increase for the nine months ended September 30, 2020 was primarily due to higher revenue receipts from the Regulated – Nuclear Generation business segment reflecting a higher OEB-approved base regulated price for OPG's nuclear electricity generation and increased electricity production from the segment, cash flow from the operation of the natural gas-fired facilities acquired in April 2020, and lower cash payments for income taxes.

Capital Expenditures

Capital expenditures for the three and nine month periods ended September 30, 2020 and 2019 were as follows:

(millions of dollars)	Three Months Ended September 30 2020	2019	Nine Months Ended September 30 2020	2019
Regulated – Nuclear Generation – Darlington Refurbishment Project	**149**	288	**597**	901
Regulated – Nuclear Generation – Excluding Darlington Refurbishment Project	**112**	110	**262**	286
Regulated – Hydroelectric Generation	**72**	54	**192**	139
Contracted Hydroelectric and Other Generation	**51**	25	**103**	98
Contracted Gas Generation	**5**	-	**9**	-
Other	**21**	24	**81**	61
Total capital expenditures [1]	**410**	501	**1,244**	1,485

[1] Includes net changes in accruals; excludes the acquisitions of a portfolio of natural gas-fired assets on April 29, 2020 and the remaining 50 percent interest in the Brighton Beach GS on August 30, 2019.

Total capital expenditures decreased by $91 million and $241 million for the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. The decrease for the three months ended September 30, 2020 was primarily due to lower expenditures on the Darlington Refurbishment project, partially offset by higher expenditures for the Regulated – Hydroelectric Generation business segment and the Contracted Hydroelectric and Other Generation business segment. The decrease for the nine months ended September 30, 2020 was primarily due to lower expenditures on the Darlington Refurbishment project, partially offset by higher expenditures for the Regulated – Hydroelectric Generation business segment.

Capital expenditures on the Darlington Refurbishment project decreased by $139 million and $304 million for the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019, primarily due to completion of refurbishment activities for Unit 2 of the Darlington GS in the second quarter of 2020. The decreases were partially offset by increased pre-requisite and execution activities for the refurbishment of Unit 3 of the Darlington GS.

Excluding the Darlington Refurbishment project, capital expenditures for the Regulated – Nuclear Generation business segment for the three months ended September 30, 2020 were comparable to the same period in 2019. Segment capital expenditures were $24 million lower for the nine months ended September 30, 2020, compared to the same period in 2019. The decrease was primarily due to higher expenditures on critical spare parts at the nuclear generating stations during the second quarter of 2019 and the temporary suspension of certain on-site project activities in response to the COVID-19 pandemic during the second quarter of 2020.

Capital expenditures for the Regulated – Hydroelectric Generation business segment increased by $18 million and $53 million for the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. The increases were mainly due to expenditures on the Sir Adam Beck I GS Unit G1 and G2 Replacement and other projects at the Sir Adam Beck generating complex, the redevelopment of the Calabogie GS and sustaining projects at the stations in Northwestern Ontario, partially offset by lower expenditures on the Ranney Falls GS project. For the nine months ended September 30, 2020, the increase was also partially offset by lower expenditures due to the temporary suspension of certain on-site project activities in response to COVID-19 during the second quarter of 2020.

Capital expenditures for the Contracted Hydroelectric and Other Generation business segment increased by $26 million and $5 million for the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. The increase for the three months ended September 30, 2020 was primarily due to higher expenditures on the Little Long Dam Safety project, which commenced execution work during the fourth quarter of 2019. The increase for the nine months ended September 30, 2020 reflected higher expenditures on the Little Long Dam Safety project, largely offset by lower expenditures due to completion of the Nanticoke solar facility, which was placed in-service in the first quarter of 2019, and the acquisition of the Little Quinnesec hydroelectric GS in March 2019.

Capital expenditures within the Other category increased by $20 million for the nine months ended September 30, 2020, compared to the same period in 2019, primarily due to planned investments in information technology systems. Capital expenditures within the Other category for the three months ended September 30, 2020 were comparable to the same period in 2019.

Further details on the Company's major projects can be found in the section, *Corporate Strategy, Core Business and Outlook* under the heading, *Project Excellence*.

Return on Equity Excluding Accumulated Other Comprehensive Income

ROE Excluding AOCI is an indicator of OPG's performance consistent with the Company's strategy to provide value to the Shareholder. ROE Excluding AOCI is measured over a 12-month period. ROE Excluding AOCI for the twelve months ended September 30, 2020 was 9.4 percent, compared to 8.2 percent for the twelve months ended December 31, 2019. The increase in ROE Excluding AOCI was primarily due to higher revenue from the Regulated – Nuclear Generation business segment during the nine months ended September 30, 2020, and higher earnings from the Contracted Gas Generation business segment during the same period, primarily due to the acquisition of a portfolio of natural gas-fired plants on April 29, 2020, partially offset by higher net interest expense and higher income tax expense during the nine months ended September 30, 2020.

Enterprise Total Generating Cost per Megawatt-Hour

The Enterprise TGC per MWh was $50.36 and $46.60 for the three and nine month periods ended September 30, 2020, respectively, compared to $50.41 and $48.89 for the same periods in 2019.

For the three months ended September 30, 2020, the Enterprise TGC per MWh was comparable to the same period in 2019, with the impact of higher electricity generation from Ontario-based facilities, net of an increase in fuel expense, largely offset by higher outage-related OM&A expenses in the Regulated – Nuclear Generation business segment.

For the nine months ended September 30, 2020, the decrease in Enterprise TGC per MWh was primarily due to higher electricity generation from Ontario-based facilities, net of an increase in fuel expense.

RECENT DEVELOPMENTS

Response to COVID-19

OPG continues to monitor and respond to the global outbreak of COVID-19, the disease caused by a novel strain of coronavirus, and to take action to protect the health and safety of the Company's employees, partners and communities against its spread. Although OPG's core business has not been fundamentally affected by the pandemic, the Company remains focused on mitigating ongoing risks to its workers and essential operations posed by COVID-19 in order to ensure a continued safe and reliable supply of electricity from its generating facilities and effective execution of major projects. Leveraging its preparedness plans and enhanced safety measures in line with public health guidelines, OPG continues to operate its generating fleet and advance key projects and other corporate priorities, including the refurbishment of Unit 3 of the Darlington GS.

Enhanced safety measures being maintained across the organization include physical distancing requirements, vendor onboarding protocols, use of personal protective equipment and adjusted occupancy at certain worksites taking into account operational and project execution needs. The Company is actively monitoring the public health situation and is continuously reviewing safety measures, operating protocols and contingency planning as new information becomes available. OPG also continues to monitor the impact of the pandemic on the Company's workforce, critical vendors and supply chains, government policy, regulatory actions and the broader economy, including electricity demand, electricity market prices and financial market conditions.

Beginning in March 2020 and through the height of the pandemic's onset during the second quarter of 2020, OPG took a number of additional steps in response to the pandemic, including temporarily postponing refurbishment execution activities and immediately preceding planned outage on Unit 3 of the Darlington GS, and suspending on-site activities for other projects. These measures resulted in lower than planned capital expenditures and higher than planned electricity generation during the second and third quarters of 2020. The ultimate impact of COVID-19 on the Company remains inherently uncertain, depending on the course of the pandemic and any future required actions, including in response to the second wave. Further details on the Company's outlook in the context of the COVID-19 pandemic can be found in the section, *Corporate Strategy, Core Business and Outlook* under the heading, *Outlook*.

Recent Developments in Operational Excellence

<u>Continued Operations Plan for Pickering GS</u>

On August 14, 2020, the Province announced its support of OPG's plan to optimize the end of operations dates for the six operating units of the Pickering GS, which includes Units 1 and 4 operating to 2024 and Units 5 to 8 operating until the end of 2025. Operating any of the Pickering GS units past December 31, 2024 is subject to CNSC regulatory approval through a public hearing process. The optimized operations plan reflects OPG's analysis which demonstrates that continuing to keep the units operational is safe, technically feasible and will result in incremental economic and other benefits to the province and the Company. In addition to providing Ontario with a reliable, cost effective source of baseload electricity during a period of refurbishments at the Darlington and Bruce nuclear generation stations, the continued operation of the Pickering GS will help to reduce carbon emissions and maintain several thousand jobs in the Durham region.

<u>World Record for Continuous Operation at Darlington GS</u>

On September 15, 2020, Unit 1 of the Darlington GS set a new world record for continuous operation of a nuclear reactor at 963 consecutive days. The unit continues to operate and has been online since January 26, 2018 without being taken out of service for maintenance or repairs, uninterruptedly supplying clean and reliable energy to Ontario's electricity grid.

Recent Developments in Project Excellence

Darlington Refurbishment

On September 3, 2020, OPG commenced the refurbishment of Unit 3 of the Darlington GS with the defueling of the reactor, following the unit's safe shutdown on July 30, 2020 to undertake a single-fuel channel replacement planned outage. Unit 3 is the second Darlington GS unit to undergo refurbishment following successful completion of Unit 2, which was returned to service in June 2020. Unit 3 is scheduled to be returned to service in the first quarter of 2024. The Darlington Refurbishment project is discussed further in the section, *Core Business, Strategy and Outlook* under the heading, *Project Excellence.*

Recent Developments in Financial Strength

Ontario Regulation 53/05 Amendments

On November 10, 2020, the Province published two approved amendments to *Ontario Regulation 53/05* under the *Ontario Energy Board Act, 1998.* The regulation sets out certain requirements related to setting regulated prices for OPG's prescribed facilities. The first amendment sets OPG's hydroelectric base regulated price for the period from January 1, 2022 to December 31, 2026 at the 2021 base regulated price, which is expected to be established by the OEB before the end of 2020 pursuant to OPG's application for the annual formulaic adjustment to the regulated price. The second amendment requires OPG to establish a deferral account to record certain incurred costs associated with the shutdown of the Pickering GS and for the OEB to authorize recovery of these amounts over a period not to exceed ten years following the permanent cessation of electricity generation at the Pickering GS, subject to a prudence review.

Further details on the base regulated prices for the hydroelectric facilities can be found in the section, *Core Business, Strategy and Outlook* under the heading, *Financial Strength.*

Medium Term Notes Issuance

On October 22, 2020, OPG issued $400 million of bonds under the Company's Medium Term Note Program, maturing in April 2026 with a coupon interest rate of 1.17 percent. The net proceeds will be used for repayment of existing indebtedness, working capital requirements and general corporate purposes.

COPORATE STRATEGY, CORE BUSINESS AND OUTLOOK

The discussion in this section is qualified in its entirety by the cautionary statements included in the section, *Forward-Looking Statements* at the beginning of the MD&A.

OPG's mission is to provide low cost power in a safe, clean, reliable and sustainable manner for the benefit of the customers and Shareholder.

The following sections provide an update to OPG's disclosures in the 2019 annual MD&A related to its four business imperatives – operational excellence, project excellence, financial strength, and social licence. A detailed discussion of these imperatives as part of OPG's corporate strategy is included in the 2019 annual MD&A in the sections, *Corporate Strategy* and *Core Business and Outlook*.

Operational Excellence

Operational excellence at OPG is accomplished by the safe and environmentally responsible generation of reliable and cost-effective electricity from the Company's assets, through a highly trained and engaged workforce. Workplace safety and public safety are overriding priorities in all activities performed at OPG.

Electricity Generation Production and Reliability

- In October 2020, the Pickering GS received an Excellence Award from the Institute of Nuclear Power Operations, the highest achievement award in nuclear safety and reliability. The Excellence Award recognizes nuclear power plants that have achieved the top performance category in the nuclear industry. Reflecting the Company's commitment to the station's continued strong performance, Unit 4 of the Pickering GS marked the second longest run for a Pickering GS unit in August 2020, with 730 consecutive days of operation.

- OPG continues to execute planned work required to enable safe and reliable operation of the Pickering GS to the planned end of life dates, including as required under the previously established Periodic Safety Review (PSR) and associated Integrated Implementation Plan (IIP) commitments accepted by CNSC staff. The PSR, a comprehensive assessment of the station's design and operation, had confirmed that there is a high level of safety throughout the continued operation of the station to 2024. Additional technical analysis and inspections will be performed to confirm fitness-for-service of fuel channels and other major station components in support of optimizing the station's shutdown sequence to 2025, subject to the CNSC's regulatory approvals. All PSR and IIP commitments to date have been completed on or ahead of plan.

- In October 2020, Laurentis Energy Partners, a wholly-owned subsidiary of OPG, and BWX Technologies, Inc. (BWXT) submitted an application to the CNSC in relation to the plan to produce molybdenum-99 (Mo-99) at the Darlington GS. Mo-99 is a parent isotope of technetium-99 (Tc-99m), which is used for skeletal, brain and organ imaging in order to detect and diagnose harmful diseases, including heart disease and cancer. Under the agreement between the parties, Laurentis Energy Partners would supply BWXT with Mo-99, which BWXT would process and place into Tc-99m generators for medical use.

- In response to COVID-19, OPG is operating an internal Crisis Management Communications Centre (CMCC) and Infectious Disease Incident Response Team (IDIRT). The primary function of the CMCC is to develop and oversee an enterprise-wide strategic response to an emergency situation and to coordinate related corporate communications. The IDIRT's role is to support risk assessments and recommend mitigating actions in an event of an incident involving an infectious disease. Through the CMCC and the IDIRT, OPG continues to monitor pandemic-related developments and implement protocols to help maintain a safe and reliable supply of electricity and advance key projects, while protecting the safety of workers.

Improving Efficiency and Reducing Costs

- As part of its commitment to operational excellence, OPG continues to advance strategies to improve cost performance and organizational capability across the business. In September 2020, the Company implemented a realignment of its organizational structure to facilitate greater cross-functional collaboration and efficiencies. This included the centralization of engineering and other operations support groups under an enterprise operations organization, the integration of major project planning and execution responsibilities into an enterprise projects organization, and the amalgamation of business development and other strategic activities under an enterprise strategy organization.

Project Excellence

OPG is pursuing a number of generation development and other projects to maximize the value of and expand its generating fleet to support Ontario's electricity system, striving for excellence in the planning and delivery of all capital and maintenance projects across the organization. The status of OPG's major projects is outlined below.

Project *(millions of dollars)*	Capital expenditures Year-to-date	Capital expenditures Life-to-date	Approved budget	Expected in-service date	Current status
Darlington Refurbishment	597	7,261	12,800 [1]	Second unit - 2024 Last unit - 2026	The refurbishment of Unit 3 commenced on September 3, 2020 with defueling the reactor, following successful completion of a planned outage. Defueling is expected to be completed in the fourth quarter of 2020, to be followed by islanding of the unit. Planning and pre-requisite activities for subsequent unit refurbishments are progressing as planned. The project is tracking to the overall timeline to refurbish all four of the station's units by the end of 2026. For further details, see below.
Little Long Dam Safety Project	52	60	650	2023	During the third quarter of 2020, site preparation and rock excavation below the Adam Creek spillway structure continued to progress as planned. Procurement of critical equipment, detailed engineering and permitting activities also continued. The project is expected to be placed in service in 2023 and is tracking on budget.
Ranney Falls Hydroelectric GS	1	71	77	2021	OPG continued commissioning activities on the new 10 MW single-unit powerhouse during the third quarter of 2020. In September 2020, the new generator sustained damage and commissioning activities were halted. The vendor, at their own cost, will have the unit disassembled, repaired and reassembled prior to recommencing commissioning activities. The revised in-service date is now expected to be in the second half of 2021. The project continues to track within its budget.
Sir Adam Beck I GS G1 and G2 Replacement	27	44	128	2022	During the third quarter of 2020, OPG completed project engineering activities and continued procurement of long lead materials, including shipping of major components that were previously delayed due to the COVID-19 pandemic. Project site work continued, including removal of the 100-year-old embedded turbine scroll cases for replacement, to be followed by installation of new units. The project is expected to be placed in service in 2022 and is tracking on budget.

Project *(millions of dollars)*	Capital expenditures Year-to-date	Life-to-date	Approved budget	Expected in-service date	Current status
Calabogie Hydroelectric GS	15	22	137	2022	During the third quarter of 2020, OPG continued excavation work for the new powerhouse and intake channel. The removal of original equipment and demolition of the old powerhouse is also underway. The project continues to track on schedule and on budget.

1 The total project budget of $12.8 billion is for the refurbishment of all four units at the Darlington GS.

Darlington Refurbishment

The Darlington GS units are approaching their original designed operating life. Refurbishment of the four generating units will extend the operating life of the station by at least 30 years. The refurbishment of the first unit, Unit 2, commenced in October 2016 and was completed in June 2020. The refurbishment of the second unit, Unit 3, commenced in September 2020. The last unit to undergo refurbishment is scheduled to be completed by the end of 2026.

The refurbishment of Unit 3 will be executed over four major segments:

- Shut Down, which involves removing fuel from the reactor and physically separating the unit under refurbishment from the other operating units, known as islanding;
- Disassembly, which involves removing the required reactor components including feeder tubes, fuel channels and calandria tubes;
- Reassembly, which involves procuring, installing and inspecting new reactor components; and
- Power Up, which involves loading new fuel into the reactor, restoring the reactor vault, reconnecting the unit to the rest of the station, and returning the unit to service.

On September 3, 2020, OPG commenced the Shut Down segment with defueling of the Unit 3 reactor, following the successful completion of a single-fuel channel replacement planned outage. Defueling is expected to be completed in the fourth quarter of 2020. Once the reactor has been defueled, OPG will begin islanding the unit. Unit 3 is scheduled to be returned to service from refurbishment in the first quarter of 2024.

Planning and pre-requisite activities for the refurbishment of subsequent units, Unit 1 and Unit 4, are progressing as planned. As of September 30, 2020, approximately $289 million has been invested in planning and pre-requisite activities related to the refurbishment of Unit 1 and Unit 4.

Unit 3 refurbishment activities are progressing as planned, incorporating experience learned from the Unit 2 refurbishment and continued COVID-19 protective measures. OPG continues to assess and seek ways to manage the ultimate impact of the COVID-19 pandemic on the project's total cost, which is otherwise continuing to track to the $12.8 billion budget.

Decommissioning of Former Nanticoke Generating Station

In the third quarter of 2020, OPG successfully completed decommissioning activities at the former Nanticoke GS site, safely returning the site to a brown field state. The costs of decommissioning activities were charged to a previously established decommissioning provision.

Financial Strength

As a commercial enterprise, OPG's financial priority is to ensure a consistent level of strong financial performance that delivers an appropriate level of return on the Shareholder's investment and supports expansion of the business.

Increasing Revenue, Reducing Costs and Achieving Appropriate Return

In line with its commercial mandate, OPG's financial focus is to increase revenue and net income and achieve an appropriate return on the Shareholder's investment, while seeking to minimize the impact on electricity customers through continuous improvement in the Company's cost structure, and supporting communities.

For regulated operations, achievement of the above objectives is largely dependent on outcomes of applications for regulated prices to the OEB and prudent growth of rate base earning a return. Rate base for OPG represents the average net level of investment in regulated fixed and intangible assets in service and an allowance for working capital. OPG has been focused on demonstrating in its applications for regulated prices that the costs required to operate and invest in the Company's regulated assets are reasonable and being prudently incurred and should be fully recovered, and that the Shareholder's investment in these assets should earn an appropriate return. For further information on OEB-approved rate base levels, refer to OPG's 2019 annual MD&A in the section, *Revenue Mechanisms for Regulated and Non-Regulated Generation*.

The following table presents the OEB-authorized regulated prices for electricity generated from OPG's regulated facilities for the period from January 1, 2019 to December 31, 2021 in effect as of the date of this MD&A:

($/MWh)	**2019**	**2020**	**2021**
Regulated – Nuclear Generation			
Base regulated price [1]	77.00	**85.00**	89.70
Interim period shortfall rider [2]	7.71	**5.64**	-
Deferral and variance account rate riders [3]	4.99	**4.32**	6.13
Total regulated price	89.70	**94.96**	95.83
Regulated – Hydroelectric Generation			
Base regulated price [4]	42.51	**43.15**	n/a
Interim period shortfall rider [2]	0.35	**0.24**	-
Deferral and variance account rate riders [3]	2.60	**2.26**	2.05
Total regulated price	45.46	**45.65**	n/a

[1] Base regulated prices for the nuclear facilities were established using a rate smoothing approach that may defer a portion of each year's approved nuclear revenue requirement for future collection in the Rate Smoothing Deferral Account. Base regulated prices for the nuclear facilities do not include amounts deferred in the Rate Smoothing Deferral Account.

[2] In its payment amounts order issued in March 2018, the OEB authorized separate rate riders on OPG's regulated electricity generation to allow for the recovery of the revenue shortfall between the base regulated prices approved with an effective date of June 1, 2017 and the previously approved base regulated prices that OPG continued to receive during the interim period between June 1, 2017 and February 28, 2018. The interim period revenue shortfall amount approved for recovery was recognized as an increase to revenue and a regulatory asset and is being collected through rate riders over the March 1, 2018 to December 31, 2020 period. The OEB determined that there would be no true up mechanism for differences in recovery of the approved interim period revenue shortfall due to differences between forecasted electricity generation used to set the rate riders and actual electricity generation upon which the rate riders are collected.

[3] Differences in recovery of the approved regulatory account balances due to differences between forecasted electricity generation used to set the rate riders and actual electricity generation upon which the rate riders are collected are trued-up with customers through OEB-authorized variance accounts.

[4] Base regulated prices for regulated hydroelectric facilities for 2021 will be determined through a formulaic adjustment using the OEB-approved incentive regulation formula and OEB-published inflation indices, denoted as n/a.

Pursuant to the OEB's March 2018 payment amounts order, $102 million of approved nuclear revenue requirement was deferred in the Rate Smoothing Deferral Account for future collection in 2019 and $391 million is to be deferred in 2020. The OEB determined that no portion of the nuclear revenue requirement would be deferred for 2021. During the three and nine month periods ended September 30, 2020, $97 million and $293 million, respectively, was deferred for future collection in the Rate Smoothing Deferral Account and recorded as revenue in the Regulated – Nuclear Generation business segment, compared to $26 million and $77 million, respectively, during the same periods in 2019. *Ontario Regulation 53/05* requires the OEB to authorize recovery of the deferred amounts, together with interest at a long-term debt rate reflecting OPG's cost of long-term borrowing approved by the OEB, over a period not to exceed ten years following the end of the Darlington Refurbishment project.

For the regulated hydroelectric facilities, base regulated prices are determined by annually escalating the base regulated prices in effect prior to June 1, 2017, with some adjustments, using an OEB approved formula equal to an industry-specific weighted inflation factor based on indices published annually by the OEB, less a stretch factor adjustment. In September 2020, OPG applied for the annual formulaic adjustment to set the 2021 base regulated price for the regulated hydroelectric facilities. The OEB's decision on the application is expected before the end of 2020.

By early first quarter of 2021, OPG plans to file a five-year application with the OEB for new base regulated prices for production from its nuclear facilities, with a proposed effective date of January 1, 2022. As required by regulation, the planned application will propose that nuclear base regulated prices incorporate a rate smoothing proposal to continue to defer a portion of revenue requirements in the Rate Smoothing Deferral Account for future collection and, consistent with the OEB's findings in its decision on OPG's 2017-2021 application for regulated prices, be determined under a custom incentive regulation framework. The planned application will seek to ensure that the rate smoothing proposal supports sufficient cash flow to meet the Company's liquidity needs as well as the Company's investment grade credit ratings, while taking into account both near-term and future impacts on customers.

In March 2020, the OEB issued an order that established a deferral account for Ontario's electricity and natural gas distributors to record lost revenues and incremental costs related to the COVID-19 pandemic, effective March 24, 2020. In April 2020, the OEB confirmed the applicability of the deferral account to OPG and electricity transmitters. The OEB stated that it has not yet made a determination on the nature of revenue or costs that will be recoverable through the deferral account and will assess any amounts recorded in the account at the time they are requested for disposition. In May 2020, the OEB commenced an industry-wide consultation process with the objective of assisting in the development of guidance related to the deferral account. OPG is participating in the consultation. The impact of lost revenues and incremental operating costs related to the COVID-19 pandemic to date is not material to the Company's consolidated financial statements.

On November 9, 2020, the OEB issued an order establishing a variance account to record any regulatory earnings achieved by OPG's regulated business in 2021 that are more than 300 basis points over the OEB-approved return on equity (ROE) levels as reflected in the 2021 regulated prices. The order was issued as part of the OEB's annual review of regulated ROE performance for OPG's nuclear and regulated hydroelectric facilities under the ratemaking framework used to establish the regulated prices for the current rate term. The 300 basis points threshold represents the OEB's expected range of ROE performance under the framework. The OEB-approved ROE rate reflected in the 2021 regulated prices is 8.78 percent for the nuclear facilities and 9.33 percent for the regulated hydroelectric facilities. Regulated ROE performance is measured on a combined basis for the nuclear and regulated hydroelectric facilities and calculated on the deemed capital structure used to set the regulated prices. The variance account is established on a prospective basis effective January 1, 2021 and is applicable to the 2021 year only. The OEB's order stated that if there is a balance in the account for 2021, the OEB would subsequently hold a hearing to determine the portion of the balance, if any, that should be refunded to customers.

For generation assets that do not form part of the rate-regulated operations, OPG seeks to secure long-term revenue arrangements that support an appropriate return on the investment. In line with this strategy, all of OPG's non-regulated facilities in Ontario continue to be subject to ESAs with the IESO or other long-term contracts.

Ensuring Availability of Cost Effective Funding

OPG actively monitors its funding requirements and forecasts availability of funds to ensure that it can meet the Company's operational needs, project and other commitments and long-term obligations. In addition to funds generated from operations, OPG utilizes the following primary funding sources: commercial paper; letters of credit; credit facilities; long-term debt sourced from the Ontario Electricity Financial Corporation (OEFC); public debt offerings; and private placement project financing.

The Company's financing strategy leverages the strength of its balance sheet to obtain cost effective long-term corporate debt. OPG also accesses the capital markets for private placement project financing, secured by the assets of the project, where the characteristics of the project support such financing.

Credit Ratings

Maintaining an investment grade credit rating supports OPG's ability to access cost effective financing. As at September 30, 2020, the Company's credit ratings were as follows:

Type of Rating	**DBRS Limited (DBRS)**	**S&P Global Ratings (S&P)**	**Moody's Investors Service (Moody's)**
Issuer rating	A (low)	BBB+	A3
Senior unsecured debt	A (low)	BBB+	A3
(Trend/Outlook)	(Stable)	(Stable)	(Stable)
Commercial paper program – Canada	R-1 (low)	A-1 (low)	NR [1]
Commercial paper program – US	NR [1]	A-2	P-2

[1] NR indicates no rating assigned.

In April 2020, DBRS confirmed OPG's issuer rating at A (low), senior unsecured debt rating at A (low) and commercial paper rating at R-1 (low), all with Stable trends. In July 2020, S&P confirmed OPG's ratings including BBB+ issuer's rating, BBB+ senior unsecured debt rating, A-2 US commercial paper rating and A-1 (low) Canada commercial paper rating. S&P also revised OPG's outlook from Negative to Stable.

Additional discussion of the Company's credit facilities and liquidity can be found in the section, *Liquidity and Capital Resources*.

Social Licence

OPG holds itself accountable to the public and its employees, and continues to focus on maintaining public trust. OPG is committed to maintaining high standards of public safety and corporate citizenship, including environmental stewardship, transparency, community engagement and Indigenous relations, and strives to be a leader in climate change action.

Further details on social licence activities and initiatives can be found in the section, *Environmental, Social, Governance and Sustainability*.

Outlook

<u>Operating Performance</u>

OPG's financial results are driven, in large part, by the OEB's decisions related to OPG's regulated prices and the generation performance of the nuclear and hydroelectric fleet.

Net income for the 2020 year is expected to continue to reflect an increase in revenue from the combination of a higher OEB-approved nuclear base regulated price and higher OEB-approved amounts deferred to the Rate Smoothing Deferral Account, compared to 2019. The Company also anticipates continued higher than planned electricity generation from the Regulated – Nuclear Generation business segment in the fourth quarter of 2020 due to the deferral of a planned outage for Unit 1 of the Darlington GS to 2021, in connection with adjustments to the station's refurbishment schedule in response to the COVID-19 pandemic. OPG continues to expect a higher number of planned outage days at the Pickering GS for the 2020 year, compared to 2019, based on the station's cyclical maintenance schedule. However, the Company's overall electricity generation and revenue may be impacted in the event additional actions are necessary to respond to the risks of the ongoing pandemic in the fourth quarter of 2020.

Several regulatory accounts are expected to continue to reduce the relative variability of the regulated business segments' contribution to the Company's net income, particularly for the Regulated – Hydroelectric Generation business segment. This includes accounts that capture the gross margin impact of variability in water flows and forgone production due to SBG conditions at the regulated hydroelectric stations. OPG also continues to participate in the OEB's consultation process to determine the regulatory treatment of COVID-19 impacts through the use of a deferral account established to record lost revenues and incremental costs related to the pandemic.

The ESAs and other contracts in place for the non-regulated assets reported in the Contracted Hydroelectric and Other Generation and the Contracted Gas Generation business segments are expected to contribute a generally stable level of earnings. Earnings from the US hydroelectric facilities not subject to contracts are expected to continue to be lower for the 2020 year, due to lower wholesale electricity prices being experienced in the US markets. OPG continues to monitor the effects of lower electricity market prices on its US operations.

The acquisition of a portfolio of natural gas-fired plants in April 2020 will continue to result in additional earnings during the fourth quarter of 2020, relative to 2019.

Enterprise Total Generating Cost

As outlined in the 2019 annual MD&A, OPG originally forecasted the Enterprise TGC per MWh to be higher in 2020, compared to 2019, due to lower electricity generation from the Regulated – Nuclear Generation business segment and an increase in OM&A expenses associated with increased planned outage activity at the Pickering GS. Although currently anticipated higher nuclear electricity generation from the Darlington GS, lower OM&A expenses due to the deferral of the Unit 1 planned outage at the Darlington GS and lower capital expenditures discussed below are acting to decrease Enterprise TGC per MWh, the results of the measure for the 2020 year may be impacted in the event additional actions are necessary to respond to the risks of the ongoing pandemic in the fourth quarter of 2020.

Consistent with prior periods, lower nuclear electricity generation due to Darlington GS refurbishment outages will continue to negatively impact the Enterprise TGC per MWh for the duration of the project. The measure can also be negatively affected by lower hydroelectric generation due to outages for various major rehabilitation and operational projects. Variability in the sustaining capital expenditure program, planned nuclear outages and water flows also contributes to period-over-period fluctuations in the Enterprise TGC per MWh results. The portfolio of natural gas-fired assets acquired in April 2020 is not expected to have a significant impact on Enterprise TGC per MWh.

Nuclear Segregated Funds

OPG's operating results are affected by earnings on the nuclear fixed asset removal and nuclear waste management segregated funds (Nuclear Segregated Funds) established under the Ontario Nuclear Funds Agreement (ONFA) between OPG and the Province, as part of the Regulated – Nuclear Waste Management business segment. While the Nuclear Segregated Funds are managed to achieve, in the long term, the target rate of return based on the discount rate specified in the ONFA, rates of return earned in a given period are subject to volatility due to financial market conditions and, for the portion of the Used Fuel Segregated Fund guaranteed by the Province, changes in the Ontario consumer price index (CPI). This volatility can cause fluctuations in the Company's income in the short term. The volatility is reduced by the impact of an OEB-authorized regulatory account and during periods when the funds are in a fully funded or overfunded position.

As at September 30, 2020, the Decommissioning Segregated Fund was overfunded by approximately 29 percent and the Used Fuel Segregated Fund was overfunded by less than 1 percent, compared to being overfunded by approximately 30 percent and approximately 1 percent as at December 31, 2019. Variability in asset performance due to volatility in financial markets and changes in Ontario CPI, as a result of changes in economic conditions through the COVID-19 pandemic or otherwise, or changes in funding liability estimates when the ONFA reference plan is updated, may reduce the funded status of either or both funds in the future. No overall contributions to the Nuclear Segregated Funds are expected until the end of 2021, when the ONFA reference plan is currently scheduled to be updated.

Capital Expenditures

Subject to additional actions that may be necessary to respond to the risks of the ongoing pandemic in the fourth quarter of 2020, OPG's total forecasted capital expenditures for the 2020 year are approximately $2.0 billion, excluding the acquisition of natural gas-fired plants in April 2020. This forecast is lower than the previous forecast of $2.2 billion provided in the 2019 annual MD&A, reflecting the impact of the temporary suspension of on-site activities for a number of projects during the second quarter of 2020, including postponing the commencement of the Unit 3 refurbishment at the Darlington GS, in response to the COVID-19 pandemic. Since safely resuming on-site project activities beginning in June 2020, OPG has continued to mitigate the effects of this interruption on project milestones.

Financing and Liquidity

Cash flow from operating activities for the 2020 year is expected to continue to reflect an increase in revenue receipts from the higher OEB-approved nuclear base regulated price and, subject to additional actions that may be necessary to respond to the risks of the ongoing pandemic in the fourth quarter of 2020, higher than planned electricity generation from the Darlington GS, partially offset by a year-over-year decrease in electricity generation from the Pickering GS. The portfolio of natural gas-fired plants acquired in April 2020 will continue to provide additional cash flow from operating activities during the fourth quarter of 2020, relative to 2019.

OPG has secured a number of additional liquidity sources since announcing an agreement to acquire the portfolio of natural gas-fired plants in July 2019. Taking into account the closing of the acquisition in April 2020 and the planned capital expenditure program for the 2020 year, OPG expects existing funding sources to continue to be sufficient to meet financing requirements and support ongoing liquidity. Further details on OPG's credit facilities can be found in the section, *Liquidity and Capital Resources* under the heading, *Financing Activities*.

ENVIRONMENTAL, SOCIAL, GOVERNANCE AND SUSTAINABILITY

OPG recognizes that operating in a sustainable, safe and inclusive manner is directly connected to business success and is expected by the Company's Shareholder and stakeholders. As Ontario's largest clean energy provider, the Company strives to be a leader in sustainability and climate change action through the implementation of operational and growth strategies that minimize the Company's environmental footprint, foster biodiversity, support reductions in greenhouse gas emissions and increase resilience to climate change impacts.

Environmental and Sustainability

On September 20, 2020, the Government of Canada accepted Ontario's Greenhouse Gas Emissions Performance Standards (EPS) published in July 2019 as an alternative to the federal government's requirements for pricing carbon pollution for large industrial facilities. The federal and provincial governments are working to remove Ontario from the application of the Output-Based Pricing System (OBPS) under the federal *Greenhouse Gas Pollution Pricing Act* (GGPPA) at a future date, and to apply the EPS in Ontario. In the interim, OPG continues to comply with the OBPS and the required registration provisions under the EPS. The OBPS has not had a material financial impact on the Company and the implementation of the EPS is not expected to have a material financial impact to OPG.

The Government of Ontario and certain other provincial governments have challenged the constitutionality of the federal GGPPA. The case was heard by the Supreme Court of Canada in September 2020.

Climate Change

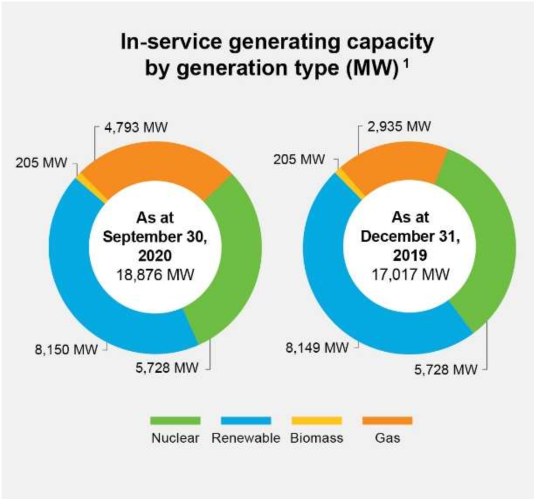
The Company continues to seek opportunities to invest in carbon reduction and generation of clean and sustainable energy, advancing its climate leadership goals. The following is a summary of actions taken in the third quarter of 2020 to support this strategy.

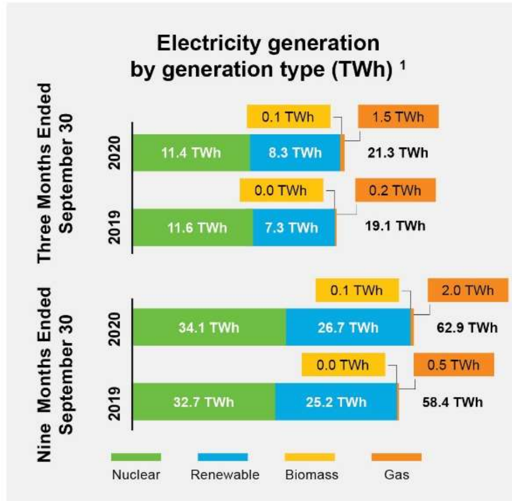
Generation Development	• On September 3, 2020, OPG commenced the refurbishment of the second unit of the Darlington GS, Unit 3, with defueling of the reactor. The Darlington Refurbishment project is one of the largest clean energy infrastructure projects in Canada, scheduled to be completed by the end of 2026. • OPG continues to execute the work required to enable safe and reliable operation of the Pickering GS to the end of 2025 under its optimized operations plan, subject to the CNSC's regulatory approvals. Continued operation of the Pickering GS provides the province with a reliable, cost effective source of carbon-free baseload electricity.
New Nuclear Development	• OPG has concluded a due diligence process, in collaboration with other major energy utilities, to advance the development of a small modular reactor (SMR) in Ontario and support the potential deployment of SMRs in other jurisdictions. As part of a pan-Canadian approach to this next generation clean technology, OPG is advancing engineering and design work with three SMR developers, GE Hitachi, Terrestrial Energy and X-Energy. No decision on technology has been made and no project has commenced. • In June 2020, OPG submitted its site preparation licence renewal application to the CNSC in relation to the potential construction of new nuclear reactors at the Darlington site. The CNSC has announced that the hearing on the application will be held in June 2021.

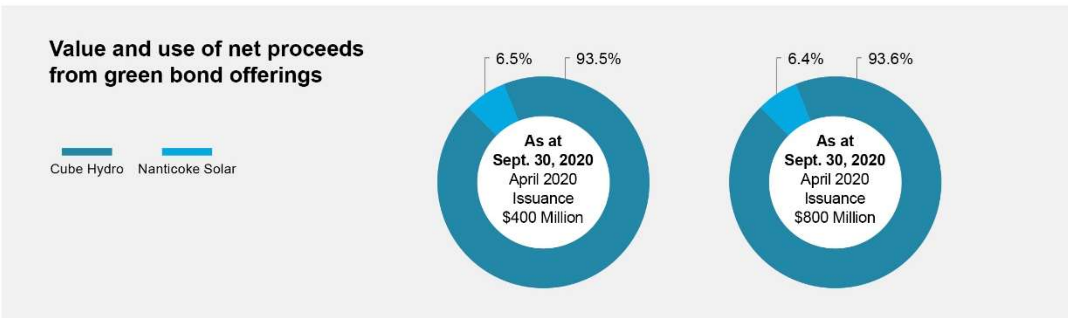
Climate-Related Performance and Key Metrics

OPG continues to determine the most relevant climate-related impacts for the business in the context of its Environmental, Social, Governance and Sustainability framework and is engaged in the development of consistent industry metrics to quantify the level of achieved climate change resilience, including through industry-wide collaborative forums such as Ouranos. OPG is in the process of developing such longer-term quantitative metrics and targets for climate change adaptation. In the meantime, OPG has identified certain initial current metrics that it considers relevant to stakeholders, as outlined below.

Climate change metrics







[1] Includes OPG's proportionate share of in-service generating capacity and electricity generation from co-owned and minority-held facilities. Gas category includes the oil/natural gas dual-fuelled Lennox GS and the Company's combined-cycle natural gas-fired plants.

In-service generating capacity by generation type	Total in-service generating capacity from low-carbon emitting sources is comparable to December 31, 2019. The in-service generating capacity for gas-fired assets increased by over 1,850 MW during the nine months ended September 30, 2020, due to the acquisition of a portfolio of natural gas-fired plants in April 2020.
Electricity generation by generation type	Over 90 percent of total electricity generation continues to be supplied by low-carbon sources. During the three and nine month periods ended September 30, 2020, electricity generation from low-carbon sources increased, compared to the same periods in 2019, reflecting generation from the US hydroelectric facilities acquired in October 2019 and, for the nine months, higher generation from the Regulated – Nuclear Generation business segment.
Revenue by facility category	During the three and nine month periods ended September 30, 2020, revenue from low-carbon generation sources increased, compared to the same periods in 2019, primarily due to higher revenue from the Regulated – Nuclear Generation business segment and revenue from the US hydroelectric facilities acquired in October 2019.
Value and use of net proceeds from green bond offerings	During the third quarter of 2020, the net proceeds from the April 2020 green bond issuances were fully allocated to eligible renewable projects under OPG's Green Bond Framework, being the acquisition of US hydroelectric facilities in October 2019 and the construction of the 44 MW Nanticoke solar facility completed in March 2019. Under the Green Bond Framework, proceeds from the bond issuances can be applied to refinance eligible projects for a period of 24 months prior to the date of issuance.

Indigenous Relations

The Company believes in building long-term, mutually beneficial working relationships with Indigenous communities, businesses and organizations across Ontario and continues to support procurement, employment and education opportunities with Indigenous communities. OPG seeks to establish these relationships based on a foundation of respect, transparency and mutual responsibility. OPG's commitment in the area of Indigenous Relations includes, where appropriate, pursuing generation-related development partnerships on the basis of long-term commercial arrangements and other joint projects.

OPG continues to engage and consult with Indigenous communities on its projects and initiatives. In the third quarter of 2020, OPG held an Indigenous community forum to provide updates related to the Little Long Dam Safety project. The forum was attended by representatives from local Indigenous communities, government agencies, external contractors and the OPG project team.

OPG also continues to proactively engage Indigenous communities including the Williams Treaties First Nations, the Mohawks of the Bay of Quinte, and the Metis Nation of Ontario, Region 8 regarding pending changes to the federal *Fisheries Act*. OPG is also engaging these communities on the potential construction of new nuclear reactors at the Darlington site in connection with the Company's site preparation licence renewal application and planned hearing at the CNSC.

OPG's Indigenous Opportunities in Nuclear (ION) program, which is in its third year, continues to provide skilled employment opportunities in the nuclear sector for Indigenous peoples. Notwithstanding the challenges posed by the COVID-19 pandemic, the ION program is on track to exceed its annual goal of placements, for the second consecutive year.

Equity, Diversity and Inclusion

OPG is committed to workplace equity, diversity and inclusion (ED&I) as part of a culture in which all employees, contractors and business partners are treated fairly and respectfully and each individual is able to reach their full potential. OPG believes that ED&I is integral to fostering an innovative, healthy and engaged workforce, and therefore is fundamental to the achievement of the Company's strategic goals.

OPG continues to advance its corporate commitment to ED&I, including through an anti-racism plan. In the third quarter of 2020, OPG collaborated with several organizations across the nuclear industry to launch the Nuclear Against Racism initiative, which aims to advance anti-racism education and address systemic inequity across the industry. OPG also has launched company-wide training and educational workshops aimed at increasing awareness and inclusivity throughout the enterprise.

Also during the third quarter of 2020, OPG's Board of Directors endorsed the Company's ED&I strategy, which seeks to further measure and embed ED&I principles in organizational processes and decision-making. OPG's ED&I principles are focused on accelerating equity, celebrating diversity and fostering a culture of inclusion.

Regulated – Nuclear Generation Segment

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of dollars – except where noted)	**2020**	**2019**	**2020**	**2019**
Electricity Generation (TWh)	**11.4**	11.6	**34.1**	32.7
Revenue	**1,210**	1,011	**3,492**	2,879
Fuel expense	**78**	75	**230**	218
Gross margin	**1,132**	936	**3,262**	2,661
Operations, maintenance and administration expenses	**562**	515	**1,697**	1,679
Property taxes	**7**	6	**20**	19
Earnings before interest, income taxes, depreciation and amortization	**563**	415	**1,545**	963
Depreciation and amortization expenses	**207**	169	**616**	504
Earnings before interest and income taxes	**356**	246	**929**	459

EBIT from the segment increased by $110 million and $470 million for the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019.

The increase in earnings was primarily due to a higher base regulated price in 2020 compared to 2019, increasing revenue by $93 million and $278 million for the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. Higher amounts of $72 million and $217 million deferred in the Rate Smoothing Deferral Account for future collection during the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019 also contributed to the increase in earnings. The increases in the base regulated price and rate smoothing deferrals, approved by the OEB in its March 2018 order on OPG's regulated prices for the 2017-2021 period, include an increase in rate base to allow for recovery of OPG's investment in the Darlington Refurbishment project.

Additionally, the increase in earnings for the three and nine months ended September 30, 2020 reflected an increase in revenue of $36 million from collection of a rate rider previously authorized by the OEB for recovery of a revenue shortfall for the June 1, 2017 to February 28, 2018 period, arising from the timing of implementation of the base regulated prices effective June 1, 2017. For the nine months ended September 30, 2020, the increase in earnings also reflected an increase in revenue of $100 million due to higher electricity generation.

Segment OM&A expenses increased by $47 million for the three months ended September 30, 2020, compared to the same period in 2019, primarily due to higher planned outage activity at the Pickering GS.

Higher depreciation and amortization expenses for the three months ended September 30, 2020, compared to the same period in 2019, were primarily due to depreciation on capital expenditures placed in service upon completion of refurbishment on Unit 2 of the Darlington GS. Higher depreciation and amortization expenses for the nine months ended September 30, 2020, compared to the same period in 2019, related mainly to higher depreciation on capital expenditures placed in service upon completion of refurbishment on Unit 2 of the Darlington GS and amounts recorded as refundable to customers through regulatory accounts. The higher depreciation amounts recorded as refundable to customers, as well as higher amounts refundable to customers recorded as net interest expense and income tax expense during the same periods, represent amounts recovered through the nuclear base regulated price for OPG's investment in the refurbishment of Unit 2 based on an earlier return to service date than June 4, 2020. These amounts partially return to customers the increases in revenue from the higher base regulated price and rate smoothing deferrals in 2020.

The planned and unplanned outage days at the Darlington and Pickering nuclear generating stations were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	**2019**	**2020**	**2019**
Planned Outage Days				
Darlington GS [1]	**33.5**	3.7	**35.6**	89.2
Pickering GS	**92.4**	28.3	**297.5**	151.1
Unplanned Outage Days				
Darlington GS [1]	**12.9**	24.3	**17.0**	24.7
Pickering GS	**32.7**	6.9	**47.9**	30.9

[1] The planned and unplanned outage days exclude unit(s) during the period in which they are undergoing refurbishment. Accordingly, Unit 2 of the Darlington GS was excluded from the reported planned and unplanned outage days during its refurbishment period of October 15, 2016 to June 4, 2020 and Unit 3 of the Darlington GS is excluded since commencing refurbishment on September 3, 2020.

Planned outage days at the Darlington GS increased during the three months ended September 30, 2020, compared to the same period in 2019. The increase reflected the single-fuel channel replacement planned outage that commenced on July 30, 2020 and was completed immediately before Unit 3 commenced refurbishment execution activities on September 3, 2020. The decrease in planned outage days at the Darlington GS for the nine months ended September 30, 2020, compared to the same period in 2019, was primarily driven by the station’s cyclical maintenance schedule, partially offset by the Unit 3 single-fuel channel replacement planned outage.

The increase in planned outage days at the Pickering GS during the three and nine month periods ended September 30, 2020 was driven by the station’s cyclical maintenance schedule and other planned maintenance and repair work executed at the station.

The decrease in unplanned outage days at the Darlington GS during the three and nine month periods ended September 30, 2020, compared to the same periods in 2019, reflected an outage taken at the station in the third quarter of 2019 to safely conduct a repair discovered during a routine check. Unplanned outage days at the Pickering GS increased during the three and nine month periods ended September 30, 2020, compared to the same periods in 2019, primarily due to outages taken during the third quarter of 2020 associated with repair work on turbine and auxiliary systems at the station.

The Unit Capability Factors for the Darlington and Pickering nuclear generating stations were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	**2019**	**2020**	**2019**
Unit Capability Factor *(%)* [1]				
Darlington GS	**88.3**	91.1	**93.4**	86.5
Pickering GS	**78.4**	94.3	**79.4**	89.1

[1] The nuclear Unit Capability Factor excludes unit(s) during the period in which they are undergoing refurbishment. Accordingly, Unit 2 of the Darlington GS was excluded from the measure during its refurbishment period of October 15, 2016 to June 4, 2020 and Unit 3 of the Darlington GS is excluded since commencing refurbishment on September 3, 2020.

The Unit Capability Factor at the Darlington GS decreased for the three months ended September 30, 2020, compared to the same period in 2019, primarily due to a higher number of planned outage days, partially offset by fewer unplanned outage days. The Unit Capability Factor at the Darlington GS increased for the nine months ended September 30, 2020, compared to the same period in 2019, primarily due to fewer planned outage days.

The Unit Capability Factor at the Pickering GS decreased during the three and nine month periods ended September 30, 2020, compared to the same periods in 2019, primarily due to a higher number of planned outage days.

Regulated – Nuclear Waste Management Segment

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of dollars – except where noted)	**2020**	**2019**	**2020**	**2019**
Revenue	**33**	37	**102**	100
Operations, maintenance and administration expenses	**33**	37	**102**	100
Accretion on nuclear fixed asset removal and nuclear waste management liabilities	**259**	251	**781**	755
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(234)**	(225)	**(693)**	(668)
Loss before interest and income taxes	**(25)**	(26)	**(88)**	(87)

The segment loss before interest and income taxes for the three and nine month periods ended September 30, 2020 was comparable to the same periods in 2019. Higher earnings on the Nuclear Segregated Funds were offset by an increase in accretion expense on the nuclear fixed asset removal and nuclear waste management liabilities (Nuclear Liabilities).

The higher earnings from the Nuclear Segregated Funds were primarily due to the growth in the present value of the underlying funding liabilities per the current approved ONFA reference plan in effect since January 1, 2017. As both the Decommissioning Segregated Fund and the Used Fuel Segregated Fund were in an overfunded position during the three and nine month periods ended September 30, 2020 and September 30, 2019, they were not impacted by market returns and the rate of return guarantee provided by the Province for a portion of the Used Fuel Segregated Fund. When both funds are in an overfunded position, OPG limits the amount of Nuclear Segregated Funds assets reported on the consolidated balance sheet to the present value of the underlying funding liabilities per the most recently approved ONFA reference plan. Further details on the accounting for the Nuclear Segregated Funds can be found in OPG's 2019 annual MD&A in the section, *Critical Accounting Policies and Estimates* under the heading, *Nuclear Fixed Asset Removal and Nuclear Waste Management Funds*.

The higher accretion expense on the Nuclear Liabilities was due to the increase in the present value of the underlying obligation to reflect the passage of time.

Regulated – Hydroelectric Generation Segment

(millions of dollars – except where noted)	Three Months Ended September 30 2020	Three Months Ended September 30 2019	Nine Months Ended September 30 2020	Nine Months Ended September 30 2019
Electricity generation (TWh)	**7.3**	6.8	**23.0**	23.1
Revenue [1]	**358**	340	**1,166**	1,132
Fuel expense	**90**	84	**251**	242
Gross margin	**268**	256	**915**	890
Operations, maintenance and administration expenses	**86**	82	**232**	244
Property tax	**-**	1	**1**	1
Other losses	**-**	1	**-**	2
Earnings before interest, income taxes, depreciation and amortization	**182**	172	**682**	643
Depreciation and amortization expenses	**53**	55	**160**	167
Earnings before interest and income taxes	**129**	117	**522**	476

[1] During the three and nine month periods ended September 30, 2020, the Regulated – Hydroelectric Generation business segment revenue included incentive payments of $3 million and $5 million, respectively, related to the OEB-approved hydroelectric incentive mechanism (three and nine month periods ended September 30, 2019 – $2 million and $4 million, respectively). The mechanism provides a pricing incentive to OPG to shift hydroelectric production from lower market price periods to higher market price periods, reducing the overall costs to customers. The incentive payments are reduced to remove incentive revenues arising in connection with SBG conditions.

EBIT from the segment increased by $12 million and $46 million for the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. The increases were primarily due to higher revenue reflecting an increase in the base regulated price approved by the OEB in December 2019, pursuant to an annual formulaic adjustment effective January 1, 2020, and fewer outages impacting production at certain regulated hydroelectric facilities. For the nine months ended September 30, 2020, the increase was also due to lower OM&A expenses from the temporary deferral of certain planned maintenance and project activities during the height of the COVID-19 pandemic's onset in the second quarter of 2020.

Lower rate riders for the recovery of regulatory account balances in effect during the three and nine month periods ended September 30, 2020 partially offset the increase in segment revenue, compared to the same period in 2019. This decrease in revenue was largely offset by a corresponding decrease in the amortization expense related to these balances.

The Hydroelectric Availability for the generating stations reported in the Regulated – Hydroelectric Generation business segment was as follows:

	Three Months Ended September 30 2020	Three Months Ended September 30 2019	Nine Months Ended September 30 2020	Nine Months Ended September 30 2019
Hydroelectric Availability *(%)* [1]	**82.6**	82.0	**88.4**	87.7

[1] Hydroelectric Availability is defined in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*.

The Hydroelectric Availability for the three and nine month periods ended September 30, 2020 increased compared to the same periods in 2019, primarily due to overall slightly fewer outage days at the regulated hydroelectric facilities as the Company deferred certain planned maintenance and project activities during the height of the COVID-19 pandemic's onset in the second quarter of 2020.

Contracted Hydroelectric and Other Generation Segment

(millions of dollars – except where noted)	Three Months Ended September 30 2020	2019	Nine Months Ended September 30 2020	2019
Electricity Generation (TWh)	**1.1**	0.5	**3.8**	2.1
Revenue	**158**	141	**496**	451
Fuel expense	**14**	13	**34**	35
Gross margin	**144**	128	**462**	416
Operations, maintenance and administration expenses	**57**	50	**167**	149
Accretion on fixed asset removal liabilities	**2**	1	**5**	5
Property taxes	**4**	4	**13**	10
Income from investments subject to significant influence	**-**	-	**(1)**	(2)
Other gains	**-**	(1)	**(3)**	(2)
Earnings before interest, income taxes, depreciation and amortization	**81**	74	**281**	256
Depreciation and amortization expenses	**36**	31	**120**	91
Earnings before interest and income taxes	**45**	43	**161**	165

EBIT from the segment for the three and nine month periods ended September 30, 2020 were comparable to the same periods in 2019, reflecting stable earnings from the contracted hydroelectric facilities in Ontario, with higher earnings from the thermal and solar facilities in Ontario offset by lower earnings from the US operations.

Higher earnings from the Ontario-based thermal and solar assets for the three and nine month periods ended September 30, 2020 reflected a higher gross margin from the thermal facilities and higher revenue from the Nanticoke solar facility. Lower OM&A expenses at the thermal facilities also contributed to higher earnings for the nine months ended September 30, 2020. Lower earnings from the US operations reflected the impact of lower wholesale electricity market prices.

The Ontario-based hydroelectric facilities subject to ESAs with the IESO continue to contribute a stable level of segment earnings. The majority of the hydroelectric ESAs are structured to provide for recovery of operating costs and capital investment in the underlying facilities and a formula-based return on invested capital, subject to the facilities continuing to meet their contractual obligations.

The Hydroelectric Availability and the Thermal Equivalent Forced Outage Rate (EFOR) for the Ontario-based assets within the Contracted Hydroelectric and Other Generation business segment were as follows:

	Three Months Ended September 30 2020	2019	Nine Months Ended September 30 2020	2019
Hydroelectric Availability *(%)* [1,2]	**82.1**	69.1	**85.1**	77.9
Thermal EFOR *(%)* [2]	**9.2**	0.5	**6.0**	5.2

1 Hydroelectric Availability reflects hydroelectric generating stations in Ontario. US hydroelectric generating operations are not reflected in these results.

2 Hydroelectric Availability and Thermal EFOR are defined in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*.

The Hydroelectric Availability increased for the three and nine month periods ended September 30, 2020, compared to the same periods in 2019, primarily due to fewer planned outage days at the Lower Mattagami generating stations in Northeastern Ontario, including deferral of certain planned maintenance and project activities during the height of the COVID-19 pandemic's onset in the second quarter of 2020.

The Thermal EFOR increased for the three months ended September 30, 2020, compared to the same period in 2019, primarily due to a higher number of unplanned outage days at the Lennox GS for maintenance and repair activities. For the nine months ended September 30, 2020, this was largely offset by fewer unplanned outage days at the Lennox GS during the first half of 2020, compared to the same period in 2019.

Contracted Gas Generation Segment

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of dollars – except where noted)	**2020**	**2019**	**2020**	**2019**
Electricity Generation (TWh)	**1.5**	0.2	**2.0**	0.5
Revenue	**153**	5	**270**	5
Fuel expense	**43**	-	**62**	-
Gross margin	**110**	5	**208**	5
Operations, maintenance and administration expenses	**9**	1	**25**	1
Accretion on fixed asset removal liabilities	**1**	-	**1**	-
Income from investments subject to significant influence	**-**	(10)	**(10)**	(31)
Property taxes	**1**	-	**2**	-
Earnings before interest, income taxes, depreciation and amortization	**99**	14	**190**	35
Depreciation and amortization expenses	**28**	1	**53**	1
Earnings before interest and income taxes	**71**	13	**137**	34

EBIT from the segment increased by $58 million and $103 million for the three and nine month periods ended September 30, 2020, respectively. The increases were mainly due to the acquisition of the Napanee GS, Halton Hills GS and remaining 50 percent in the Portlands Energy Centre on April 29, 2020.

OPG's share of income from co-owning the Portlands Energy Centre and the Brighton Beach GS prior to acquiring the remaining 50 percent interests in these facilities on April 29, 2020 and August 30, 2019, respectively, is reported as segment income from investments subject to significant influence in the corresponding periods.

The Thermal EFOR for the assets in the Contracted Gas Generation business segment was as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	**2019**	**2020**	**2019**
Thermal EFOR *(%)* [1]	**1.7**	-	**1.6**	-

[1] The Thermal EFOR reflects the reliability of a generating unit at OPG's combined-cycle natural gas-fired plants for the periods they were wholly-owned by the Company. Thermal EFOR is defined in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*.

LIQUIDITY AND CAPITAL RESOURCES

OPG maintains a range of funding sources to ensure sufficient liquidity and meet financing requirements, as discussed in the section, *Corporate Strategy, Core Business and Outlook* under the heading*, Financial Strength – Ensuring Availability of Cost Effective Funding*. These sources are used for multiple purposes including: to invest in plants and technologies, undertake major projects and business acquisitions, fund long-term obligations such as contributions to the pension fund and the Nuclear Segregated Funds, make payments under the OPEB plans, fund expenditures on Nuclear Liabilities not eligible for reimbursement from the Nuclear Segregated Funds, service and repay long-term debt, and provide general working capital.

Changes in cash and cash equivalents for the three and nine month periods ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of dollars)	**2020**	**2019**	**2020**	**2019**
Cash, cash equivalents and restricted cash, beginning of period	**971**	563	**498**	313
Cash flow provided by operating activities	**1,007**	743	**2,547**	1,928
Cash flow used in investing activities	**(421)**	(646)	**(4,053)**	(1,675)
Cash flow (used in) provided by financing activities	**(733)**	810	**1,835**	905
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**4**	3	**1**	2
Net (decrease) increase in cash, cash equivalents and restricted cash	**(143)**	910	**330**	1,160
Cash, cash equivalents and restricted cash, end of period	**828**	1,473	**828**	1,473

For a discussion of cash flow provided by operating activities, refer to the details in the section, *Highlights* under the heading, *Cash Flow from Operations*.

Investing Activities

Cash flow used in investing activities decreased during the three months ended September 30, 2020 by $225 million, compared to the same period in 2019, primarily due to the acquisition of the remaining 50 percent interest in the Brighton Beach GS in August 2019 and lower investments in other fixed assets, mainly related to the Darlington Refurbishment project, which completed refurbishment of Unit 2 in June 2020 and began refurbishment execution activities on Unit 3 in September 2020.

Cash flow used in investing activities increased during the nine months ended September 30, 2020 by $2,378 million, compared to the same period in 2019, primarily due to the acquisition of a portfolio of natural gas-fired plants in April 2020, partially offset by the acquisition of the remaining 50 percent interest in the Brighton Beach GS in August 2019 and lower investments in other fixed assets, mainly related to the completion of the Unit 2 refurbishment at the Darlington GS.

Financing Activities

Cash flow used in financing activities for the three months ended September 30, 2020 increased by $1,543 million compared to the same period in 2019. The increase was primarily due to the issuance of $800 million of bonds under the Company's Medium Term Note Program and $100 million of senior notes payable in the OEFC in the third quarter of 2019, and higher net repayment of short-term debt and higher repayments of long-term debt in the third quarter of 2020.

Cash flow provided by financing activities for the nine months ended September 30, 2020 increased by $930 million compared to the same period in 2019. The increase was primarily due to higher net issuance of commercial paper, net issuance of $300 million under the Company's $1 billion one-year term loan agreement with a syndicate of banks executed in March 2020, and the issuance of $1.2 billion of green bonds under the Company's Medium Term Note Program in April 2020. The higher debt issuances were partially offset by higher repayments of long-term debt.

As discussed in the section, *Recent Developments* under the heading, *Recent Developments in Financial Strength – Medium Term Notes Issuance,* OPG issued an additional $400 million of bonds under its Medium Term Notes Program in October 2020.

As at September 30, 2020, the Company had the following committed credit facilities:

(millions of dollars)		**Amount**
Bank facilities:		
Corporate		**1,000**
Corporate	USD	**750**
Term loan [1]		**600**
Lower Mattagami Energy Limited Partnership [2]		**400**
OPG Eagle Creek Holdings LLC [3]	USD	**23**
OEFC facility [1]		**300**
Securitization facility [4]		**150**

1 Represents amounts available under the facility, net of debt issuances.
2 A letter of credit of $55 million was outstanding under this facility as at September 30, 2020.
3 Represents facilities entered into by US-based wholly owned subsidiaries of OPG Eagle Creek Holdings LLC.
4 Represents an agreement to sell an undivided co-ownership interest in the Company's current and future accounts receivable from the IESO to an independent trust. As of September 30, 2020, $150 million of letters of credit were issued under the securitization facility. This facility expired effective November 1, 2020.

The following are OPG's short-term debt, letters of credit and guarantees:

	As At	
(millions of dollars)	**September 30 2020**	**December 31 2019**
Lower Mattagami Energy Limited Partnership	**95**	114
Term loan	**300**	-
Commercial paper	**658**	50
Total short-term debt	**1,053**	164
Letters of credit	**525**	519
Guarantees	**4**	80

As of September 30, 2020, a total of $525 million of Letters of Credit had been issued (December 31, 2019 – $519 million). As of September 30, 2020, this included $392 million for the supplementary pension plans, $55 million for Lower Mattagami Energy Limited Partnership, $32 million for general corporate purposes, $23 million for OPG Eagle Creek Holdings LLC and its subsidiaries, $16 million for UMH Energy Partnership, $6 million for Atura Power and $1 million for PSS Generating Station Limited Partnership.

The following are OPG's long-term debt balances: [1]

	As At	
(millions of dollars)	**September 30 2020**	**December 31 2019**
Notes payable to the OEFC	**2,925**	3,135
Medium Term Notes payable	**3,450**	2,250
Project financing	**2,818**	2,823
Other	**25**	25
	9,218	8,233

[1] Excludes the impact of fair value premium or discount and unamortized bond issuance fees.

Share Capital

As at September 30, 2020 and December 31, 2019, OPG had 256,300,010 common shares issued and outstanding at a stated value of $5,126 million. OPG is authorized to issue an unlimited number of common shares without nominal or par value. Any issue of new shares is subject to the consent of OPG's shareholder, the Province.

As at September 30, 2020 and December 31, 2019, OPG had 18,343,815 Class A shares issued and outstanding at a stated value of $787 million.

Contractual and Commercial Commitments

Pension Plan Actuarial Valuation

A new actuarial valuation of the OPG registered pension plan was filed with the Financial Services Regulatory Authority of Ontario in September 2020, with an effective date of January 1, 2020. The annual funding requirements in accordance with the new actuarial valuation are $186 million for 2020, $190 million for 2021 and $193 million for 2022. The next actuarial valuation must have an effective date no later than January 1, 2023.

BALANCE SHEET HIGHLIGHTS

Highlights of OPG's interim consolidated financial position are noted below:

	As At	
(millions of dollars)	**September 30 2020**	**December 31 2019**
Property, plant and equipment – net	**29,542**	26,047
The increase was primarily due to the acquisition of a portfolio of natural gas-fired plants in April 2020 and capital expenditures on the Darlington Refurbishment project and other capital projects. The increase was partially offset by depreciation expense.		
Nuclear fixed asset removal and nuclear waste management funds *(current and non-current portions)*	**18,896**	18,292
The increase was primarily due to earnings recognized on the Nuclear Segregated Funds, partially offset by reimbursement of eligible expenditures on nuclear fixed asset removal and nuclear waste management activities from the Nuclear Segregated Funds.		
Long-term debt *(current and non-current portions)*	**9,198**	8,226
The increase was mainly due to the issuance of $1,200 million in green bonds under the Medium Term Note program and $400 million in senior notes payable to the OEFC, partially offset by the repayment of $610 million in long-term debt to the OEFC.		
Fixed asset removal and nuclear waste management liabilities	**22,700**	22,081
The increase was primarily a result of accretion expense, representing the increase in the present value of the obligation to reflect the passage of time, partially offset by expenditures on fixed asset removal and nuclear waste management activities.		

Off-Balance Sheet Arrangements

In the normal course of operations, OPG engages in a variety of transactions that, under US GAAP, are either not recorded in the Company's consolidated financial statements or are recorded in the Company's consolidated financial statements using amounts that differ from the full contract amounts. Principal off-balance sheet activities for OPG include long-term contracts and guarantees.

CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

OPG's significant accounting policies are outlined in Note 3 to OPG's audited consolidated financial statements as at and for the year ended December 31, 2019. A discussion of recent accounting pronouncements and changes in accounting estimate is included in Note 2 to OPG's unaudited interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2020. OPG's critical accounting policies are consistent with those noted in OPG's 2019 annual MD&A.

RISK MANAGEMENT

The following provides an update to the discussion of the Company's risks and risk management activities included in OPG's 2019 annual MD&A.

Risks to Achieving Operational Excellence

OPG is exposed to variable output from its existing generating stations that could adversely impact its financial performance. The operational risks of a station are generally a function of its age, human performance, regulatory requirements and the technology used.

COVID-19 Pandemic – Second Wave

The Company continues to closely monitor developments relating to the second wave of the pandemic and has taken actions to help mitigate ongoing risks to the health and safety of its workers, essential operations and key projects, ensuring a stable supply of electricity from its facilities. This includes taking a risk-informed approach to prioritizing refurbishment execution activities on Unit 3 of the Darlington GS.

In addition to the uncertainty regarding the duration of the second wave, the wide-ranging risks related to COVID-19 pandemic include: the health and safety of employees; disruption to the supply chain; impact of economic downturn on viability of contractors, vendors and project partners; and delayed recovery of weakened wholesale electricity prices in US markets. The Company will continue to monitor and, as necessary, adjust strategies to minimize any impact of the second wave on its employees, contractors and projects. Further details on OPG's response to the COVID-19 pandemic can be found in the section, *Recent Developments* under the heading, *Response to COVID-19*.

Risks to Maintaining Financial Strength

Risks related to rate regulation, financial markets and long-term obligations could significantly impact OPG's financial performance. The Company is also exposed to risks such as weak electricity demand, changes in market prices of electricity, displacement of electricity generation by competitors and financial risk associated with energy trading.

Commodity Markets

Changes in the market prices of fuels used to produce electricity can adversely impact OPG's earnings and cash flow from operations. To manage the risk of unpredictable increases in the price of fuels, the Company has fuel hedging programs, which include using fixed price and indexed contracts.

The percentages hedged of OPG's fuel requirements are shown in the following table. These amounts are based on yearly forecasts of electricity generation and supply mix and, as such, are subject to change as these forecasts are updated.

	2020 [1]	2021	2022
Estimated fuel requirements hedged [2]	**77%**	**80%**	**82%**

[1] Based on actual fuel requirements hedged for the nine months ended September 30, 2020 and forecast for the remainder of the year.

[2] Represents the approximate portion of MWh of expected electricity generation (and year-end inventory targets) from each type of OPG-operated facility (nuclear, hydroelectric and thermal) for which the price of fuel is fixed, or for which the Company has entered into contractual arrangements to secure the price of fuel or secure the recovery of fuel costs. In the case of regulated and contracted hydroelectric electricity generation in Ontario, the fuel price represents the gross revenue charge and water rental charges. Excess fuel inventories (nuclear and thermal) in a given year are attributed to the next year for the purpose of measuring hedge ratios.

Credit

The Company's credit risk exposure is a function of its electricity sales, trading and hedging activities, and treasury activities including investing and commercial transactions with various suppliers of goods and services. OPG's credit risk exposure relating to energy market transactions as at September 30, 2020 was $492 million, including $474 million with the IESO. OPG continues to consider overall credit risk exposure relating to electricity sales to be low, as the majority of sales are through the IESO-administered market in Ontario.

RELATED PARTY TRANSACTIONS

Given that the Province owns all of the shares of OPG, related parties include the Province and other entities controlled by the Province.

The related party transactions summarized below include transactions with the Province and the principal successors to the former Ontario Hydro's integrated electricity business, including Hydro One Limited (Hydro One), the IESO and the OEFC. Transactions between OPG and related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. As one of several wholly owned government business enterprises of the Province, OPG also has transactions in the normal course of business with various government ministries and organizations in Ontario that fall under the purview of the Province.

Related party transactions are summarized below:

	Three Months Ended September 30			
	2020		**2019**	
(millions of dollars)	**Income**	**Expense**	**Income**	**Expense**
Hydro One				
Electricity sales	**1**	**-**	-	-
Services	**-**	**2**	-	6
Dividends	**2**	**-**	2	-
Province of Ontario				
Change in Decommissioning Segregated Fund amount due to Province [1]	**-**	**242**	-	44
Change in Used Fuel Segregated Fund amount due to Province [1]	**-**	**245**	-	51
Hydroelectric gross revenue charge	**-**	**26**	-	24
OEFC				
Hydroelectric gross revenue charge	**-**	**62**	-	56
Interest expense on long-term notes	**-**	**29**	-	33
Income taxes	**-**	**137**	-	91
Property taxes	**-**	**3**	-	3
IESO				
Electricity-related revenue	**1,661**	**-**	1,387	-
Fair Hydro Trust				
Interest income	**9**	**-**	8	-
	1,673	**746**	1,397	308

[1] The Nuclear Segregated Funds are reported on OPG's consolidated balance sheets net of amounts recognized as due to the Province in respect of any excess funding and, for the Used Fuel Segregated Fund, the Province's rate of return guarantee. As at September 30, 2020 and December 31, 2019, the Nuclear Segregated Funds were reported net of amounts due to the Province of $5,384 million and $5,451 million, respectively.

(millions of dollars)	Nine Months Ended September 30 2020 Income	2020 Expense	2019 Income	2019 Expense
Hydro One				
Electricity sales	**4**	**-**	5	-
Services	**-**	**6**	-	12
Dividends	**5**	**-**	5	-
Province of Ontario				
Change in Decommissioning Segregated Fund amount due to Province [1]	**11**	**-**	-	712
Change in Used Fuel Segregated Fund amount due to Province [1]	**56**	**-**	-	871
Hydroelectric gross revenue charge	**-**	**81**	-	82
OEFC				
Hydroelectric gross revenue charge	**-**	**153**	-	151
Interest expense on long-term notes	**-**	**92**	-	103
Income taxes	**-**	**390**	-	256
Property taxes	**-**	**9**	-	6
IESO				
Electricity-related revenue	**4,757**	**-**	4,148	-
Earnings from Fair Hydro Trust [2]	**-**	**-**	24	-
Fair Hydro Trust				
Interest income [2]	**25**	**-**	12	-
	4,858	**731**	4,194	2,193

[1] The Nuclear Segregated Funds are reported on OPG's consolidated balance sheets net of amounts recognized as due to the Province in respect of any excess funding and, for the Used Fuel Segregated Fund, the Province's rate of return guarantee. As at September 30, 2020 and December 31, 2019, the Nuclear Segregated Funds were reported net of amounts due to the Province of $5,384 million and $5,451 million, respectively.

[2] The Fair Hydro Trust (Trust) was deconsolidated from OPG's consolidated financial results effective May 9, 2019. As a result, certain transactions that were previously eliminated on consolidation, including interest income earned by OPG from its investment in the Trust's subordinated debt, are treated as transactions with entities outside of OPG, and are disclosed as related party transactions. Earnings from the Trust were for the period prior to the deconsolidation of the Trust and primarily comprised net interest income earned by the Trust from the IESO on financing receivables, which were consolidated within OPG's financial results up to May 9, 2019.

Balances between OPG and its related parties are summarized below:

(millions of dollars)	**September 30 2020**	**December 31 2019**
Receivables from related parties		
Hydro One	**2**	1
IESO - Electricity-related receivables	**474**	462
Fair Hydro Trust	**12**	4
OEFC	**3**	-
Portlands Energy Centre [1]	**-**	1
Province of Ontario	**2**	-
Loan receivables		
Fair Hydro Trust	**917**	917
Equity securities		
Hydro One shares	**170**	169
Accounts payable and accrued charges		
Hydro One	**2**	2
Portlands Energy Centre [1]	**-**	1
OEFC	**192**	65
Province of Ontario	**5**	9
IESO - Electricity-related payables	**-**	5
Long-term debt (including current portion)		
Notes payable to OEFC	**2,925**	3,135

[1] Intercompany balances related to the Portlands Energy Centre are eliminated on consolidation following the acquisition of the remaining 50 percent interest in the Portlands Energy Centre on April 29, 2020 and are no longer reported as related party transactions.

OPG may hold Province of Ontario bonds and treasury bills in the Nuclear Segregated Funds and the OPG registered pension fund. As at September 30, 2020, the Nuclear Segregated Funds held $1,574 million of Province of Ontario bonds (December 31, 2019 – $1,426 million) and $8 million of Province of Ontario treasury bills (December 31, 2019 – $11 million). As of September 30, 2020, the registered pension fund held $52 million of Province of Ontario bonds (December 31, 2019 − $67 million) and $3 million of Province of Ontario treasury bills (December 31, 2019 − $7 million). These Province of Ontario bonds and treasury bills are publicly traded securities and are measured at fair value. OPG jointly oversees the investment management of the Nuclear Segregated Funds with the Province.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Company maintains a comprehensive system of policies, procedures, and processes that represents its framework for Internal Control over Financial Reporting (ICOFR) and for its Disclosure Controls and Procedures (DC&P). There were no changes in the Company's internal control system during the current interim period that has or is reasonably likely to have a material impact to the financial statements.

The Company has limited the scope of its design of DC&P and ICOFR to exclude the controls, policies and procedures of Cube Hydro, which was acquired on October 7, 2019, as permitted by 3.3(1)(b) of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings for businesses acquired by an issuer not more than 365 days before the end of a certification period. Cube Hydro represented less than 1 percent of consolidated net income for the three and nine month periods ended September 30, 2020, and approximately 2.6 percent and less than 1 percent of total consolidated assets and total consolidated liabilities, respectively, as at September 30, 2020. The scope exemption was also applied to the portfolio of natural gas-fired plants acquired under wholly owned subsidiary operating as Atura Power on April 29, 2020. Atura Power represented approximately 13.6 percent and 8.0 percent of consolidated net income for the three and nine month periods ended September 30, 2020, respectively, and approximately 6.0 percent and less than 1 percent of total consolidated assets and total consolidated liabilities, respectively, as at September 30, 2020.

QUARTERLY FINANCIAL HIGHLIGHTS

The following tables set out selected annual financial information for the last three years and financial information for each of the eight most recently completed quarters. This information is derived from OPG's unaudited interim consolidated financial statements and the audited annual consolidated financial statements, and has been prepared in accordance with US GAAP.

(millions of dollars – except where noted) *(unaudited)*	**September 30 2020**	**June 30 2020**	**March 31 2020**	**December 31 2019**
Electricity generation (*TWh*)	**21.3**	20.9	20.7	19.4
Revenue	**1,889**	1,849	1,720	1,522
Net income	**390**	462	313	247
Less: Net income attributable to non-controlling interest	**4**	4	4	4
Net income attributable to the Shareholder	**386**	458	309	243
Earnings per share, attributable to the Shareholder *(dollars)*	**$1.41**	$1.67	$1.13	$0.88

(millions of dollars – except where noted) *(unaudited)*	**September 30 2019**	**June 30 2019**	**March 31 2019**	**December 31 2018**
Electricity generation (*TWh*)	19.1	20.2	19.1	19.7
Revenue	1,508	1,566	1,426	1,475
Net income	323	356	217	265
Less: Net income attribute to the non-controlling interest	4	5	4	5
Net income attributable to the Shareholder	319	351	213	260
Earnings per share, attributable to the Shareholder *(dollars)*	$1.16	$1.28	$0.78	$0.95

KEY OPERATING PERFORMANCE INDICATORS AND NON-GAAP FINANCIAL MEASURES

Key Operating Performance Measures

OPG evaluates the performance of its generating stations using a number of key indicators. Key operating performance indicators aligned with corporate imperatives include measures of production reliability, cost effectiveness, environmental performance and safety performance. Certain of the measures used vary depending on the generating technology.

Nuclear Unit Capability Factor

OPG's nuclear stations are baseload facilities that are not designed for fluctuating production levels to meet peaking demand. The nuclear Unit Capability Factor is a key measure of nuclear station performance. It measures the amount of energy that the unit(s) generated over a period of time, adjusted for externally imposed constraints such as transmission or demand limitations, as a percentage of the amount of energy that would have been produced over the same period had the unit(s) produced maximum generation. Capability factors are primarily affected by planned and unplanned outages. An outage day represents a single unit being offline or derated for an amount of time equivalent to one day. By industry definition, capability factors exclude production losses beyond plant management's control, such as grid-related unavailability. The nuclear Unit Capability Factor also excludes unit(s) during the period in which they are undergoing refurbishment. As at September 30, 2020, the Darlington GS had three units in service and the Pickering GS had six units in service.

Hydroelectric Availability

Hydroelectric Availability represents the percentage of time the generating unit is capable of providing service, whether or not it is actually generating electricity, compared to the total time for the respective period, weighted by unit capacity.

Thermal Equivalent Forced Outage Rate

EFOR is an index of the reliability of a generating unit at OPG's wholly-owned thermal stations. It is measured by the ratio of time a generating unit is forced out of service by unplanned events, including any forced deratings, compared to the amount of time the generating unit was available to operate.

Other Key Indicators

In addition to production reliability, cost effectiveness and financial performance indicators, OPG has identified certain environmental and safety performance measures. As applicable, these measures are discussed in the section, *Environmental, Social, Governance and Sustainability*.

Non-GAAP Financial Performance Measures

In addition to providing net income and other financial information in accordance with US GAAP, certain non-GAAP financial measures are also presented in OPG's MD&A. These non-GAAP measures do not have any standardized meaning prescribed by US GAAP and, therefore, may not be comparable to similar measures presented by other issuers. OPG utilizes these measures to make operating decisions and assess performance. Readers of the MD&A would utilize these measures in assessing the Company's financial performance from ongoing operations. The Company believes that these indicators are important since they provide additional information about OPG's performance, facilitate comparison of results over different periods and present measures consistent with the Company's strategies to provide value to the Shareholder, improve cost performance and ensure availability of cost effective funding. These non-GAAP financial measures have not been presented as an alternative to net income or any other measure in accordance with US GAAP, but as indicators of operating performance.

The definitions of the non-GAAP financial measures are as follows:

(1) ROE Excluding AOCI is an indicator of OPG's financial performance consistent with its objective to deliver value to the Shareholder. It is defined as net income attributable to the Shareholder divided by average equity attributable to the Shareholder excluding AOCI, for the period.

ROE Excluding AOCI is measured over a 12-month period and is calculated as follows:

	Twelve Months Ended	
(millions of dollars – except where noted)	**September 30 2020**	**December 31 2019**
ROE Excluding AOCI		
Net income attributable to the Shareholder	**1,396**	1,126
Divided by: Average equity attributable to the Shareholder, excluding AOCI	**14,825**	13,788
ROE Excluding AOCI *(percent)*	**9.4**	8.2

(2) Enterprise Total Generating Cost per MWh is used to measure the overall cost performance of OPG's generating operations in Ontario. Enterprise TGC per MWh is defined as OM&A expenses (excluding the Darlington Refurbishment project, generation development and other major projects and business development transactions and initiatives, US operations, the impact of regulatory accounts, and expenses ancillary to OPG's electricity generation business), fuel expense for OPG-operated stations including hydroelectric gross revenue charge and water rental payments (excluding the impact of regulatory accounts) and capital expenditures (excluding the Darlington Refurbishment project, generation development and other major projects and US operations) incurred during the period, divided by total electricity generation from OPG-operated generating stations in Ontario plus electricity generation forgone due to SBG conditions in Ontario during the period.

Enterprise TGC per MWh is calculated as follows for the three and nine month periods ended September 30, 2020 and September 30, 2019:

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of dollars – except where noted)	**2020**	**2019**	**2020**	**2019**
Enterprise TGC				
Total OM&A expenses	**716**	661	**2,108**	2,091
Total fuel expense	**225**	172	**577**	495
Total capital expenditures	**410**	501	**1,244**	1,485
Less: Darlington Refurbishment capital and OM&A costs	**(149)**	(289)	**(605)**	(902)
Less: Capital and OM&A costs for generation development and other major projects and business development	**(58)**	(29)	**(115)**	(78)
Less: OM&A and fuel expenses refundable through regulatory accounts	**(23)**	(14)	**(97)**	(53)
Less: Nuclear fuel expense for non OPG-operated stations	**(15)**	(19)	**(45)**	(48)
Add: Hydroelectric gross revenue charge and water rental payments for electricity generation forgone due to SBG conditions	**13**	10	**39**	31
Less: OM&A expenses ancillary to electricity generation business	**(6)**	(4)	**(15)**	(16)
Less: OM&A expenses and capital expenditures related to US operations	**(27)**	(16)	**(82)**	(62)
Other adjustments	**(8)**	(1)	**(14)**	(10)
	1,078	972	**2,995**	2,933
Adjusted electricity generation *(TWh)*				
Total OPG electricity generation	**21.3**	19.1	**62.9**	58.4
Adjust for electricity generation forgone due to SBG conditions, OPG's share of electricity generation from co-owned facilities and US operations	**0.1**	0.3	**1.3**	1.7
	21.4	19.4	**64.2**	60.1
Enterprise TGC per MWh *($/MWh)* [1]	**50.36**	50.41	**46.60**	48.89

[1] Amounts may not calculate due to rounding.

(3) Earnings before interest, income taxes, depreciation and amortization is defined as net income before net interest expense, income tax expense and depreciation and amortization expenses.

(4) Gross margin is defined as revenue less fuel expense.

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ONTARIO POWER GENERATION INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

SEPTEMBER 30, 2020

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of dollars except where noted)	**2020**	**2019**	**2020**	**2019**
Revenue	**1,889**	1,508	**5,458**	4,500
Fuel expense	**225**	172	**577**	495
Gross margin	**1,664**	1,336	**4,881**	4,005
Operations, maintenance and administration expenses	**716**	661	**2,108**	2,091
Depreciation and amortization expenses	**337**	268	**985**	798
Accretion on fixed asset removal and nuclear waste management liabilities	**263**	254	**791**	764
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(234)**	(225)	**(693)**	(668)
Property taxes	**12**	11	**37**	32
Income from investments subject to significant influence	**-**	(10)	**(11)**	(33)
	1,094	959	**3,217**	2,984
Income before other gains, interest and income taxes	**570**	377	**1,664**	1,021
Other gains	**(7)**	(13)	**(16)**	(45)
Income before interest and income taxes	**577**	390	**1,680**	1,066
Net interest expense *(Note 7)*	**61**	5	**190**	35
Income before income taxes	**516**	385	**1,490**	1,031
Income tax expense	**126**	62	**325**	135
Net income	**390**	323	**1,165**	896
Net income attributable to the Shareholder	**386**	319	**1,153**	883
Net income attributable to non-controlling interest	**4**	4	**12**	13
Basic and diluted earnings per share *(dollars) (Note 15)*	**1.41**	1.16	**4.20**	3.22

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(millions of dollars)	Three Months Ended September 30 2020	2019	Nine Months Ended September 30 2020	2019
Net income	**390**	323	**1,165**	896
Other comprehensive (loss) income, net of income taxes *(Note 10)*				
Reclassification to income of amounts related to pension and other post-employment benefits [1]	**3**	2	**8**	7
Reclassification to income of losses on derivatives designated as cash flow hedges [2]	**2**	4	**9**	11
Net gain on derivatives designated as cash flow hedges [3]	**-**	-	**2**	-
Currency translation adjustment	**(34)**	9	**41**	(11)
Other comprehensive (loss) income for the period	**(29)**	15	**60**	7
Comprehensive income	**361**	338	**1,225**	903
Comprehensive income attributable to the Shareholder	**357**	334	**1,213**	890
Comprehensive income attributable to non-controlling interest	**4**	4	**12**	13

[1] Net of income tax expense of nil for the three months ended September 30, 2020 and 2019. Net of income tax expense of $2 million for the nine months ended September 30, 2020 and 2019.

[2] Net of income tax expense of $1 million for the three months ended September 30, 2020 and 2019. Net of income tax expense of $2 million for the nine months ended September 30, 2020 and 2019.

[3] Net of income tax expense of $1 million for the nine months ended September 30, 2020.

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Nine Months Ended September 30 *(millions of dollars)*	**2020**	**2019**
Operating activities		
Net income	**1,165**	896
Adjust for non-cash items:		
Depreciation and amortization expenses	**985**	798
Accretion on fixed asset removal and nuclear waste management liabilities	**791**	764
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(693)**	(668)
Pension and other post-employment benefit costs *(Note 11)*	**333**	328
Deferred income taxes	**66**	(75)
Regulatory assets and regulatory liabilities	**(60)**	268
Other gains	**(11)**	(25)
Other	**(11)**	(30)
Expenditures on fixed asset removal and nuclear waste management	**(313)**	(240)
Reimbursement of eligible expenditures on nuclear fixed asset removal and nuclear waste management	**96**	65
Contributions to pension funds and expenditures on other post-employment benefits and supplementary pension plans	**(220)**	(239)
Distributions received from investments subject to significant influence	**13**	44
Net changes to other long-term assets and long-term liabilities	**65**	24
Net changes to non-cash working capital balances *(Note 18)*	**341**	18
Cash flow provided by operating activities	**2,547**	1,928
Investing activities		
Investment in property, plant and equipment and intangible assets	**(1,239)**	(1,547)
Acquisition of natural gas-fired assets, net of cash acquired *(Note 3)*	**(2,814)**	-
Acquisition of Brighton Beach generating station, net of cash acquired	**-**	(128)
Cash flow used in investing activities	**(4,053)**	(1,675)
Financing activities		
Net issuance (repayment) of short-term debt *(Note 8)*	**890**	(190)
Net proceeds from issuance of long-term debt *(Note 7)*	**1,595**	1,393
Repayment of long-term debt	**(635)**	(290)
Distribution to non-controlling interest	**(15)**	(13)
Contribution from non-controlling interest	**-**	5
Cash flow provided by financing activities	**1,835**	905
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**1**	2
Net increase in cash, cash equivalents and restricted cash	**330**	1,160
Cash, cash equivalents and restricted cash, beginning of period	**498**	313
Cash, cash equivalents and restricted cash, end of period	**828**	1,473

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *(millions of dollars)*	September 30 2020	December 31 2019
Assets		
Current assets		
Cash, cash equivalents and restricted cash *(Note 4)*	**828**	498
Equity securities	**170**	169
Receivables from related parties	**493**	468
Nuclear fixed asset removal and nuclear waste management funds	**48**	40
Fuel inventory	**249**	233
Materials and supplies	**92**	92
Regulatory assets *(Note 6)*	**475**	486
Prepaid expenses	**164**	136
Other current assets	**94**	125
	2,613	2,247
Property, plant and equipment	**40,052**	35,909
Less: accumulated depreciation	**10,510**	9,862
	29,542	26,047
Intangible assets	**753**	566
Less: accumulated amortization	**297**	258
	456	308
Goodwill	**169**	163
Other non-current assets		
Nuclear fixed asset removal and nuclear waste management funds	**18,848**	18,252
Loan receivable	**917**	917
Long-term materials and supplies	**407**	392
Regulatory assets *(Note 6)*	**6,854**	6,770
Investments subject to significant influence	**38**	250
Other long-term assets	**77**	58
	27,141	26,639
	59,921	55,404

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *(millions of dollars)*	**September 30 2020**	**December 31 2019**
Liabilities		
Current liabilities		
Accounts payable, accrued charges and other payables	**1,433**	1,109
Short-term debt *(Note 8)*	**1,053**	164
Long-term debt due within one year *(Note 7)*	**428**	693
Regulatory liabilities *(Note 6)*	**221**	103
	3,135	2,069
Long-term debt *(Note 7)*	**8,770**	7,533
Other non-current liabilities		
Fixed asset removal and nuclear waste management liabilities *(Note 9)*	**22,700**	22,081
Pension liabilities	**3,423**	3,568
Other post-employment benefit liabilities	**3,186**	3,099
Long-term accounts payable and accrued charges	**266**	276
Deferred revenue	**394**	400
Deferred income taxes	**1,352**	1,154
Regulatory liabilities *(Note 6)*	**1,210**	949
	32,531	31,527
Equity		
Common shares *(Note 14)*	**5,126**	5,126
Class A shares *(Note 14)*	**787**	787
Contributed surplus	**39**	39
Retained earnings	**9,571**	8,418
Accumulated other comprehensive loss *(Note 10)*	**(217)**	(277)
Equity attributable to the Shareholder	**15,306**	14,093
Equity attributable to non-controlling interest	**179**	182
Total equity	**15,485**	14,275
	59,921	55,404

Commitments and Contingencies *(Notes 7 and 16)*

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY (UNAUDITED)

Nine Months Ended September 30 *(millions of dollars)*	**2020**	**2019**
Common shares *(Note 14)*	**5,126**	5,126
Class A shares *(Note 14)*	**787**	787
Contributed surplus	**39**	39
Retained earnings		
Balance at beginning of period	**8,418**	7,292
Net income attributable to the Shareholder	**1,153**	883
Balance at end of period	**9,571**	8,175
Accumulated other comprehensive loss, net of income taxes *(Note 10)*		
Balance at beginning of period	**(277)**	(243)
Other comprehensive income (loss)	**60**	7
Balance at end of period	**(217)**	(236)
Equity attributable to the Shareholder	**15,306**	13,891
Equity attributable to non-controlling interest		
Balance at beginning of period	**182**	165
Income attributable to non-controlling interest	**12**	13
Distribution to non-controlling interest	**(15)**	(13)
Equity contribution from non-controlling interest	**-**	5
Balance at end of period	**179**	170
Total equity	**15,485**	14,061

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2020 and 2019

1. BASIS OF PRESENTATION

These interim consolidated financial statements for the three and nine months ended September 30, 2020 and 2019 include the accounts of Ontario Power Generation Inc. (OPG or the Company) and its subsidiaries. The Company consolidates its interest in entities over which it is able to exercise control and attributes the results to its sole shareholder, the Province of Ontario (the Province or the Shareholder). These interim consolidated financial statements have been prepared and presented in accordance with United States generally accepted accounting principles (US GAAP). These interim consolidated financial statements do not contain all of the disclosures required by US GAAP for annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2019.

As required by *Ontario Regulation 395/11,* as amended, under the *Financial Administration Act* (Ontario), OPG adopted US GAAP for the presentation of its consolidated financial statements, effective January 1, 2012. Since January 1, 2012, OPG also has received exemptive relief from the Ontario Securities Commission (OSC) from the requirements of section 3.2 of National Instrument 52-107, *Acceptable Accounting Policies and Auditing Standards*. The exemption allows OPG to file consolidated financial statements based on US GAAP, rather than International Financial Reporting Standards (IFRS), without becoming a US Securities and Exchange Commission registrant.

In April 2018, OPG received an extension to its previous exemptive relief from the OSC. The exemptive relief will terminate on the earliest of the following:

- January 1, 2024;
- The financial year that commences after OPG ceases to have activities subject to rate regulation; or
- The effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within IFRS specific to entities with rate-regulated activities.

All dollar amounts are presented in Canadian dollars, unless otherwise noted. Certain 2019 comparative amounts have been reclassified from consolidated financial statements previously presented to conform to the 2020 interim consolidated financial statement presentation.

Seasonal Variations

OPG's quarterly electricity generation from the Regulated – Hydroelectric Generation, Contracted Hydroelectric and Other Generation, and Contracted Gas Generation business segments is affected by changes in grid-supplied electricity demand. Changes in grid-supplied electricity demand are primarily caused by variations in seasonal weather conditions, changes in economic conditions, the impact of small-scale generation embedded in distribution networks, and the impact of conservation efforts. Historically, there has been greater electricity demand in Ontario during the winter and summer months due to heating and air conditioning demands.

OPG's quarterly electricity generation from hydroelectric facilities is impacted by weather conditions that affect water flows. Historically, there have been higher water flows in the second quarter as a result of snow and ice melt entering the river systems. The financial impact of variability in water flows on the Regulated – Hydroelectric Generation business segment is mitigated by regulatory variance and deferral accounts (regulatory accounts) authorized by the Ontario Energy Board (OEB).

The financial impact of variability in electricity generation from the Contracted Hydroelectric and Other Generation business segment and the Contracted Gas Generation business segment is mitigated by the terms of the applicable Energy Supply Agreements with the Independent Electricity System Operator (IESO) and other long-term contracts for the contracted generating facilities in Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies followed in the presentation of these interim consolidated financial statements are consistent with those of the previous financial year, with the exception of the adoption of the new fair value measurement standard noted below:

a) New Accounting Standards Effective in 2020

Changes to Disclosure Requirements for Fair Value Measurement

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement* to continue to improve the effectiveness of disclosures in financial statements for users. The update is effective for OPG's 2020 fiscal year. Under the new guidance prescribed in this update, entities must disclose additional information regarding Level 3 fair value measurements held at the end of the reporting period. This amendment also clarified existing guidance around measurement uncertainty and investments in entities that calculate net asset value (NAV). The changes in disclosures required under this update are reflected in Note 13.

b) Recent Accounting Pronouncements Not Yet Adopted

i) Changes to Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General* (Subtopic 715-20): *Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* as part of its ongoing efforts to improve the effectiveness of disclosures in notes to financial statements for stakeholders. As part of this update, entities will be required to include additional disclosures such as narrative descriptions of the reasons for significant gains and losses related to changes in the benefit obligations for the period. The update also removed guidance that currently requires disclosures on the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, and for public entities, the effects of a one percent change in assumed health care trend rates on the net periodic benefit costs and benefit obligation for Other post-employment benefits (OPEB). Changes instituted by this update are effective retrospectively for all periods presented for fiscal years ending after December 15, 2020, with early adoption permitted. OPG continues to evaluate the impact of this update to disclosures of its post-employment benefit programs in the consolidated financial statements.

ii) Changes to Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), an update to Topic 326, *Financial Instruments – Credit Losses*. ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses to be deducted from the amortized cost basis of the asset. Available-for-sale debt securities will also require the use of an allowance to record estimated credit losses. In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses,* which clarified that ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The revised guidance will be applied through a cumulative catch-up adjustment to retained earnings in the period of adoption. OPG continues to assess the impact of this update to its consolidated financial statements.

iii) Changes to Income Tax Requirements

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* (ASU 2019-12), which affects general principles within Topic 740, *Income Taxes*. The FASB has stated that the ASU is being issued as part of its Simplification Initiative, which is meant to reduce complexity in accounting standards by improving certain areas of US GAAP. The new guidance eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, with early adoption permitted. OPG is assessing the impact of this update to its consolidated financial statements.

3. ACQUISITIONS

Acquisition of Portfolio of Natural Gas-Fired Assets in Ontario

On April 29, 2020, OPG, under a new wholly-owned subsidiary operating as Atura Power, acquired a portfolio of combined-cycle natural gas-fired plants in Ontario for approximately $2.8 billion, subject to customary closing adjustments. The portfolio included the 900 megawatt-hour (MW) Napanee generating station (GS), the 683 MW Halton Hills GS, and the remaining 50 percent interest in the 550 MW Portlands Energy Centre. The transaction was treated as an asset acquisition, as substantially all of the fair value of the assets acquired is concentrated within the plant assets.

The 50 percent interest in the Portlands Energy Centre previously held by OPG and reported as an investment subject to significant influence was derecognized upon the acquisition, forming a component of the cost of the asset acquisition when recognizing the 100 percent ownership of the facility. No gain or loss was recognized upon derecognition of the investment subject to significant influence. The assets acquired and liabilities assumed were recognized at the following values within OPG's consolidated balance sheet on the date of acquisition:

(millions of Canadian dollars)	
Current assets	**48**
Property, plant and equipment	**2,920**
Intangible assets	**122**
Other long-term assets	**9**
Total assets	**3,099**
Current liabilities	**11**
Fixed asset removal liabilities	**33**
Other long-term liabilities	**9**
Total liabilities	**53**
Net assets	**3,046**
Derecognition of carrying value of previously held interest as an investment subject to significant influence	**(219)**
Cash acquired	**(13)**
Total purchase price, net of cash acquired	**2,814**

Acquisition of Cube Hydro Partners, LLC and affiliate Helix Partners, LLC

On October 7, 2019, OPG acquired 100 percent of the equity in Cube Hydro Partners, LLC and affiliate Helix Partners, LLC (collectively, Cube Hydro) at a purchase price of US$1.12 billion, inclusive of assumed debt and subject to customary working capital adjustments. Total consideration paid, net of assumed debt, was approximately US$845 million (C$1.12 billion). Cube Hydro is a hydropower platform with 385 MW of in-service generating capacity across 19 hydroelectric facilities located throughout the northeastern and southeastern United States.

The Cube Hydro acquisition was accounted for as a business combination. The preliminary purchase price allocation of the acquisition is estimated as follows, using the exchange rate on the acquisition date of US$1.00 = C$1.3306:

(millions of Canadian dollars)	
Current assets	**25**
Property, plant and equipment	**1,427**
Intangible assets	**52**
Goodwill	**64**
Other long-term assets	**7**
Total assets	**1,575**
Current liabilities	**14**
Long-term debt	**422**
Other long-term liabilities	**3**
Total liabilities	**439**
Non-controlling interest	**12**
Total purchase price	**1,124**
Cash acquired with Cube Hydro	**(23)**
Total purchase price, net of cash acquired	**1,101**

The determination of the fair value of assets acquired and liabilities assumed is based upon management's preliminary estimates and assumptions and reflects the fair value of consideration paid. The Company continues to review information and perform further analysis prior to finalizing the fair value of the assets acquired and the liabilities assumed within the permitted period of 12 months from the date of acquisition in accordance with US GAAP, including finalizing the componentization of fair value measurements to the individual assets acquired within property, plant and equipment.

Goodwill represents the excess of the purchase price over the aggregate fair value of net assets acquired. Contributing factors to the amount recorded as goodwill include planned optimization initiatives, operational synergies with the Company's existing US hydroelectric operations, and improved competitive position for further growth opportunities. Goodwill recognized as a result of the acquisition is reported within the Contracted Hydroelectric and Other Generation business segment.

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash consist of the following:

As at *(millions of dollars)*	**September 30 2020**	**December 31 2019**
Cash and cash equivalents	**817**	479
Restricted cash	**11**	19
Total cash, cash equivalents and restricted cash	**828**	498

Restricted cash is held primarily for prescribed purposes, including debt service, insurance, general collateral purposes and other contractual arrangements.

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company has entered into operating lease arrangements for office space to house key operational activities and personnel. OPG is also party to water power leases and Parks Canada licences that provide the Company with a right-of-use to the underlying lands on which most of its hydroelectric generating stations in Ontario are constructed. In addition, the Company leases vehicles and rail cars for use at its electricity generating stations. OPG does not have any sales-type or direct financing lease arrangements.

While the Company's office leases are subject to fixed base rental charges, the arrangements also contain variable payments to reimburse lessors for provision of common area maintenance services during each year of the lease term. Payments in connection with OPG's water power leases and Parks Canada licences are entirely variable, based on the amount of electricity produced by the hydroelectric generating stations during each year of the lease term. These variable amounts are not included in the measurement of OPG's lease liabilities, but are recognized as a variable lease expense when incurred. Lease payments related to the Company's leased vehicles qualify for the short-term lease recognition exemption given the nature of the arrangement and therefore no right-of-use asset or lease liability has been recognized.

In leasing arrangements where OPG has the option to extend the lease term, payments associated with renewing the leases are not included in the measurement of the associated lease liabilities or right-of-use assets as they are not reasonably certain of being exercised. Similarly, in leasing arrangements where OPG has the option to terminate the lease prior to the end of the term, payments associated with terminating these leases are not included in the measurement of the lease liabilities or right-of-use assets as they are not reasonably certain of being exercised. OPG has not provided residual value guarantees within its leases, nor is the Company subject to any restrictions or covenants as a result of entering into these leasing arrangements.

The Company incurred the following:

	Three Months Ended September 30		**Nine Months Ended September 30**	
(millions of dollars)	**2020**	**2019**	**2020**	**2019**
Variable lease costs	**15**	15	**52**	55
Fixed lease costs	**3**	4	**9**	13
Short-term lease costs	**1**	1	**3**	4
Total operating lease expenses	**19**	20	**64**	72
Cash outflows related to operating lease liabilities	**4**	4	**12**	12

During the nine months ended September 30, 2020, OPG did not enter into any new operating lease arrangements. During the same period in 2019, OPG had entered into new operating lease arrangements which resulted in the recognition of $5 million of right-of-use assets and related operating lease liabilities. As at September 30, 2020, the Company had a weighted-average remaining lease term of 7.5 years (September 30, 2019 – 6.8 years) and a weighted-average discount rate in its leasing arrangements of 3.66 percent (September 30, 2019 – 3.15 percent).

A maturity analysis of the leasing arrangements in which the Company is the lessee has been summarized below, along with a reconciliation to OPG's operating lease liabilities:

(millions of dollars)	**2020 [1]**	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Operating lease payments	3	12	11	7	6	20	59
Impact of discounting							(10)
Total operating lease liabilities							49

[1] Represents amount for the remainder of the year.

The following are the current and long-term operating lease liabilities:

As at *(millions of dollars)*	**September 30 2020**	**December 31 2019**
Current operating lease liabilities	**12**	14
Long-term operating lease liabilities	**37**	41
	49	55

The following are the current and long-term right-of-use assets under operating lease arrangements:

As at *(millions of dollars)*	**September 30 2020**	**December 31 2019**
Current right-of-use asset	**12**	12
Long-term right-of-use asset	**34**	38
	46	50

In addition to its lease arrangement with Bruce Power L.P. (Bruce Power) related to the Bruce nuclear generating stations, OPG leases various real estate assets to third-party customers under operating lease arrangements in which the Company is the lessor, providing customers with the right-of-use to assets including land and office space. The Company receives mostly fixed rental payments in connection with these agreements. However, some arrangements contain variable lease payments that are indexed to the applicable consumer price index, with rents being subject to changes in the index over the course of the lease term. The arrangements do not contain any options to purchase the underlying asset from the Company that the lessee is reasonably certain to exercise. As the underlying asset in many of these arrangements is land, the Company expects to derive, at a minimum, the current fair value from these assets at the end of the lease term. Where applicable, OPG undertakes preventative and ongoing maintenance programs, combined with periodic major upgrades, to maintain the residual values of the underlying assets at the end of the lease term. Given the durability of such assets and their ability to hold or appreciate in value, OPG considers the residual value risk from these leasing arrangements to be nominal.

An analysis of the leasing arrangements in which the Company is the lessor is summarized below:

(millions of dollars)	**2020 [1]**	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Undiscounted operating lease receipts	2	9	37	4	34	655	741

[1] Represents amount for the remainder of the year.

6. REGULATORY ASSETS AND REGULATORY LIABILITIES

The regulatory assets and regulatory liabilities are as follows:

As at *(millions of dollars)*	**September 30 2020**	**December 31 2019**
Regulatory assets		
Variance and deferral accounts authorized by the OEB		
Pension & OPEB Cash Versus Accrual Differential Deferral Account	**899**	885
Pension and OPEB Cost Variance Account	**385**	490
Hydroelectric Surplus Baseload Generation Variance Account	**469**	448
Bruce Lease Net Revenue Variance Account	**168**	165
Rate Smoothing Deferral Account	**405**	104
Other variance and deferral accounts [1]	**39**	62
	2,365	2,154
Interim Period Revenue Shortfall	**-**	167
Pension and OPEB Regulatory Asset *(Note 11)*	**3,551**	3,667
Deferred Income Taxes	**1,413**	1,268
Total regulatory assets	**7,329**	7,256
Less: current portion	**475**	486
Non-current regulatory assets	**6,854**	6,770
Regulatory liabilities		
Variance and deferral accounts authorized by the OEB		
Pension & OPEB Cash Payment Variance Account	**450**	348
Hydroelectric Water Conditions Variance Account	**231**	216
Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account	**375**	251
Capacity Refurbishment Variance Account	**169**	41
Other variance and deferral accounts [2]	**206**	196
Total regulatory liabilities	**1,431**	1,052
Less: current portion	**221**	103
Non-current regulatory liabilities	**1,210**	949

[1] Represents amounts for the Nuclear Liability Deferral Account, the Hydroelectric Deferral and Variance Over/Under Recovery Variance Account, the Nuclear Development Variance Account, the Fitness for Duty Deferral Account and the Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account.

[2] Represents amounts for the Ancillary Services Net Revenue Variance Account, the Nuclear Deferral and Variance Over/Under Recovery Variance Account, the Income and Other Taxes Variance Account, the Hydroelectric Incentive Mechanism Variance Account, the SR&ED ITC Variance Account, the Pension & OPEB Forecast Accrual Versus Actual Cash Differential Carrying Charges Variance Account and the Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account.

On March 25, 2020, the OEB issued an order that established a deferral account for Ontario's electricity and natural gas distributors to record lost revenues and incremental costs related to the COVID-19 pandemic, effective March 24, 2020. On April 29, 2020, the OEB confirmed the applicability of the deferral account to OPG and electricity transmitters. The OEB stated that it has not yet made a determination on the nature of revenue or costs that will be recoverable through the deferral account and will assess any amounts recorded in the account at the time they are requested for disposition. On May 14, 2020, the OEB commenced an industry-wide consultation process with the objective of assisting in the development of guidance related to the deferral account. OPG is participating in the consultation process. Pending further guidance from the OEB, the Company has not recognized a regulatory asset related to the deferral account.

7. LONG-TERM DEBT AND NET INTEREST EXPENSE

Long-term debt consists of the following:

As at *(millions of dollars)*	September 30 2020	December 31 2019
Senior notes payable to Ontario Electricity Financial Corporation	**2,925**	3,135
Medium Term Notes Program senior notes	**3,450**	2,250
UMH Energy Partnership senior notes	**174**	175
PSS Generating Station Limited Partnership senior notes	**245**	245
Lower Mattagami Energy Limited Partnership senior notes	**1,595**	1,595
Brighton Beach Power Limited Partnership senior notes	**92**	116
Eagle Creek Renewable Energy senior notes	**316**	307
Cube Hydro senior notes	**396**	385
Other	**25**	25
	9,218	8,233
Plus: net fair value premium	**12**	20
Less: unamortized bond issuance fees	**(32)**	(27)
Less: amounts due within one year	**(428)**	(693)
Long-term debt	**8,770**	7,533

In March 2020, OPG issued senior notes payable to the Ontario Electricity Financial Corporation (OEFC) totalling $400 million, maturing in March 2024 with a coupon rate of 1.75 percent. OPG repaid long-term debt of $610 million to the OEFC during the nine months ended September 30, 2020.

In April 2020, OPG issued $1,200 million of green bonds under its Medium Term Note Program. The issuance consisted of $400 million of senior notes maturing in April 2025, with a coupon interest rate of 2.89 percent and $800 million of senior notes maturing in April 2030, with a coupon rate of 3.22 percent.

In October 2020, OPG issued an additional $400 million of bonds under its Medium Term Note Program. The senior notes mature in April 2026, with a coupon rate of 1.17 percent.

The following table summarizes the net interest expense:

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of dollars)	2020	2019	2020	2019
Interest on long-term debt	**93**	83	**277**	242
Interest on short-term debt	**4**	3	**13**	7
Interest income	**(11)**	(14)	**(35)**	(24)
Interest capitalized to property, plant and equipment and intangible assets	**(12)**	(60)	**(97)**	(172)
Interest related to regulatory assets and regulatory liabilities [1]	**(13)**	(7)	**32**	(18)
Net interest expense	**61**	5	**190**	35

[1] Includes interest to recognize the cost of financing related to regulatory accounts, as authorized by the OEB, and interest costs deferred in certain variance and deferral accounts.

8. SHORT-TERM DEBT

As at September 30, 2020, the Company had the following committed credit facilities and maturity dates:

(millions of dollars)		Amount	Maturity
Bank facilities:			
Corporate		**1,000**	May 2023 and May 2024 [1]
Corporate	US Dollars	**750**	November 2020 [2]
Term loan		**600**	March 2021 [3]
Lower Mattagami Energy Limited Partnership		**400**	August 2022 and August 2024 [4]
OPG Eagle Creek Holdings LLC	US Dollars	**23**	August 2022 and October 2028 [5]
OEFC facility [3]		**300**	December 2021
Securitization facility [6]		**150**	November 2020

1 $50 million of the total credit facility matures in May 2023 and $950 million matures in May 2024.
2 Credit facility has a one-year extension option beyond the maturity date of November 2020.
3 Represents amounts available under the $1 billion facility, net of debt issuances.
4 Of the total credit facility, $100 million matures in August 2022 and $300 million matures in August 2024. A letter of credit of $55 million was outstanding under this facility as at September 30, 2020 (December 31, 2019 – $55 million).
5 Of the total credit facility, $3 million matures in August 2022 and $20 million matures in October 2028. The facilities are entered into by US-based wholly owned subsidiaries of OPG Eagle Creek Holdings LLC.
6 Represents an agreement to sell an undivided co-ownership interest in the Company's current and future accounts receivable from the IESO to an independent trust. As of September 30, 2020, $150 million of letters of credit were issued under the securitization facility to support the Company's supplementary pension plans (December 31, 2019 – $150 million). This facility expired effective November 1, 2020.

The Company's short-term debt balances are comprised of the following:

As at *(millions of dollars)*	**September 30** **2020**	**December 31** **2019**
Lower Mattagami Energy Limited Partnership	**95**	114
Term loan	**300**	-
Commercial paper	**658**	50
Total short-term debt	**1,053**	164

As of September 30, 2020, a total of $525 million of Letters of Credit had been issued (December 31, 2019 – $519 million). As of September 30, 2020, this included $392 million for the supplementary pension plans, $55 million for Lower Mattagami Energy Limited Partnership, $32 million for general corporate purposes, $23 million for OPG Eagle Creek Holdings LLC and its subsidiaries, $16 million for UMH Energy Partnership, $6 million for Atura Power, and $1 million for the PSS Generating Station Limited Partnership.

In March 2020, the Company executed a $1 billion one-year term loan agreement with a syndicate of banks.

During the nine months ended September 30, 2020, net issuances of short-term debt totaled $890 million (September 30, 2019 – net repayment of $190 million), which was comprised of issuances of $7,214 million (September 30, 2019 – $3,088 million) and repayments of $6,324 million (September 30, 2019 – $3,278 million).

The weighted average interest rate on the short-term debt as of September 30, 2020 is 0.42 percent (December 31, 2019 – 1.88 percent).

9. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT LIABILITIES

The liabilities for fixed asset removal and nuclear waste management on a present value basis consist of the following:

As at *(millions of dollars)*	**September 30 2020**	**December 31 2019**
Liability for nuclear used fuel management	**13,404**	13,061
Liability for nuclear decommissioning and nuclear low and intermediate level waste management	**8,978**	8,726
Liability for non-nuclear fixed asset removal	**318**	294
Fixed asset removal and nuclear waste management liabilities	**22,700**	22,081

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in the balance of each component of accumulated other comprehensive loss (AOCL), net of income taxes, are as follows:

	Nine Months Ended September 30, 2020			
(millions of dollars)	**Unrealized Gains and Losses on Cash Flow Hedges**	**Pension and OPEB**	**Currency Translation Adjustment**	**Total**
AOCL, beginning of period	**(33)**	**(213)**	**(31)**	**(277)**
Net gain on cash flow hedges	**2**	**-**	**-**	**2**
Amounts reclassified from AOCL	**9**	**8**	**-**	**17**
Translation of foreign operations	**-**	**-**	**41**	**41**
Other comprehensive income for the period	**11**	**8**	**41**	**60**
AOCL, end of period	**(22)**	**(205)**	**10**	**(217)**

	Nine Months Ended September 30, 2019			
(millions of dollars)	**Unrealized Gains and Losses on Cash Flow Hedges**	**Pension and OPEB**	**Currency Translation Adjustment**	**Total**
AOCL, beginning of period	(48)	(208)	13	(243)
Amounts reclassified from AOCL	11	7	-	18
Translation of foreign operations	-	-	(11)	(11)
Other comprehensive income (loss) for the period	11	7	(11)	7
AOCL, end of period	(37)	(201)	2	(236)

The amounts reclassified out of each component of AOCL, net of income taxes, are as follows:

(millions of dollars)	**Amount Reclassified from AOCL** **Three Months Ended**	**Nine Months Ended September 30, 2020**	**Statement of Income Line Item**
Amortization of losses from cash flow hedges			
Losses	**3**	**11**	Net interest expense
Income tax recovery	**(1)**	**(2)**	Income tax expense
	2	**9**	
Amortization of amounts related to pension and OPEB			
Actuarial losses and past service credits	**3**	**10**	See (1) below
Income tax recovery	**-**	**(2)**	Income tax expense
	3	**8**	
Total reclassifications for the period	**5**	**17**	

(millions of dollars)	**Amount Reclassified from AOCL** **Three Months Ended**	**Nine months Ended September 30, 2019**	**Statement of Income Line Item**
Amortization of losses from cash flow hedges			
Losses	5	13	Net interest expense
Income tax recovery	(1)	(2)	Income tax expense
	4	11	
Amortization of amounts related to pension and OPEB			
Actuarial losses	2	9	See (1) below
Income tax recovery	-	(2)	Income tax expense
	2	7	
Total reclassifications for the period	6	18	

[1] These AOCL components are included in the computation of pension and OPEB costs (see Note 11 for additional details).

Existing pre-tax net losses for derivatives of $14 million deferred in AOCL as at September 30, 2020 are expected to be reclassified to net income within the next 12 months.

11. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

OPG's pension and OPEB costs for the three months ended September 30, 2020 and 2019 are as follows:

(millions of dollars)	**Registered Pension Plans** **2020**	**2019**	**Supplementary Pension Plans** **2020**	**2019**	**Other Post-Employment Benefits** **2020**	**2019**
Components of cost recognized for the period						
Current service costs	**86**	78	**3**	2	**23**	18
Interest on projected benefit obligation	**132**	152	**2**	4	**23**	25
Expected return on plan assets, net of expenses	**(218)**	(207)	**-**	-	**-**	-
Amortization of net actuarial loss [1]	**41**	39	**1**	1	**-**	-
Costs recognized [2]	**41**	62	**6**	7	**46**	43

[1] The amortization of net actuarial loss is recognized as an increase to other comprehensive income. The increase in other comprehensive income for the three months ended September 30, 2020 was partially offset by a decrease in the Pension and OPEB Regulatory Asset of $39 million (three months ended September 30, 2019 – $38 million).

[2] Pension and OPEB costs for the three months ended September 30, 2020 exclude the net addition of costs of $18 million from the recognition of changes in the regulatory assets for the Pension & OPEB Cash Versus Accrual Differential Deferral Account and the Pension & OPEB Cash Payment Variance Account (three months ended September 30, 2019 − net reduction of costs of $3 million).

OPG's pension and OPEB costs for the nine months ended September 30, 2020 and 2019 are as follows:

(millions of dollars)	**Registered Pension Plans** **2020**	**2019**	**Supplementary Pension Plans** **2020**	**2019**	**Other Post-Employment Benefits** **2020**	**2019**
Components of cost recognized for the period						
Current service costs	**255**	233	**7**	6	**67**	53
Interest on projected benefit obligation	**397**	457	**8**	10	**72**	76
Expected return on plan assets, net of expenses	**(653)**	(619)	**-**	-	**-**	-
Amortization of past service credits [1]	**-**	-	**-**	-	**(1)**	-
Amortization of net actuarial loss [1]	**122**	117	**5**	4	**-**	-
Costs recognized [2]	**121**	188	**20**	20	**138**	129

[1] The amortization of net actuarial loss and the amortization of past service credits are recognized as an increase (decrease) to other comprehensive income. The net increase in other comprehensive income for the nine months ended September 30, 2020 was partially offset by a net decrease in the Pension and OPEB Regulatory Asset of $116 million (nine months ended September 30, 2019 – $112 million).

[2] Pension and OPEB costs for the nine months ended September 30, 2020 exclude the net addition of costs of $54 million from the recognition of changes in the regulatory assets and regulatory liabilities for the Pension & OPEB Cash Versus Accrual Differential Deferral Account and the Pension & OPEB Cash Payment Variance Account (nine months ended September 30, 2019 − net reduction of costs of $9 million).

12. RISK MANAGEMENT AND DERIVATIVES

OPG is exposed to risks related to changes in market interest rates on debt, movements in foreign currency that affect the Company's assets, liabilities and forecasted transactions, and fluctuations in commodity prices. Select derivative instruments are used to manage such risks. Derivatives are used as hedging instruments, as well as for trading purposes.

Interest Rates

Interest rate risk is the risk that the value of assets and liabilities can change due to movements in interest rates. Interest rate risk for OPG arises with the need to refinance existing debt or undertake new financing. The management of these risks includes using derivatives to hedge the exposure in accordance with corporate risk management policies. OPG periodically uses interest rate swap agreements to mitigate elements of interest rate risk exposure associated with anticipated financing.

Foreign Exchange

OPG's financial results are exposed to volatility in the Canadian/US foreign exchange rate as fuels and certain supplies and services purchased for generating stations and major development projects are denominated in, or tied to, US dollars. To manage this risk, the Company employs various financial instruments such as forwards and other derivative contracts, in accordance with approved corporate risk management policies. Additionally, volatility in the Canadian/US foreign exchange rate also impacts OPG's financial results from certain of its subsidiaries, whose operations are based exclusively in the United States.

Commodity Prices

OPG is exposed to fluctuations in commodity prices. Changes in the market prices of nuclear fuels, oil, gas and biomass used to produce electricity can adversely impact OPG's earnings and cash flow from operations. To manage the risk of unpredictable increases in the price of fuels, the Company has fuel hedging programs, which include using fixed price and indexed contracts.

A number of OPG's hydroelectric facilities in the US sell energy and capacity into the wholesale electricity market and therefore are subject to volatility of wholesale electricity market pricing. While revenue from these facilities represents a small portion of OPG's overall revenue, the Company may enter into derivative instruments from time to time to further mitigate this risk.

Credit

The Company's credit risk exposure is primarily a function of its electricity and other sales. The majority of OPG's revenue is derived from electricity sales through the IESO administered market. Market participants in the IESO market provide collateral in accordance with the IESO prudential support requirements to cover funds that they might owe to the market. Although the credit exposure to the IESO represents a significant portion of OPG's accounts receivable, the risk is considered acceptable due to the IESO's primary role in the Ontario electricity market. The remaining receivables exposure is to a diverse group of generally high quality counterparties. OPG's allowance for doubtful accounts as at September 30, 2020 was $1 million (December 31, 2019 – $1 million).

The fair value of the derivative instruments totalled a net liability of $7 million as at September 30, 2020 (December 31, 2019 − net liability of $11 million).

13. FAIR VALUE MEASUREMENTS

OPG is required to classify fair value measurements using a fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels, based on the inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: Valuation of inputs is based on unadjusted quoted market prices observed in active markets for identical assets or liabilities.
- Level 2: Valuation is based on inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Valuation is based on inputs for the asset or liability that are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted market prices as at the interim consolidated balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by OPG is the current bid price. These instruments are included in Level 1 and are comprised primarily of equity investments and fund investments.

For financial instruments for which quoted market prices are not directly available, fair values are estimated using forward price curves developed from observable market prices or rates. The estimation of fair value may include the use of valuation techniques or models, based wherever possible on assumptions supported by observable market prices or rates prevailing as at the interim consolidated balance sheet dates. This is the case for over-the-counter derivatives and securities, which include energy commodity derivatives, foreign exchange derivatives, interest rate swap derivatives and fund investments. Various other fund investments are valued at the unit values supplied by the fund administrators. The unit values represent the underlying net assets at fair values, determined using closing market prices. Valuation models use general assumptions and market data and, therefore, do not reflect the specific risks and other factors that would affect a particular instrument's fair value. The methodologies used for calculating the fair value adjustments are reviewed on an ongoing basis to ensure that they remain appropriate. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques are used to value these instruments. Significant Level 3 inputs include: recent comparable transactions, comparable benchmark information, bid/ask spread of similar transactions and other relevant factors.

The following is a summary of OPG's financial instruments and their fair value as at September 30, 2020 and December 31, 2019:

	Fair Value		Carrying Value [1]		
(millions of dollars)	**2020**	**2019**	**2020**	**2019**	**Balance Sheet Line Item**
Nuclear Segregated Funds (includes current portion) [2]	**18,896**	18,292	**18,896**	18,292	Nuclear fixed asset removal and nuclear waste management funds
Loan receivable - from Fair Hydro Trust	**1,029**	945	**917**	917	Loan receivable
Investment in Hydro One Limited shares	**170**	169	**170**	169	Equity securities
Payable related to cash flow hedges	**(18)**	(24)	**(18)**	(24)	Long-term accounts payable and accrued charges
Long-term debt (includes current portion)	**(10,854)**	(9,163)	**(9,198)**	(8,226)	Long-term debt
Other financial instruments	**30**	22	**30**	22	Various

[1] The carrying values of other financial instruments included in cash and cash equivalents, receivables from related parties, other current assets, short-term debt, and accounts payable, accrued charges and other payables approximate their fair values due to the immediate or short-term maturity of these financial instruments.

[2] The Nuclear Segregated Funds are comprised of the Decommissioning Segregated Fund and the Used Fuel Segregated Fund. OPG's fair value of the Nuclear Segregated Funds is set not to exceed an amount equal to the funding liability pursuant to the Ontario Nuclear Funds Agreement when the Nuclear Segregated Funds are in a surplus position.

The fair value of OPG's long-term debt issued under the Medium Term Note Program is based on indicative pricing from the market. The fair value of these debt instruments is based on Level 2 inputs. The fair value of all other long-term debt instruments is determined based on a conventional pricing model, which is a function of future cash flows, the current market yield curve and term to maturity. These inputs are considered Level 2 inputs.

The following tables present financial assets and financial liabilities measured at fair value in accordance with the fair value hierarchy:

As at *(millions of dollars)*	September 30, 2020 Level 1	 Level 2	 Level 3	 Total
Assets				
Used Fuel Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	**5,976**	**5,550**	**-**	**11,526**
Investments measured at NAV [1]				**2,227**
				13,753
Due to Province				**(3,011)**
Used Fuel Segregated Fund, net				**10,742**
Decommissioning Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	**4,615**	**4,126**	**-**	**8,741**
Investments measured at NAV [1]				**1,786**
				10,527
Due to Province				**(2,373)**
Decommissioning Segregated Fund, net				**8,154**
Investment in equity securities	**170**	**-**	**-**	**170**
Other financial assets	**-**	**3**	**39**	**42**
Liabilities				
Other financial liabilities	**(12)**	**-**	**-**	**(12)**

As at *(millions of dollars)*	December 31, 2019 Level 1	 Level 2	 Level 3	 Total
Assets				
Used Fuel Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	6,021	5,333	-	11,354
Investments measured at NAV [1]				2,136
				13,490
Due to Province				(3,067)
Used Fuel Segregated Fund, net				10,423
Decommissioning Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	4,575	3,959	-	8,534
Investments measured at NAV [1]				1,719
				10,253
Due to Province				(2,384)
Decommissioning Segregated Fund, net				7,869
Investment in equity securities	169	-	-	169
Other financial assets	6	5	35	46
Liabilities				
Other financial liabilities	(22)	(2)	-	(24)

[1] Represents investments measured at fair value using NAV as a practical expedient, which have not been classified in the fair value hierarchy. The fair value amounts for these investments presented in this table are intended to permit the reconciliation of the fair value hierarchy to amounts presented on the interim consolidated balance sheets.

During the period ended September 30, 2020, there were no transfers between Level 1 and Level 2 and into or out of Level 3.

The following table presents the changes in OPG's net assets measured at fair value that are classified as Level 3:

(millions of dollars)	**Nine months ended September 30, 2020**
Opening balance, January 1, 2020	**35**
Realized losses included in revenue	**(3)**
Purchases	**7**
Closing balance, September 30, 2020	**39**

Investments Measured at Net Asset Value

Nuclear Segregated Funds

Nuclear Segregated Funds' investments classified as Level 3 consist of real estate, infrastructure, and agriculture investments within the alternative investment portfolio. The fair value of these investments is determined using financial information as provided by the general partners of the limited partnership funds in which the Nuclear Segregated Funds are invested. Direct investments are valued using appropriate valuation techniques, such as recent arm's-length market transactions, references to current fair values of other instruments that are substantially the same, discounted cash flow analyses, third-party independent appraisals, valuation multiples, or other valuation methods. Any control, size, liquidity or other discount premiums on the investments are considered in the determination of fair value.

The process of valuing investments for which no published market price exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for these investments. The values may also differ from the prices at which the investments may be sold.

The following are the classes of investments within the Nuclear Segregated Funds that are reported on the basis of NAV as at September 30, 2020:

(millions of dollars except where noted)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice**
Real Assets				
Infrastructure	**2,353**	**729**	**n/a**	**n/a**
Real Estate	**1,496**	**693**	**n/a**	**n/a**
Agriculture	**165**	**18**	**n/a**	**n/a**
Pooled Funds				
Short-term Investments	**23**	**n/a**	**Daily**	**1-5 days**
Fixed Income	**2,216**	**n/a**	**Daily**	**1-5 days**
Equity	**955**	**n/a**	**Daily**	**1-5 days**
Total	**7,208**	**1,440**		

The fair value of the pooled funds is classified as Level 2. Infrastructure, real estate and agriculture investments are measured using NAV as a practical expedient for determining their fair value.

Infrastructure

This class includes investments in funds whose investment objective is to generate a combination of long-term capital appreciation and current income, generally through investments such as energy, transportation and utilities. The fair values of investments in this class have been estimated using NAV of the Nuclear Segregated Funds' ownership interest in these investments. The ownership interest in the respective funds are not redeemable. However, the Nuclear Segregated Funds may transfer any of their ownership interests to another party, as stipulated in the partnership agreements and/or shareholders' agreements. Cash distributions are received based on the operations of the underlying investments and/or as the underlying investments are liquidated. It is not possible to estimate when the underlying assets of the infrastructure funds in this class will be liquidated.

Real Estate

This class includes investments in institutional-grade real estate property. The investment objective is to provide a stable level of income with an opportunity for long-term capital appreciation. The fair values of the investments in this class have been estimated using NAV of the Nuclear Segregated Funds' ownership interest in these investments. The investments in the respective funds are not redeemable. However, the Nuclear Segregated Funds may transfer any of their ownership interests to another party, as stipulated in the partnership agreements and/or shareholders' agreements. For investments in private real estate corporations, shares may be redeemed through a pre-established redemption process. Cash distributions are received based on the operations of the underlying investments and/or as the underlying investments are liquidated. It is not possible to estimate when the underlying assets in this class will be liquidated.

Agriculture

This class includes a diversified portfolio of global farmland investments. The investment objective is to provide a differentiated return source, income yield and inflation protection. The fair values of the investments in this class have been estimated using NAV of the Nuclear Segregated Funds' ownership interest in these investments. The investments in the respective funds are not redeemable. However, the Nuclear Segregated Funds may transfer any of their ownership interests to another party, as stipulated in the partnership agreements and/or shareholders' agreements. Cash distributions are received based on the operations of the underlying investments and/or as the underlying investments are liquidated. It is not possible to estimate when the underlying assets in this class will be liquidated.

Pooled Funds

This class represents investments in pooled funds, which primarily include a diversified portfolio of fixed income securities, issued mainly by Canadian corporations, and diversified portfolios of Emerging Market listed equity. The investment objective of the pooled funds is to achieve capital appreciation and income through professionally managed portfolios. The fair value of the investments in this class has been estimated using NAV per share of the investments. There are no significant restrictions on the ability to sell the investments in this class.

14. SHARE CAPITAL

Common Shares

As at September 30, 2020 and December 31, 2019, OPG had 256,300,010 common shares issued and outstanding at a stated value of $5,126 million. OPG is authorized to issue an unlimited number of common shares without nominal or par value. Any issue of new shares is subject to the consent of OPG's shareholder, the Province.

Class A Shares

The Company's Articles of Amalgamation were amended effective December 1, 2017 to allow for the creation and issuance of non-voting Class A shares to the Province in exchange for equity injections in OPG. All of the outstanding shares are owned directly by the Province and OPG is authorized to issue an unlimited number of Class A shares without nominal or par value. The Class A and common shares rank equally as to entitlement to dividends, and all dividends declared by OPG must be declared in equal amounts per share on all outstanding shares without preference or distinction. Upon the liquidation, dissolution or wind-up of OPG, whether voluntary or involuntary, the holders of Class A shares and common shares are entitled to share equally, on a share for share basis, in all distributions of property and assets without preference or distinction. Any issue of new class of shares is subject to the consent of the Province. OPG is entitled to redeem outstanding Class A shares as may be approved by OPG's Board of Directors.

As at September 30, 2020 and December 31, 2019, OPG had 18,343,815 Class A shares issued and outstanding at a stated value of $787 million.

15. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing net income attributable to the Shareholder by the weighted average number of shares outstanding.

Class A shares are included in the weighted average number of shares outstanding. The weighted average number of shares outstanding as at September 30, 2020 was 274.6 million (December 31, 2019 – 274.6 million). There were no dilutive securities during the three and nine months ended September 30, 2020 and for the year ended December 31, 2019.

16. COMMITMENTS AND CONTINGENCIES

Litigation

On August 9, 2006, a Notice of Action and Statement of Claim filed with the Ontario Superior Court of Justice in the amount of $500 million was served against OPG and Bruce Power by British Energy Limited and British Energy International Holdings Limited (together, British Energy). The action is for contribution and indemnity of any amounts British Energy was liable for in an arbitration against it by some of the owners of Bruce Power regarding an alleged breach of British Energy's representations and warranties to the claimants when they purchased British Energy's interest in Bruce Power (the Arbitration). Both the action and the Arbitration relate to corrosion to a steam generator unit discovered after OPG leased the Bruce nuclear generating stations to Bruce Power.

In 2012, the arbitrator found that British Energy was liable to the claimants for some of the damages they claimed. The final settlement amount was valued by British Energy at $71 million. In September 2014, British Energy amended its Statement of Claim (Amended Claim) to reduce the claim amount to $100 million to reflect that the purchasers of British Energy's interest in Bruce Power did not receive the full damages they originally claimed in the Arbitration. British Energy also added an allegation to its Amended Claim that OPG breached a covenant to maintain the steam generator between the time of the initial agreement to lease and the effective date of the lease in accordance with "Good Utility Practices".

In November 2016, British Energy obtained consent from the Ontario Superior Court of Justice to a timetable for the remaining steps in the litigation, pursuant to which the matter was to be set down for trial by December 31, 2018. OPG delivered a statement of defence in accordance with an extension of the original June 30, 2017 delivery deadline set up in the timetable. British Energy served a reply and served its Affidavit of Documents in November 2018. The parties exchanged documentary productions in September 2019. A pre-trial is scheduled for May 31, 2021, and a trial is scheduled to commence on November 8, 2021.

Various other legal proceedings are pending against OPG or its subsidiaries covering a wide range of matters that arise in the ordinary course of business activities.

Each of these matters are subject to various uncertainties. Some of these matters may be resolved unfavourably. While it is not possible to determine the ultimate outcome of the various pending actions, it is the Company's belief that their resolution is not likely to have a material adverse impact on its consolidated financial position.

Guarantees

As at September 30, 2020, the total amount of guarantees provided by OPG was $4 million (December 31, 2019 − $80 million). The December 31, 2019 amount mainly comprised guarantees related to the then-jointly owned Portlands Energy Centre. Following OPG's acquisition of the remaining 50 percent interest in the Portlands Energy Centre on April 29, 2020 (refer to Note 3), it is no longer jointly owned and is consolidated within OPG's consolidated financial statements. As at September 30, 2020, the potential impact of the fair value of the outstanding guarantees to income is less than $1 million and OPG does not expect to make any payments associated with these guarantees.

Contractual Obligations

OPG's contractual obligations as at September 30, 2020 are as follows:

(millions of dollars)	**2020**[1]	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Fuel supply agreements	23	155	128	106	46	52	510
Contributions to the OPG registered pension plan [2]	42	190	193	-	-	-	425
Long-term debt repayment	57	440	217	75	618	7,811	9,218
Interest on long-term debt	90	349	334	326	317	4,831	6,247
Short-term debt repayment	1,053	-	-	-	-	-	1,053
Commitments related to Darlington Refurbishment project [3]	229	-	-	-	-	-	229
Operating licences	14	45	46	47	48	99	299
Operating lease obligations	3	12	11	7	6	20	59
Accounts payable and accrued charges	1,232	13	-	-	-	-	1,245
Other	55	35	16	12	14	142	274
Total	2,798	1,239	945	573	1,049	12,955	19,559

[1] Represents amounts for the remainder of the year.

[2] The pension contributions include ongoing funding requirements in accordance with the actuarial valuation of the OPG registered pension plan as at January 1, 2020. The next actuarial valuation of the OPG registered pension plan must have an effective date no later than January 1, 2023. The pension contributions are affected by various factors including market performance, changes in actuarial assumptions, plan experience, changes in the pension regulatory environment and the timing of funding valuations. Funding requirements after 2022 are excluded due to significant variability in the assumptions required to project the timing of future cash flows. The amount of OPG's additional, voluntary contribution, if any, is revisited from time to time.

[3] Represents estimated currently committed costs to close the project, including accruals for completed work, demobilization of project staff and cancellation of existing contracts and material orders.

Contractual and commercial commitments as noted exclude certain purchase orders, as they represent purchase authorizations rather than legally binding contracts, and are subject to change without significant penalties.

17. BUSINESS SEGMENTS

In the second quarter of 2020, OPG established a new reportable business segment, Contracted Gas Generation, to describe the operating results related to its fleet of combined-cycle natural gas-fired generating stations in Ontario. The fleet comprises the Napanee GS, the Halton Hills GS, the Portlands Energy Centre and the Brighton Beach GS. The Napanee GS, the Halton Hills GS and the remaining 50 percent interest in the Portlands Energy Centre were acquired on April 29, 2020, and the remaining 50 percent interest in the Brighton Beach GS was acquired in August 2019. These facilities operate under Energy Supply Agreements (ESAs) with the IESO or other long-term contractual arrangements.

The 2019 comparative amounts related to OPG's interests in the Portlands Energy Centre and the Brighton Beach GS, previously reported in the Contracted and Other Generation business segment, have been reclassified to conform to the new segment presentation.

The Contracted and Other Generation business segment has been renamed Contracted Hydroelectric and Other Generation. The segment operates in Ontario and the US, generating electricity from the Company's non-regulated generating stations. The segment primarily includes generating facilities that are under ESAs with the IESO or other long-term contracts. A number of facilities in the US supply energy and capacity into wholesale electricity markets.

Since the second quarter of 2020, OPG's reportable business segments are as follows:

- Regulated – Nuclear Generation;
- Regulated – Nuclear Waste Management;
- Regulated – Hydroelectric Generation;
- Contracted Hydroelectric and Other Generation; and
- Contracted Gas Generation.

Segment Income (Loss) **For the Three Months Ended** **September 30, 2020** *(millions of dollars)*	**Regulated**			**Unregulated**				
	Nuclear Generation	**Nuclear Waste Management**	**Hydroelectric Generation**	**Contracted Hydroelectric and Other Generation**	**Contracted Gas Generation**	**Other**	**Elimination**	**Total**
Revenue	**1,204**	**-**	**358**	**158**	**153**	**2**	**-**	**1,875**
Leasing revenue	**6**	**-**	**-**	**-**	**-**	**4**	**-**	**10**
Other revenue	**-**	**33**	**-**	**-**	**-**	**19**	**(48)**	**4**
Total revenue	**1,210**	**33**	**358**	**158**	**153**	**25**	**(48)**	**1,889**
Fuel expense	**78**	**-**	**90**	**14**	**43**	**-**	**-**	**225**
Gross margin	**1,132**	**33**	**268**	**144**	**110**	**25**	**(48)**	**1,664**
Operations, maintenance and administration expenses	**562**	**33**	**86**	**57**	**9**	**17**	**(48)**	**716**
Depreciation and amortization expenses	**207**	**-**	**53**	**36**	**28**	**13**	**-**	**337**
Accretion on fixed asset removal and nuclear waste management liabilities	**-**	**259**	**-**	**2**	**1**	**1**	**-**	**263**
Earnings on nuclear fixed asset removal and nuclear waste management funds	**-**	**(234)**	**-**	**-**	**-**	**-**	**-**	**(234)**
Property taxes	**7**	**-**	**-**	**4**	**1**	**-**	**-**	**12**
Other gains	**-**	**-**	**-**	**-**	**-**	**(7)**	**-**	**(7)**
Income (loss) before interest and income taxes	**356**	**(25)**	**129**	**45**	**71**	**1**	**-**	**577**
Net interest expense								**61**
Income before income taxes								**516**
Income tax expense								**126**
Net income								**390**

Segment Income (Loss) For the Three Months Ended September 30, 2019 *(millions of dollars)*	Regulated Nuclear Generation	Regulated Nuclear Waste Management	Regulated Hydroelectric Generation	Unregulated Contracted Hydroelectric and Other Generation	Unregulated Contracted Gas Generation	Other	Elimination	Total
Revenue	1,005	-	340	141	5	-	-	1,491
Leasing revenue	6	-	-	-	-	5	-	11
Other revenue	-	37	-	-	-	19	(50)	6
Total revenue	1,011	37	340	141	5	24	(50)	1,508
Fuel expense	75	-	84	13	-	-	-	172
Gross margin	936	37	256	128	5	24	(50)	1,336
Operations, maintenance and administration expenses	515	37	82	50	1	26	(50)	661
Depreciation and amortization expenses	169	-	55	31	1	12	-	268
Accretion on fixed asset removal and nuclear waste management liabilities	-	251	-	1	-	2	-	254
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(225)	-	-	-	-	-	(225)
Income from investments subject to significant influence	-	-	-	-	(10)	-	-	(10)
Property taxes	6	-	1	4	-	-	-	11
Other loss (gains)	-	-	1	(1)	-	(13)	-	(13)
Income (loss) before interest and income taxes	246	(26)	117	43	13	(3)	-	390
Net interest expense								5
Income before income taxes								385
Income tax expense								62
Net income								323

Segment Income (Loss) For the Nine Months Ended September 30, 2020 *(millions of dollars)*	Regulated			Unregulated				
	Nuclear Generation	Nuclear Waste Management	Hydroelectric Generation	Contracted Hydroelectric and Other Generation	Contracted Gas Generation	Other	Elimination	Total
Revenue	3,473	-	1,166	496	270	4	-	5,409
Leasing revenue	19	-	-	-	-	12	-	31
Other revenue	-	102	-	-	-	60	(144)	18
Total revenue	3,492	102	1,166	496	270	76	(144)	5,458
Fuel expense	230	-	251	34	62	-	-	577
Gross margin	3,262	102	915	462	208	76	(144)	4,881
Operations, maintenance and administration expenses	1,697	102	232	167	25	29	(144)	2,108
Depreciation and amortization expenses	616	-	160	120	53	36	-	985
Accretion on fixed asset removal and nuclear waste management liabilities	-	781	-	5	1	4	-	791
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(693)	-	-	-	-	-	(693)
Income from investments subject to significant influence	-	-	-	(1)	(10)	-	-	(11)
Property taxes	20	-	1	13	2	1	-	37
Other gains	-	-	-	(3)	-	(13)	-	(16)
Income (loss) before interest and income taxes	929	(88)	522	161	137	19	-	1,680
Net interest expense								190
Income before income taxes								1,490
Income tax expense								325
Net income								1,165

Segment Income (Loss) For the Nine Months Ended September 30, 2019 *(millions of dollars)*	**Regulated**			**Unregulated**				
	Nuclear Generation	**Nuclear Waste Management**	**Hydroelectric Generation**	**Contracted Hydroelectric and Other Generation**	**Contracted Gas Generation**	**Other**	**Elimination**	**Total**
Revenue from contracts with customers	2,860	-	1,132	451	5	5	-	4,453
Leasing revenue	19	-	-	-	-	12	-	31
Other revenue	-	100	-	-	-	58	(142)	16
Total revenue	2,879	100	1,132	451	5	75	(142)	4,500
Fuel expense	218	-	242	35	-	-	-	495
Gross margin	2,661	100	890	416	5	75	(142)	4,005
Operations, maintenance and administration expenses	1,679	100	244	149	1	60	(142)	2,091
Depreciation and amortization expenses	504	-	167	91	1	35	-	798
Accretion on fixed asset removal and nuclear waste management liabilities	-	755	-	5	-	4	-	764
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(668)	-	-	-	-	-	(668)
Income from investments subject to significant influence	-	-	-	(2)	(31)	-	-	(33)
Property taxes	19	-	1	10	-	2	-	32
Other losses (gains)	-	-	2	(2)	-	(45)	-	(45)
Income (loss) before interest and taxes	459	(87)	476	165	34	19	-	1,066
Net interest expense								35
Income before income taxes								1,031
Income tax expense								135
Net income								896

18. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	Nine Months Ended September 30	
(millions of dollars)	**2020**	**2019**
Receivables from related parties	**14**	(2)
Fuel inventory	**2**	10
Materials and supplies	**15**	24
Prepaid expenses	**(13)**	1
Other current assets	**3**	73
Accounts payable, accrued charges and other payables	**320**	(88)
Net changes in non-cash working capital balances	**341**	18

19. COVID-19

The outbreak of the disease caused by a novel strain of coronavirus, identified as "COVID-19," since the beginning of the 2020 year has resulted in governments worldwide enacting a range of emergency measures to combat the spread of the virus. These measures, which have included the implementation of lockdowns, travel bans, self-imposed quarantine periods and physical distancing requirements, have caused material disruption to many businesses globally, resulting in an economic slowdown and financial market volatility. Governments and central banks in Canada and the United States have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions and promote economic recovery. The duration and ultimate impact of the COVID-19 pandemic is unknown at this time, as is the ultimate efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and extent of these developments and the impact, if any, on the financial results and condition of the Company and its operating subsidiaries in future periods.